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TABLE OF CONTENTS

Boxes

Tables

Figures

This book has...

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Conventional signs

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

Summary of projections

	2007	2008	2009	2007	2008				2009				Fourth quarter		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2007	2008	2009
								Per cent							
Real GDP growth															
United States	2.2	2.0	2.2	1.3	1.1	1.5	1.8	1.9	2.2	2.5	2.7	2.8	2.6	1.6	2.5
Japan	1.9	1.6	1.8	1.7	1.5	1.6	1.7	1.8	1.8	1.9	1.9	1.9	1.3	1.7	1.9
Euro area	2.6	1.9	2.0	1.7	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.2	1.9	2.0
Total OECD	2.7	2.3	2.4	2.0	1.9	2.0	2.2	2.3	2.5	2.6	2.7	2.7	2.6	2.1	2.6
Inflation															
United States	2.6	2.1	2.0	2.4	2.5	2.0	1.9	1.9	2.1	1.9	1.9	2.0	2.5	2.1	2.0
Japan	-0.5	-0.3	0.3	-1.0	-0.2	0.1	0.1	0.3	0.3	0.4	0.5	0.5	-0.8	0.1	0.4
Euro area	2.2	2.2	2.3	2.3	2.3	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.4	2.2	2.3
Total OECD	2.3	2.1	2.1	2.3	2.3	2.1	2.1	2.0	2.1	2.0	2.0	2.1	2.4	2.1	2.1
Unemployment rate[1]															
United States	4.6	5.0	5.0	4.8	4.8	4.9	5.0	5.1	5.1	5.0	5.0	4.9	4.8	5.1	4.9
Japan	3.8	3.7	3.6	3.8	3.8	3.8	3.7	3.7	3.7	3.6	3.5	3.5	3.8	3.7	3.5
Euro area	6.8	6.4	6.4	6.5	6.5	6.5	6.4	6.4	6.4	6.4	6.4	6.4	6.5	6.4	6.4
Total OECD	5.4	5.4	5.3	5.4	5.4	5.4	5.3	5.3	5.3	5.3	5.3	5.2	5.4	5.3	5.2
World trade growth	7.0	8.1	8.1	8.2	8.0	8.0	8.0	8.0	8.1	8.2	8.2	8.2	7.7	8.0	8.2
Current account balance[2]															
United States	-5.6	-5.4	-5.3												
Japan	4.7	4.8	5.2												
Euro area	0.2	-0.1	-0.2												
Total OECD	-1.4	-1.4	-1.4												
Cyclically-adjusted fiscal balance[3]															
United States	-3.0	-3.4	-3.4												
Japan	-3.4	-3.9	-3.6												
Euro area	-0.6	-0.6	-0.4												
Total OECD	-2.0	-2.2	-2.1												
Short-term interest rate															
United States	5.3	4.6	4.7	5.0	4.8	4.6	4.6	4.6	4.6	4.6	4.7	4.8			
Japan	0.7	0.6	0.9	0.8	0.7	0.6	0.6	0.6	0.7	0.8	0.9	1.2			
Euro area	4.3	4.2	4.1	4.7	4.4	4.2	4.1	4.1	4.1	4.1	4.1	4.1			

Note Real GDP growth, inflation (measured by the increase in the GDP deflator) and world trade growth (the arithmetic average of world merchandise import and export volumes) are seasonally and working-day-adjusted annual rates. The "fourth quarter" columns are expressed in year-on-year growth rates where appropriate and in levels otherwise. 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 12 November 2007; in particular 1$ = 109.38 yen and 0.69 euros;

The cut-off date for other information used in the compilation of the projections is 20 November 2007.

1. Per cent of the labour force.
2. Per cent of GDP.
3. Per cent of potential GDP.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/157362165788

EDITORIAL
DEALING WITH RISKS

Several shocks have hit OECD economies recently: financial turmoil, cooling housing markets, and higher prices of energy and other commodities. Fortunately, they have occurred at a time when growth was being supported by high employment that boosts income and consumption; by high profits and strong balance sheets that underpin investment and resilience in the face of financial losses and tighter credit; and by still buoyant world trade driven by robust growth in emerging economies. Hence, although near-term growth has been revised down virtually everywhere in the OECD area, the baseline scenario depicted in this *Economic Outlook* is actually not that bad in view of the recent shocks. It represents the outcome that carries the highest probability in the current more uncertain situation and involves:

- Accelerated adjustment in the US housing sector that will drag down growth to low levels in the near term but will not trigger a recession and will only modestly push up unemployment. Over the next two years, inflation will revert to a more comfortable level and the recent fall in the external deficit will be preserved – in both cases despite high oil and commodity prices.
- A partial decoupling of euro area activity from that of the United States, with a limited near-term slowdown in the underlying rate of expansion occurring at a time when capacity constraints were beginning to bite. Once immediate headwinds have faded, growth might return to potential, while headline inflation should ease to desired levels.
- A continued albeit weakened expansion in Japan that remains driven by the external sector but which will eventually lift the economy out of deflation, thereby heralding a more balanced growth pattern.

The trouble is that the probability distribution around this outcome has a fat tail on the downside. The main negative risks include a more pronounced or generalised cooling of housing markets than projected; additional turbulence in financial markets; and further upward pressures on already high commodity prices.

Against this backdrop, economic policy should prepare for the contingencies that could arise. There are several policy areas where appropriate policy settings can help to deal with any such risks.

Well-anchored inflation expectations have allowed a number of central banks to respond flexibly to the financial turmoil, through provision of liquidity to interbank markets as well as through lower interest rates than markets had previously expected. Expectations of low inflation also help the adjustment to higher oil and commodity prices and allows for a monetary policy response to cooling housing markets where necessary. Overall, the confidence that inflation will remain low, built up through a long and sometimes painful process of disinflation, constitutes a major policy asset.

However, the continued anchoring of inflation expectations cannot be taken for granted. Indeed, margins of slack throughout much of the OECD have shrunk and are now small or non-existent – even if their exact size is admittedly uncertain. Moreover, OECD economies are being hit by cost shocks: raw material prices have soared and, partly in connection therewith, the disinflationary effects of manufactured imports from China are fading. If signs were to emerge that inflation expectations are drifting up, it might be necessary to pay a price in terms of lower activity in the short term to preserve this vital policy asset.

Turning to the fiscal side, public finance outcomes have tended to be better than budgeted in the recent past, mostly on account of buoyant receipts. Part of this revenue bonanza is likely to be temporary, reflecting *inter alia* high profits in business activities related to finance and housing (see the chapter on corporate saving and investment). In addition, the current revenue buoyancy may be more cyclical in nature than realised: experience shows that trend growth is typically overestimated at cyclical peaks and therefore the cyclical component of tax revenues is typically under-estimated.

The impetus for fiscal consolidation seems to have already diminished as a result of these windfalls. The OECD projections, which are based on currently legislated or clearly announced policies, show no further progress in reducing the underlying OECD-wide fiscal deficit. This is regrettable, not least in view of expected future spending pressures. Going further, there is a risk that decisions could be taken in countries that cannot afford so to permanently raise spending or reduce taxes on the basis of temporarily high receipts. This would imply a weakening of the underlying budget position. Were the downside risks to growth subsequently to materialise, such weaknesses would likely surface and could impede the full working of the fiscal automatic stabilisers at a time when they were needed. Therefore, fiscal policy needs to stay on the straight and narrow despite buoyant revenues.

The financial model based on origination, securitisation and distribution has allowed credit to flow to agents who might not otherwise have found it and risk to be allocated to those willing to hold it. However, the model also has some deficiencies that have come into the open with the collapse of the sub-prime market in the United States. One such deficiency is the lack of information as to where in the system various risks are concentrated. Moreover, the re-pricing of assets and recognition of losses now that the assessment of risk has changed is proving slow. The combination of uncertainty as to who holds risk and slow recognition of losses has caused liquidity to dry up in some markets.

As long as the process of re-pricing and loss discovery continues, financial markets are likely to remain a source of uncertainty and of vulnerability to shocks. Hence, action to speed up the necessary re-pricing and recognition of losses would be useful. At the same time, regulators and supervisors will need to balance the desire for a rapid restoration of confidence in balance sheets of financial institutions against the risk of triggering a severe retrenchment in credit supply. In due course, the lessons will have to be drawn as to whether and how the regulatory framework around the model needs to change to prevent its malfunctioning in the future.

Countries have been, and will be, hit differently by financial turmoil and housing-related weakness. In such circumstances, the natural response of market economies includes a re-pricing of currencies. As long as such movements do not become a source of instability, they tend to facilitate the necessary adjustment process by redirecting demand to where it has fallen. Recent dollar depreciation is a case in point. The projections rest on the assumption of unchanged exchange rates but were downside risks to manifest themselves to different degrees across countries, this could well be accompanied by exchange rate adjustment. This could lead to concern for activity in countries facing appreciation and for inflation in countries witnessing depreciation. However, such pressures should not be an excuse for interventionist policies since they can usually be compensated to a large extent through monetary policy. In the current circumstances, a striking feature as regards exchange rates is the so far limited appreciation of the renminbi. Given symptoms of overheating and high domestic inflation, faster appreciation would seem to be in China's own interest. It would also allow less emphasis to be put on direct intervention and regulatory instruments to contain inflation, with beneficial effects for the economy going forward. At the same time, it would help shift demand towards other countries where downside risks are currently larger.

Timely and orderly exchange rate adjustments may also help alleviate protectionist pressures in OECD countries. These are a risk not just for trade but also for investment. Given the size of projected current account imbalances, a number of countries – not least oil producers – will be recycling large export earnings and will aim to boost the return on recycled funds by investing through Sovereign Wealth Funds or similar vehicles. Protectionist noises, whether in the trade or investment area, are not helpful for business confidence, especially at a time of significant downward risk. The best response would be progress in a multilateral setting – as regards trade in the Doha Round and as regards investment in a number of fora, including the OECD.

27 November 2007

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Chapter 1

GENERAL ASSESSMENT OF THE MACROECONOMIC SITUATION

Overview

Financial turmoil, housing weakness and oil prices are forefront…

2007 is set to become the fourth year of above-trend growth in the OECD area (Table 1.1), but activity is now moderating. One cause of this moderation is the cooling of housing markets, which will act to slow down growth going forward and involves some downside risk. Adding to downside risk, the financial turmoil that began over the summer has not yet played itself out, with the eventual fallout on the real economy still hard to gauge. At the same time increases in the prices of oil, food and other commodities have led to a pick-up in headline inflation rates in many countries.

Table 1.1. **The expansion should ease somewhat**

OECD area, unless noted otherwise

	Average 1995-2004	2005	2006	2007	2008	2009	2007 q4	2008 q4	2009 q4
	Per cent								
Real GDP growth[1]	2.7	2.6	3.1	2.7	2.3	2.4	2.6	2.1	2.6
United States	3.1	3.1	2.9	2.2	2.0	2.2	2.6	1.6	2.5
Euro area	2.2	1.6	2.9	2.6	1.9	2.0	2.2	1.9	2.0
Japan	1.1	1.9	2.2	1.9	1.6	1.8	1.3	1.7	1.9
Output gap[2]	-0.4	-0.5	0.0	0.2	-0.1	-0.1			
Unemployment rate[3]	6.6	6.4	5.9	5.4	5.4	5.3	5.4	5.3	5.2
Inflation[4]	3.2	2.3	2.3	2.3	2.1	2.1	2.4	2.1	2.1
Fiscal balance[5]	-2.3	-2.9	-1.8	-1.6	-2.0	-1.9			

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 82 database.

StatLink http://dx.doi.org/10.1787/157375365623

… but the main scenario remains relatively benign

In the light of these influences, the main scenario presented here appears relatively benign. Area-wide growth is projected to be fairly slow in the near term but then gradually to pick up speed, with this profile being particularly pronounced for the United States. If such an outcome is achieved, it will be in large part due to the fact that financial turmoil struck after a prolonged global expansion when corporate balance sheets and labour markets were unusually strong, as well as due to the prompt reaction of central banks. Moreover, as argued in previous editions of the *OECD Economic Outlook*, some re-pricing of risk was overdue, and, to the extent that risk is now better reflected in the cost of capital, this may lead to a more discriminating allocation of capital and so enhance longer-term growth prospects.

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Housing slowdowns will impact severely in only a few countries

While the slowdown in housing markets, which is now evident in most OECD countries, will damp growth prospects, it is expected to act as a severe brake in only a few. In particular, downturns in housing investment already underway in the United States, Ireland and, to a lesser extent, Spain are likely to become more pronounced.[1] It is also likely that slowing or falling house prices in some countries where housing wealth effects or mortgage equity withdrawal have previously been an important factor supporting consumption, including the United States and the United Kingdom, will contribute to some further slowdown in demand.

But downside risks predominate

This scenario is representative of a most likely outcome, but the risks surrounding it have a long tail to the downside. This reflects, in particular, the possibility that there could be after-shocks to financial markets. It also reflects uncertainty about how sensitive households and businesses might be to higher cost and lower availability of credit. It is as well possible that a greater number of countries are vulnerable to a pronounced downturn in house prices or housing investment, particularly if financial turmoil were to disrupt mortgage markets more than currently seems the case, or if the experience of other countries leads to a reassessment of house prices by buyers and sellers.

Monetary policy in the three main areas should remain on hold for now

Recently, the threats posed by financial turmoil have required swift and substantial measures on the part of the monetary authorities in the United States, the euro area, the United Kingdom and Canada, aimed at ensuring that financial markets do not flounder for a lack of liquidity. In the United States, growth is likely to have slowed sharply and to stay low in the near term as the housing downturn intensifies and finally leads to some weakening of consumption. However, this would still be consistent with output falling only modestly below its estimated potential level. Headline inflation has recently picked up, mainly due to higher food and energy prices, but core inflation appears to have stabilised near 2%. In these circumstances the current slightly accommodative stance of monetary policy seems appropriate, although policy rates should revert towards neutral once growth recovers. For Japan, the overriding priority remains a durable exit from deflation. The Bank of Japan, therefore, should not raise the short-term policy interest rate further until inflation is firmly positive and the risk of renewed deflation becomes negligible. In the euro area the situation is somewhat more nuanced. Measures of underlying inflation have drifted upwards over the past couple of years, with some now exceeding 2%, and the most recent monthly figures for headline inflation have moved up sharply, with the flash estimate for November reaching 3.0%. Nevertheless, wage settlements remain largely contained despite tight labour markets. Furthermore, exchange rate appreciation and more stringent credit standards have led to an effective tightening of financial

1. Housing investment has also fallen sharply in Japan, but, as discussed further below, this is mainly a temporary response to the introduction of new regulations governing building standards.

conditions. Partly as a result, growth is likely to have slowed and to remain slightly below trend rates in the near term, which should help to ease underlying inflationary tensions. Against this background, policy rates can be kept on hold without posing a threat to price stability.

Fiscal consolidation remains a priority

As regards fiscal policy, in the majority of countries there is a need to consolidate so as to prepare for future budgetary challenges related, *inter alia*, to ageing. Among several of the major economies, the recent improvements have been due to unusual cyclical buoyancy in corporate revenues, as well as a number of temporary factors that have affected personal tax revenues. In tackling the fiscal challenges, whose magnitude will become clearer once the temporary factors have faded, most of the effort should be concentrated on spending.

Recent developments

Financial markets have been in turmoil

Financial markets are undergoing a major re-pricing of risks

Mounting problems in the US sub-prime mortgage sector have acted as a catalyst for a general re-pricing of risk across OECD financial markets (Box 1.1). Markets for securitised loans, collateralised debt obligations (CDOs) and asset backed securities, where this reassessment is difficult, froze in

Box 1.1. **A chronology of the financial market turmoil**[1]

Against the background of the continuing US housing market adjustment, concerns about the exposure of financial institutions to the sub-prime sector were fuelled during the summer when a large US brokerage firm announced problems regarding two of its funds, followed by similar statements from several Europeans banks. As delinquencies on the mortgage pools backing collateralised debt obligations (CDOs) started to exceed existing estimates, doubts about the valuation of asset backed securities (ABS) and other structured products rose.[2] Downgrades by rating agencies triggered a general loss of confidence in the accuracy of their previous ratings and led to a re-pricing of risks spreading to all structured products. Credit spreads jumped and transactions volumes and new issuances fell. The short-term asset-backed commercial paper markets, where special investment vehicles and conduits, some of them set up by banks, were financing these investments in risky assets of long duration, dried up completely. Leveraged-buyouts were also affected. On the other hand, traditional debt markets were less affected although more risk differentiation was also noticeable. Amid concerns about the impact on the economy of the turmoil, world equity markets fell sharply.

In the second week of August, money markets came under further pressure when non-bank financial entities faced with difficulties in rolling over debt in the asset-backed commercial paper markets started to turn to their contingency credit lines contracted with banks. As well, banks anticipating such calls for credit began to hoard liquidity. Amid growing uncertainty about the direct and indirect exposure of banks to the US sub-prime mortgage markets, liquidity in the interbank and money markets in the largest OECD countries began to dry up, resulting in a sharp and unusual spike in the spread between interbank and swap rates. In response, the European Central Bank (ECB) and the US Federal Reserve injected substantial amounts of liquidity, followed by the Bank of England later in September in the wake of problems experienced by a large mortgage lender that had sought emergency financial support. In addition, the US Federal Reserve lowered the cost of emergency liquidity by cutting its discount rate by 50 basis points in September, while extending the lending period from overnight to 30 days. The fed funds rate was also cut by the same amount later in September, with a further 25 basis point cut in both the fed funds and discount rates in October. Although other central banks (the ECB, Bank of Japan and Bank of England) did not immediately cut policy rates, they did refrain from raising them, contrary to pre-turmoil market expectations.

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Box 1.1. **A chronology of the financial market turmoil**[1] *(cont.)*

Recent months have been punctuated by further negative news relating to the US housing market and the announcement of record losses by some major banks in the United States as well as two US government sponsored enterprises (Fannie Mae and Freddie Mac) that either own or guarantee about half of all US mortgages. This has led to a sharp fall in the equity price of some major financial-sector companies. These developments, together with concerns that the real economy may be more affected than previously thought, have led to a more general fall in equity markets; the main stock market indices in the major OECD economies are typically around 10% lower relative to summer peaks, although so far this has generally only brought them back to levels prevailing at the beginning of 2007.

Conditions in credit markets remain tight and volatile. Money markets have not resumed normal functioning and the reassessment of structured product risk and exposure is not complete. In particular, the prices of US mortgage-backed securities, as reflected by an index of credit swap prices, have continued to fall, with the damage spreading in recent months into the tranches with the most risk protection. Banks' balance sheets seem generally robust but will likely have to reabsorb bad debts, some of which were previously held off their balance sheets. In addition, banks have to honour previously agreed upon credit lines to non-bank institutions currently facing liquidity and asset quality problems. Finally, securitisation, that has allowed credit to grow without affecting banks balance sheets, has stalled since the beginning of the crisis.

The origins of the financial turmoil were lax lending standards for US mortgages, particularly in the sub-prime market. The consequences were magnified by information failures; in particular the complexity of financial products linked to sub-prime loans made it very difficult to assess asset values and location of risk exposure. These failures exposed inherent weaknesses in the expansion of securitisation and the widespread use of the "originate and distribute model", by which banks and other credit institutions have been able to issue credit without carrying it on their balance sheets. Credit originators had little incentive to properly assess credit risks; investors in secondary markets for loans did not have enough expertise, or experience, to assess risks; and rating agencies' assessments used as a substitute for own risk analysis proved to be far too optimistic.

1. For more details see Bank of England (2007), *Financial Stability Report,* No. 22, October; IMF (2007) *Global Financial Stability Report,* September; FitchRatings (2007), *Asset backed Commercial Paper and Global Banks Exposure*; Kroszner, R. (2007), "Recent Events in Financial Markets", Speech at the Institute of International Bankers Annual Breakfast Dialogue, Washington, DC, 22 October.
2. For further details on how CDOs and structured investment vehicles (SIVs) function and are affected by developments in the US mortgage markets see Blundell-Wignall, A. (2007) "Structured Products: Implications for Financial Markets", *Financial Market Trends,* No. 93, OECD, November.

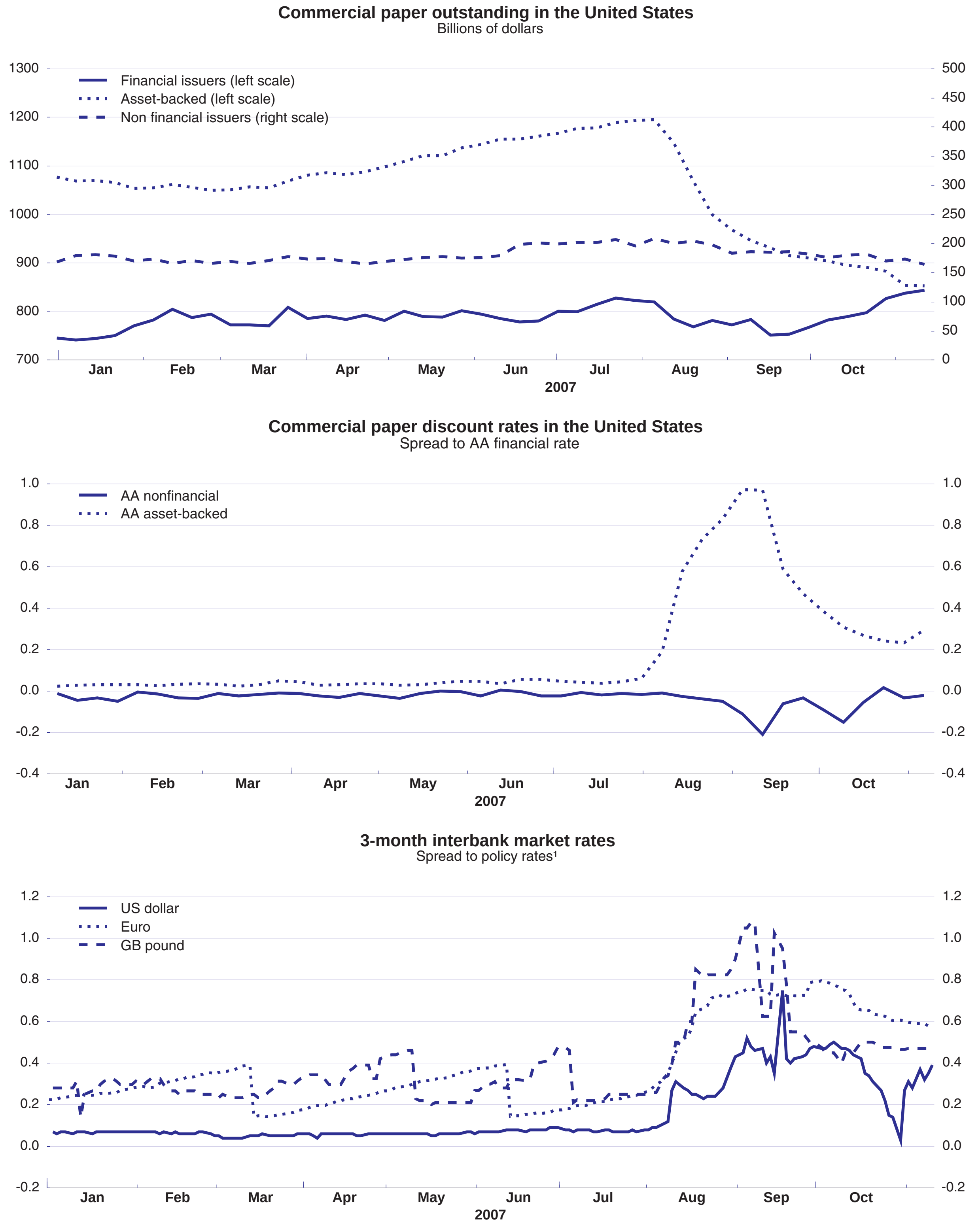
mid-summer and have still not recovered. These difficulties in pricing made counterparty risks harder to assess, resulting in a liquidity squeeze in OECD money and interbank markets in early August (Figure 1.1) that prompted important liquidity injections by major central banks. At this stage of re-pricing, spreads between corporate and government bonds have increased, but by more for risky borrowers, although they still remain below long-run historical averages. Similarly, rates on non-standard mortgages have been adjusted upward in the United States. On the other hand, the flight to quality triggered by the crisis has resulted in even cheaper funding costs for worthy borrowers. While conditions have improved, the volume of activity in money markets has not returned to normal and spreads to secured transactions remain above pre-turmoil levels.

Housing markets are cooling

Housing markets continue to adjust downward

Momentum in the majority of OECD housing markets was slowing before the recent financial turmoil, with housing investment and real house prices decelerating in most countries (Table 1.2 and Figure 1.2).

Figure 1.1. **Financial market turmoil has eased but only somewhat**



1. Spreads tend to widen before anticipated increases in policy rates.

Source: : US Federal Reserve, Datastream, OECD calculations.

StatLink http://dx.doi.org/10.1787/157612443525

Table 1.2. **Real house prices are high**

	Per cent annual rate of change			Level relative to long-term average [1]	
	2000-2006	2006 [2]	2007 [2]	Price-to-rent ratio	Price-to-income ratio
United States	6.2	4.1	-0.5	133	113
Japan	-4.3	-3.4	-1.4	69	67
Germany	-2.8	-1.2	..	71	65
France	9.5	9.0	5.5	160	143
Italy	6.1	3.8	3.5	128	118
United Kingdom	8.8	4.5	9.5	177	151
Canada	6.7	8.7	7.5	191	134
Australia	7.1	6.0	7.0	176	147
Denmark	7.9	19.5	2.4	169	152
Spain	11.2	5.6	3.2	201	158
Finland	4.7	8.6	5.3	153	109
Ireland	8.3	15.8	-5.0	135	140
Netherlands	3.5	2.7	3.4	164	170
Norway	5.5	12.1	13.7	170	136
New Zealand	9.2	6.2	11.2	168	161
Sweden	6.7	10.3	8.4	165	125
Switzerland	1.7	0.8	0.9	84	77
Euro area [3,4]	4.6	3.9	2.3	130	116
Total of above countries [4]	4.5	3.4	1.5	130	112

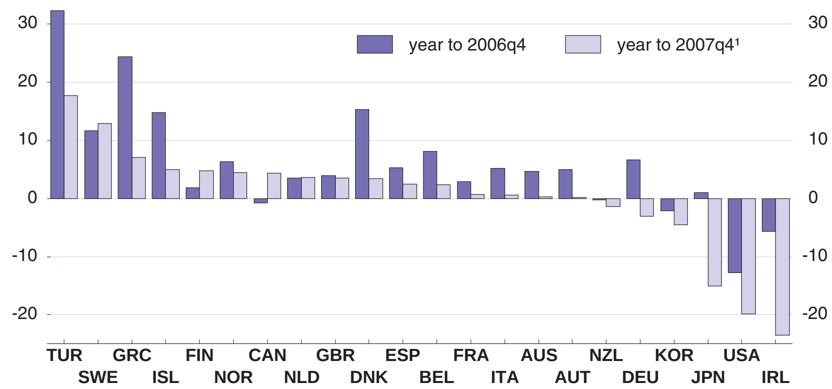
Note: House prices deflated by the Consumer Price Index.
1. Long-term average = 100, latest quarter of 2007 available.
2. Increase to fourth quarter over a year earlier for 2006 and to the latest available quarter for 2007.
3. Germany, France, Italy, Spain, Finland, Ireland and the Netherlands.
4. Using 2000 GDP weights, if the value is missing for a year, the previous year's value is used to calculate the aggregate.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/157385661061

Figure 1.2. **Real housing investment is slowing in most countries**

Per cent per annum



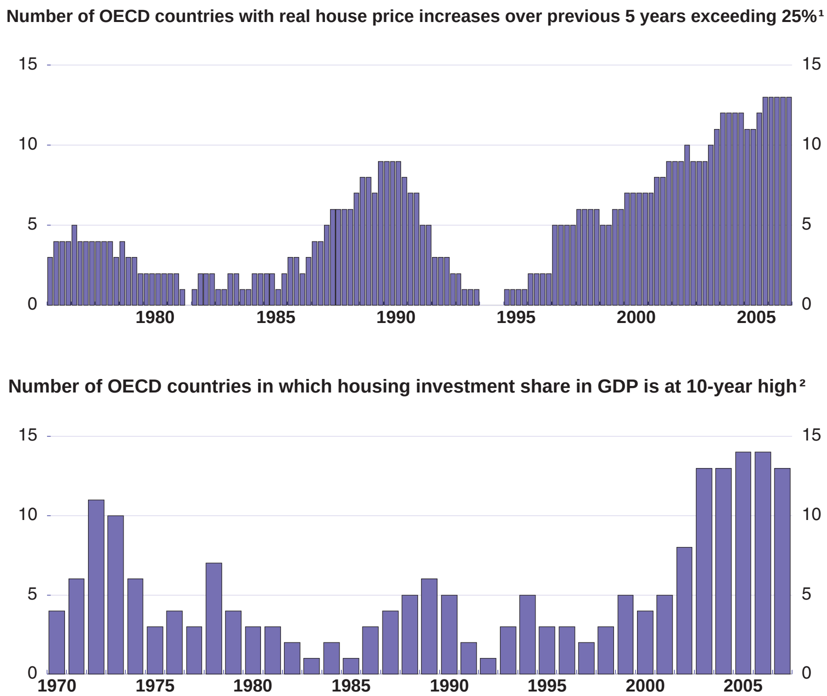
1. Projected.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/157644701450

However, housing investment and real house prices are at present only falling in a few countries, with notably large falls in housing investment for the United States and Ireland.[2] These developments appear to signal the end of a prolonged period in which buoyancy in both house prices and housing investment, with a few exceptions (notably Japan and Germany), have been unusually synchronised across most OECD countries (Figure 1.3). House prices in many countries have reached historic highs in

Figure 1.3. **The upswing in housing markets has been highly correlated across countries**



1. Out of 16 countries for which there is data over this horizon.
2. Out of 24 countries for which there is data over this horizon.

Source: OECD Economic Outlook 82 database and various national sources, see Table A.1 in Girouard, N., M. Kennedy, P. van den Noord and C. André, (2006), "Recent house price developments: the role of fundamentals", OECD Economics Department Working Papers, No. 475.

StatLink http://dx.doi.org/10.1787/157646055842

2. For some countries, timelier, but less comprehensive measures of house prices than those reported in Table 1.2 suggest that house prices may be turning down more sharply or falling in real terms. For the United States, the most widely monitored house price index is that produced by the Office of Federal Housing Enterprise Oversight (OFHEO), which is reported in Table 1.2. It currently runs to the third quarter of 2007 and shows an annual increase of 1.8%, the lowest since 1995. However, the Case-Shiller 20-city house price index, which is more representative of houses purchased under different types of mortgage (including non-conventional ones) although is less representative of houses in rural areas, shows a much more pronounced downturn in house prices, which were down by 5.5% in the year to September. For the United Kingdom the official series (released by the Office of the Deputy Prime Minister) reported in Table 1.2 gives nominal house price inflation of more than 11% in the year to the third quarter, while other monthly series point toward a more recent slowdown.

relation to income or rents (Table 1.2) and the share of housing investment in GDP is at a ten year high in about half of all OECD countries.

The sharp correction in the US housing market continues

In the United States residential construction has continued to contract, if anything at an accelerating pace through the year, remaining the single most important factor restraining economic activity. The immediate outlook for the US housing market is bleak: housing permits, starts and surveys of builders' sentiment are all at low levels and continue falling almost without interruption, while the backlog of unsold properties on the market lengthens.[3]

Housing is weakening in other areas but more slowly

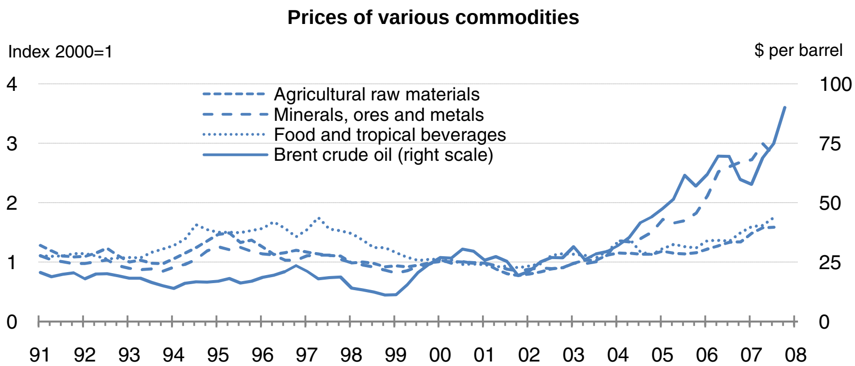
Outside the United States the downturn in housing is much less obvious, although house prices have flattened, or even fallen in Ireland. Demand for mortgage credit has decreased in the euro area as well as in the United Kingdom and advance indicators, such as housing permits,[4] also suggest future weakness in housing investment, although so far there is no clear evidence of a major downturn in Europe, except in Ireland.[5] It remains to be seen whether the adjustment will lead to major subtractions from growth for most countries, as is currently the case in the United States, but at the very least it will mean the disappearance of a factor which was previously boosting growth in many countries.

Commodity prices are rising

Commodity prices have risen across a broad range

Crude oil prices have rebounded since the spring, hitting record highs in dollar denomination (over $90 per barrel for Brent crude at the cut-off date underlying these projections) (Figure 1.4). Prices of agriculture

Figure 1.4. **Commodity prices have been rising**



Source: Hamburg Institute for Economic Research and International Energy Agency and OECD estimates for the final quarter of 2007 of Brent crude oil.

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3. The number of months of supply of existing single family homes at the current sales rate has risen from four to five months over the period 2004-05, to over six months at the beginning of 2007, and to over ten months in September.
4. Housing permits for the euro area have been falling more or less continuously since a peak at the beginning of 2006.
5. In Ireland, housing starts in the third quarter (as proxied by Home Bond registrations) are half what they were a year earlier.

commodities have been increasing strongly over the past two years and, although metals prices appear to be slowing, or in some cases even reversing, they remain at very high levels by historical standards. While features distinct to each of these markets have affected the relevant prices, a common underlying phenomenon has been strong demand growth from emerging economies. This is an influence that is likely to be felt also going forward.

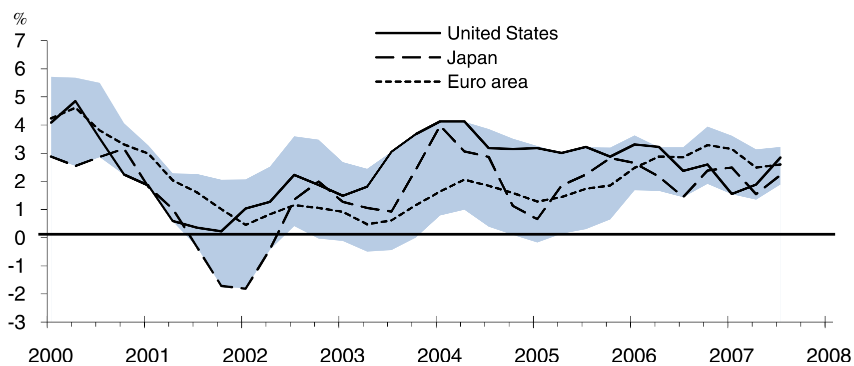
Recent adverse shocks have yet to show up in growth

OECD growth has so far remained strong

The adverse consequences of the above factors have not shown up in OECD growth to the third quarter (Figure 1.5), although leading indicators do suggest a slowdown in the final quarter of 2007 (as discussed further below).

Figure 1.5. **Growth has so far been resilient**

Real GDP growth, year-on-year



Note: Shaded region shows range of major 7 countries' outcomes.

Source: OECD Economic Outlook 82 database.

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US growth has been resilient despite the drag from housing

In the United States, GDP growth over the year to the third quarter has been about 2¾ per cent, despite weakness in housing investment which has subtracted more than ¾ of a percentage point. This GDP growth rate is slightly above the estimated potential growth rate, which has been revised down to 2½ from 2¾ per cent at the time of the previous *OECD Economic Outlook*, as a result of revisions to historical GDP data. So far decelerating, and now probably declining, real house prices have not translated into weak private consumption. Notwithstanding quarter-to-quarter volatility, there has been a substantial improvement in the contribution from net export volumes reflecting both the weaker dollar and relative growth patterns; export volumes over the year to the third quarter grew by 10% whereas imports grew by only 1½ per cent. Despite higher oil prices, this has been reflected in a significant reduction in the US current account deficit to 5½ per cent of GDP, from 6¾ per cent at the end of 2005.

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Euro area growth has exceeded potential

Economic growth in the euro area has been volatile on a quarter to quarter basis, but up until the third quarter its underlying pace has somewhat exceeded the potential growth rate of 2%. However, residential investment is no longer supporting growth, having remained roughly flat since the second half of 2006. Strong export growth has continued, boosted by demand from emerging market economies and despite an appreciation of the euro, up by around 5% in effective terms, although by about 12% against the US dollar, in mid-November compared with its average value in 2006.

Growth in Japan continues to be led by exports

Quarterly national accounts data for Japan remain highly volatile, but underlying growth has probably continued to exceed the potential growth rate of around 1½ per cent. In the year to the third quarter, net exports have accounted for just under half of all growth with the external sector continuing to benefit from buoyant activity in emerging markets in Asia and past improvements in external competitiveness, reflecting both exchange rate weakness and deflation. This is also reflected in strong indicators of manufacturing activity. However, domestic demand is still restrained by relatively weak consumption growth held back by protracted low real wage growth. A more recent development reducing growth in domestic demand has been a moderation in business investment, from the 6-7% growth rates of the past few years to a rate about half that.

Emerging markets have remained major growth poles

Major non-OECD economies, notably in Asia, have continued to grow rapidly. Chinese GDP growth was 11½ per cent in the year to the first three quarters. There are signs that the economy is overheating as, even though inflation (based on the consumer price index) of 6½ per cent in the year to October may have reflected mostly supply-driven food price developments, the increase in the GDP deflator outside the primary sector was 3¼ per cent in the year to the third quarter. Also equity prices are very high, even if they have eased back recently, reflecting moves towards monetary restraint and statements by the government that it would take measures to prevent asset price bubbles. China's current account surplus has grown unabatedly, and is likely to exceed 11% of GDP in 2007, with activity continuing to be geared towards the external sector. The Indian economy has expanded at a rate of around 9% over the past year, hereby continuing to increase its weight in the world economy (Box 1.2), but with some recent signs that growth may now be moderating in response to monetary tightening and an appreciation of the real effective exchange rate by around 12% relative to its 2006 value. GDP in Russia accelerated in the first part of the year, based on strong business investment and private consumption. Similarly, growth in Brazil has accelerated in the first half of 2007, although a pick-up in imports has begun to weigh on the trade surplus.

Box 1.2. **The influence of India on the global economy compared to that of China**

With its large population – around one sixth of the world total – and rapid economic growth over the past two decades, India has become one of the largest economies in the world. Current estimates of the size of India's economy, using purchasing power parity (PPP) conversion factors, suggest that it overtook Japan to become the third largest economy in the world in 2006, but these estimates are surrounded by considerable uncertainty.[1] As well as being large in size, the Indian economy is also currently one of the fastest growing. Since 2003, GDP per capita has expanded by over 7% per year and, in PPP terms, India's contribution to world growth was the third largest from a single country behind that of the United States and China (where annual GDP *per capita* growth has averaged 9.5%). India's strong and improved economic performance is in large part due to market-oriented reforms implemented over the past two decades.[2] Opening to the world economy has been a cornerstone of this reform effort: the combined value of India's imports and exports has increased from 13% of GDP in 1985 to 49% in 2006.

Despite increased openness, India's market share in world exports of goods and services is still only 1.2%, one-sixth that of China. However, India's export share of GDP has almost doubled in the past decade and is following a very similar path to that of China but with a ten-year lag, which is broadly similar to the time difference in implementing main structural reforms in the two countries.

India's impact on world markets has been, to date, most pronounced in the service sector. Exports of computer programming services, software and other information technology-related business services rose seven-fold in the five years to 2006, amounting to just over $50 billion, whereas those of China have only doubled. On the other hand, in manufacturing, India's share of world export markets was only 0.9% in 2006, making it the 28th largest exporter in the world while China is the third largest. However, India's manufacturing exports have started to increase markedly over recent years as the sector continues to develop and becomes increasingly integrated into global supply chains.

India's ranking in terms of GDP and trade

	1990	1995	2000	2006 [1]
GDP (PPP exchange rates)	6	5	4	3
GDP (market exchange rates)	13	15	13	12
Total exports	30	30	29	23
commercial services	25	32	24	11
Total Imports	24	25	23	23
fuels	13	12	10	7

1. Or latest available year.
Source: OECD calculations.

StatLink http://dx.doi.org/10.1787/158157472183

As with exports, India accounts for a much smaller share of world imports than China. However, India's influence is being increasingly felt with its share of world imports up from 1% in 2003 to over 1.5% currently. Petroleum products are India's largest import, accounting for a little over one third of the total in 2006, making India the seventh largest buyer of fuels and lubricants on global markets in comparison to fourth for China. Given increased investment, particularly in the manufacturing sector, and infrastructure bottlenecks, capital goods are India's second largest and fastest growing import category. For example, reflecting a flourishing civil aviation sector, India accounts for around 5% of world aircraft imports and Indian airlines are currently some of the largest buyers of new aircraft in the world. India is also a major importer of some commodities – such as lead and zinc – but some way behind China, the world's largest commodities importer.

Box 1.2. **The influence of India on the global economy compared to that of China** *(cont.)*

India has increasingly diversified its trading relationships. The United States remains its single largest trading partner, accounting for about 10% of India's exports and imports, but with a declining trend. On the other hand, the share of trade with China has almost trebled since 2000 and China has become India's second largest trading partner. Trade with other Asian countries has also been growing rapidly, and in 2006 ASEAN and other Asia countries accounted for over half of India's exports and 35% of imports.

Foreign direct investment (FDI) into India has been growing rapidly since 2006. In contrast, FDI, as a share of GDP, has moderated slightly in China over the same period. In 2006, FDI was 2.3 and 2.0% of GDP in China and India respectively. Indian firms have also recently been involved in some high-profile acquisitions of European and US-based firms.

1. The statistical offices of 23 Asian countries and the Asian Development Bank have recently produced new estimates for purchasing power parities in Asia using Hong Kong, China as the base for comparison. If the bilateral estimates with Hong Kong, China are confirmed by multilateral estimates, then the purchasing power parity GDP of India and China would be reduced by 37% and 39% respectively, bringing their share of world GDP to 4.5% and 10.3%, down from 6.5% and 15.0% respectively on current estimates. This would make the Indian economy the fourth largest in the world. For further details see "Purchasing Power Parity Preliminary Report", Economics and Research Department, Asian Development Bank, July 2007.
2. The OECD recently published its first ever India survey: OECD (2007), *OECD Economic Survey: India*, Paris.

Labour markets are strong

Labour markets have been holding up well…

So far, labour markets have continued to evolve favourably across the OECD area (Table 1.3). In the United States, employment growth has fallen over the past few quarters, but has so far remained sufficient to keep the rise in the unemployment rate moderate. Evidence of slowing economic activity is more visible in residential construction and construction-related trades; in credit intermediation (since early summer); and in manufacturing, which has continued its long-term decline. In the euro area, employment has continued to grow at a vigorous rate, pushing the unemployment rate to the lowest level since at least the beginning of

Table 1.3. **Labour markets have remained strong**

	2002	2003	2004	2005	2006	2007
	Percentage change from previous period					
Employment						
United States	-0.3	0.9	1.1	1.8	1.9	1.2
Japan	-1.3	-0.2	0.2	0.4	0.4	0.7
Euro area	0.6	0.4	1.0	1.1	1.7	1.6
Labour force						
United States	0.8	1.1	0.6	1.3	1.4	1.0
Japan	-0.9	-0.3	-0.4	0.1	0.1	0.3
Euro area	1.1	1.0	1.2	0.8	0.9	0.4
Unemployment rate	Per cent of labour force					
United States	5.8	6.0	5.5	5.1	4.6	4.5
Japan	5.4	5.3	4.7	4.4	4.1	3.9
Euro area	7.9	8.5	8.6	8.4	7.7	7.0

Note: For 2007, first half of 2007 relative to second half of 2006, annualised, except for unemployment rate which is the average of the first half of 2007.

Source: OECD Economic Outlook 82 database.

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the 1990s.[6] In Japan, aggregate employment has been expanding at high rates, leaving the unemployment rate close to its lowest level in a decade, although many of the additional jobs have been in part-time work.

... and wage costs remain contained

In the United States, labour costs have remained contained according to the broad-based Employment Cost Index, although unit labour costs in the non-farm sector have continued to trend upwards (Table 1.4). Despite tight labour markets in the euro area, various measures of labour compensation indicate that wage inflation has remained moderate. In the largest euro area countries the growth of unit labour costs has recently picked up, but, with the possible exception of Spain, its pace does not represent an immediate threat to inflation. Indeed, in Germany the rate of change is barely positive. Despite tight Japanese labour markets, wage growth has reverted to negative territory, in part reflecting a significant shift towards low-wage, part-time employment as well as demographic factors, as retiring workers are replaced by younger, lower paid workers.

Table 1.4. **Wage developments remain moderate**

	2002	2003	2004	2005	2006	2007
	Percentage change from previous period					
Labour productivity						
United States	2.8	2.5	2.5	1.5	1.0	0.5
Japan	1.6	1.6	2.5	1.5	1.7	1.5
Euro area	0.2	0.4	0.8	0.5	1.2	1.1
Compensation per employee						
United States	3.7	3.9	4.6	3.5	4.0	6.3
Japan	-1.8	-1.5	-1.2	0.2	0.3	0.7
Euro area	2.7	2.3	1.9	1.5	2.0	3.0
Real compensation per employee[1]						
United States	1.9	1.7	1.7	0.3	0.8	3.0
Japan	-0.2	0.1	-0.1	1.5	1.2	1.3
Euro area	0.1	0.2	-0.1	-0.4	0.1	0.7
Unit labour cost						
United States	0.9	1.1	2.0	2.2	3.0	5.9
Japan	-2.7	-2.8	-3.5	-1.0	-0.4	0.3
Euro area	2.5	1.9	1.1	1.1	1.0	1.9

Note: For 2007, first half of 2007 relative to second half of 2006 annualised.
1. Deflated by the GDP deflator.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/157448822308

Forces shaping the outlook and associated risks

Financial and housing markets will be important

Going forward the conjuncture will be affected by how housing markets evolve and how financial market turmoil impacts on the real economy, as well as the potential inter-action of these forces. Other

6. After the cut-off date for data used in the preparation of the projections described in this publication, German unemployment has been revised upwards, implying a significant revision for the euro area, although it still remains the case that the euro area unemployment rate has dropped substantially.

important influences and risks come from movements in commodity prices as well as global imbalances.

Financial turmoil affects risks more than the main scenario

The direct impact of the financial turmoil is likely to be limited

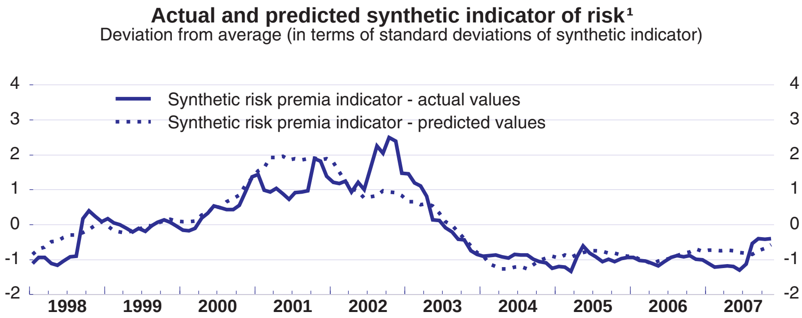
The effect of financial turmoil on total activity stemming from the sector itself is likely to be small.[7] Only some segments of the sector are expected to be affected, and the sector accounts for less than 10% of the value added and about 5% of employment in most OECD economies.[8, 9] Indirect effects of the turmoil *via* higher cost of funding and tighter credit standards are uncertain but likely to be more significant. While at this stage their impact on activity seems contained, this could change if turbulence does not gradually fade as expected or even turned into a renewed bout of market tremors.

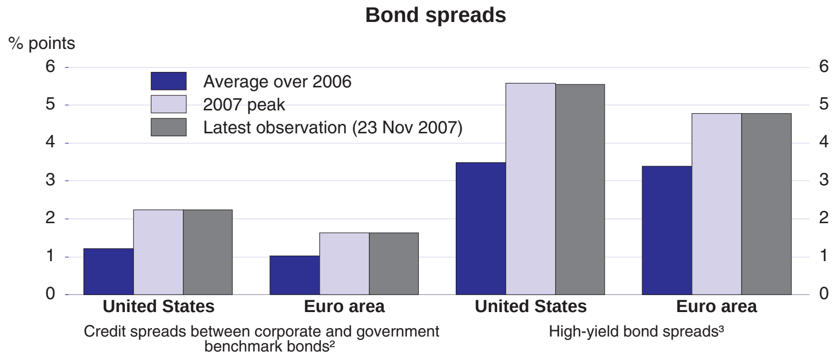
The cost of external financing has risen moderately…

With the general re-pricing of risk seen to date in bond markets (Figure 1.6, upper panel), risk premia have risen from being below levels predicted by past relationships with fundamentals (in particular, with default rates and the outlook for activity) to being broadly in line with them,[10] suggesting limited need for further correction as long as fundamentals do not change. Bank lending surveys published recently show that lending rates have increased in the United States, the euro area and the United Kingdom. In Japan, the effects have been much less apparent and the cost of borrowing has not risen appreciably. There has also been more differentiation in markets, with spreads for risky corporate borrowers rising faster than those on high-grade instruments (Figure 1.6; lower panel). At the same time, a flight to quality has pushed

7. Estimating the contribution of the financial sector to GDP growth and how this will be affected by recent financial turmoil is not straight forward, but the overall direct impact is likely to be small, as recently discussed in Bank of England (2007), *Inflation Report*, November 2007. For the United Kingdom about half of financial sector output is fee generating services, and fees and commissions are likely to fall following recent financial turmoil, although judging by previous episodes (for example, following the collapse in 1998 of Long Term Capital Management, a large US hedge fund) the direct impact on GDP is likely to be of the order of 0.1 percentage point of GDP. The remainder of financial sector output is mostly accounted for by intermediation activities, which are not explicitly fee-based services and so the contribution to value added is more difficult to assess.
8. Exceptions where the financial sector accounts for more than 10% of value added are Switzerland and Luxembourg.
9. So far, despite anecdotal evidence to the contrary, net job losses in the financial sector have not materialised on a large scale. In any case, given its low share in total employment, over the past few decades, financial turmoil has never reduced employment growth by more than 0.1% a year in the big countries. This effect is likely to be again negligible if the current forecasts of net job losses are realised.
10. The fundamentals, which account for most of the past variations in risk premia, are global short-run interest rates and liquidity, corporate default rates and the OECD leading economic indicators, a proxy for expectations of the near-term outlook (see *OECD Economic Outlook*, No. 80, Appendix I.2, for details on both the OECD synthetic indicator of risk premiums and the model to predict it).

Figure 1.6. **Various measures of risk**





1. The synthetic measure is derived from risk proxies for equities, corporate and emerging market bonds. In regression analysis, it seems to be well explained by global short-term interest rates and liquidity, corporate default rates and the OECD's leading economic indicators, a proxy for expectations of the near-term outlook for the OECD cyclical position. See OECD (2006), "The OECD synthetic indicator of risk premiums", Appendix I.2 in *OECD Economic Outlook*, No. 80.
2. Merrill Lynch corporate BBB-rated bonds. Spreads based on average yields for 5-7 years and for 7-10 years.
3. Spreads of high-yield bonds (Merrill Lynch indices) over government bond yields (10-year benchmark bonds).

Source: Datastream, OECD calculations.

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down longer-term government bond rates that act as benchmarks in these markets, with the result that the level of interest rates has increased by less than the spreads; indeed, more credit worthy borrowers may now face a lower cost of funding than before the turmoil.

… and bank lending terms are tightening

Bank credit standards for lending to firms are being tightened (Figure 1.7).[11] In the euro area, there have been reductions in the size of loans and credit lines as well as increases in collateral requirements and a shortening of loan maturities. In the United States, bank lending terms have also been tightened, although standards for credit to firms currently remain looser than in past episodes of credit restraint. In the United Kingdom, there has also been a reduction in credit availability to the corporate sector as well as tighter price and non-price terms of loans.

11. No tightening has been revealed by the Japan's Tankan survey.

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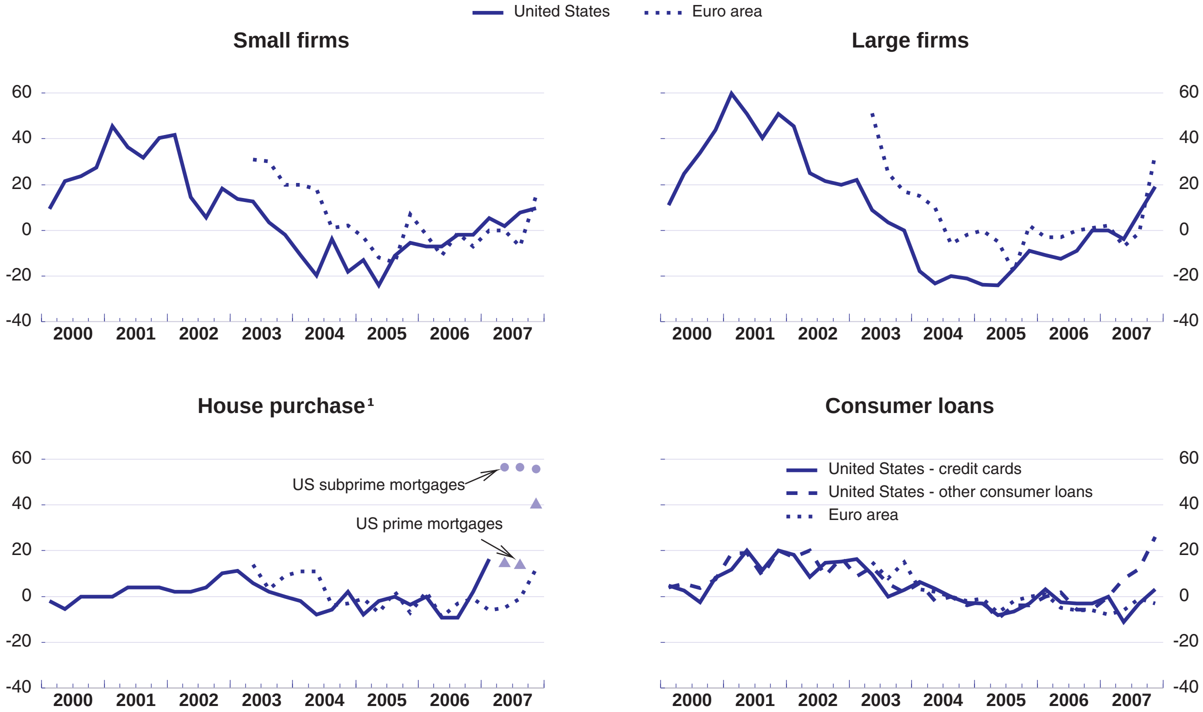
Figure 1.7. **Banks are tightening credit conditions**

Net percentage of banks tightening credit



1. In the United States, starting in 2007q2 changes in standards for prime, non conventional (not displayed on this figure) and sub-prime mortgage loans are reported separately.

Source: US Federal Reserve, ECB Bank lending survey.

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The non-financial corporate sector is healthy

In most OECD countries, the non-financial corporate sector has recorded high profits over the past half decade (Chapter 3) and this should help many firms to see off any temporary contraction in the supply of credit. Typically, however, it would not be the companies with the strongest balance sheets and profit positions that would suffer the most from restrictions to credit. Such an asymmetry may affect investment, especially in countries where external financing typically plays an important role. But so far credit outstanding to the corporate sector has continued to increase. It has even accelerated sharply in the United States, although this very likely reflects some re-intermediation of financial transactions as firms facing difficulties raising funds through security markets call on their credit lines.

Credit to households is being restricted

In the United States, the growth rate of mortgage debt has continued to slow from very high rates, reflecting reduced demand and more difficult access to mortgage borrowing. There has been a recent sharp increase in the proportion of US banks which have tightened lending standards on prime mortgages, following an earlier tightening in standards on sub-prime mortgages. Access to other forms of household credit has also been tightened, but to a lesser degree and outstanding loans have so far not shown any signs of easing. In the euro area and the United Kingdom, consumer credit had been decelerating prior to the recent turmoil, which may reflect demand factors. Mortgage debt outstanding has also been decelerating for some time in the euro area, and tightening of access will do nothing to break this trend. In the United Kingdom there has been a fall in the number of mortgage approvals by more than 10% since July, with the decline particularly concentrated among wholesale lenders (rather than banks or building societies) which rely more on the money markets rather than depositors for funds.

The financial sector remains vulnerable to shocks

While increases in credit costs and reductions in access have so far appeared to be relatively moderate, banks' balance sheets may be further impaired as financial assets are progressively re-priced and remain vulnerable to new shocks. In such an event, in countries where consumer credit markets are well developed and saving rates low (such as United States, United Kingdom and Canada) a tightening of credit supply could reduce consumption. It would also add to housing correction pressures. Investment by higher-risk corporations, typically the smaller and newer ones, could also be affected.

Risk reassessment could spread to emerging markets

Emerging market assets have weathered the storm well: bond spreads have edged up only moderately and equity markets have at worst experienced fairly limited corrections. This performance is supported by better fundamentals in many countries, as well as expectations of continuing strong growth. Nevertheless, given the extent to which equity prices have risen in some of these markets (notably China, where prices have risen fivefold since early 2006) and the still historically low level of spreads, questions remain as to whether emerging-market risk is sufficiently priced in.

The risks from housing have increased

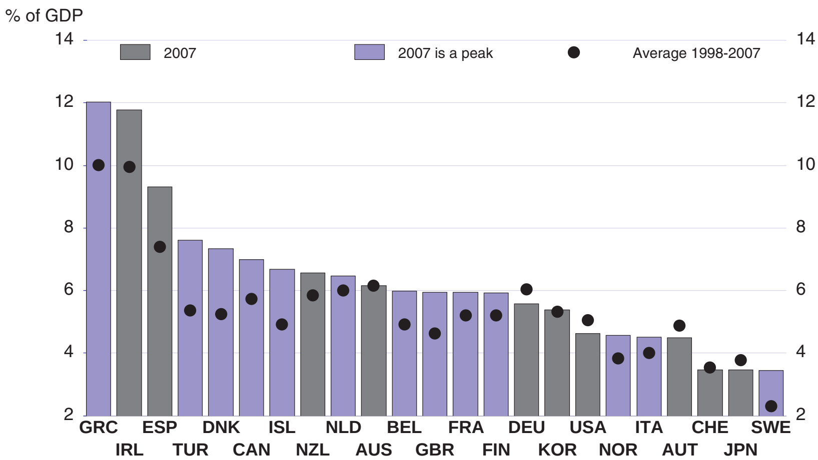
Some cooling in housing markets is to be expected

A cooling of housing markets at this stage of the business cycle is not surprising, given both the previous run-up in residential construction and the fact that the housing sector is one of the most interest-sensitive sectors of the economy and that, over recent years, monetary policy has tightened across virtually all OECD countries. Indeed, where it has not happened already, the support to demand that has come from residential investment and rising housing wealth is likely to disappear going forward. Whether, and to what extent, the effect will go into reverse is uncertain and in any case is likely to differ across countries. Financial turmoil, especially if it were to be followed by new turbulences, could even exacerbate such an adjustment either through tightening lending standards for house purchases, or if it prompted a general reassessment of the state of housing markets among buyers and sellers.

Housing investment in many countries is in line with fundamentals

Past housing investment growth was largely driven by fundamentals. As previously noted, for half of all OECD countries, many of which are in Europe, the share of housing investment in GDP in 2007 will have been at a ten-year high (Figure 1.8). Those countries for which the share of housing investment in GDP is particularly high both relative to historical and international norms – namely Spain, Ireland and Greece – are all countries where rapid population growth, especially from immigration, has been a particularly strong driving factor recently. A more general factor that has contributed to strong and rapid housing investment since the turn of the decade has been low real interest rates. This is especially the case for the same countries as mentioned above where real short-term interest rates remained negative for a number of years as inflation stayed above the euro-wide average. Also short-term interest rates were very low in the United States between 2002 and 2004.

Figure 1.8. **Housing investment is at ten-year highs in many countries**



Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/157821038087

Construction downturns were often triggered by monetary tightening

Past housing investment booms have often been followed by sharp reversals, sometimes with wider downturns in activity. However, this is not necessarily a reliable guide to the severity of the current adjustment, because many of these reversals were preceded by a rapid increase in short-term interest rates: among OECD countries, around two thirds of past episodes of a sharp downturn in housing investment (defined as a fall in the share of housing investment in GDP of at least 1½ percentage points over two years) were preceded by an abrupt rise in short-term interest rates of at least 250 basis points during the previous 18 months. In the current conjuncture, monetary tightening has been more gradual; only two OECD countries, the United States (with the increase in policy rates from mid-2004) and Turkey (since the third quarter of 2006) have experienced such rapidity of monetary tightening (and no countries are expected to do so over the projection).[12] For most OECD countries, housing investment will provide less support to GDP growth than in previous years, but it is likely to represent a major subtraction only in a couple of countries (Box 1.3).

Box 1.3. **Projecting housing investment**

OECD Economic Outlook projections of housing investment for each country can be checked against the predictions of a simple set of recently estimated econometric equations. These dynamic error-correction equations relate the share of housing investment in GDP to the output gap, short and long-term interest rates (both nominal and real), population growth and (if appropriate) a time trend. They are estimated for 17 OECD countries for which quarterly data are available since at least 1980.

In all equations interest rates are found to be an important explanatory variable with a negative effect on housing investment, and in many equations the level of nominal interest rates is found to be important instead of, or often in addition to, the level of real interest rates. The output gap is also highly significant in nearly all country equations suggesting that the business cycle has in the past been an important factor explaining fluctuations in the share of housing investment in GDP.

While the equations for the most part perform reasonably well against a standard battery of diagnostics, a few country equations – those for Ireland, Denmark and New Zealand – fail stability tests of their predictive performance at standard levels of statistical significance, because of their systematic tendency to under-predict housing investment recently. For each of these countries dummy variables are included from 2003. One interpretation is that housing investment has departed significantly from levels which are justified by fundamentals and is therefore more vulnerable to a downwards correction. An alternative more benign interpretation is that the corresponding equations miss out important new developments (such as mortgage market innovations or changes to planning laws), which may have recently boosted housing investment and may continue to do so in the future.

The estimated equations are used to make a dynamic projection of the share of housing investment in GDP from the final quarter of 2007 to the end of 2009. Projections of the explanatory variables (interest rates, output gap, etc.) are taken from the *Economic Outlook* forecasts, while the dummy variables that were in the equations for Ireland, Denmark and New Zealand are set to zero for the purpose of the projection. For most countries the projections are for either a modest fall in the share of housing investment in GDP or a flattening after recent increases:

- Only two countries are projected to have a further large fall in housing investment as a share of GDP, namely Ireland (a fall of 2% points) and Denmark (fall of 1½ percentage points), although this mainly reflects the fact that the equations substantially under-predict the current level of housing investment rather than the projections being driven by changes in the explanatory variables.
- Six countries are projected to have a further fall in the housing investment share by between ¼ and ½ percentage point of GDP, namely France, the United Kingdom, Canada, New Zealand, Netherlands and Spain, mostly driven by lagged effects from past increases in interest rates.
- In five countries housing investment is projected to remain a roughly stable share of GDP (the share does not change by more than plus or minus ¼ percentage point), namely the United States, Japan, Italy, Belgium and Australia.

12. It has been argued that the failure to raise US interest rates earlier, and by implication less abruptly, was at the root cause of the US housing boom and its subsequent pronounced downturn; see Taylor, J. (2007) "Housing and Monetary Policy", Remarks prepared for presentation at the policy panel at the Jackson Hole symposium on "Housing, Housing Finance and Monetary Policy".

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Box 1.3. **Projecting housing investment** *(cont.)*

- Four countries are projected to have a rise in housing investment of between ½ and 1 percentage point of GDP, namely Germany, Austria, Norway and Sweden, which mostly reflects the fact that the current share of housing investment is somewhat below longer-run historical averages.

In a majority of countries the projections in the *Economic Outlook* correspond to these econometric projections with only small differences. However, some differences are worth noting:

- For the United States, the equation predicts that housing investment stays close to the share of GDP achieved in the third quarter of 2007, which is also close to the long-run share over previous decades, while the *Economic Outlook* projection is for a further fall by just over ½ percentage point of GDP. Important factors underlying the latter projection, but not incorporated in the equation, are the likelihood of further distress from sub-prime mortgages leading to a greater number of foreclosures and forced sales, as well as the already high current stock of unsold properties.
- For Denmark, housing investment is expected to begin falling in the *Economic Outlook* projection, but as a share of GDP it remains relatively high rather than falling substantially as predicted by the equation.
- For all four countries in which the equations predict an increase in housing investment as a share of GDP (Germany, Austria, Norway and Sweden), the *Economic Outlook* projections are more cautious in projecting housing investment to be flatter as a share of GDP.

US problems have been concentrated in variable rate sub-prime mortgages

Turning to housing prices, problems in the US housing market have been, and will continue to be, compounded by developments concerning sub-prime mortgages, particularly those with adjustable rates.[13] The sharp increase in the cost of servicing these loans, following the rapid rise in short-term interest rates, has been compounded by resets of initial artificially-low “teaser” rates. As house price inflation slowed, so limiting the possibilities for re-financing, and resets kicked in, the result has been a sharp rise in delinquency rates on adjustable rate sub-prime mortgages which rose to 13½ per cent in mid-2007 from 7¾ per cent a year earlier. Resets will continue to weigh on the housing market until early 2009, putting further upward pressures on mortgage delinquencies and foreclosures, with negative consequences for house prices.

A key issue is whether conditions for prime mortgages worsen

The extent of any further fall in US house prices depends on how far distress in the sub-prime sector spreads more generally. So far the delinquency rate on both adjustable and fixed-rate prime mortgages has remained under 1%, while the interest rate available on fixed rate mortgages is still low by historical standards, having even fallen since the beginning of the financial turmoil. Although the interest rate premium on non-standard mortgages did rise following the turmoil, it has subsequently begun to fall back.[14] On the other hand, as previously noted,

13. Although the mortgage market as a whole continues to be dominated by fixed-rate mortgages, in the sub-prime sector the value of variable rate mortgages is more than double those that are fixed rate.
14. For example, the difference between fixed-rate “Jumbo” mortgages (those which exceed $417 000 and so are not covered by Fannie Mae or Freddie Mac) and standard fixed-rate mortgages increased from about 30 basis points just prior to the financial turmoil to around 100 basis points following it, but this difference then fell back to 60 basis points in mid-November.

many banks have recently tightened lending standards on prime mortgages, although it is unclear what the quantitative impact of this will be. All in all, while a further fall in real house prices seems inevitable, the most likely outcome is that only a relatively small fraction of the real house price gains experienced over the past decade will be reversed.

A range of factors need to be examined in assessing housing risks

Whether, and to what extent, house prices in other countries are vulnerable to a downward correction is hard to determine. The ratio of house prices to income (or rents) has certainly risen considerably relative to long-run historical averages in most OECD countries. But such an increase has been supported by mortgage market liberalisation and the fall in real and nominal interest rates since the early 1990s.[15] Moreover, recent experience in the United Kingdom (in 2005), Australia (in 2004) and Finland (in 2001), in which house prices in each country flattened or fell slightly following a prolonged run-up, demonstrate that corrections need not always be large. Analysis presented in a previous *OECD Economic Outlook* modelled the probability of a pronounced downturn in real house prices (defined to be at least 15% over six quarters) in terms of the gap between real house price and their long-run trend, interest rates and the rate of change of real house prices.[16] Updating this analysis suggests that, in the absence of substantial increases in interest rates, relatively few countries are at risk of a pronounced downturn.[17] Overall, the assumption behind the projections for most countries of broadly unchanged house prices may be seen as involving some, but not a large, downside risk.

A key issue for the US outlook is the impact of housing on consumption

For the United States, where house prices have decelerated and may at present be falling, a key question for the macroeconomic outlook is whether the housing market contraction will drag down consumer spending. An important issue in this regard is whether house prices affect consumption through a collateral effect (because mortgage equity withdrawal (MEW) through re-financing represents a cheaper form of credit, or else a new form of credit for otherwise credit-constrained households) and/or through a wealth effect. A fall in real house prices by 10% might be expected to reduce consumption by around ¾ percentage

15. Recent empirical work on the United Kingdom, the Netherlands, Australia and Spain – some of the countries that have experienced the greatest house price inflation in recent years – finds no strong evidence of speculative bubbles with authors placing particular emphasis on the low levels of nominal interest rates and expectations of their continuation in a low inflation world. However, Ireland is noted as an exception where prices do appear to exceed fundamentals. See Meen, G. (2006), "Ten New Propositions in UK Housing Macroeconomics: An Overview of the First Years of the Century", paper presented at the European Network Housing Research conference "Housing in an Expanding Europe", Ljubljana, Slovenia.
16. See OECD (2006), "Have Real House Prices Peaked? A Probit Approach", *OECD Economic Outlook*, No. 80, Appendix I.3.
17. At the current level of interest rates, the countries at greatest risk (a probability of between 25% and 50%) from a pronounced fall in real house prices are New Zealand and Norway, followed by Sweden and the United Kingdom (between 15% and 25%).

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point over a two-year period, operating through a conventional wealth effect.[18] However, empirical estimates which allow for some collateral effect operating on consumption are typically larger and faster acting than those that allow for only a wealth effect.[19]

Cross-country evidence suggests that collateral effects are important

Cross-country experience suggests that housing collateral effects may operate on consumption, at least for countries where mortgage markets are relatively complete and so facilitate equity withdrawal. Such countries include the United States, the United Kingdom, Canada and Australia, in which real house prices have grown strongly and for which OECD research has identified an important effect on consumption from housing equity withdrawal.[20] In these countries, consumption has consistently grown much more strongly (on average by about ½ per cent *per annum*) than real disposable income between 2000 and 2006. In other countries (Spain, France and Italy) which also experienced strong house price growth, but where less complete markets prevented housing equity withdrawal from becoming important, consumption grew only in line with real disposable income. Overall, then, the near-term effects of any house price correction would likely be larger in the former group of countries than in the latter.

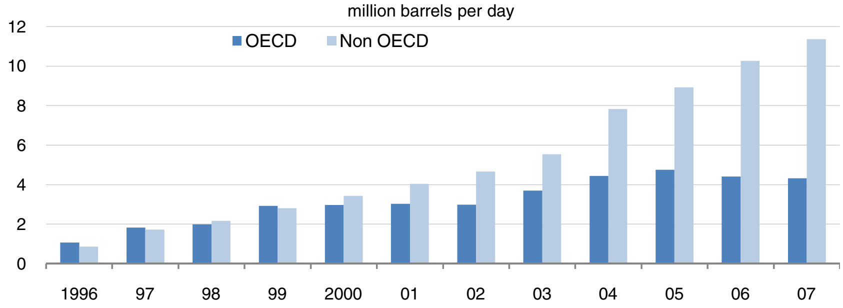
Commodity price increases are posing risks to the outlook

Oil prices have rebounded sharply…

Crude oil prices have rebounded strongly since the beginning of the year. The assumed price of $90 for Brent crude in the current OECD *Economic Outlook* is $25 higher than that carried in the spring *Outlook*. Part of this hike is due to re-emerging geopolitical tensions, OPEC production cuts, unplanned production outages, volatile weather conditions as well as dollar weakness.[21] But the steep increase in oil prices witnessed in recent years has been mainly driven by buoyant demand from emerging market economies, notably in Asia and the Middle East (Figure 1.9). China,

18. The total value of US residential housing was about $21 trillion at mid-2007, so a 10% reduction in real house price could therefore reduce housing wealth by about $2 trillion. The Fed model of the economy implies that 3¾ cents of every dollar of wealth passes into consumption over a two-year period, which in turn implies that consumption would be about $75 billion lower (equivalent to ¾ percentage point) over a two-year horizon. In practice if the fall in house prices were to be spread over several years the effects on consumption would be slower to come through.
19. Estimates of MEW have been falling since early 2006. "Active MEW" (composed of cash-out re-financing and home equity borrowing which are discretionary actions to extract home equity), which some empirical evidence suggests is the component most likely to impact on consumption, fell by 1¾ per cent of disposable income between the first half of 2006 and the first half of 2007.
20. Cross-country analysis of the importance of collateral effects on consumption is presented in Catte, P., N. Girouard, R. Price and C. André (2004), "Housing Markets, Wealth and the Business Cycle", *OECD Economics Department Working Papers*, No. 394.
21. The depreciation of the dollar can only explain a relatively small part of the rise in dollar oil prices; the increase in the dollar price of Brent between the beginning of the year and mid-November was 55% compared to 49% measured in IMF Special Drawing Rights, where the latter represents a weighted average of all major currencies.

Figure 1.9. **Increased crude oil demand since 1995 is driven by non-OECD**



Source: Hamburg Institute for Economic Research and International Energy Agency.

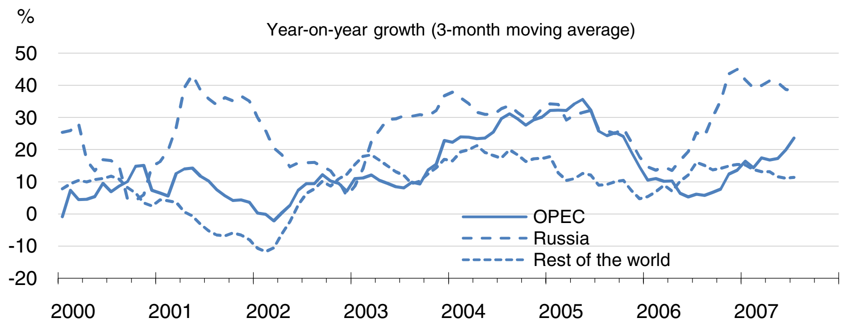
StatLink http://dx.doi.org/10.1787/157823636120

the second largest single oil consumer after the United States, has contributed most to the upswing in oil consumption.[22]

... while imports by oil producers have firmed

Higher oil revenues have been associated with increased imports by oil producers in 2007, with the acceleration of OECD merchandise exports to Russia having been particularly pronounced (Figure 1.10). Within the OECD area, European countries are benefitting in particular from the respending of oil revenues, reflecting the relatively high share of euro area exports in the imports of oil producers. However, with the recent significant appreciation of the euro against the dollar, some substitution within the oil exporters' imports in favour of exports from the United States is likely to occur.

Figure 1.10. **OECD merchandise exports to oil-exporting countries**



Note : Goods, customs base.
Source: OECD International Trade Monthly Statistics database.

StatLink http://dx.doi.org/10.1787/157866276111

Prices are likely to remain high...

Current investment projects both within and outside the OECD area imply that additions to crude oil supply capacity in 2008 and 2009 are likely to exceed those installed in 2007. At the same time, however,

22. Accelerating demand in Asian and Middle Eastern emerging markets has been reinforced by the relatively high energy intensity in power generation and industry in these economies as well as the pervasiveness of capped retail prices that insulate consumers from hikes in world market prices.

continued vigorous expansion of oil demand by emerging markets is expected to widen the gap between world oil demand and non-OPEC oil supply, keeping prices at high levels over the next couple of years.[23]

… with further price increases posing risks

So far, OECD economies have weathered the rise in oil prices well. This is in part because of compensating increases in external demand, a lower degree of oil intensity than in the past and well anchored inflation expectations. However, continued increases in oil prices do pose a risk to the outlook.[24] Estimates of the effect of an additional $10 increase in the price of oil, provided by simulations on the OECD's new model,[25] suggest that, in the initial year of the shock, area-wide growth would be slowed only by the order of a tenth of a percentage point, while inflation would be pushed up by roughly two tenths of a percentage point (Table 1.5). It is,

Table 1.5. **The effect of a $10 per barrel increase in oil prices**

% deviations from the baseline

	2007 q4	2008 q4	2008	2009
United States				
Real GDP level	0.0	-0.1	-0.1	-0.2
Domestic demand level	0.0	-0.2	-0.1	-0.2
Inflation rate	0.1	0.2	0.2	0.1
Japan				
Real GDP level	0.0	-0.1	-0.1	-0.2
Domestic demand level	0.0	-0.1	-0.1	-0.2
Inflation rate	0.1	0.2	0.2	0.1
Euro area				
Real GDP level	0.0	-0.1	-0.1	-0.1
Domestic demand level	-0.1	-0.2	-0.2	-0.3
Inflation rate	0.1	0.1	0.2	0.1
Total OECD				
Real GDP level	0.0	-0.1	-0.1	-0.2
Domestic demand level	-0.1	-0.3	-0.2	-0.3
Inflation rate	0.2	0.2	0.2	0.1

Source: OECD calculations.

StatLink http://dx.doi.org/10.1787/157467603656

23. Demand by emerging markets will be reinforced by personal incomes moving towards thresholds where consumers are buying cars and energy consuming household appliances.
24. The recent shock on oil prices differs from earlier shocks in that prices have largely been driven up by rising demand rather than by supply disruptions. This has led some to suggest that its effects may be more benign. However, much of the extra demand originates outside the OECD area, especially in China. In the case of most OECD economies, the shock is therefore not mainly caused by buoyant domestic demand and instead bears some resemblance to an adverse supply shock.
25. See "The Structure of the OECD's New Global Model", Appendix in Hervé, K., I. Koske, N. Pain and F. Sédillot (2007), "Globalisation and the Macroeconomic Policy Environment", *OECD Economics Department Working Papers*, No. 552. The simulations assume that exchange rates are fixed, the monetary authorities follow a Taylor rule and that non-OECD producers respend two thirds of their additional revenues within two years.

however, possible that these results understate the adverse effects on growth and inflation in the context of already high prices. *First*, additional spending on imports from oil-exporting countries may be less forthcoming than in the recent past because oil revenues are already very plentiful.[26] *Second*, the sustained rise in energy prices (as well as food and other commodity prices) over recent years makes it less likely that workers will regard the increase as being temporary and so more likely to provoke a reaction from wages, particularly because labour markets in many countries are already tight. *Third*, the normal offset from household saving to a fall in real income may be hampered by more difficult credit conditions.

Rising non-oil commodity prices are adding to these risks

Other commodity prices have been rising as well, putting additional pressure on inflation in OECD economies. Buoyant demand, notably from China, was also the main driving factor behind the steep increase of prices for industrial metals and ores over recent years. For some important metals, such as nickel, China accounts almost entirely for the increase in world demand.[27] Meanwhile exploration has increased markedly in response to higher prices, improving prospects that over the next couple of years supply will be better able to cope with rising consumption. Indeed, prices of certain metals have recently shown signs of softening. Even so, they are likely to remain at high levels. While rising demand has also been a major driver behind the marked acceleration in prices for agricultural and food commodities, supply disruptions, caused by adverse weather conditions, dominated price dynamics in 2006 and 2007. Under the assumption of "normal" weather conditions, crop supplies should increase substantially over the next couple of years, but agricultural prices are likely to remain high – in part as a result of OECD country support policies for bio-fuels (Box 1.4). In any eventuality, changes in the terms of trade and consequent changes in national income due to higher non-oil commodity prices are much less than for oil. A significant part of the effect of higher non-oil commodities takes place within each country, involving substitution of income from consumers to producers of the commodity.

Persistent global imbalances also raise risks to the outlook over the medium term

Although the US current account deficit has fallen...

There has been a noticeable improvement in the US current account deficit over the recent past. In part this reflects the continued depreciation of the dollar, with the effective exchange rate down by nearly one quarter since the peak in 2002 (Figure 1.11). Nevertheless, the US

26. A further model simulation suggests that, in the extreme case where there is no respending of additional oil revenues from oil-exporting countries, the adverse effect on OECD GDP would increase by about half. Offsetting this to some extent would be increased funds flowing into OECD financial markets in such a scenario.
27. In part, the buoyancy of demand is attributable to OECD economies increasingly sourcing manufactured products from China.

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Box 1.4. What is driving food commodity prices?

The steep price increases of food commodities (crops and livestock products) experienced over the past couple of years have had a marked impact on retail food prices. In the OECD area, food inflation (as measured by the respective component in the consumer price index, CPI) is about 2¼ percentage points higher than it was at the end of 2005. In part due to a viral disease affecting pigs, the increase in food inflation, at over 15 percentage points, has been particularly large in China. Drivers of agricultural commodity prices in the recent past include:

- weather events that disrupted agricultural production, possibly driven in part by climate change;
- a strong rise in the demand for bio-fuels, leading to tightening supplies of crops for other uses; and
- shifts in global food preferences – especially towards greater meat consumption – due to rising incomes in the developing world.[1]

While all of these factors have contributed to the steep increase in international food prices,[2] weather-related shortfalls of crop production in several countries in 2006 and 2007 have played the more important role. Rising crop prices and associated feed costs, in turn, underpin rising livestock product prices. In Australia wheat and coarse grain production fell by more than 50% in 2006 on account of adverse weather conditions, and recovered only partially in 2007. Strong additional global demand for crops for bio-fuel production compounded the already tight supply situation. In particular, in the United States, ethanol output and corresponding maize use is on track to increase by as much as 50% in 2007. It is noteworthy, however, that the combined cereal supply shortfall in North America, Europe and Australia in 2006 was nearly four times larger than the increase in cereal use for ethanol in these countries. This suggests that under the presumption of a return to "normal" weather conditions, crop supplies should increase substantially over the next couple of years, exercising a damping influence on prices for both crops and livestock. Nevertheless, crop prices are likely to remain under pressure, mainly on account of planned ambitious expansion of bio-fuel production.

Projections for a broad range of agricultural commodities presented by the OECD in co-operation with the Food and Agriculture Organisation of the United Nations (FAO) point to agricultural commodity prices on average staying above their long-term averages in real terms over the medium term.[3] Moreover, with global crop stocks having fallen for several years in a row, partly in response to rising prices, supply or demand shocks can easily translate into substantial price hikes.

1. At least up to a certain level, rising incomes are usually associated with an increase in the share of meat in diets. Since meat production requires large quantities of feed products, a shift towards meat requires a broader increase in agricultural output.
2. In the European Union, policy reforms have led to a reduction in EU dairy surpluses and a drop in subsidised exports, both of which interacted with other factors on the supply and demand side in raising dairy product prices.
3. See OECD (2007), *OECD-FAO Agricultural Outlook 2007-2016*, Paris. However, projections such as these should be seen in the context of assumptions on supply elasticities and the evolution of demand which are subject to wide margins of uncertainty.

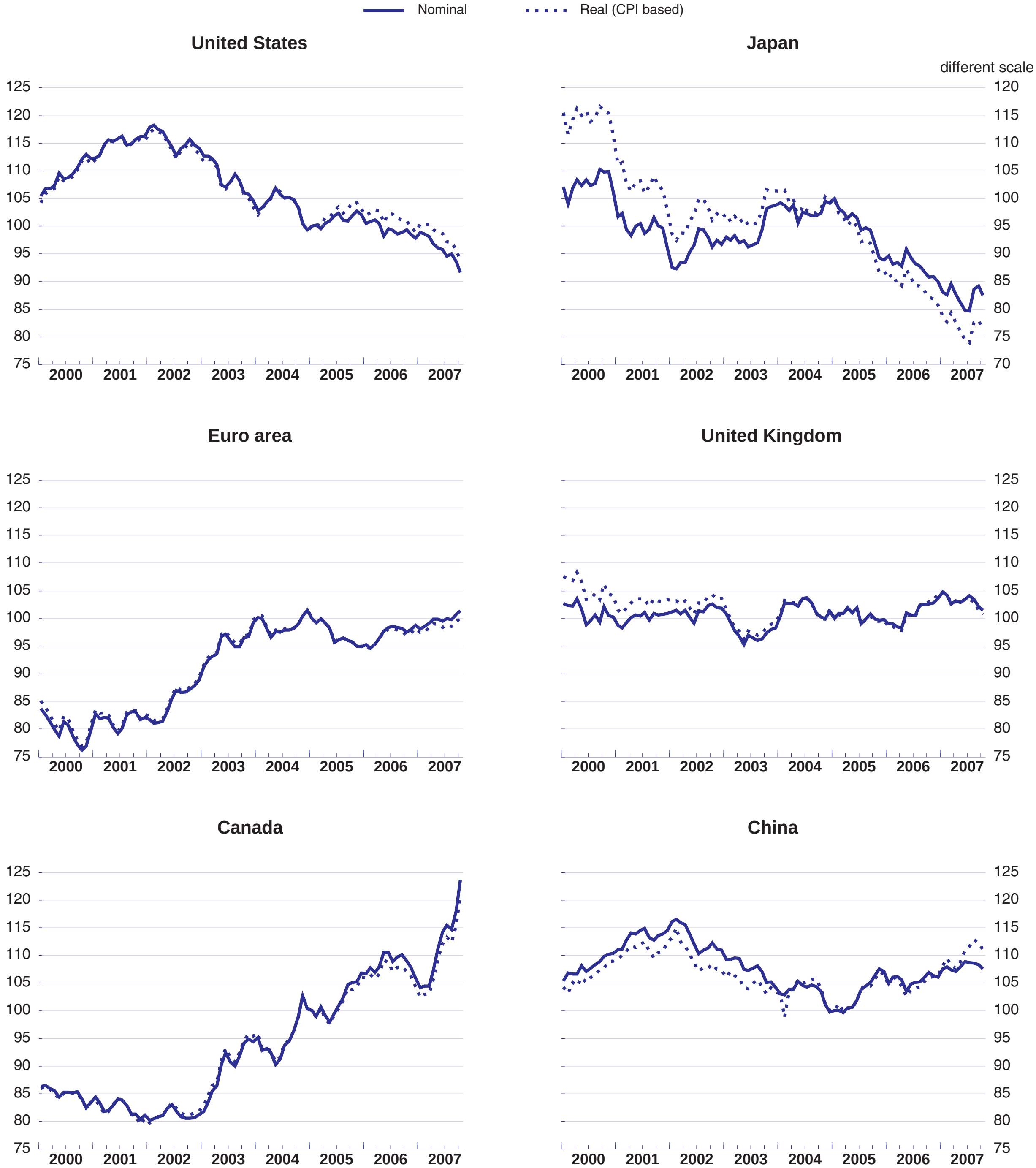
current account deficit remains sizeable. Its counterparts are to be found principally in East Asia (notably China and dynamic Asia) as well as in the oil-exporting economies (Table 1.8 below).

… global imbalances are still large and persistent

Going forward, the projections presented in this *Outlook*, predicated on stable exchange rates, show the US deficit falling only slightly as a share of GDP to about 5¼ per cent. The surpluses in Asia, particularly those in China and Japan, are projected to continue to grow over the coming two years. The corresponding decline in current account balances is more dispersed among other countries, although the euro area does move from a surplus of ¼ per cent of GDP to a deficit of a similar order of magnitude.

Figure 1.11. **Effective exchange rates**

January 2005 = 100



1. Competitiveness-weighted effective exchange rate indices. Competitiveness weights are based on a double-weighting principle, taking into account the structure of competition in both export and import markets of the manufacturing sector of 42 countries. An increase of the index indicates a nominal or, respectively, real effective appreciation and a corresponding deterioration of the competitive position.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/157866582426

Financing imbalances remains orderly so far

The financing of the US current account has been smooth to date, with exchange markets having been able to cope with periods of financial market volatility, including the most recent episode. There are a number of reasons for this, which have to do with: the size and attractiveness of US financial markets combined with the inability of many emerging market economies to produce a sufficient amount of high-quality financial assets; the still not overly large share of US financial liabilities in total world assets, which themselves are likely to grow robustly as long as world trade continues to expand[28] and the importance of official intervention in exchange markets, driven by a desire to both slow exchange rate appreciation as well as to build up reserves in the event of speculative attacks.[29] These factors have been important in slowing the decline in the real effective exchange rate of the dollar.

Adjustment will have to occur

Nevertheless current account adjustment has to occur at some point, in part because a number of the factors noted above will not endure and indeed have risks associated with them.[30] To begin with, foreign investors holding US assets have continuously suffered from lower returns than US investors in foreign assets, as well as from exchange rate movements on their US investments,[31] and may eventually alter their portfolio behaviour in response to continued losses. Moreover, the desired share of US liabilities in portfolios of foreign investors should decline over time with the relative size of the US economy since the size of the economy is ultimately the constraint on debt-servicing ability. While the US economy has so far held its own in terms of relative size,[32] the prospects are of a decline, the speed of which will depend importantly on US potential growth, which has recently been marked down.

The role of official purchases has been growing...

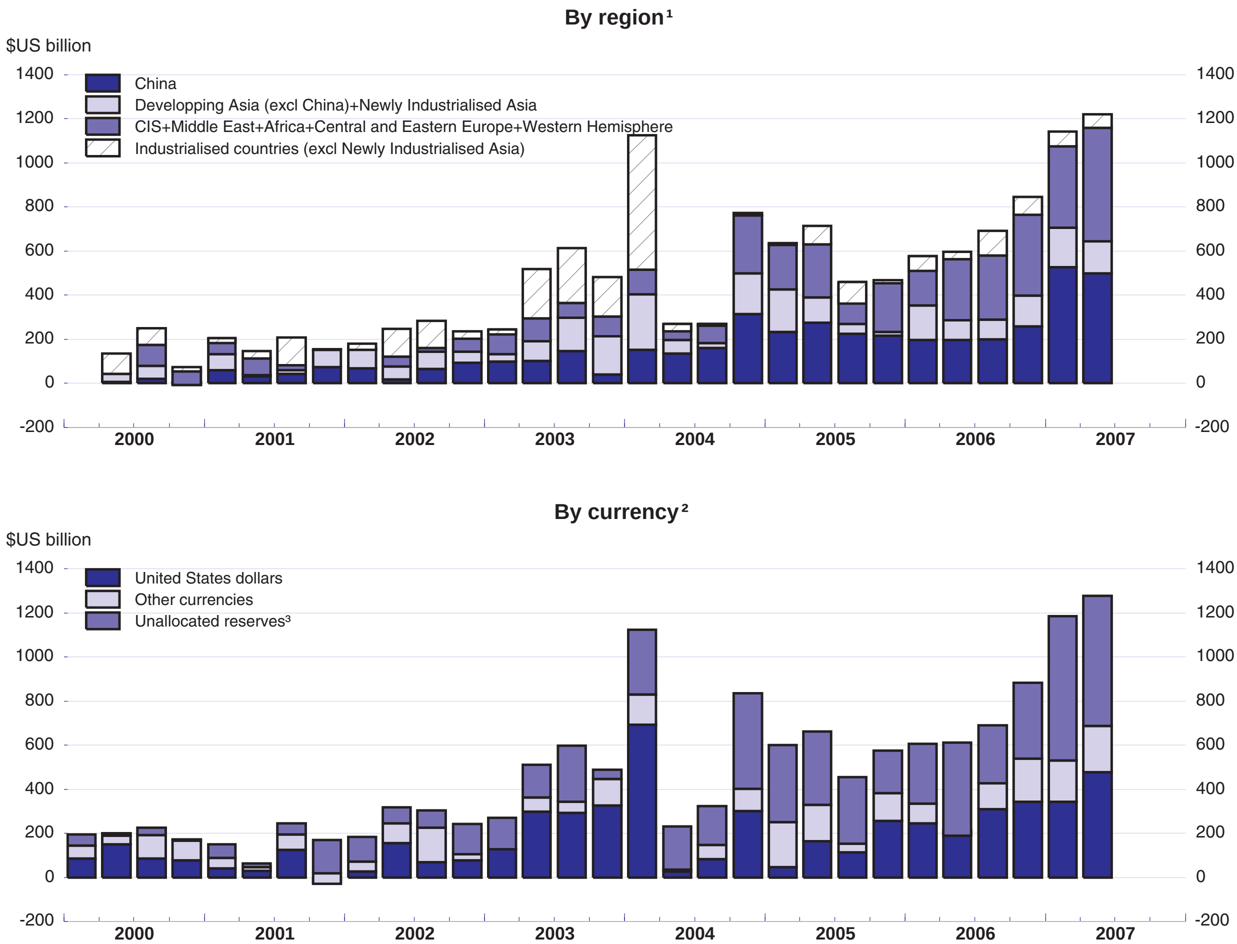
As noted, the limited adjustment observed is also due to the importance of official purchases of foreign exchange in a number of surplus countries. Thus, global reserve accumulation has accelerated to run at or above $1 trillion *per annum* in the first half of 2007, with China

28. These arguments were discussed in *OECD Economic Outlook*, No. 81. For background information, see, among others, Hervé, K., I. Koske, N. Pain and F. Sédillot (2007), "Globalisation and the Macroeconomic Policy Environment", *OECD Economic Department Working Papers*, No. 552; and Caballero, R., E. Farhi and P-O. Gourinchas (2006), "An Equilibrium Model of 'Global Imbalances' and Low Interest Rates", BIS Working Papers, No. 222.
29. See Bernanke, B. (2007), "Global Imbalances: Recent Developments and Prospects", *Bundesbank Lecture*, Berlin.
30. While US financial markets are likely to remain attractive destination for investors, it is also likely that many emerging markets will be able to develop a greater number of higher quality financial assets in the future, although this could take time.
31. Positive effects on the US investment position have added up to over $3 trillion in the past five years, roughly half of which resulted from capital gains, and a quarter from devaluation and other effects.
32. The United States is estimated to have accounted for 26% of global foreign liability holdings in 2005 compared to a slightly higher share of world GDP measured at market exchange rates: Hervé, K., I. Koske, N. Pain and F. Sédillot (2007), "Globalisation and the Macroeconomic Policy Environment", *OECD Economics Department Working Papers*, No. 552.

accounting for roughly $½ trillion (Figure 1.12). If it were assumed that two-thirds of global reserve accumulation consisted of dollar denominated assets (corresponding roughly to the share of the dollar-denominated assets in central bank portfolios), this would amount to roughly $650 billion. This may be an over-estimate, however, to the extent that dollar investments make up a lower fraction of the margin. In any case, adding to this the official demand for US dollar assets from the Gulf states, which is largely channelled through state investment companies and hence does not show up in reserve data, it would seem that the accumulation of dollar denominated assets by sovereign entities now finances a very substantial share of the US current account deficit.

Figure 1.12. **Estimated reserve accumulation (excluding gold)**

Annualised quarter-on-quarter changes



1. Data on reported changes in reserve levels have been adjusted in an attempt to correct for revaluation effects due to US$-euro currency fluctuations.
2. Changes in reserve levels are calculated in the respective currency and then converted into US$ at the average 2000-05 exchange rate.
3. The item "unallocated reserves" is the difference between total reserves and those for which the currency composition is known. See IMF Currency Composition of Official Foreign Exchange Reserves (COFER) database.

Source: International Monetary Fund and OECD calculations.

StatLink http://dx.doi.org/10.1787/158020545178

… and investment protectionism is on the rise

The size of reserves in some countries, coupled with low and even negative returns experienced in the past,[33] has led to changes in how such assets are managed. In particular, the authorities in a number of emerging market economies have started to move from being passive investors in US government bonds to being purchasers of other financial as well as real assets *via* the establishment of sovereign wealth funds (Box 1.5). At the same time, however, investment protection has been on the rise. Among OECD economies, Germany is considering national security screening processes, similar to those being adopted in the United States; Canada is looking into stricter rules on foreign takeovers; and Japan has recently modified regulations for foreign investment due to developments in the national security environment. Among emerging markets, some countries are not just screening proposed investments for national security conflicts but also evaluating deals on economic security grounds: in China for example new regulations allow foreign direct investments (FDI) to be blocked on grounds of economic security. While national security issues are important, and there is also an economic issue of public entities part-owning private business, there is a danger that the climate for international investment will deteriorate. So far, there have been few or no barriers placed in the way of cross-border mergers and acquisitions, but there has been a tightening in conditions in many economies, *via* bureaucratic barriers, on foreign purchase of companies, factories, real estate or natural resources.

Trade protection sentiments are also on the rise

Also worrying is the seeming rise in trade protectionist sentiments. Some survey evidence suggests that electorates prefer domestic competition and feel threatened, in particular, by the pace at which emerging market firms are entering their markets.[34] Additionally, the Doha trade round talks have lost momentum and political pressure is rising in some quarters to stop negotiating even regional and bilateral trade agreements. At a time when financial turmoil and uncertainties about prospects for the housing sector have unsettled household and enterprise confidence, it would be particularly valuable to achieve progress on multilateral liberalisation thereby demonstrating continued commitment to the open markets that have generated important real income gains in the past.

33. Part of the loss reflects the tendency for real exchange rates in fast growing economies to rise, which is a normal phenomenon when countries are in a catch-up phase of growth.
34. Based on the results of a Financial Times-Harris opinion poll conducted in the United States, the United Kingdom and continental Europe, a summary of which is in the *Financial Times* of 23 July 2007. In addition, the *Pew Global Attitudes Project* finds that, although public opinion in major OECD countries has a generally positive view about trade and free markets, there is much less support (usually less than 50%) for the view that foreign companies have a positive impact on their country.

Box 1.5. **Sovereign wealth funds**

Sovereign Wealth Funds (SWF) are government investment vehicles funded by foreign exchange assets that manage those assets separately from official reserves. Some are funded directly through commodity exports with an explicit decision to transfer wealth to future generations, while others result from trying to make the best from official reserves accumulation. Countries running current account and budget surpluses for macroeconomic stabilisation purposes, as well as those accumulating reserves to maintain a pegged exchange rate, have found themselves with amounts of foreign currency well above levels deemed necessary to face external shocks. The creation of SWFs is then seen as an attempt to increase the return on this accumulated wealth.

Some SWFs are becoming large players in financial markets and their importance is set to go on increasing rapidly as a significant part of global reserve accumulation (currently around $1 trillion annually) is likely to be deployed into such funds. Altogether SWFs are thought to already manage combined assets of $1.5 to 2.5 trillion.[1] Currently the largest SWF, by far, is operated by the United Arab Emirates, followed in size by the SWFs of Norway and probably Singapore (see Table). The more recent Chinese SWF will manage assets of $200 billion, but two-thirds of this amount will be placed in investments designed to recapitalise Chinese banks, leaving around $67 billion to be invested in world markets.

Sovereign wealth funds

	Name	Date established	Current size[1] (US$ billions)
United Arab Emirates	Abu Dhabi Investment Authority	1976	500 to 875 e
Singapore	Government of Singapore Investment Corporation	1981	100 to 330 er
Norway	Government Pension Fund-Global	1990	308
Kuwait	Future Generations Fund	1976	174
Russia	Stabilization Fund of the Russian Federation	2004	122 r
Singapore	Temasek Holdings[2]	1974	108
China	China Investment Corporation[2]	2003	66 e
Qatar	Qatar Investment Authority	2005	50 e
Algeria	Revenue Regulation Fund	2000	43
Australia	Future Fund[2]	2006	42
United States	Alaska Permanent Fund[2]	1976	40
Kuwait	General Reserve Fund	1960	39
Brunei	Brunei Investment Agency	1983	30 e
Korea	Korea Investment Corporation	2005	20 r
Malaysia	Khazanah Nasional[2]	1993	18
Kazakhstan	National Oil Fund	2000	18
Venezuela	National Development Fund[3]	2005	15
Canada	Alberta Heritage Savings Trust Fund[2]	1976	14
Iran	Oil Stabilization Fund	2000	12 e
New Zealand	Superannuation Fund[2]	2001	10
Total[4]			2 032

Note: e = estimate; r = some or all assets are included in reserves.
1. Data are from the end of 2006 or the most recent data available.
2. A portion of the holdings is in domestic assets.
3. A portion of these holdings is intended for domestic investment.
4. Total uses the midpoint of the range of estimates.

Source: Truman, E. (2007), "Sovereign Wealth Funds: the Need for Greater Transparency and Accountability", *Peterson Institute, Policy Brief* No. PB07-6, Washington DC.

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Box 1.5. **Sovereign wealth funds** *(cont.)*

The evolution toward more active management of reserves and the increasing importance of SWFs are likely to have repercussions on financial markets. Large reserve accumulation in recent years, with reserves mostly invested in high-quality fixed-income paper, is widely thought to have put downward pressure on the level of long-term interest rates. Any shift of reserves toward other assets through SWFs may slow the pace of sovereign accumulation of fixed income assets and hence tend to push up long-term interest rates. SWFs are likely to invest a fair share of their portfolio in equities, which may have some impact on equity prices. Also, as some SWFs are thought to hold a relatively large share of their assets in emerging markets, SWFs could have a quite noticeable impact on the valuation of emerging market assets, given the limited size of emerging economies' financial markets.

While it is both legitimate and good for the global economy that countries holding large foreign assets manage them to maximise risk-adjusted returns, large official cross-border stakes are at odds with the general perception of economic decision making being done by private agents for commercial reasons. Indeed, with most OECD countries having undertaken massive efforts to reduce state ownership of commercial entities over the past two decades, a *de-facto* partial re-nationalisation of enterprises by SWFs is often eyed with suspicion by recipient countries and the stakeholders of firms included in SWFs' portfolios.

These concerns are reinforced by the uncertainty as to the exact amount of assets of many SWFs and, more importantly, by the uncertainty about their investment strategy and holdings. Many SWFs are viewed as opaque and secretive, with the Norwegian, and, to a lesser degree, the Kuwaiti ones being the major exceptions. Lacking sufficient disclosure, funds are sometimes suspected of hiding strategic objectives, with the pursuit of financial returns and political objectives often becoming indistinguishable.

This secrecy is at odds with standards applied in global financial markets where the large majority of players have very detailed and exhaustive disclosure requirements. Given that many SWFs have reached a size where they have become potential market movers, there is a case for making them liable to the same transparency requirements. It would therefore seem to be in the general interest that countries develop certain codes of conduct for their SWFs (as Norway, for example, has already done), which clarify their objectives, investment strategy and governance model, while guaranteeing sufficient transparency of their activity. Moreover the pursuit of non-financial objectives may raise concerns by itself, as it may disrupt the proper functioning of markets in the recipient country.

Whether such concerns are legitimate and substantial enough to justify explicit vetting by potential recipient countries remains an open question, since any overreaction in the form of investment protectionism would be counterproductive. In this regard, on-going OECD work has taken stock of national measures to screen inward investment and identified agreed principles to minimise effects on investment.[2]

1. See Truman, E. (2007), "Sovereign Wealth Funds: The Need for Greater Transparency and Accountability", *Peterson Institute Policy Brief*, August; Jen, S. (2007), "Tracking the Tectonic Shift in Foreign Reserves and SWFs", *Morgan Stanley Global Research*, March; and Toloui, R. (2007), "Petrodollars, Asset Prices, and the Global Financial System", *PIMCO Capital Perspectives*, January.
2. See for instance OECD (2006), *International Investment Perspectives*.

Growth prospects

There are divergences in near-term growth with…

OECD indicator models for near-term growth have been updated to incorporate conjunctural information and high frequency hard data to provide a projection of developments at the end of 2007 for the major economies as set out in Table 1.6. As described below, while the main country projections are mostly close to those from the indicator models, they are in all cases lower, notably for the United Kingdom and Canada,

Table 1.6. **Short-term growth prospects**

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

	Outcomes				Estimates	
	2006Q3	2006Q4	2007Q1	2007Q2	2007Q3	2007Q4
United States	0.3	0.5	0.2	0.9	1.2	0.4 (+/-0.4)
Japan	0.0	1.3	0.7	-0.4	0.6	0.5 (+/-0.5)
Euro area	0.6	0.8	0.8	0.3	0.7	0.5 (+/-0.3)
Germany	0.7	1.0	0.5	0.3	0.7	0.5 (+/-0.5)
France	-0.1	0.5	0.6	0.3	0.7	0.5 (+/-0.4)
Italy	0.3	1.1	0.3	0.1	0.4	0.4 (+/-0.4)
United Kingdom	0.7	0.8	0.8	0.8	0.7	0.7 (+/-0.3)
Canada	0.3	0.4	1.0	0.8	0.7 (+/-0.1)	0.8 (+/-0.4)
Major 7 countries	0.3	0.8	0.4	0.5	0.9	0.5 (+/-0.4)

1. Based on GDP releases and high-frequency indicators published by November 29 2007. Seasonally and in some cases also working-day adjusted. Aggregations for the G7 use 2000 purchasing power parity weights. Associated ±1 standard error ranges are in parentheses.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/157505483222

partly reflecting the judgement that the indicator models may insufficiently capture the impact of recent shocks, such as the effect of financial turmoil or a turning point in the housing market.[35]

… the US economy slowing

- Following a robust third quarter, US GDP growth is expected to slump towards the end of this year, as the downturn in housing investment intensifies. A slowdown in consumption is also expected, in line with weakening consumer confidence, both as a consequence of higher oil prices and because of the on-going housing adjustment. Business confidence has fallen sharply since the middle of the year to a level below the historical average (Figure 1.13), which does not augur well for business investment. However, export order books are improving, suggesting that exports will continue to support growth.

In the short-term construction will slow activity in Japan

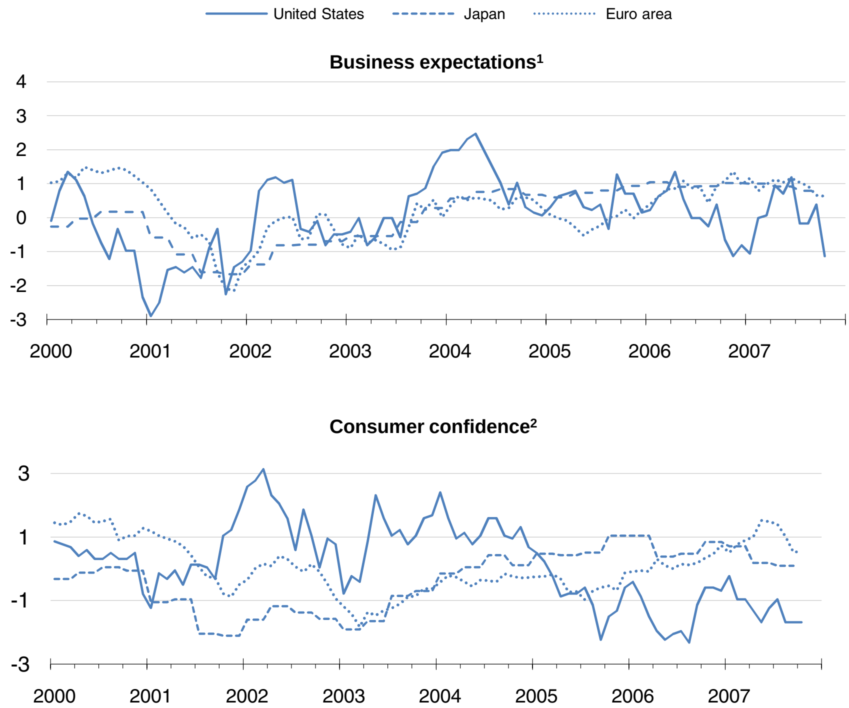
- In Japan, the revision of the Building Standard Law in July 2007, which introduced more stringent construction standards, resulted in a 37% drop (year-on-year) in housing starts in the third quarter. The sharp decline will significantly reduce construction activity in the fourth quarter, damping GDP growth below the rate predicted by the near-term indicator model. Business and consumer sentiment, however, remain respectively above and at their long-term averages.

The euro area is set to grow slightly below trend

- In the euro area, housing markets in most countries have passed their peak, while banks have tightened credit terms. Correspondingly, consumer confidence has been dented and business surveys have

35. The housing market is, however, taken into account in the US indicator model. This model has always included construction output, but the number of housing related explanatory variables has been recently expanded to include more timely data on housing permits and survey evidence from the National Association of House Builders.

Figure 1.13. **Confidence is softening**



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 Manager Index : Production Tendency (Institute for Supply Management) ; Japan: Business Survey (manufacturing): Prospects; Euro area: Business Survey (manufacturing): Future Production Tendency.
2. USA: Consumer Confidence Survey - Expected Economic Situation (University of Michigan); Japan: Consumer Confidence Index; Euro area: Consumer Opinion Surveys - Expected Economic Situation.

Source: OECD Main Economic Indicators.

StatLink http://dx.doi.org/10.1787/158064880822

shown a slight decline in confidence and orders. However, in most cases the survey indicators have fallen from high levels back to their long-term averages, pointing to a slowdown in growth rather than a serious downturn.

UK and Canadian growth could slow in the near term

- The UK economy has continued to grow at a robust rate, with the most recent estimate for growth in the third quarter being 0.7%. However, the indicator model projection for similar growth in the fourth quarter may be too optimistic, given that the United Kingdom could be more vulnerable than most countries to the impact from financial turmoil and because of evidence that the housing market is turning sharply down. In Canada, the indicator model projection of strong growth in the fourth quarter may also be on the optimistic side to the extent that it gives insufficient weight to the prospective slowing in the US economy and to the steep appreciation of the exchange rate.

Slower growth ahead

US growth is nearing its cyclical low…

Growth prospects over the next two years are dependent on a number of policy and other assumptions (Box 1.6). In the United States, residential construction is projected to continue falling in the first half of 2008, albeit

Box 1.6. **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 it is assumed that expiring tax provisions will be extended, including the relief for the Alternative Minimum Tax, without offsetting their effects on the budget. It is also assumed that slowing tax receipts will slightly raise the structural primary deficit. Based on these assumptions, the general government deficit is projected to rise to 3½ per cent of GDP by 2009.
- In Japan, the hike in the pension contribution rate will increase government revenue by about ¼ per cent of GDP per year through 2009. The projections assume spending cuts in line with the medium-term fiscal reform plan.
- In the euro area, fiscal consolidation stalls. For Germany a cut in the corporate tax rate in 2008 as well as a set of partially counterbalancing measures is built into the projections. For France, the main elements of the fiscal package that became effective in autumn 2007 include the elimination of income tax and employer social security contributions on overtime work, tax relief for interest paid on mortgage debt and for bequests or donations to family members, and the introduction of a ceiling on overall income tax paid by a single individual. For Italy, the projections incorporate a cut in the corporate tax rate in 2008 together with measures broadening the tax base.

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

- In the United States, the target federal funds rate is assumed to remain unchanged well into 2009. As the housing correction is completed and with growth recovering the Federal Reserve is assumed to increase the target rate by 25 basis points in the third quarter of 2009.
- In the euro area, policy rates are assumed to remain unchanged over the next couple of years as near term growth is expected to weaken below the potential rate and past appreciation of the euro together with fading impacts from oil and commodity prices help contain inflationary pressures.
- In Japan, the short-term policy interest rate is assumed to remain at ½ per cent throughout 2008. As continued economic expansion pushes inflation firmly into positive territory monetary stimulus is assumed to be reduced in two 25 basis point steps in the second and final quarters of 2009, bringing the policy rate to 1 per cent.

The projections assume unchanged exchange rates from those prevailing on 12 November 2007, at one US dollar equal to ¥ 109.38 and € 0.69 (or equivalently, one euro equals $1.45).

Oil prices have rebounded to record highs since the previous *Economic Outlook* was published. As a working hypothesis, the price of Brent crude is assumed to remain constant at $90 per barrel on average from the fourth quarter of 2007 to the end of the projection period. On average, prices for the most important industrial metals and ores have declined from their peak levels in spring 2007 but remain volatile. Prices for metals and ores are assumed to remain constant in nominal terms from the fourth quarter of 2007 to the end of the projection period. While inflation of agricultural and food commodity prices continued at a fast pace in 2007, it is assumed to decline over the projection period from more than 20% in 2007 to an annual rate of around 2½ per cent in 2009, as supplies increase.

The cut-off date for information used in the projections is 20 November 2007. Details of assumptions for individual countries are provided in Chapter 2, "Developments in individual OECD countries and selected non-member economies".

at a decelerating pace and eventually bottoming out at a historically low level as a share of GDP. In addition, private consumption should slow significantly over the next couple of quarters as higher mortgage payments, some tightening in credit conditions and adverse wealth effects associated with softening house prices weigh on households. Non-residential business investment should decelerate well into 2008 as a result of slow output growth. Once housing investment has bottomed out, activity will gradually re-accelerate (Table 1.7), exceeding its potential growth rate by the end of the projection period. Throughout, export growth is likely to remain strong, bringing about a further modest fall in the current account deficit to around 5¼ per cent of GDP (Table 1.8).

Table 1.7. **Rebalancing of demand is under way**

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

	2005	2006	2007	2008	2009
United States					
Final domestic demand	3.5	2.9	1.9	1.4	2.1
of which: Business investment	0.8	0.7	0.5	0.4	0.3
Residential investment	0.3	-0.3	-0.9	-0.6	0.1
Private consumption	2.3	2.2	2.1	1.3	1.4
Stockbuilding	-0.2	0.1	-0.3	0.1	0.0
Net exports	-0.2	-0.1	0.5	0.4	0.1
GDP	3.1	2.9	2.2	2.0	2.2
Japan					
Final domestic demand	1.7	1.3	0.9	0.8	1.3
of which: Business investment	0.9	1.1	0.3	0.4	0.4
Residential investment	0.0	0.0	-0.2	-0.2	0.1
Private consumption	0.9	0.5	0.9	0.6	0.7
Stockbuilding	-0.1	0.0	0.0	0.0	0.0
Net exports	0.3	0.8	1.0	0.7	0.4
GDP	1.9	2.2	1.9	1.6	1.8
Euro area					
Final domestic demand	1.8	2.5	2.3	2.0	2.0
of which: Business investment	0.4	0.7	0.7	0.5	0.4
Residential investment	0.2	0.3	0.1	-0.1	0.0
Private consumption	0.9	1.1	0.9	1.2	1.2
Stockbuilding	0.1	0.1	-0.1	-0.1	0.0
Net exports	-0.2	0.2	0.4	0.0	0.0
GDP	1.6	2.9	2.6	1.9	2.0
OECD					
Final domestic demand	2.9	3.0	2.5	2.1	2.4
of which: Business investment	0.8	0.7	0.7	0.5	0.4
Residential investment	0.2	0.0	-0.3	-0.3	0.1
Private consumption	1.7	1.7	1.7	1.4	1.4
Stockbuilding	-0.2	0.0	-0.1	0.0	0.0
Net exports	-0.2	0.1	0.3	0.1	0.0
GDP	2.6	3.1	2.7	2.3	2.4

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/157512368224

… while the pace of the expansion in the euro area eases…

In the euro area, growth is expected to slow starting in the fourth quarter of 2007, with activity projected to expand slightly below its potential growth rate of 2% until the second half of 2008. Consumption and residential investment mainly account for this lull in growth. Consumption

Table 1.8. **World trade supports growth while external imbalances remain large**

	2005	2006	2007	2008	2009
Goods and services trade volume	Percentage change from previous period				
World trade[1]	7.6	9.4	7.0	8.1	8.1
of which: OECD	6.1	8.1	5.1	6.1	6.0
NAFTA	6.2	6.7	4.3	5.2	5.1
OECD Asia-Pacific	6.8	8.4	7.2	7.7	8.0
OECD Europe	6.0	8.7	5.0	6.1	6.0
Non-OECD Asia	11.2	12.3	10.8	12.6	13.0
Other non-OECD	10.4	11.9	11.4	11.0	10.3
OECD exports	6.0	8.6	6.0	6.6	6.3
OECD imports	6.3	7.6	4.3	5.6	5.8
Trade prices[2]					
OECD exports	3.5	3.5	7.7	6.2	1.2
OECD imports	4.9	4.6	7.2	6.5	1.3
Non-OECD exports	10.6	7.7	5.7	6.8	1.9
Non-OECD imports	6.1	5.3	6.0	5.7	2.0
Current account balances	Per cent of GDP				
United States	-6.1	-6.2	-5.6	-5.4	-5.3
Japan	3.7	3.9	4.7	4.8	5.2
Euro area	0.3	0.0	0.2	-0.1	-0.2
OECD	-1.6	-1.8	-1.4	-1.4	-1.4
	$ billion				
United States	-755	-811	-769	-775	-794
Japan	166	171	206	229	254
Euro area	28	-2	18	-13	-22
OECD	-546	-660	-583	-613	-650
China	161	250	361	431	518
Dynamic Asia[3]	85	124	150	153	149
Other Asia	-14	-17	-27	-46	-53
Latin America	40	49	42	34	30
Africa and Middle East	216	258	223	281	204
Central and Eastern Europe	64	63	34	29	10
Non-OECD	552	728	781	882	858
World	6	68	199	269	208

Note: Regional aggregates include intra-regional trade.

1. Growth rates of the arithmetic average of import volumes and export volumes.
2. Average unit values in dollars.
3. Dynamic Asia includes Chinese Taipei; Hong Kong, China; Indonesia; Malaysia; Philippines; Singapore and Thailand.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/157517278867

is expected to recover modestly from the second half of 2008 as uncertainty surrounding financial turmoil dissipates, and strong employment together with a modest pick-up in wages support growth in disposable income. On the other hand, residential construction is unlikely to contribute to growth over the next couple of years marking a substantial change to the recent past in several European countries. Business investment and exports are projected to remain a pillar of activity, with the latter underpinned by continuing buoyant emerging-market growth.

… as well as in Japan

In Japan growth is projected to decelerate to just over 1½ per cent in 2008, around its potential growth rate. Exports will continue to support economic activity, but their momentum should decline as the benefits of past improvements in competitiveness fade and recent exchange rate appreciation partially reverses the gains in competitiveness. Real wages are projected to gradually accelerate as labour markets continue to tighten, although the impact of firming real income growth on consumer spending may be offset by an increase in social security contributions. Business fixed investment will grow less quickly than in the past (although still at a rate above the OECD average). Residential construction is likely to pick-up towards the end of 2008 as the backlog created by the changes to building standards is reduced.

Growth in many other OECD countries will temporarily slow

In the United Kingdom consumer spending is projected to decelerate as reduced financial sector bonuses lower employee compensation, credit conditions tighten, unemployment increases and the positive wealth and collateral effects associated with rising house prices dissipate. Weaker consumption growth will be re-enforced by a slowdown in housing investment and lower business investment due to more expensive and less readily available credit. This will further reduce economic growth in the first half of 2008, with a gradual recovery as consumption picks up from late 2008. In Canada the more modest slowdown in growth should endure into the first half of 2008 as the strong currency appreciation and weak activity in the United States continue to damp exports. Economic activity is likely to gradually re-accelerate thereafter. For most Nordic countries, decelerating or falling residential investment is projected to significantly reduce aggregate activity, following several years of growth above trend. Buoyant economic activity in most OECD countries which recently joined the European Union is projected to continue, based on double-digit export growth and strong domestic demand.

Emerging markets continue to stimulate the global expansion

Activity in major emerging market economies is projected to undergo a modest deceleration but will remain a major driver of the global economic expansion. Repercussions of slower economic growth in the United States and Europe on activity in non-OECD Asia should be limited as the dependency of the latter on activity within the OECD area has declined over recent years. In China, GDP may slow slightly but is nonetheless projected to continue to grow at double digit rates. Import growth should pick up after a temporary decline in 2007. Nonetheless, China's current account surplus is projected to rise to 11¾ per cent of GDP in 2009. Growth in India is likely to remain strong, but to ease compared with its recent fast pace reflecting monetary and fiscal policy tightening and a strong currency appreciation. Economic activity in Russia will gradually moderate as the impulse from past terms of trade gains dissipates, leading to a slowdown of domestic demand. The Brazilian economy should keep its robust growth momentum, based on strong domestic demand and a sound export performance.

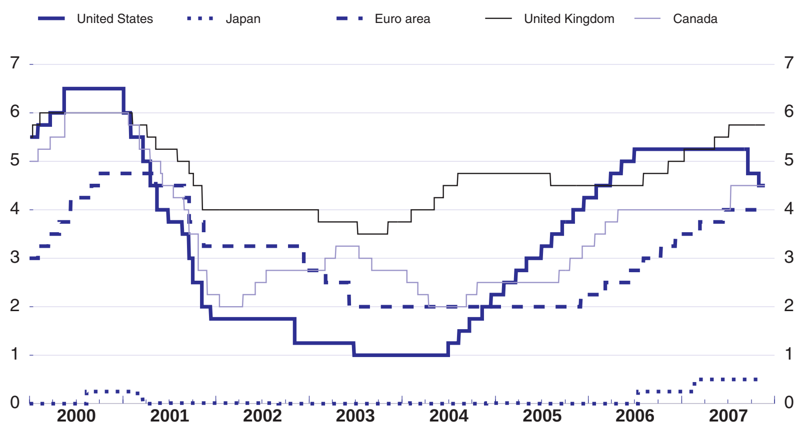
Challenges for macroeconomic policy

Monetary policy

Central banks had to provide liquidity to contain turmoil

In the wake of the recent financial turmoil, central banks have had to address short-term concerns about financial stability by recourse to quantitative instruments to tackle shortages of liquidity. Such actions should not be seen as a "bail out" of financial institutions which made reckless investment and borrowing decisions (with the attendant moral hazard issues such a policy response would imply), but rather as a means of preventing systemic damage to the financial system as liquidity shortages threatened contagion to a much wider range of financial institutions.[36] With regard to medium term objectives for price stability, concern about the adverse effect on future real activity from the cooling of housing markets and financial turmoil, and the easing of inflationary pressures that this would imply, has led to policy rates either being cut (United States in September and October) or not being raised, in contrast with previous market expectations (euro area, United Kingdom and Japan) (Figure 1.14).

Figure 1.14. **The direction of policy rates has begun to diverge**



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

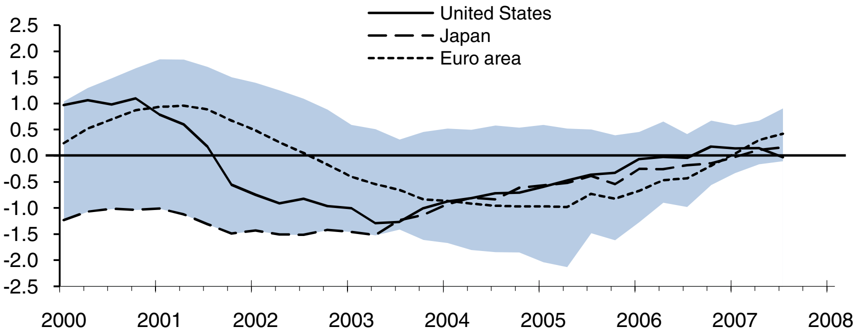
StatLink http://dx.doi.org/10.1787/158080835054

There are potential upward pressures on inflation…

Driven mainly by higher oil and food prices, headline consumer price inflation has recently picked up sharply in a number of OECD countries, including the United States and the euro area, and to a lesser extent in Japan. More generally, a number of potential factors may exert upward pressure on inflation. To begin with, labour markets are tight, with unemployment falling to levels below OECD estimates of structural rates in three-quarters of all OECD countries (Figure 1.15). So far, however, wage

36. See Mishkin, F. (2007), "Financial Instability and the Federal Reserve as a Liquidity Provider", speech at the Museum of the American Finance, Commemoration of the Panic of 1907.

Figure 1.15. **Unemployment gaps have closed in most countries**[1]



Note: Shaded region shows range of major 7 countries' outcomes.

1. The estimated structural unemployment rate minus the actual unemployment rate.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158132100817

settlements remain moderate, adding to increasing uncertainty as to where economies' capacity limits lie (Box 1.7). That said, survey-based measures of capacity utilisation are above average in the major OECD economies and have reached high levels in the euro area. As a separate development, signs are emerging that the effects of globalisation on inflationary pressures may be changing.

... including from the effects of globalisation

Since the mid-1990s, globalisation, understood as the emergence of major non-OECD economies, has exerted a negative impact on core inflation (excluding food and energy) while putting upward pressure on food and energy prices, with the net impact estimated to have been disinflationary.[37] As regards core inflation, however, import prices of manufactures from China may now have ceased to fall in the euro area and appear to be rising in the United States. Nonetheless the price level of imports from China remains comparatively low, so that increasing import penetration may continue to exert some negative impact.

Interest rate cuts can remain on hold for now in the United States...

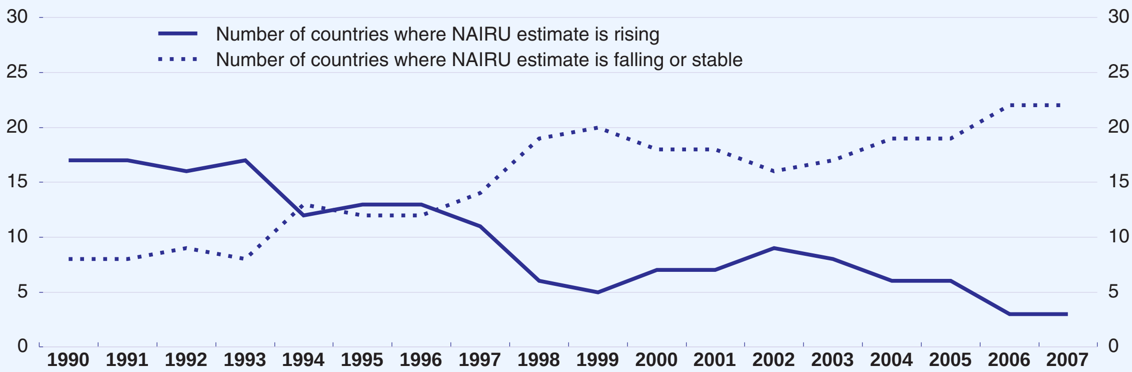
In the *United States*, the standard measure of core inflation (the private consumption deflator excluding food and energy) has slowed to slightly below 2% on a twelve-month basis, although the corresponding headline measure has increased to nearly 3% from under 2% two months ago, while statistical measures of underlying inflation remain well above 2% (Figure 1.16). Imputed owner-occupied housing costs have decelerated but are still pushing up core price inflation, although this component of inflation should abate as the slowdown in house prices filters through to market rents. As concerns the real side, growth is likely to slow sharply in the short-term, as described earlier. This does not, however, necessarily warrant a further easing of monetary policy unless recession risks

37. See Pain, N., I. Koske and M. Sollie (2006), "Globalisation and Inflation in the OECD Economies", *OECD Economics Department Working Papers*, No. 524. While this analysis covers only disinflationary effects arising *via* import prices, further impacts on wage formation are likely to have been negative and important as well.

Box 1.7. **Gauging the NAIRU**

As an aid to assessing future inflation pressures and the associated monetary policy requirements, as well as an input to thinking about the underlying fiscal position of countries, measures of the non-accelerating inflation rate of unemployment (NAIRU) can be useful. These measures cannot be observed but rather must be estimated indirectly. The OECD uses statistical techniques to back out estimates of the NAIRU from (Phillips curve) equations linking inflation to the gap between actual unemployment and the NAIRU as well as a range of other influences on inflation.[1] On that basis, the average OECD NAIRU has come down by about a percentage point from the early 1990s to now, with the fall being pretty widespread across countries (see Figure). The pace of decline even appears to have been slightly faster over the past five years than over the preceding ten. In 2007, unemployment for the OECD as a whole basically coincides with the average estimated NAIRU of 5½ per cent.

Counting countries with rising and falling NAIRU estimates[1]



1. Excludes Czech Republic, Hungary, Mexico, Slovak Republic and Turkey.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158176218154

As with other non-observables, the NAIRU can only be estimated with uncertainty. There is reason to believe that this uncertainty has increased in recent years. Indeed, inflation appears to respond less these days to variations in unemployment or in other measures of capacity use than was the case previously (Phillips curves have become flatter). Causes often quoted for this development include more stable inflation expectations as a result of better monetary policy; globalisation that has made supply constraints more elastic; and lower levels of inflation in conjunction with some degree of money illusion and nominal rigidities.

It is not just the current level of the NAIRU but also its future that is subject to uncertainty. What will happen to the NAIRU going forward depends in part on what drove it lower over the recent past and here there are a number of potential explanations, which can be grouped under factors that have a permanent effect *versus* those that are less long lasting.

- Permanent effects:
  - *Structural reforms*.[2] Based on OECD regressions that link unemployment across countries and over time to a range of structural policy variables, reforms could have lowered unemployment by about a percentage point in the average OECD country over the decade from 1994 to 2003. The most important effects seem to have come from liberalising product markets but reductions in tax wedges also contributed in some countries. More recent reforms could have further lowered NAIRUs and some of the effects of past reform may only come through with a lag.

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Box 1.7. **Gauging the NAIRU** *(cont.)*

- *Greater competitive pressures in product markets*. Globalisation affects behaviour in labour markets because of the stronger competitive pressures it creates in product markets. OECD empirical analysis shows that outward FDI tends to make employment more sensitive to real wages. An explanation is that, with globalisation, enterprises have more scope and face more pressure to locate production where it is the least costly. More generally, there is evidence to suggest that employment has become more responsive to real wages. This should then in turn affect wage setting behaviour and thereby reduce the NAIRU.

- Less long lasting effects:
  - *Recent large immigration flows*. Depending on the type of immigrants a country receives and the flexibility of its labour market, they may help to improve the functioning of the labour market by moving to activities in danger of overheating (low-skilled immigrants in countries with rigid labour markets may well have the opposite effect). The effect is most obviously associated with the arrival of new immigrants. It is less clear whether a large stock of immigrants has a similar effect. If the effect were exclusively related to new arrivals it would require a continuation of recent rapid immigration flows just to make any associated past fall in the NAIRU stick. So it might seem unlikely that further declines in the NAIRU on this count will be achieved and in some countries some back up in the NAIRU is possible if immigration flows were to decline.
  - *Rapid penetration of cheap manufactured goods from non-OECD countries*. OECD analysis suggests that until 2005 this effect more than offset the effect of rapid non-OECD growth in pushing up energy and raw material prices. But, as discussed elsewhere in this *OECD Economic Outlook*, the balance of these effects could be changing, implying some upward pressure on prices, and thereby implicitly the NAIRU, going forward. In principle, OECD NAIRU estimates see through short-term effects from import prices and should not be artificially lowered by a short period of cheap imports but it is not clear that the effects of sustained trends in relative import prices on the NAIRU are well captured.

While uncertainty exists both around current levels and future trends of the NAIRU it is not obvious that there is much alternative to basing policy analysis on the best available estimates of the NAIRU while being alert to signs that it might change. Basing policy analysis on NAIRU estimates at least has the merit of making explicit the assumptions on which such analysis is based.

1. Turner, D., L. Boone, C. Giorno, M. Meacci, D. Rae and P. Richardson (2001), "Estimating Structural Unemployment for the OECD Countries", *OECD Economic Studies*, No. 33.
2. Progress on key structural reform areas is regularly reviewed in *Going for Growth*.

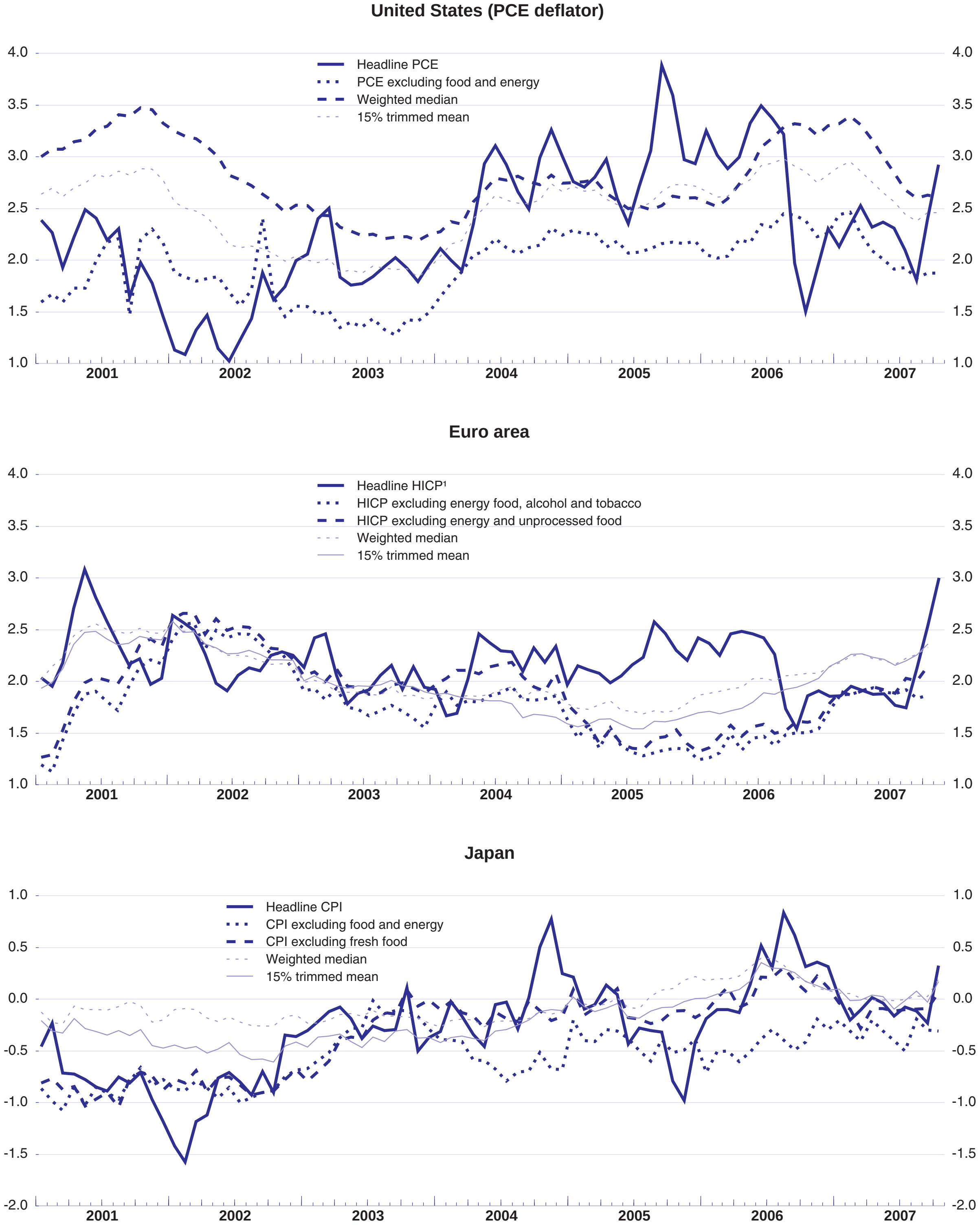
intensify. *First*, even with such a slowdown the level of output will only fall slightly below potential in the second half of 2008. *Second*, the pass-through of higher energy costs and the weaker exchange rate are likely to limit any future falls in core inflation. Once the housing correction is completed and growth begins to recover to above potential rates, interest rates will need to be raised, although this may not be until the second half of 2009.

.. and also in the euro area

In the *euro area*, headline consumer price inflation has recently picked up, to 3.0% in November according to the flash estimate (up from 2.1% in September). Different measures of underlying inflation provide somewhat conflicting signals: core inflation (excluding food and energy) remains close to 2%, while most statistical measures of underlying inflation have been increasing over recent years and are now running

Figure 1.16. **Headline and underlying inflation measures**

12-month percentage change



1. Euro area headline HICP figure for November 2007 is the flash estimate.

Source: Main Economic Indicators and OECD calculations.

StatLink http://dx.doi.org/10.1787/158134036112

somewhat above 2%. However, these measures are all affected by the German value-added tax (VAT) hike at the beginning of the year. On the real side, starting from a position where the level of output is around capacity, growth is projected to be slightly below the trend rate in the near term, which should help to contain inflationary pressures. Indeed, inflation is projected to eventually come down again to meet the European Central Bank's medium-term objective, implying no need for further increases in interest rates. Nevertheless, vigilance will be required, both with respect to the risks of a larger and more widespread downturn in housing construction and larger adverse effects from financial turmoil, as well as in case second-round effects from the recent inflation spike are stronger than expected and feed through into inflation expectations.

Further hikes in Japanese rates should wait

In *Japan*, consumer price inflation has continued to hover around zero while wages fell during the first half of 2007. The absence of inflationary pressures and weak consumer spending do not argue for rate hikes on grounds of any impending threat to price stability; rather, interest rates should be maintained at current levels until inflation is firmly positive and the risk of renewed deflation is negligible, which may not be until early 2009.

There is room to ease UK but not Canadian interest rates

In the *United Kingdom*, although consumer price inflation has recently picked up to just over 2%, this still represents a significant fall from the average rate of 2.7% in the first half of the year. With a weakening of activity projected going forward, a series of interest rate cuts should remain consistent with price stability. In *Canada*, core inflation has returned to the central bank's 2% target. Although the economy is operating close to capacity, the steep rise in the exchange rate will help to stabilise core inflation and contain pressures from commodities in the short-term, although some modest rise in policy rates may be required in the second half of next year.

China should allow exchange rate appreciation

In *China*, inflationary pressures remain acute despite the measures taken so far to contain them. The People's Bank of China has increased policy rates four times this year, though they remain at low levels. The authorities have also attempted to limit domestic demand growth through administrative actions including restricting the investments of state-owned firms, mandating banks to buy government bonds, moving into fiscal surplus and raising the reserve ratio for commercial banks. These actions notwithstanding, inflation measured by the consumer price index is running at about 6¼ per cent, although this is mostly driven by agricultural prices. High inflation poses a risk of igniting an inflationary spiral and so calls for tighter monetary conditions. Furthermore, some rebalancing away from administrative curbs and measures that restrain domestic demand may be desirable. These considerations militate in favour of letting the exchange rate appreciate more rapidly in effective terms – a measure which in current conditions would have favourable effects both in terms of domestic stabilisation and by limiting the widening of international balances.

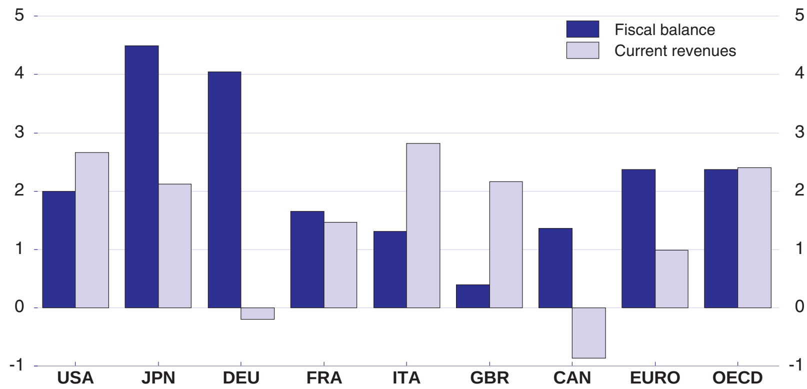
Fiscal Policy

Revenues have been buoyant in recent years

In the past few years since the cyclical trough, headline fiscal positions have improved in virtually all OECD countries: from 2003 to 2007, the general government deficit in the OECD area was reduced from 4% of GDP to 1¾ per cent. The improvement was particularly marked in Japan, Germany and the United States; in a number of northern European countries (Iceland, Denmark, Sweden, Norway and the Netherlands); in some eastern European economies (Czech Republic and Poland); and in Korea, Greece, Ireland, Spain and Switzerland. The improvement in public finances has been mostly the result of increased government revenues (Figure 1.17), though in a few countries – among them Canada and Germany and more recently Portugal – spending to GDP ratios have fallen significantly.

Figure 1.17. **Fiscal balances improved between 2003 and 2007**

Change in percentage points of GDP



Source: OECD Economic Outlook 82 database.

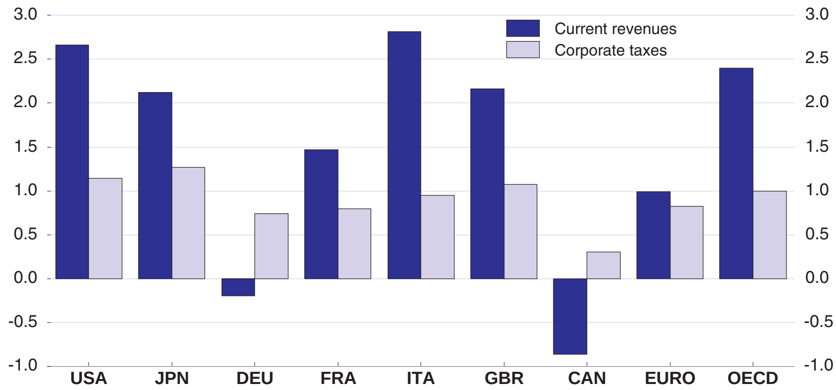
StatLink http://dx.doi.org/10.1787/158137048115

Corporate taxes have surged, largely driven by temporary factors...

A breakdown of government revenues suggests that a large part of the recent surge in government receipts results from business-cycle developments combined with unusually high company profits and large capital gains. Corporate taxes have been particularly buoyant (Figure 1.18). The increase in corporate tax revenues reflects a rise in company profits relative to wages (and hence a compositional shift in revenues from personal to corporate taxation), combined with particularly strong performances in the financial, energy and housing-related sectors. But in addition, corporate taxes have responded much more strongly to higher profits than in past cyclical upswings. This revenue buoyancy probably reflects the progressive exhaustion of carry-forward provisions for past losses, as well as greater limits on tax sheltering activities and expanding

Figure 1.18. **Most of the improvement in current revenues came from corporate taxes**

Percentage points of GDP, change 2003 to 2007



Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158150687788

income from capital gains on financial investments.[38] Overall, it may be expected that the increased buoyancy of corporate taxes relative to profits will prove transitory, the more so if the economy slows, the recent financial-sector disruption turns out to have persistent effects on corporate financing costs and financial sector profits (Chapter 3) and the housing adjustment reduces profitability in housing-related sectors.

… and personal income taxes have also played a role

Direct taxes on households have also contributed significantly to the increase in tax revenues in a number of economies. Their contribution has been highest in some English-speaking countries (Canada, New Zealand, United Kingdom and United States), as well as in Iceland and Korea. The rapid increase in personal income tax receipts relative to the growth of income reflects several factors: higher capital gains as equity markets recovered and higher interest income as interest rates rose; a concentration of income growth at the upper end of the income distribution where taxes are higher; and "bracket creep" whereby the growth of income causes a greater proportion of taxpayers' income to be taxed in higher brackets. The United States provides an illustration with an increase in personal income tax amounting to more than one point of GDP, roughly as much as corporate taxes.[39] Looking forward, a slowdown of personal income taxes can be expected as capital gains and bonuses converge to their long-term level as a share of GDP.[40]

38. In the national accounts, capital gains are not treated as income and are not included in the gross operating surplus aggregate. Companies, however, pay tax on capital gains.
39. For 2005, realisations of capital gains grew by about 29% and taxable interest income by more than 20% according to the Congressional Budget Office (2007), *The Budget and Economic Outlook: Fiscal Years 2008 to 2017*.
40. The baseline of the Congressional Budget Office (*op. cit.*) assumes that realised capital gains will grow more slowly than GDP after 2006.

Short-term fiscal gains have often given rise to long-term pain

Economic upswings have often been followed by significant deteriorations in structural fiscal positions because demands for higher spending and/or tax cuts become stronger or harder to resist when revenues are piling up – the "cagnotte" or "kitty" problem. Short-term fiscal gains then give rise to long-term pain, eventually forcing governments to tighten the fiscal stance during downturn episodes.

Underlying fiscal positions are hard to assess at the peak

One reason why fiscal demands are hard to resist during upturns is the difficulty encountered in disentangling the permanent and transitory components of improvements in headline fiscal balances. *First*, the cyclical position of the economy, traditionally measured by the output gap – *i.e.* the difference between actual and potential real GDP – is notoriously difficult to assess in real time. In particular, during expansions, there is a tendency to overestimate potential output (see Appendix 1.A1). The flip-side of this is an underestimate of the extent to which output exceeds potential and hence of the cyclical component of fiscal gains. The corollary is an unwarranted optimism about structural fiscal positions.[41] *Second*, some categories of tax revenues, such as taxes on capital gains, are related to developments in asset prices, which are only loosely related to the business cycle. Hence, when a cyclical upswing coincides with an asset price cycle, the risk is high that the underlying health of public finances will be overestimated because the cyclical adjustment of budget balances will take into account only the output cycle. Other estimates suggest that more than half of the improvement in the euro area structural fiscal balances, of nearly 1% of GDP over the period 2003-05, can be attributed to the impact of asset price movements.[42] For major commodity exporting countries – including Canada, Australia, New Zealand and Norway – unusually high terms of trade gains also make estimation of structural balances more difficult.

Several countries are cutting taxes or boosting spending

Against this background, the 2005-06 tax bonanza could risk opening the way to a structural deterioration in fiscal balances. Indeed, many OECD countries have taken action that could weaken budgets even if, in some cases, such effects could be partially offset by associated improvements on the supply side of economies. Cuts in tax rates have been implemented or announced in 2007, on companies in Canada, Czech Republic, Germany, Italy, Netherlands, New Zealand, Spain, United Kingdom and United States, and on households in Canada, Denmark, Spain and Sweden. Though some countries have improved the tax structure by simultaneously broadening the tax base (Germany and Spain), tax expenditures have also been increased (including in France and Italy for the housing sector). On the spending side, some governments

41. A recent study suggests that intended fiscal stance, based on information available at the time budgetary decisions are made, is usually not pro-cyclical, even if the *ex post* result often turns out to be; Cimadomo, J. (2007), "Fiscal Policy in Real Time", *CEPII Working Paper,* No. 2007-10.
42. Morris, R. and L. Schuknecht (2007), "Structural Balances and Revenue Windfalls – the Role of Asset Prices Revisited", *ECB Working Paper,* No. 737, March.

have decided to increase expenditure on certain services, or are considering doing so, notably health and education (Denmark, United Kingdom and United States) and social programmes and transfers (Italy, New Zealand and Spain).

Fiscal consolidation is expected to stall over coming years with…

Despite the risk of unwarranted fiscal easing, the projection is merely one of fiscal consolidation stalling over coming years; the area-wide cyclically-adjusted deficit is expected to remain at about 2% of GDP to 2009, with little or no improvement among the major countries (Table 1.9).

Table 1.9. **Fiscal consolidation is stalling**

Per cent of GDP / Potential GDP

	2005	2006	2007	2008	2009
United States					
Actual balance	-3.6	-2.6	-2.8	-3.4	-3.5
Cyclically-adjusted balance	-3.6	-2.8	-3.0	-3.4	-3.4
Cyclically-adjusted primary balance	-1.7	-0.8	-0.9	-1.3	-1.3
Gross financial liabilities	62.4	61.9	62.2	63.8	65.5
Japan					
Actual balance	-6.4	-2.9	-3.4	-3.8	-3.4
Underlying balance[2]	-5.6	-4.9	-4.0	-3.8	-3.4
Underlying cyclically-adjusted balance[2]	-5.2	-4.8	-4.1	-3.9	-3.6
Underlying cyclically-adjusted primary balance[2]	-4.4	-4.0	-3.2	-3.0	-2.5
Gross financial liabilities	177.3	179.7	180.3	181.6	183.3
Euro area					
Actual balance	-2.5	-1.6	-0.7	-0.7	-0.6
Underlying balance[2]	-2.7	-1.5	-0.8	-0.7	-0.6
Underlying cyclically-adjusted balance[2]	-1.8	-1.0	-0.6	-0.6	-0.4
Underlying cyclically-adjusted primary balance[2]	0.7	1.4	1.8	1.8	1.9
Gross financial liabilities	76.9	74.8	72.4	71.2	70.0
OECD[1]					
Actual balance	-2.9	-1.8	-1.6	-2.0	-1.9
Underlying balance[2]	-2.9	-2.0	-1.7	-2.0	-1.9
Underlying cyclically-adjusted balance[2]	-2.9	-2.2	-2.0	-2.2	-2.1
Underlying cyclically-adjusted primary balance[2]	-1.1	-0.4	-0.2	-0.4	-0.3
Gross financial liabilities	77.6	77.1	76.6	77.1	77.4

Note: Actual balances and liabilities are in per cent of nominal GDP. Cyclically-adjusted balances are in per cent of potential GDP. The primary cyclically-adjusted balance is the cyclically-adjusted balance less net debt interest payments.

1. Total OECD excludes Mexico and Turkey.
2. In this context "underlying" means that the balance has been purged of one-off and temporary measures, insofar as they have been identified. For European Union countries these adjustments are mainly taken from European Commission (2007).

Sources: OECD Economic Outlook 82 database, European Commission (2007), "Public Finances in Emu, 2007".

StatLink http://dx.doi.org/10.1787/157518063761

… the US deficit widening…

- For the United States, the actual deficit is expected to widen from over 2¾ per cent of GDP in 2007 to 3½ per cent of GDP in 2009, partly reflecting the reversal of the unusual buoyancy in corporate tax revenues as well as some increase in primary expenditures as a share of GDP.

… while the structural balance in Japan improves and…

- For Japan, an annual improvement of less than ½ per cent of GDP in the cyclically-adjusted primary deficit is expected, which would leave it at around 2½ per cent of GDP in 2009. This rate of improvement is inadequate to achieve the government's objective of a primary budget surplus for the combined central and local governments by fiscal year 2011. To achieve this target, which is not excessively ambitious in view of gross public debt of nearly 180% of GDP, the pace of fiscal consolidation will need to be stepped up as the economy emerges from deflation.

… that in the euro area stagnates

- For the euro area as a whole there is little improvement expected in either the structural or actual budget balance to 2009. Among the major euro area countries, the deficit in Germany is set to remain close to zero. For France the deficit is expected to be around 2½ per cent of GDP, more than 1 percentage point of GDP above the "minimum benchmark", calculated by the European Commission as an appropriate safety margin to avoid breaching the 3% deficit limit due to normal cyclical fluctuations. In Italy the deficit also remains above this minimum, by ½ per cent of GDP.

The improvement in the UK structural deficit remains insufficient

- The structural deficit for the United Kingdom, having averaged 3¼ per cent of GDP over the past five years, is expected to increase further in 2008 before falling to 2½ per cent of GDP by 2009, but this would still be 1 percentage point of GDP above the European Commission's recommended minimum benchmark.

Canada maintains a surplus

- Canada, by contrast, continues to run a general government surplus. However, over the projection both the actual and the structural surplus are set to decline in the wake of a number of tax reductions.

Some smaller economies should see larger improvements

- Some of the largest improvements in underlying structural deficits are expected in smaller European countries where deficits have been substantial (Czech Republic, Hungary, Portugal and Slovak Republic), although little improvement is expected for Poland, with the structural deficit remaining at about 4% of GDP.

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APPENDIX 1.A1

An evaluation of OECD growth projections for the G7 economies

The OECD projections have recently been scrutinised

The quality of the *OECD Economic Outlook* growth projections was evaluated in-depth at the peak of the previous business cycle.[43] This assessment was recently updated for the G7 countries, with a close look at how the projections performed over the 1991-2006 period.[44] This appendix presents the key results of this re-examination and puts them in perspective.

Methodology

Three different horizons are examined…

Three increasingly distant horizons are considered: the projections in spring for the current year, the projections in autumn for the year ahead, and the projections in spring for the year ahead. The annual projections are compared to first realisations, *i.e.* the outcome reported in the spring *OECD Economic Outlook* that follows the year the projection was made for.[45]

… to evaluate the quality of the projections

To evaluate the quality of the *Economic Outlook* projections, a number of established accuracy and efficiency criteria are used.[46] Fundamental criteria for a good projection are unbiasedness and small forecast errors as well as directional accuracy and the anticipation of business cycle turning points.

Comparisons to other forecasts are also made

Alternative forecasts provide a useful benchmark to assess the *Economic Outlook* projections. Hence, the latter are compared with the average of the broad sample of forecasts feeding into Consensus Forecasts. Specifically, spring and autumn *Economic Outlook* projections are

43. Koutsogeorgopoulou, V. (2000), "A Post-Mortem on Economic Outlook Projections", *OECD Economics Department Working Papers*, No. 274.
44. Vogel, L. (2007), "How Do the OECD Growth Projections for the G7 Economies Perform? A Post-Mortem", *OECD Economics Department Working Papers*, No. 573.
45. Of course, these early estimates are themselves subject to subsequent revisions, which at times are large. For instance, in March 2007, 2005 real GDP growth for Japan was revised down from the 2.7% reported in the spring 2006 *OECD Economic Outlook* to 2.2%. Also, in recent years, real GDP data for the euro area and the United Kingdom have been fairly systematically revised upwards some time after the publication of the first estimates, and the US ones downwards. For an account of the downward bias in initial GDP estimates for the United Kingdom see Cunningham, A. and C. Jeffery (2007), "Extracting a better signal from uncertain data", *Bank of England Quarterly Bulletin*, 2007/Q3, Vol. 47, No. 3.
46. Carnot, N., V. Koen and B. Tissot (2005), *Economic Forecasting*, Houndmills, Palgrave.

compared with those appearing in the May and November issues of the Consensus publication, with a view to minimising the time and information gap between both sets of forecasts.

Main findings

The results show that...

The overall performance of the OECD G7 growth projections has remained broadly stable over time (Figure 1.19). The main findings for the three horizons are:

... current-year spring projections convey more information...

- Spring *Economic Outlook* projections for the current year have not, on average, displayed any upward or downward bias compared with outcomes (see the average errors in Table 1.10) and have added useful information of their own for predicting outcomes (over and above the information in *Consensus Forecasts*).

... than those produced in the autumn

- Autumn *Economic Outlook* projections for the year ahead have erred on the optimistic side on average, but they have added valuable information for predicting future GDP growth, albeit less than the spring projections for the current year.

Year-ahead spring projections tend to be too optimistic

- Spring *Economic Outlook* projections for the year ahead have suffered from more of a tendency to over-predict and contained less information on future GDP growth.

The projections do not anticipate cyclical turning points well

Furthermore, most of the time the *Economic Outlook* projections have correctly predicted accelerations or decelerations in activity, but in general they have displayed a limited ability to anticipate business cycle turning points.

The accuracy of near-term projections reflects information availability

The greater precision of the projections for the less distant horizons (see Figure 1.19 and the right-hand side of Table 1.10) reflects the increasing availability and quality of information as the forecast horizon shortens, including the better knowledge of carry-over effects.

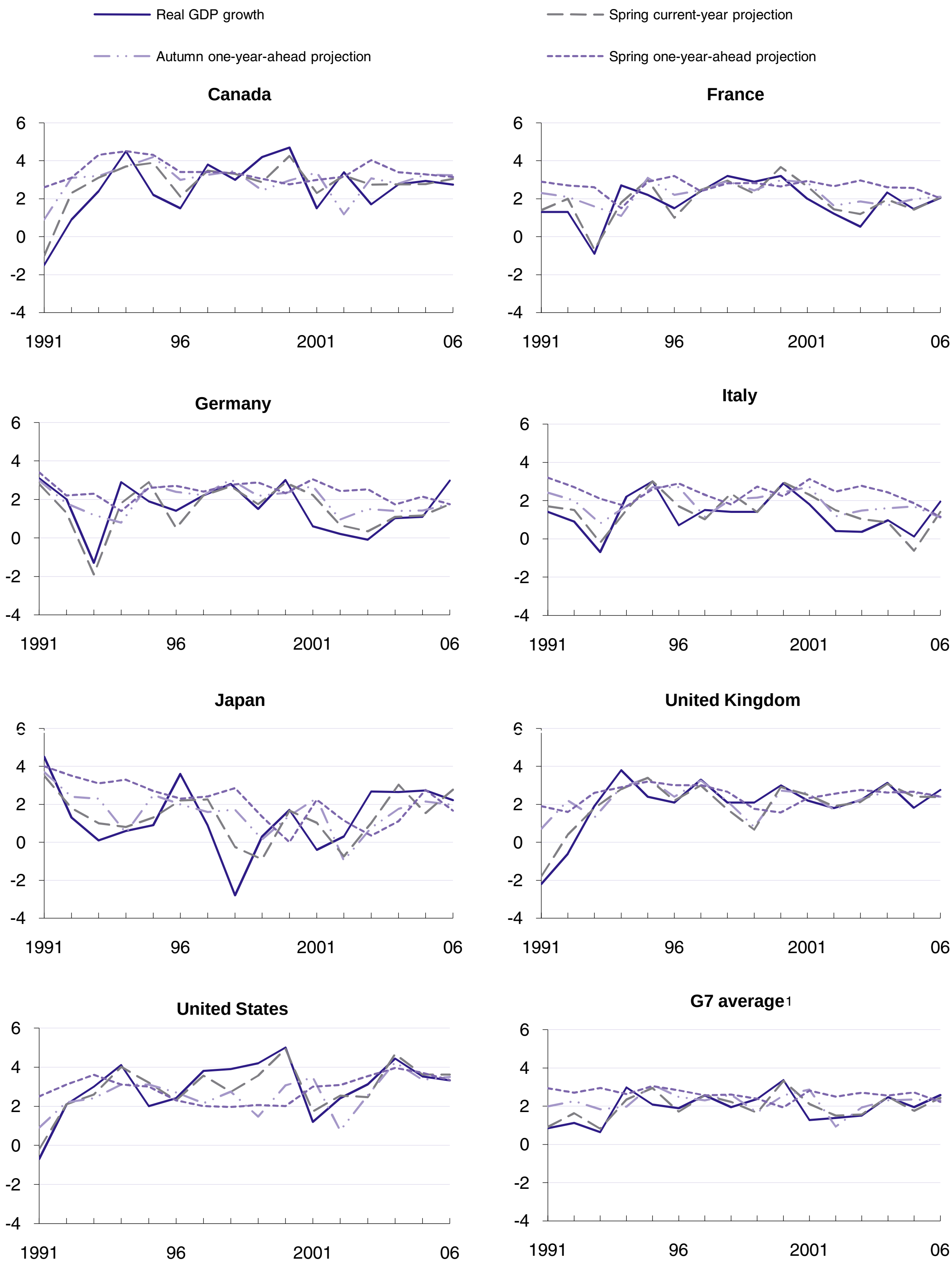
Estimates of potential growth are important

The positive bias associated with the one-year-ahead projections mainly seems to reflect some delay in substantially adjusting projections downward during slowdowns, or even a tendency to persistently over project outcomes during low-growth spells. This could reflect a tendency to ascribe too much of an economic upturn to improvements in underlying growth as opposed to purely cyclical factors, with downward adjustments in estimates of potential occurring only gradually as actual output slows. Accordingly, improved accuracy of year ahead projections would require more accurate estimates of potential growth and of initial cyclical positions.

The overall performance compares well with the consensus...

Overall, the performance of the *Economic Outlook* projections has been similar to that of *Consensus Forecasts* over the 1991-2006 period. Both OECD and Consensus projections dominate naïve spring current-year and autumn one-year-ahead forecasts (such as *e.g.* the sample average or an

Figure 1.19. ***Economic Outlook* projections and actual GDP growth**



1. Unweighted G7 average.

Source: OECD Economic Outlook database.

StatLink http://dx.doi.org/10.1787/158155180653

Table 1.10. ***Economic Outlook* G7 projection errors, 1991-2006**

	Average projection error			Root mean square error		
	Spring current year	Autumn one year ahead	Spring one year ahead	Spring current year	Autumn one year ahead	Spring one year ahead
	Percentage points					
Canada	0.26	0.40	0.87	0.81	1.49	1.71
France	0.08	0.37	0.81	0.50	0.99	1.42
Germany	-0.07	0.39	0.83	0.73	1.19	1.60
Italy	0.19	0.60	1.11	0.61	1.01	1.59
Japan	0.05	0.31	0.84	1.17	1.71	2.24
United Kingdom	-0.02	0.26	0.48	0.62	1.16	1.34
United States	-0.02	-0.38	-0.10	0.54	1.34	1.55
Unweighted G7 average	0.07	0.28	0.69	0.71	1.27	1.64

Note: The root mean square error (RMSE) is a metric of absolute error size. The RMSE weights over- and underpredictions equally, but gives higher weight to larger errors. Detailed cross-country comparisons of forecasting performance would have to adjust RMSE by the volatility of growth realisations.

Source: OECD calculations.

StatLink http://dx.doi.org/10.1787/157561250455

extrapolation of recent GDP growth). Consensus forecasts add no information to the Spring *Economic Outlook* current-year projections while sharing the weaknesses of the one-year-ahead projections.

Putting the results in perspective

… and with IMF and EC projections

Investigating the performance of International Monetary Fund (IMF) and European Commission (EC) projections for somewhat different periods of time and broader sets of countries and variables, some researchers[47] have found broadly similar results. In particular, the shortcomings of the one-year-ahead *Economic Outlook* projections are also attached to IMF and EC projections.[48] Based on data going back all the way to the 1970s, the evidence suggests[49] that EC GDP projections score as well as the Consensus and slightly better than IMF ones, but not as well as the OECD's, especially as regards the *Economic Outlook* spring current-year projections. However, the issue of timing is crucial for every forecast comparison, especially for short forecast horizons. Indeed, projections produced later do benefit from richer information sets.[50]

47. Timmermann, A. (2006), "An Evaluation of the World Economic Outlook Forecasts", *IMF Working paper*, No. 06/59, and Melander, A., G. Sismanidis and D. Grenouilleau (2007), "The Track Record of the Commission's Forecasts – An Update", *European Economy Economic Papers*, No. 291.
48. The IMF projections for the G7 countries over the 1990-2003 period display a tendency to err on the pessimistic side, however.
49. See Melander et *al.*, *op. cit*.
50. This has been noted by Blix, M., J. Wadefjord, U. Wienecke and M. Adahl (2001), "How Good is the Forecasting Performance of Major Institutions?", *Sveriges Riksbank Economic Review*, No. 3.

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OECD Economic Outlook 82

Chapter 2

DEVELOPMENTS IN INDIVIDUAL OECD COUNTRIES AND SELECTED NON-MEMBER ECONOMIES

UNITED STATES

Healthy gains in private consumption have helped to keep GDP growth above trend thus far this year. However, the correction in residential construction is likely to accelerate over the near term, and housing wealth could decline which, together with weaker labour market conditions, could lead to lower consumption growth over time. GDP should therefore slow to a pace below potential in 2008 and then recover in 2009, although there are considerable downside risks. Headline inflation has recently moved up, but core inflation seems to have stabilized near 2% and, assuming that energy prices level out, inflationary pressures should remain fairly moderate over the projection period.

The current stance of monetary policy, slightly accommodative, seems appropriate, but the federal funds rate should be brought back to neutral when the economy recovers. The room for fiscal manoeuvre is limited, including for widespread support to distressed borrowers, since the slowdown in activity is likely to curb revenues, pushing up the federal government deficit. In addition, the challenge of funding entitlements will become more pressing with the baby boom generation beginning to retire in 2008.

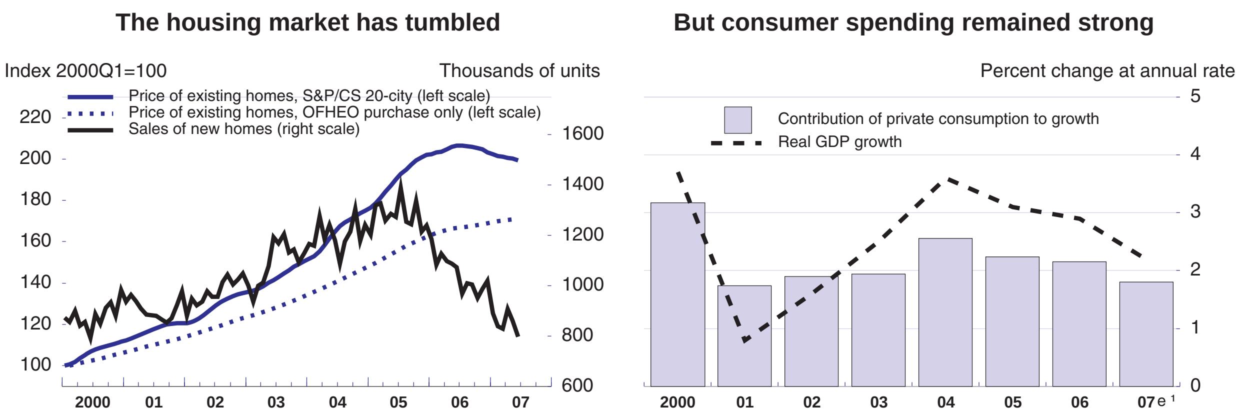
Housing is tumbling...

Activity in the housing sector has been contracting since the beginning of 2006 and the latest data indicate that the slump is getting worse. Home sales have declined considerably as the year has progressed and the weakness in housing demand has also shown up in prices. House prices have decelerated, and are now probably falling. Homebuilders have slashed production – housing starts are down nearly 50% from their peak – but not enough to offset the drop in demand, resulting in a substantial accumulation of inventories relative to sales.

... and financial markets are in turmoil

The deterioration of the housing market contributed to the financial market crisis in early August. Increasingly bad news about the performance of sub-prime mortgages led to a surge in the yields of mortgage-backed securities, as investors reassessed their risk exposure

United States



1. Secretariat estimation.
Sources : Office of Federal Housing Enterprise Oversight, S&P/Case-Shiller, US Census Bureau, Bureau of Economic Analysis.

StatLink http://dx.doi.org/10.1787/161112164188

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

Percentage changes from previous period

	2005	2006	2007	2008	2009
Employment[1]	1.6	1.8	1.1	0.4	0.7
Unemployment rate[2]	5.1	4.6	4.6	5.0	5.0
Employment cost index	3.1	2.9	3.1	3.2	3.0
Compensation per employee[3]	3.4	4.0	5.0	3.6	3.5
Labour productivity[3]	1.6	1.1	1.2	1.6	1.5
Unit labour cost[3]	2.2	3.0	3.9	2.2	2.2
GDP deflator	3.2	3.2	2.6	2.1	2.0
Consumer price index	3.4	3.2	2.8	2.7	1.9
Core PCE deflator[4]	2.2	2.2	2.0	1.8	1.8
Private consumption deflator	2.9	2.8	2.5	2.4	1.7
Real household disposable income	1.7	3.1	3.4	2.0	2.5

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

Source: OECD Economic Outlook 82 database.

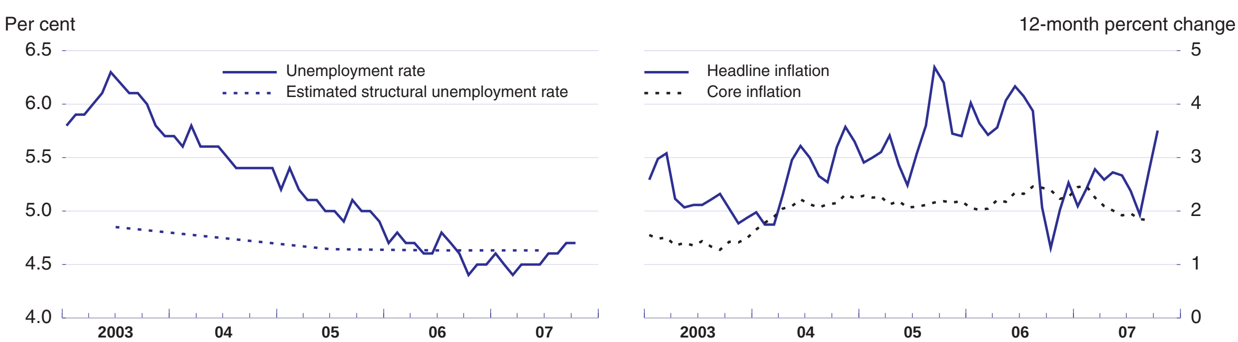
StatLink http://dx.doi.org/10.1787/158176612154

and showed greater aversion to risk. The markets for commercial paper and non-conforming mortgages came to a halt and have been continuing to show sign of stress.

No spillover to private consumption thus far…

In the face of these adverse shocks, compounded by higher oil prices, the US economy has expanded at a surprisingly robust pace thus far this year. Strong consumer spending, together with buoyant non-residential investment, remained the main engine of growth. Healthy gains in real disposable incomes, partly due to large bonus payments and stock option exercises at the beginning of the year, have supported household demand.

United States



Source: Bureau of Labor Statistics.

StatLink http://dx.doi.org/10.1787/161117666770

United States: **Financial indicators**

	2005	2006	2007	2008	2009
Household saving ratio[1]	0.5	0.4	0.7	0.7	1.2
General government financial balance[2]	-3.6	-2.6	-2.8	-3.4	-3.5
Current account balance[2]	-6.1	-6.2	-5.6	-5.4	-5.3
Short-term interest rate[3]	3.5	5.2	5.3	4.6	4.7
Long-term interest rate[4]	4.3	4.8	4.7	4.5	4.8

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158180814721

Consumption proved particularly resilient in the third quarter when real personal expenditures, especially on durable goods, posted sizeable gains despite the onset of the financial market crisis.

… but the labour market has softened

Looking through the short-term fluctuations, there are nevertheless some signs that the labour market, which supported the past gains in household income, has been gradually softening. Private employment has slowed down from the second-quarter pace, with job losses in manufacturing, construction and financial services, and the unemployment rate has edged up slightly.

The external sector has also helped

Foreign trade has also contributed positively to economic activity earlier this year, as exports seem to have benefitted from a pick-up in

United States: **Demand and output**

	2004	2005	2006	2007	2008	2009
	Current prices $ billion	Percentage changes, volume (2000 prices)				
Private consumption	8 195.9	3.2	3.1	2.9	1.8	1.9
Government consumption	1 844.1	0.8	1.4	2.0	2.4	2.1
Gross fixed investment	2 202.8	5.8	2.6	-2.1	-1.2	2.4
Public	372.8	0.6	3.7	2.5	2.9	2.1
Residential	675.5	6.6	-4.6	-17.2	-15.4	2.1
Non-residential	1 154.5	7.1	6.6	4.7	3.7	2.6
Final domestic demand	12 242.7	3.3	2.7	1.8	1.4	2.0
Stockbuilding[1]	58.6	-0.2	0.1	-0.3	0.1	0.0
Total domestic demand	12 301.3	3.1	2.8	1.6	1.5	2.0
Exports of goods and services	1 182.4	6.9	8.4	8.1	8.6	6.5
Imports of goods and services	1 797.8	5.9	5.9	2.1	3.4	4.3
Net exports[1]	- 615.4	-0.2	-0.1	0.5	0.4	0.1
GDP at market prices	11 685.9	3.1	2.9	2.2	2.0	2.2

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

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158224000726

United States: **External indicators**

	2005	2006	2007	2008	2009
			$ billion		
Goods and services exports	1 309.4	1 467.6	1 642.6	1 838	1 992
Goods and services imports	2 024.0	2 229.6	2 350.8	2 539	2 688
Foreign balance	- 714.6	- 762.0	- 708.2	- 701	- 696
Invisibles, net	- 40.3	- 49.5	- 60.5	- 74	- 98
Current account balance	- 754.8	- 811.5	- 768.7	- 775	- 794
			Percentage changes		
Goods and services export volumes	6.9	8.4	8.1	8.6	6.5
Goods and services import volumes	5.9	5.9	2.1	3.4	4.3
Export performance[1]	- 1.3	- 0.8	1.3	0.7	- 1.0
Terms of trade	- 2.5	- 0.6	0.3	- 1.3	0.2

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158242464742

foreign demand and the weakening of the dollar. The improvement in the international trade balance led to a decline in the current account deficit to 5.5% of GDP, having peaked at 6.5% last year.

The Fed lowered its policy rate...

The disruptions in financial markets and concerns about a credit crunch prompted the Federal Reserve to lower the federal funds rate from 5¼ per cent to 4¾ per cent in September and to 4½ per cent, slightly below neutral, in October. This easing should be viewed as a recalibration of policy to offset tighter financial conditions and keep the economy on a sustainable growth path, and therefore seems unlikely to affect adversely the outlook for inflation. Over the past few months, food and energy prices have pushed headline inflation well above 3%. Core inflation, however, seems to have stabilized near 2% and, given the projected slowdown in economic activity, inflationary pressures should remain relatively subdued.

... while room for fiscal manoeuvre is limited

Despite the recent improvements in the budget balance of the federal government, the room for fiscal manoeuvre is limited since revenue growth seems likely to ease with the slowdown in the economy and the flattening of asset prices. Therefore, while automatic stabilizers should provide some support to government expenditures, increases in discretionary spending, including widespread support for distressed borrowers, do not seem warranted. Moreover, the retirement of the first cohort of baby boomers next year should serve as a reminder of the need for reforming the entitlement programmes.

Growth is likely to fall well below potential...

With a limited role for policies, the outlook for growth is mostly driven by developments in residential construction and the flow-on effect on private consumption. Construction activity is projected to continue declining until the middle of next year as homebuilders, in the face of weaker demand amid a reduction in the availability of mortgage credit, will cut housing starts dramatically to prevent the accumulation of unwanted inventories. Furthermore, private consumption should slow down considerably next year in response to lower housing wealth, weaker labour market conditions, higher energy prices and reduced confidence. All in all, GDP growth should decline to well below potential in 2008, easing inflationary pressures but also causing the unemployment rate to temporarily rise above 5%. In 2009, an end to the decline in residential investment and the dissipation of the effects of the financial turmoil should lead to a renewed pick-up in economic activity.

... contributing to stabilising the current account deficit...

The projected deceleration of household spending should restrain demand for foreign goods and services. In addition, export growth is projected to slow down only moderately from its recent fast pace, as the weaker dollar continues to support demand for exports. The improvement in the current account deficit is however limited by the deterioration of the income balance, which is predicted to turn negative in the first half of 2009 as the US net investment position continues to worsen.

... but risks are on the downside

The above projection is subject to substantial downside risks, as the financial turmoil and the housing slump may cause greater disruption to real activity than foreseen. For instance, a more pronounced decline in asset prices or a greater reaction of households to the projected change in wealth may further restrain consumer spending. Moreover, financial institutions may face greater difficulties managing their balance sheets, and the resulting credit crunch could quickly lead to a contraction of aggregate demand. But there are also upside risks. Above all, the resilience of US consumers could surprise again, especially if stronger labour market outcomes were to support healthy gains in real disposable income.

JAPAN

The economic expansion – the longest in Japan's post-war history – continues despite some deceleration in the pace of growth since early 2007. A further tightening of the labour market is projected to reverse the decline in wages, helping to sustain output growth of some 1½-2% in 2008-09 and pushing inflation into positive territory.

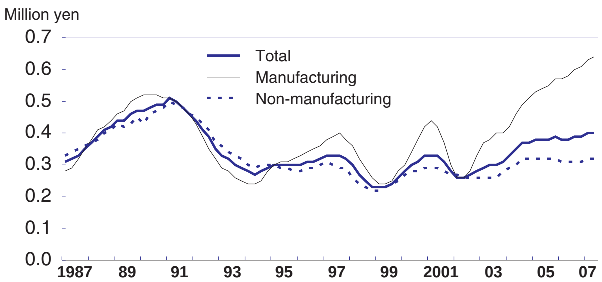
The Bank of Japan should not raise the short-term policy interest rate further until inflation is firmly positive and the risk of renewed deflation becomes negligible. It is essential to achieve the target of a primary budget surplus by fiscal year (FY) 2011 as a first step in reducing the public debt to GDP ratio. This requires spending cuts and a comprehensive tax reform. Structural reforms are needed to boost productivity, particularly in the service sector, which would help maintain living standards by offsetting the accelerated fall in the working-age population.

The expansion cooled in 2007 but remains on track, led by exports

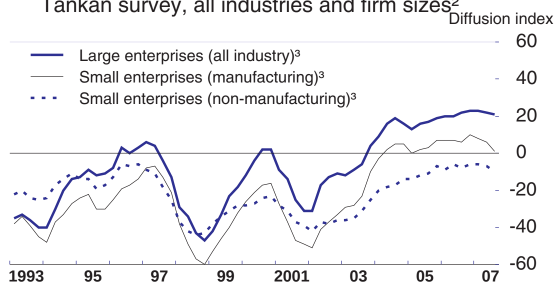
After a decline in output in the second quarter of 2007, a pick-up in exports and business investment which began in the third quarter is sustaining the expansion. Export growth accelerated as emerging economies, particularly in Asia, more than offset sluggish demand from the United States. Business investment also rebounded after a recorded fall in the first half of 2007 that was partly caused by statistical problems. However, uneven growth also reflected an increasing polarisation between a strong manufacturing sector, which has benefited from buoyant export growth, and a relatively weak non-manufacturing sector with low capital expenditure. Indeed, profits in non-manufacturing have been flat since mid-2004 compared with a 31% rise in manufacturing. Weak productivity gains in the non-manufacturing sector, where 90% of small and medium-sized enterprises (SMEs) are concentrated, also helps to explain the widening gap in business confidence and investment between large firms and SMEs. A 0.6% decline in the average wage level in the first three quarters of 2007, reflecting significant falls in the SME sector, is limiting income gains and private consumption growth.

Japan

The gap in profits between sectors is widening[1]



Business conditions differ by sector
Tankan survey, all industries and firm sizes[2]



1. Per capita profits, defined as business profits/the number of employees. The figures are a four-quarter moving average.
2. Diffusion index of "favourable" minus "unfavourable" business conditions. There is a discontinuity between the third and fourth quarters of 2003 due to data revisions.
3. Large enterprises are defined as those with more than one billion yen of capital, while small enterprises have between 20 and 100 million yen.
Source: Financial Statements Statistics of Corporations by Industry and Bank of Japan.

StatLink http://dx.doi.org/10.1787/161125141673

Japan: **Employment, income and inflation**

Percentage changes from previous period

	2005	2006	2007	2008	2009
Employment	0.4	0.4	0.4	-0.4	-0.5
Unemployment rate[1]	4.4	4.1	3.8	3.7	3.6
Compensation of employees	0.9	1.7	0.9	0.6	1.7
Unit labour cost	-1.0	-0.4	-1.0	-0.9	-0.2
Household disposable income	0.2	1.3	0.6	0.9	1.6
GDP deflator	-1.3	-0.9	-0.5	-0.3	0.3
Consumer price index[2]	-0.6	0.2	0.0	0.3	0.4
Core consumer price index[3]	-0.4	-0.4	-0.2	-0.1	0.3
Private consumption deflator	-0.8	-0.3	-0.5	0.1	0.3

1. As a percentage of labour force.
2. Calculated as the sum of the seasonally adjusted quarterly indices for each year. In the Japanese official statistics, annual growth rates are based on the non-seasonally adjusted series, giving -0.3% in 2005 and 0.3% in 2006.
3. Consumer price index excluding food and energy.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158252220844

Together with residential construction, consumption spending will also be negatively influenced by the 37% fall in housing starts (year-on-year) in the third quarter of 2007 following the revision of the Building Standards Law. In sum, the long expansion, led primarily by exports and investment by large firms, has not spread fully to the household and SME sectors.

With consumer prices and wages still declining…

Despite the continued expansion and the generally low value of the yen, prices are falling. Both the headline and the official Japanese measure of core consumer prices (excluding fresh food only), which rose during 2006, decreased in each of the first three quarters of 2007 (on a year-on-year basis). Moreover, the OECD definition of core consumer prices, which excludes both food and energy, continued to decline as it

Japan

Wage growth has turned negative

Year-on-year percentage change

The fiscal deficit continues to decline

1. Total cash earnings of all workers, including bonuses.
2. Transfer of the basic part of corporate pension funds to the government (Daiko Henjo).
3. Transfer of debt from the highway corporations, which were privatised, to the Expressway Holding and Debt Repayment Agency.
4. Transfer of reserve fund from the Fiscal Loan Fund Special Account to the central government to reduce debt.

Source: Ministry of Health, Labour and Welfare, Cabinet Office, Ministry of Finance, OECD calculations.

StatLink http://dx.doi.org/10.1787/161170383843

Japan: **Financial indicators**

	2005	2006	2007	2008	2009
Household saving ratio[1]	3.0	3.7	3.2	3.0	3.0
General government financial balance[2]	-6.4	-2.9	-3.4	-3.8	-3.4
Current account balance[2]	3.7	3.9	4.7	4.8	5.2
Short-term interest rate[3]	0.0	0.2	0.7	0.6	0.9
Long-term interest rate[4]	1.4	1.7	1.7	1.9	2.4

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 82 database.

StatLink http://dx.doi.org/10.1787/158260020802

has in every quarter since 1998. On the other hand, the corporate price index (which covers goods traded among firms) is rising steadily, in part due to higher energy and raw material prices. The combination of higher prices for intermediate inputs and falling consumer prices is squeezing corporate profitability, especially in the non-manufacturing sector, putting downward pressure on wages, despite the tightening of the labour market. Indeed, the unemployment rate has fallen to its lowest level since 1998 and the job-offer-to-applicant ratio remains above unity. Other structural factors are also slowing wage growth. *First*, the increasing proportion of lower-paid part-time workers reduces the average wage level. *Second*, the large-scale retirement of baby boomers results in the

Japan: **Demand and output**

	2004	2005	2006	2007	2008	2009
	Current prices ¥ trillion	Percentage changes, volume (2000 prices)				
Private consumption	284.4	1.6	0.9	1.6	1.1	1.3
Government consumption	89.5	1.7	0.4	1.0	1.9	1.4
Gross fixed investment	113.2	2.4	3.3	-0.8	-0.3	1.8
Public[1]	25.2	-6.2	-7.4	-6.1	-4.9	-4.4
Residential	18.4	-1.3	1.0	-7.3	-7.6	4.9
Non-residential	69.6	6.6	7.4	2.2	2.4	2.8
Final domestic demand	487.1	1.8	1.3	0.9	0.9	1.4
Stockbuilding[2]	1.6	-0.1	0.0	0.0	0.0	0.0
Total domestic demand	488.7	1.7	1.4	0.9	0.9	1.4
Exports of goods and services	66.3	7.0	9.6	8.1	7.8	7.2
Imports of goods and services	56.7	5.8	4.5	2.0	4.5	5.5
Net exports[2]	9.6	0.3	0.8	1.0	0.7	0.4
GDP at market prices	498.3	1.9	2.2	1.9	1.6	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. 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 82 database.

StatLink http://dx.doi.org/10.1787/158328603051

Japan: **External indicators**

	2005	2006	2007	2008	2009
			$ billion		
Goods and services exports	652.8	702.6	773.6	894	967
Goods and services imports	589.4	648.1	698.0	806	861
Foreign balance	63.3	54.5	75.6	88	106
Invisibles, net	103.0	116.8	130.6	141	149
Current account balance	166.3	171.3	206.2	229	254
			Percentage changes		
Goods and services export volumes	7.0	9.6	8.1	7.8	7.2
Goods and services import volumes	5.8	4.5	2.0	4.5	5.5
Export performance[1]	- 0.6	0.8	1.6	- 0.4	- 1.7
Terms of trade	- 6.4	- 6.6	- 3.5	- 3.0	- 0.4

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158361333510

replacement of high-paid workers by younger workers at lower wages. The persistent decline in nominal wages has reduced the labour share in overall income to its lowest level since 1990.

... the Bank of Japan has left the policy interest rate unchanged

With consumer prices still falling and turbulence in international financial markets, the Bank of Japan has left its policy interest rate unchanged at 0.5% since February 2007. Although financial market conditions have remained stable in Japan, the central bank is concerned about the impact of turbulence in world financial markets on Japan's export growth. At the same time, the nationwide land price index finally achieved positive growth in 2007, albeit only 0.4%, for the first time in 16 years. However, with nationwide land prices at less than half of their 1991 peak, concern about a possible price bubble appears premature. Given the importance of ensuring an adequate buffer against deflation by allowing inflation to rise until it is firmly positive, the OECD's projection assumes that the short-term policy interest rate remains unchanged until 2009.

Additional measures are needed to achieve the fiscal targets

The fiscal stance is expected to be contractionary in 2007, with a fall in the cyclically-adjusted deficit from 4¾ per cent of GDP in 2006 (excluding one-off factors) to 4% in 2007. The decline is primarily due to the ending of the personal income tax cut, strong corporate tax revenue, the hike in pension contributions and continued cuts in public investment. The fall in the deficit is projected to slow to about ¼ per cent of GDP in both 2008 and 2009 (excluding one-off factors) under current policies. The government has reaffirmed its commitment to achieve a primary budget surplus for the combined central and local governments by FY 2011, as a first step toward reducing the public debt to GDP ratio by the mid-2010s. Achieving a primary budget surplus large enough to reduce the public debt ratio will require further measures to cut expenditures and raise revenues.

Economic growth of around 1¾ per cent is projected through 2009

The economy is projected to sustain annual growth rates between 1.5 and 2% through 2009. Output growth is likely to be relatively weak in the first half of 2008, reflecting the sharp decline in housing starts and falling wages in 2007. Wage growth is expected to turn positive in 2008, thus supporting private consumption, as the structural factors putting downward pressure on wages begin to fade. In particular, the proportion of non-regular workers (which consists primarily of part-time workers) is likely to level off, given its very high level. It has already reached 33% of total employment, the highest in the OECD area. In addition, the number of baby boomers reaching the retirement age will peak in early 2008. Despite the weakness in the non-manufacturing sector, business investment is expected to continue increasing given the overall high level of profits, confidence and capacity utilisation. Export growth is likely to remain strong, given a projected pick-up in demand in Japan's export markets. Stronger growth in the second half of 2008, as the decline in residential investment ends and wages pick up, should push inflation firmly into positive territory although it is likely to remain between 0 and 0.5% until late in 2009.

There are both external and domestic risks to the projection

There are a number of risks to the outlook, including weaker overseas demand and a sudden and marked appreciation of the yen as the current account surplus rises to over 5% of GDP in 2009. On the domestic side, the key risk is that the expected increase in wage growth will be delayed. In addition, there is uncertainty about how long the fall in housing starts will continue to depress residential investment. Finally, premature interest rate hikes by the central bank would have an adverse impact on domestic demand.

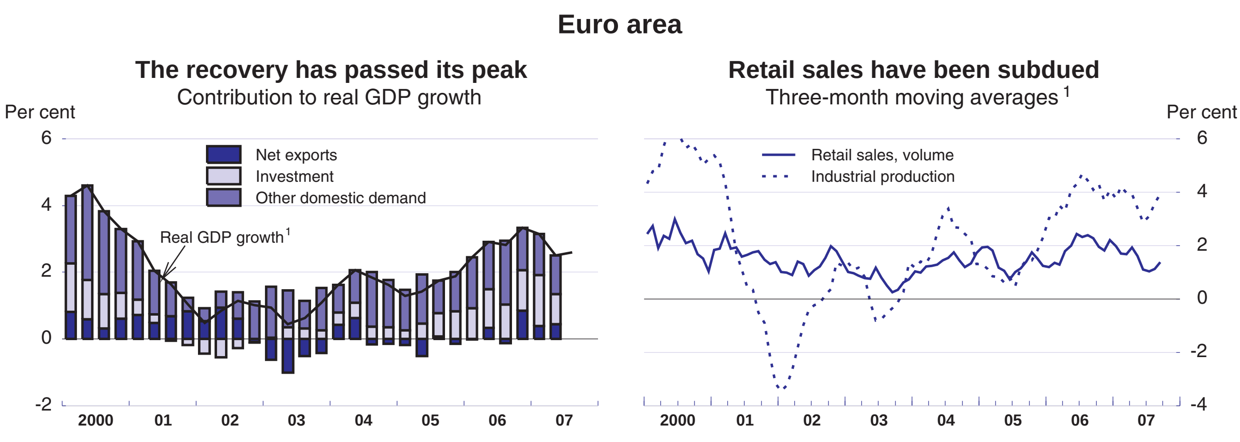
EURO AREA[1]

The expansion has continued but at a slower pace than in 2006. Higher interest rates, a stronger euro and tighter credit conditions are all damping activity. But the outlook remains relatively good, with growth projected to return to its potential rate following some slight near-term weakening. Rising employment and a moderate upturn in wage growth will underpin household incomes and consumption. Inflation has veered up due to a sharp rise in energy and food prices but is expected to decelerate to below 2%.

With risks to activity on the downside and inflation likely to slow, further increases in interest rates are not needed at this point. The recent improvement in the fiscal position is welcome but governments need to maintain the momentum and aim for budget balance or better. Strengthening the internal market in the European Union would improve Europe's long-term growth prospects and make the monetary union run more smoothly. The fragmented system of financial supervision may need to be rethought.

The expansion continues but at a slower pace

The economic expansion continued in the first three quarters of the year, with output growing by around 2½ per cent (year-on-year). Investment and exports were the main drivers of growth. Consumption was subdued in the first quarter of 2007, partly because of the increase in the value-added tax (VAT) in Germany. While consumption bounced back, growth in retail sales has not been particularly strong in recent months, suggesting that households are still reluctant to spend. Industrial production continued to grow at a healthy pace through the summer, but construction activity has slowed sharply as higher interest rates have taken the steam out of the housing market. All in all, while the peak of the cycle has clearly passed, the expansion remains on track but at a slower pace.



1. Year-on-year percentage change.
Source: Eurostat and OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161182656008

1. The euro area aggregates cover the euro area countries that are members of the OECD.

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

Percentage changes from previous period

	2005	2006	2007	2008	2009
Employment	1.1	1.7	1.6	1.1	0.8
Unemployment rate[1]	8.4	7.7	6.8	6.4	6.4
Compensation per employee[2]	1.2	1.8	2.4	2.8	3.1
Labour productivity	0.5	1.2	1.0	0.9	1.1
Unit labour cost	1.1	1.0	1.5	2.1	2.0
Household disposable income	3.1	3.5	3.7	4.3	3.9
GDP deflator	1.9	1.9	2.2	2.2	2.3
Harmonised index of consumer prices	2.2	2.2	2.1	2.5	2.0
Core harmonised index of consumer prices[3]	1.5	1.5	1.9	2.0	2.0
Private consumption deflator	2.1	2.2	1.9	2.4	2.1

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

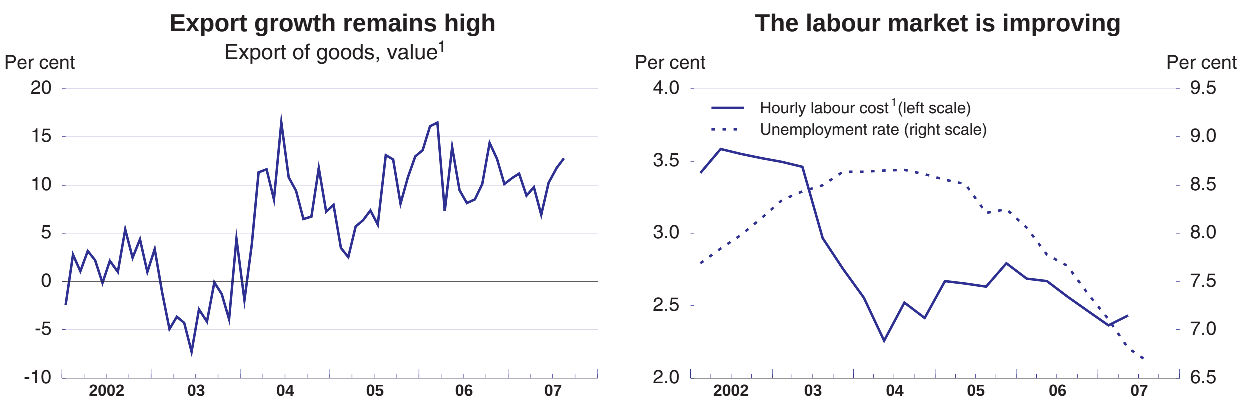
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160231564287

The labour market has been a bright spot

The unemployment rate fell substantially through 2006 and the first quarter of 2007, and has been broadly stable since then. At close to 6½ per cent, it is at its lowest level for decades. At the same time, labour market participation has continued to rise, especially among women and older workers. So far, the stronger labour market has led to only a modest increase in wage pressures, implying that the structural or long-term rate of unemployment has fallen as well. But a two-speed labour market means that certain groups miss out to some extent. Unemployment of young people and the less-skilled remains very high by international standards. Further labour market reforms are needed if these groups are to enjoy the fruits of the expansion.

Euro area



1. Year-on-year percentage change.

Source: Eurostat; ECB(2007), Monthly Bulletin, October and OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161200466446

Euro area: **Financial indicators**

	2005	2006	2007	2008	2009
Household saving ratio[1]	10.2	9.7	9.8	9.7	9.5
General government financial balance[2]	-2.5	-1.6	-0.7	-0.7	-0.6
Current account balance[2]	0.3	0.0	0.2	-0.1	-0.2
Short-term interest rate[3]	2.2	3.1	4.3	4.2	4.1
Long-term interest rate[4]	3.4	3.8	4.3	4.3	4.5

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 82 database.

StatLink http://dx.doi.org/10.1787/160244018487

Surveys point to tighter bank lending and lower orders

Liquidity problems in the inter-bank market and the general re-pricing of risk have clearly had an impact on the euro area. Surveys show that banks have tightened their credit standards for all borrowers, especially large firms and particularly for long-term loans. The presumption in this projection is that, as more information becomes available, credit conditions will become better differentiated, with credit-worthy borrowers still able to secure funding at attractive rates. If so, the negative impact on investment should be short lived. Business surveys have shown a drop in confidence and orders, including export orders. In most cases the survey indicators have fallen from high levels and they are still somewhat above their long-term averages.

The pace of expansion is likely to ease

Growth is expected to slow and is likely to stay below its potential growth rate until the second half of 2008. Consumption and housing mainly account for this lull in activity. Housing markets in most euro area countries have passed their peak. They will no longer be stimulating growth, and in a

Euro area: **Demand and output**

	2004	2005	2006	2007	2008	2009
	Current prices € billion	Percentage changes, volume (2001 prices)				
Private consumption	4 449.4	1.6	1.9	1.6	2.1	2.1
Government consumption	1 581.6	1.3	2.0	2.1	1.6	1.5
Gross fixed investment	1 568.9	2.9	5.2	4.4	2.2	2.4
Public	197.6	2.8	2.4	5.0	2.6	3.6
Residential	429.4	3.0	6.0	1.9	-1.1	0.1
Non-residential	941.9	2.8	5.4	5.4	3.5	3.1
Final domestic demand	7 599.8	1.8	2.6	2.3	2.0	2.1
Stockbuilding[1]	5.5	0.1	0.1	-0.1	-0.1	0.0
Total domestic demand	7 605.4	1.8	2.7	2.3	1.9	2.0
Net exports[1]	159.5	-0.2	0.2	0.4	0.0	0.0
GDP at market prices	7 764.9	1.6	2.9	2.6	1.9	2.0

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160244472574

Euro area: **External indicators**

	2005	2006	2007	2008	2009
			$ billion		
Foreign balance	147.9	127.6	195.1	197	206
Invisibles, net	- 120.2	- 129.2	- 176.7	- 210	- 228
Current account balance	27.7	- 1.6	18.3	- 13	- 22

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160246100134

few countries falling construction activity will be a noticeable drag on activity. Consumption is expected to recover from the second half of 2008 as uncertainty due to the financial market turmoil dissipates, and continuing job creation and a modest pick-up in wage growth underpin disposable income. Business investment and exports should remain a pillar of activity, with exports boosted by buoyant emerging-market growth. All in all, the outlook is for some near-term weakness, with growth recovering to close to potential from mid-2008 onwards.

Monetary conditions do not need to tighten

The economic recovery and rising oil and food prices have pushed up headline inflation, while the various measures of core inflation suggest that underlying inflation is running slightly above 2%. However, inflation expectations remain well anchored and, even if wage pressures pick up to some extent, profit margins are high enough that firms have some room to absorb higher costs without passing them on to consumers. Inflation is projected to come down again to close to the European Central Bank's medium-term objective. For this reason, and because the rise in the exchange rate and stricter credit conditions have led to an effective tightening of monetary conditions in recent months, there is no need for further increases in interest rates. Moreover, a small output gap will prevail over the projection period and the risks to activity are skewed to the downside. However, some tightening might be appropriate, if second round effects from the recent inflation spike proved to be stronger than expected and fed into inflation expectations.

Governments should not give up on fiscal consolidation

Strong revenue growth had helped cut the area-wide government deficit. Some of the improvement in public finances was caused by the cyclical upswing, but several euro area countries have taken steps to improve their structural budget balances as well. Buoyant revenues have created pressure for increased spending, and the enthusiasm for fiscal consolidation appears to be waning in some of the larger member countries. But in a period of continuing expansion, further strengthening of structural budgets is essential in view of continuing high levels of debt. While the public debt to GDP ratio is falling, it needs to fall much further in coming years if the euro area is to be well placed to deal with ageing-related fiscal pressures. Fiscal policy therefore needs to be focussed on achieving budget balance or better.

The risks to economic activity are mainly on the downside

The key risk in the short term is that liquidity problems lead to an across the board tightening in bank lending, affecting not only funding for mergers and corporate restructuring but also having a stronger effect on housing and equipment investment than expected. The euro area would also be adversely affected by a sharper than expected slowdown in the United States, especially if that had repercussions for global activity. In a few member countries, the slide in the housing market could also be steeper and longer than projected.

GERMANY

After slowing in the second quarter, growth has picked up in the third quarter on the back of strong domestic demand. The output gap is likely to be almost closed. Going forward, growth is projected to advance at near trend rates during 2008 and 2009. Following some near-term headwinds, unemployment may continue to edge down but at a much slower pace than in the recent past. The slower projected expansion largely reflects a diminishing contribution from net exports that is not fully compensated by stronger private consumption.

Helped by strong revenue increases, the general government budget is projected to reach balance this year. In 2008, fiscal policy will turn slightly expansionary due to the corporate tax reform. Further pro-cyclical easing should be avoided. As the supply of skilled labour will become a bottleneck, the government should avoid taking any measures that could impede incentives to take up work.

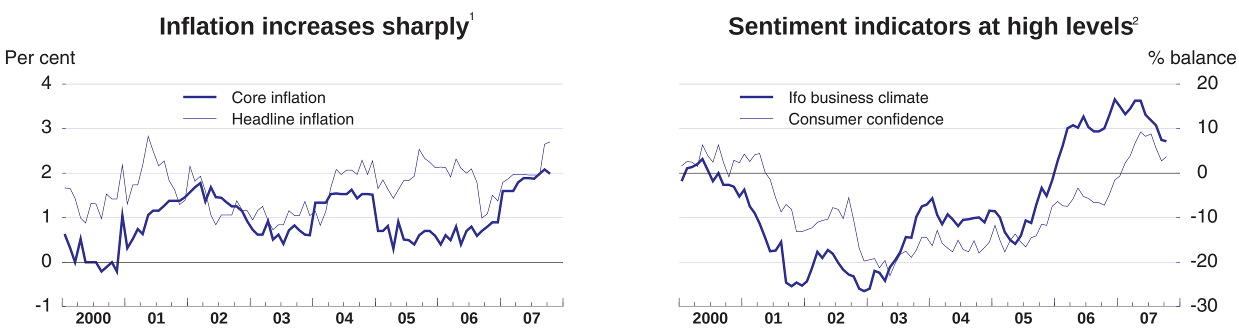
Growth has slowed in the second quarter…

Economic growth slowed somewhat in the first half of 2007 compared with the second half of 2006. While the negative impact from the value-added tax (VAT) rate increase on overall growth in the first quarter of 2007 was masked by a surge in construction activity due to exceptionally mild weather conditions, this effect reversed in the second quarter, resulting in a quarterly growth rate of only 0.3%. Both exports and to a lesser extent equipment investment continued to act as the main engines of growth. The expansion has gone hand in hand with strong employment gains and a significant fall in unemployment and household consumption recovered from the VAT rate increase.

… but the upswing remains intact

The upswing resumed in the third quarter with GDP rising by 0.7%. Available evidence so far suggests that the recovery will continue. Manufacturing orders remain at high levels and demand from abroad is particularly strong, notwithstanding the appreciation of the euro exchange rate against the US dollar. This strong demand reflects the combination of past gains in competitiveness, the specific product mix offered by German

Germany



1. Growth relative to the same month of the previous year, based on the Eurostat harmonised index of consumer prices, core is total excluding energy, food, alcohol and tobacco.
2. Ifo business climate refers to manufacturing, construction, wholesale and retail trade.
Source: Eurostat; Ifo Institut für Wirtschaftsforschung.

StatLink http://dx.doi.org/10.1787/161235167260

Germany: **Employment, income and inflation**

Percentage changes from previous period

	2005	2006	2007	2008	2009
Employment	-0.1	0.6	1.7	0.7	0.4
Unemployment rate[1]	9.1	8.1	6.4	5.7	5.6
Compensation of employees	-0.6	1.7	2.9	2.9	3.1
Unit labour cost	-1.6	-1.4	0.3	1.1	1.4
Household disposable income	1.7	1.9	2.4	2.8	3.0
GDP deflator	0.7	0.6	1.8	1.7	1.9
Harmonised index of consumer prices	1.9	1.8	2.2	2.3	1.8
Core harmonised index of consumer prices[2]	0.6	0.7	1.9	1.9	1.8
Private consumption deflator	1.5	1.4	1.9	2.1	1.9

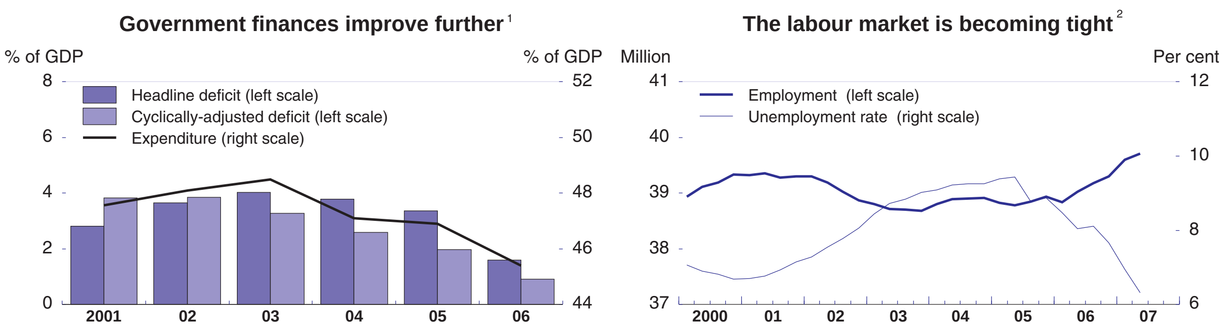
1. As a percentage of labour force, based on national accounts. Does not include the upward revision of historical data introduced in 2007 Q3.
2. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158414222283

exporters and solid growth of Germany's export markets. Although business sentiment has declined somewhat over the summer, it remains at high levels, suggesting that investment growth will continue. Recent turbulence in financial markets has worsened financing conditions, as financing costs have increased somewhat and banks have tightened their credit standards. The overall effects of this development on investment are surrounded by considerable uncertainty. However, due to past improvements in their balance sheets as well as their solid profit situation, domestic companies in aggregate may be less dependent on external financing than in prior years and thus somewhat insulated from the financial turmoil, at least in the short term. In addition, investment in the remainder of the year will be supported of generous depreciation allowances due to expire in 2008. In contrast to business investment, residential investment is weakening this year after having benefitted in 2006 from the phasing out of subsidies and higher

Germany



1. All variables refer to general government. Percent of potential GDP for cyclically-adjusted deficit.
2. Data is seasonally adjusted from the 2007Q2 national accounts and thus excludes the October revision of unemployment (ILO concept). Employment is the domestic concept of the national accounts.
Source: OECD, Economic Outlook 82 and National Accounts databases.

StatLink http://dx.doi.org/10.1787/161278018477

Germany: **Financial indicators**

	2005	2006	2007	2008	2009
Household saving ratio[1]	10.5	10.5	11.1	10.4	10.0
General government financial balance[2]	-3.4	-1.6	0.0	0.1	0.3
Current account balance[2]	4.6	4.9	6.0	6.0	6.0
Short-term interest rate[3]	2.2	3.1	4.3	4.2	4.1
Long-term interest rate[4]	3.4	3.8	4.2	4.2	4.4

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158415111716

demand in anticipation of the VAT rate hike. Growth momentum is also supported by a pickup in consumer spending on the back of continued employment creation.

Fiscal policy will be expansionary in 2008

The fiscal position has improved markedly during the current upswing and the budget will most likely be balanced in 2007. In addition to robust increases in direct tax revenues as well as additional revenue from the rise in the VAT rate, this improvement also reflects structural gains on the expenditure side of government finances. The headline budget balance is seen to improve further and may register a surplus of 0.3% of GDP by 2009,

Germany: **Demand and output**

	2004	2005	2006	2007	2008	2009
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	1 304.1	0.1	1.1	-0.2	1.8	1.7
Government consumption	415.6	0.5	0.9	2.0	1.2	1.5
Gross fixed investment	384.5	1.3	7.0	5.2	2.0	2.4
Public	31.6	-2.8	5.2	7.8	0.4	4.0
Residential	119.7	-3.8	5.4	1.0	-0.2	0.9
Non-residential	233.3	4.4	8.0	6.9	3.4	3.0
Final domestic demand	2 104.2	0.4	2.1	1.3	1.7	1.8
Stockbuilding[1]	- 10.7	0.1	-0.1	0.2	-0.1	0.0
Total domestic demand	2 093.5	0.5	2.1	1.5	1.6	1.8
Exports of goods and services	843.5	7.4	12.9	8.4	7.2	6.2
Imports of goods and services	733.5	6.9	11.5	6.4	7.8	7.2
Net exports[1]	110.0	0.5	1.1	1.3	0.2	0.0
GDP at market prices	2 203.5	1.0	3.1	2.6	1.8	1.6
Memorandum items						
GDP without working day adjustments	2 211.3	0.8	2.9	2.5	2.1	1.6
Investment in machinery and equipmen	177.9	6.2	8.7	7.7	3.4	3.4
Construction investment	206.7	-3.0	5.4	2.9	0.7	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 82 database.

StatLink http://dx.doi.org/10.1787/158455242774

Germany: **External indicators**

	2005	2006	2007	2008	2009
			$ billion		
Goods and services exports	1 137.9	1 316.1	1 558.7	1 785	1 913
Goods and services imports	997.1	1 156.7	1 345.1	1 547	1 666
Foreign balance	140.8	159.4	213.6	237	247
Invisibles, net	- 12.0	- 14.7	- 15.4	- 18	- 21
Current account balance	128.9	144.7	198.2	220	226
			Percentage changes		
Goods and services export volumes	7.4	12.9	8.4	7.2	6.2
Goods and services import volumes	6.9	11.5	6.4	7.8	7.2
Export performance[1]	0.2	3.5	1.9	- 0.2	- 1.3
Terms of trade	- 1.3	- 1.5	0.0	0.1	0.5

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 82 database.

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barring the emergence of additional discretionary spending. The structural fiscal deficit, however, is not expected to improve further over the projection horizon. This mainly reflects the corporate tax reform in 2008, which will lower the tax burden for most firms; the base broadening measures will only partially offset the revenue loss. Also, the slow growth in government consumption may not continue as in previous years because wages in the public sector are expected to rise.

Employment creation remains strong

While employment growth had lagged the upswing to a somewhat greater extent than in past cycles, recent job creation has been strong and unemployment has fallen significantly, the recent upward revision of past unemployment data notwithstanding. Over the projection period, the unemployment rate (national accounts definition) is envisaged to decline by a further ½ percentage point. Some part of the strong upswing on the labour market is likely to reflect a structural improvement as a result of past reforms. The strong increase in employment rates of older workers, for example, might be interpreted as one success of the reforms.

Growth is set to move towards trend

The expansion is projected to lose some steam over the projection period with annual growth rates declining from 2.6% (adjusted for the number of working days) in 2007 to 1.6% in 2009. The output gap will be closed from end 2007 on. As a result of the reduction in economic slack and in response to the strong euro, imports are expected to increase and the contribution from external trade will decline significantly. Despite tightening capacity constraints, fixed investment by enterprises is also expected to grow at lower rates, reflecting the change in depreciation rules at the beginning of 2008 and the lagged impact of past tightening in monetary conditions. The overall weakening in the dynamism of exports and investment, however, is likely to be partly offset by some rebalancing of growth towards private consumption. Such a development would be in line with the experience from previous upswings and would also reflect the income gains of households from the ongoing improvements in the

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labour market. In addition, the savings rate may decline gradually, lending further support to consumption. Residential investment is also likely to benefit from a strengthening of households' spending power, although to a smaller extent.

Risks lie mainly on the downside

The main risk is that the rebalancing towards consumption could be interrupted if oil or food prices rise more than envisaged, damping real disposable income. Also, net exports could decline by more than projected if demand by the main trading partners falls by more than expected, perhaps as a consequence of ongoing turmoil in financial markets, or in case of a further significant appreciation of the euro.

FRANCE

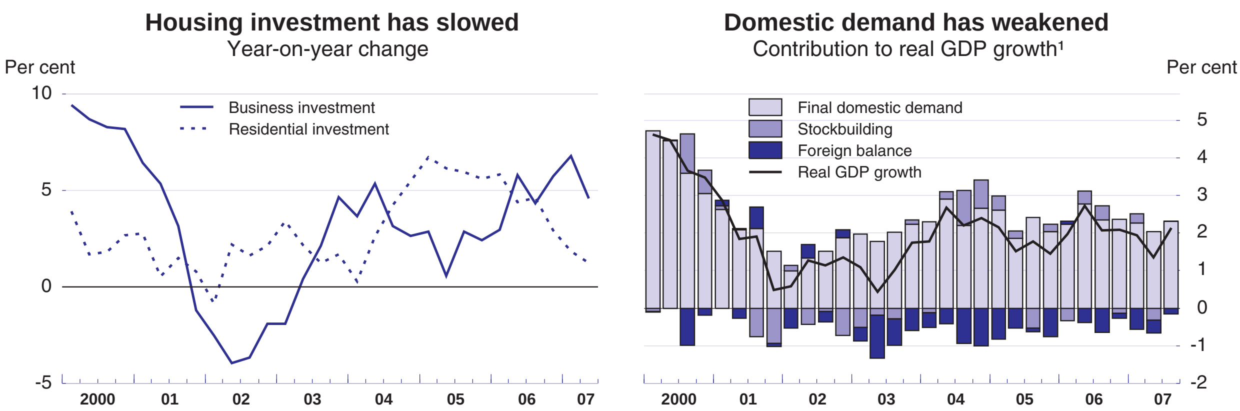
After slowing in 2007, growth is projected to average below 2% in 2008, with a weak first half but some rebound thereafter, and continuing at near potential rates in 2009. Job creation will continue, albeit at a slower pace, allowing for further slight declines in the unemployment rate. Following several years of budgetary consolidation, no further improvement in the budget deficit is expected, with a reduction in both revenues and spending in relation to GDP.

The recent fiscal stimulus package will contribute to sustaining demand in the near term. However, to strengthen longer-term growth prospects, planned reforms of public administration, pension schemes and labour contracts will need to be carried out so as to help contain public expenditure growth, achieve EU commitments and slow the decline in labour force participation.

Growth prospects have been revised downward

Available information to date, including preliminary third quarter national accounts data, points to a modest slowdown of activity for 2007 as a whole. GDP growth is likely to average 1.9%, down from 2.2% in 2006. On the domestic side, the main sources of weakening activity are private consumption and residential investment. A softening of housing construction was to be expected following consecutive years of strong growth. It is also consistent with the flattening of housing prices. However, the weakness in consumer spending in the first half of the year is more surprising, considering the acceleration of real disposable income in 2007. As a result, the household saving rate has increased substantially. On the external side, real exports and imports have both decelerated: on balance, the external sector continues to exert a drag on GDP growth.

France



1. Year-on-year change.
Source: OECD, Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161300040145

France: Employment, income and inflation

Percentage changes from previous period

	2005	2006	2007	2008	2009
Employment	0.6	0.9	1.1	0.7	0.6
Unemployment rate[1]	8.8	8.8	8.0	7.5	7.4
Compensation of employees	3.4	3.8	4.2	3.7	3.8
Unit labour cost	1.7	1.6	2.3	1.9	1.8
Household disposable income	3.4	4.2	4.7	4.2	3.9
GDP deflator	1.7	2.3	2.2	2.2	2.1
Harmonised index of consumer prices	1.9	1.9	1.5	2.2	1.9
Core harmonised index of consumer prices[2]	1.5	1.5	1.6	1.7	1.8
Private consumption deflator	1.8	1.9	1.5	2.3	1.9

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

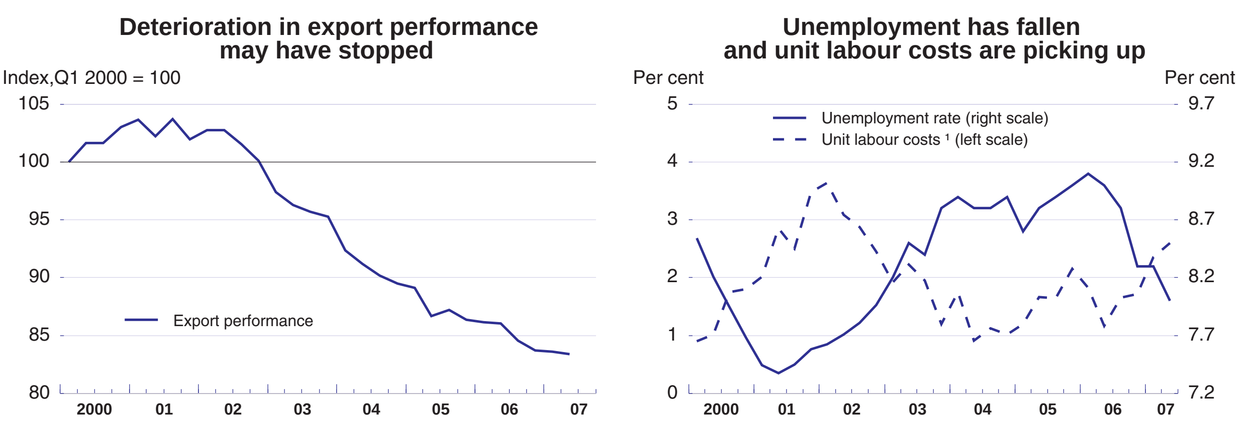
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158608504828

Unemployment continues to decline, albeit at a slower pace

Despite the slowing of activity, the labour market has remained quite strong, leading to a further reduction in the unemployment rate, to around 8% according to the latest published official statistic.[2] This overall picture masks considerable differences between the services and construction sectors on the one hand, and manufacturing industries on the other, where employment has continued to decline. Following a strong increase in the first quarter, average nominal wages appear to have decelerated during the course of the year, reflecting a reduction in bonuses and the moderate increase in the statutory minimum wage

France



1. Year-on-year change.
Source: OECD, Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161303863561

2. Given the growing discrepancy between the measures of unemployment based on the quarterly labour force survey and monthly benefit claimant counts, the publication of monthly unemployment statistics by INSEE has been discontinued. Moreover, the measure based on the labour force survey has recently been revised downward, reflecting changes in the criteria used to define an unemployed person.

France: **Financial indicators**

	2005	2006	2007	2008	2009
Household saving ratio[1]	12.1	12.1	13.1	12.8	12.4
General government financial balance[2]	-3.0	-2.6	-2.5	-2.6	-2.6
Current account balance[2]	-1.0	-1.3	-1.3	-2.2	-2.3
Short-term interest rate[3]	2.2	3.1	4.3	4.2	4.1
Long-term interest rate[4]	3.4	3.8	4.3	4.3	4.4

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 82 database.

StatLink http://dx.doi.org/10.1787/158628034625

(SMIC). Average real wages have nonetheless continued to outstrip average labour productivity in 2007. During late 2006 and early 2007, domestic sources of inflationary pressures such as rising unit labour costs were more than offset by falling import prices, so that consumer price inflation remained subdued. However, inflation has been clearly on the rise since the middle of the year, fuelled by oil and food prices.

Fiscal stimulus and exports compensate for tightening credit conditions

Looking forward and following some near-term weakness, a number of factors will contribute to keeping GDP growth close to potential over the remainder of the forecast period. *First*, the income tax cuts contained in the fiscal package, combined with continued wage gains linked in part to higher overtime pay, will help to sustain real disposable incomes. *Second*, considering the favourable job-market outlook, households are likely

France: **Demand and output**

	2004	2005	2006	2007	2008	2009
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	939.2	2.2	2.2	1.9	2.1	2.4
Government consumption	393.5	0.9	1.6	1.5	1.1	1.1
Gross fixed investment	319.7	4.1	4.1	3.7	2.5	2.6
Public	51.5	7.2	1.3	4.2	2.3	2.5
Residential	87.6	6.1	4.4	1.0	0.3	0.7
Non-residential	180.7	2.2	4.7	5.0	3.6	3.5
Final domestic demand	1 652.5	2.2	2.4	2.2	2.0	2.1
Stockbuilding[1]	4.0	0.1	0.1	0.0	0.1	0.0
Total domestic demand	1 656.4	2.3	2.5	2.2	2.0	2.1
Exports of goods and services	424.3	3.2	6.3	3.6	5.0	5.2
Imports of goods and services	423.0	5.4	7.1	4.5	5.6	5.3
Net exports[1]	1.3	-0.6	-0.3	-0.3	-0.3	-0.1
GDP at market prices	1 657.8	1.7	2.2	1.9	1.8	2.0

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

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158638121358

France: **External indicators**

	2005	2006	2007	2008	2009
			$ billion		
Goods and services exports	554.7	605.9	687.4	776	828
Goods and services imports	574.6	637.7	732.3	841	898
Foreign balance	- 19.9	- 31.8	- 44.9	- 66	- 69
Invisibles, net	- 0.3	2.9	12.3	2	3
Current account balance	- 20.2	- 28.9	- 32.7	- 63	- 66
			Percentage changes		
Goods and services export volumes	3.2	6.3	3.6	5.0	5.2
Goods and services import volumes	5.4	7.1	4.5	5.6	5.3
Export performance[1]	- 3.8	- 2.5	- 2.3	- 2.2	- 2.1
Terms of trade	- 1.8	- 0.8	- 0.3	- 1.2	0.2

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158701380621

to unwind, at least in part, the substantial increase in the saving rate, providing further support to private consumption. *Third*, after under-performing in the past few years, growth in real exports has recently been more consistent with developments in external markets and relative export prices. In particular, the loss of market shares by French exporters has been very limited so far in 2007, in contrast to the previous trend. Should this improvement be sustained, the future growth in foreign markets will contribute to a more vigorous pick-up in French exports. On the downside, the tightening of bank lending conditions and widening of interest-rate spreads on corporate bonds may hold back business investment, despite rising capacity bottlenecks in a number of sectors.

After a slowdown in 2007, growth is likely to stay below 2% in 2008

After slowing in 2007, GDP growth is expected to remain below 2% in the first half of 2008 before moving back to 2% in 2009, leaving the small output gap almost unchanged over the period. The surge in food and energy prices is putting upward pressure on consumer price inflation in the short term, with a depressing effect on real disposable income. This may lead to consumption weaknesses for a time; nevertheless, it is projected to grow by over 2% over the course of 2008. Private-sector job creation should decelerate somewhat from the relatively strong pace observed in recent years, but remain strong enough to compensate for weak employment increases in the public sector and allow further slight declines in the unemployment rate. The aforementioned growth in exports is not likely to be sufficient to prevent a further deterioration in the external accounts in 2008, due to stronger import growth and a substantial pick-up in import prices. The current account deficit is thus expected to widen to around 2.3% of GDP in 2008-09.

No further fiscal improvement is expected

The introduction of the fiscal package in the second half of 2007, combined with a more moderate increase in tax receipts from the corporate sector, will limit the rise in overall tax revenues in 2008. In fact, between 2007 and 2009 total government receipts as a share of GDP are projected to fall by a full percentage point to somewhat below 50%. With real public spending expected to grow at around one per cent, nominal spending will also probably decline as a share of GDP over the same period, but not sufficiently to allow for further improvements in the budget deficit of general government. The latter may thus remain at around 2.6% of GDP over the next two years. As a result, public debt is likely to rise to 67% of GDP by end-2009.

Uncertainties are focused on financial and housing markets

The projection is based on consumer confidence remaining intact. At this point, the impact of financial-market turmoil is expected to be mainly indirect via weaker growth in export markets. However, even though there is no sub-prime mortgage lending in France, the exposure of domestic banks to securities backed by such loans as well as the knock-on effect from the freezing of wholesale markets on credit extension to retail borrowers are not yet fully known. Furthermore, housing prices appear to be only flattening at this stage, but an absolute decline remains possible, with adverse consequences on households' wealth and on their willingness to spend. Finally, the profile of inflation over the projection period is predicated in the absence of significant second-round effects from higher oil and food prices on wage and price inflation, but such effects could materialise.

ITALY

GDP slowed in the first half of 2007, as export growth weakened, rebounded in the third quarter but may weaken again in the fourth. Growth over the course of 2008-09 is projected at near its potential rate of just under 1½ per cent. Unemployment, which continued to fall through the first half of 2007, should decline further but at a slower rate. The recent pick-up in price inflation may persist into 2008 and 2009.

A promising improvement in the underlying fiscal situation seen in 2006 and throughout most of 2007 has been slowed in the revised 2007 budget and that for 2008. The upward revision in spending plans is not the best response to unanticipated and possibly temporary buoyancy in revenues. Tax rates are already quite high, the overall debt level is the second highest in the OECD and increases in age-related spending are on the horizon, even though pension reform, provided it is fully followed through, has put Italy in a situation that seems better than in many countries. The government needs to convince public opinion that its plans to reduce the deficit and debt must be maintained and, preferably, strengthened.

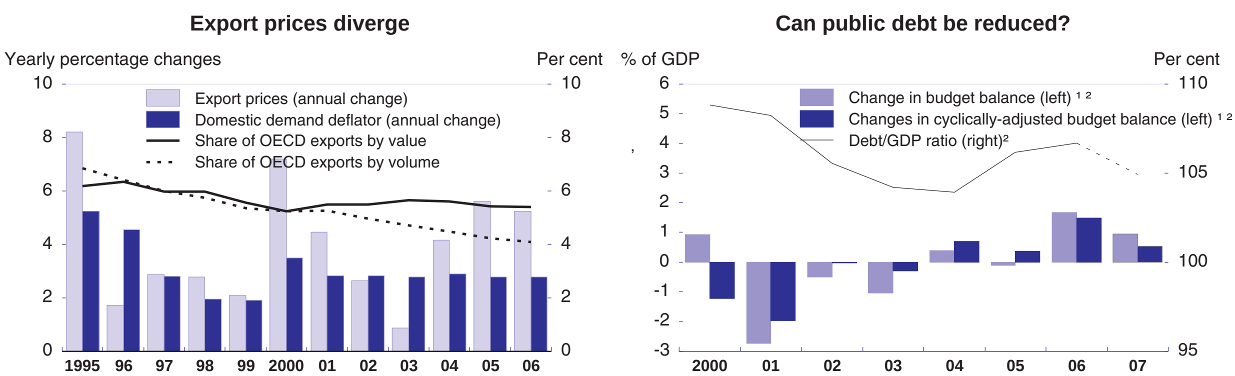
Growth slowed earlier in 2007 but is set to resume

In the first half of 2007, particularly in the second quarter, falling industrial production led a significant slowdown in GDP. On the demand side this seems largely attributable to lower growth in exports, which had been a major factor in the improved performance of 2006. Exports actually fell in the second quarter, but imports have been weak too. With some resumption in growth in industrial production, GDP rebounded somewhat in the third quarter, growing by 1.9% compared with a year earlier.

It is difficult to see any effects of financial turmoil to date

Construction activity was already weakening in the second quarter and demand for housing loans seems to have been slowing, though still rising on a year-on-year basis up to mid-year. Household indebtedness, although it has increased rapidly, is much lower than in many countries where the housing boom has been stronger and where "sub-prime" type loans have financed a larger share of the expansion. Nevertheless, the relative strength of consumption over the past two years has resulted in some decline in the household saving rate. Financial market turbulence

Italy



1. Fiscal balance and cyclically-adjusted fiscal balance are net of one-off measures and other extraordinary factors.
2. Estimate for year 2007.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161323334801

Italy: **Employment, income and inflation**

Percentage changes from previous period

	2005	2006	2007	2008	2009
Employment[1]	0.3	1.7	1.2	0.9	0.7
Unemployment rate[2]	7.8	6.8	5.9	5.8	5.8
Compensation of employees	4.6	4.6	3.6	4.2	3.6
Unit labour cost	4.4	2.6	1.8	2.9	2.2
Household disposable income	2.4	2.8	2.1	4.6	3.2
GDP deflator	2.2	1.8	2.7	2.3	2.4
Harmonised index of consumer prices	2.2	2.2	2.0	2.4	1.9
Core harmonised index of consumer prices[3]	1.9	1.6	1.8	2.1	1.9
Private consumption deflator	2.4	2.7	1.8	2.2	2.0

1. Data for whole economy employment are from the national accounts. These data include an estimate made by Istat for employment in the underground economy. Total employment according to the national accounts is approximately 2 million, about 10%, higher than employment according to the labour force survey. Following national practice, the unemployment rate is calculated relative to labour force survey data.
2. As a percentage of labour force.
3. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158726425336

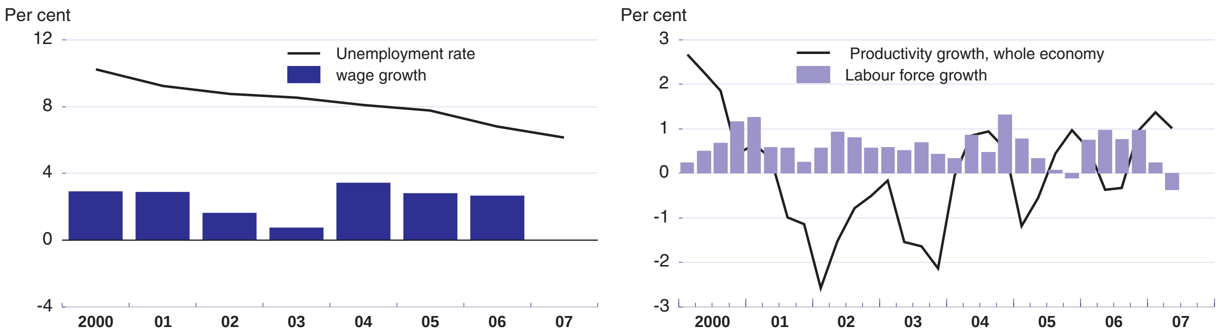
was initially reflected in some widening of interest rate spreads, which had been largely reversed by November, but it is difficult to observe any direct effects on the real economy so far.

Labour market improvements continue

Unemployment, measured in the quarterly labour force survey, has continued to decline quite rapidly, reaching 5.7% in the second quarter. As the population structure ages, growth in the working age population is now largely due to immigration. Falling unemployment still seems largely due to employment growth, stimulated by earlier labour market liberalisation. Falling participation rates in some southern regions (though the participation rate is still increasing in the north) may be a sign that this effect is about to tail off.

Italy

Unemployment falls, but wage growth is moderate | **A growing labour force, low productivity**



Source: OECD Economic Outlook 82 database.

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Italy: **Financial indicators**

	2005	2006	2007	2008	2009
Household saving ratio[1]	10.0	8.7	6.8	7.3	6.7
General government financial balance[2,3,4]	-4.3	-4.5	-2.2	-2.3	-2.0
Current account balance[2]	-1.7	-2.6	-2.0	-2.1	-2.2
Short-term interest rate[5]	2.2	3.1	4.3	4.2	4.1
Long-term interest rate[6]	3.6	4.0	4.5	4.5	4.7

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, as well as in the official financial balance which reached -4.2, and -4.4 % of GDP for 2005, and 2006, respectively.
4. In 2006 includes a one-off refund of VAT receipts amounting to 1.1% of GDP, following a judgement by the European Court of Justice and a railways debt forgiveness operation amounting to 0.9% of GDP. Excluding these extraordinary payments and certain one-off receipts, the general government financial balance in 2006 was -3.3% of GDP.
5. 3-month interbank rate.
6. 10-year government bonds.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158746384501

Productivity growth has edged up but remains poor

As employment has been increasing quite rapidly despite only low or moderate output growth, recorded productivity performance has been very poor: overall GDP per employee was lower in 2006 than in 2000. This may be the result of a shift towards low-productivity jobs, but it may also be due in part to measurement difficulties. Measured productivity has picked up a little this year, however, helping to moderate the increase in unit labour costs which have run ahead of those in most OECD countries

Italy: **Demand and output**

	2004	2005	2006	2007	2008	2009
	Current prices €billion	Percentage changes, volume (2000 prices)				
Private consumption[1]	815.2	0.6	1.5	2.1	1.7	1.7
Government consumption	276.2	1.5	-0.3	0.5	1.2	0.8
Gross fixed investment	284.5	-0.2	2.4	2.3	1.5	1.4
Machinery and equipment	152.1	-0.9	2.7	1.3	2.0	1.6
Construction	132.4	0.6	2.2	3.5	1.0	1.2
Residential	55.3	5.5	4.1	3.2	-0.6	-0.3
Non-residential	77.1	-3.0	0.6	3.7	2.2	2.3
Final domestic demand	1 375.9	0.6	1.3	1.8	1.6	1.5
Stockbuilding[2]	2.8	-0.1	0.4	-0.2	-0.2	0.0
Total domestic demand	1 378.6	0.5	1.7	1.7	1.4	1.5
Exports of goods and services	351.7	0.0	5.5	2.2	2.3	2.5
Imports of goods and services	341.4	1.0	4.5	1.8	2.9	2.9
Net exports[2]	10.3	-0.3	0.3	0.1	-0.2	-0.1
GDP at market prices	1 388.9	0.2	1.9	1.8	1.3	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 82 database.

StatLink http://dx.doi.org/10.1787/158760754335

Italy: **External indicators**

	2005	2006	2007	2008	2009
			$ billion		
Goods and services exports	461.4	517.8	613.2	685	719
Goods and services imports	462.6	533.0	615.3	686	717
Foreign balance	- 1.2	- 15.2	- 2.1	- 2	2
Invisibles, net	- 28.5	- 32.5	- 40.3	- 47	- 55
Current account balance	- 29.7	- 47.7	- 42.4	- 48	- 53
			Percentage changes		
Goods and services export volumes	0.0	5.5	2.2	2.3	2.5
Goods and services import volumes	1.0	4.5	1.8	2.9	2.9
Export performance[1]	- 7.4	- 4.1	- 4.6	- 5.3	- 5.1
Terms of trade	- 2.1	- 3.5	2.2	0.7	0.9

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158763512765

for several years. Consumer price increases remained fairly low up to September, but jumped sharply to a year-on-year rate of 2.1% (2.3% on the Eurostat harmonised definition) in October.

The budget deficit improved significantly…

In mid-year the government estimated that the budget deficit for the year as a whole would be around 2.5% of GDP, but by September it was expecting, on unchanged policies, a deficit of only some 2% of GDP. A major contributor has been an increase in the average tax rate, due in part to attempts to reduce tax evasion, but it is not clear how permanent this increase is. It would have been prudent to allow the full amount of this overrun to reduce government debt and perhaps reduce tax rates in 2008. However, the government introduced a supplementary budget for 2007 with spending measures and some tax cuts, leading to a revised government forecast for the budget deficit of 2.4% of GDP.

… but less consolidation is planned for next year

The budget for 2008 plans for a resumption of fiscal consolidation, though at only a moderate rate, and includes a reduced corporate tax rate. This has been made possible by improved tax collection and the consequent widening of the tax base. In practice the projections presented here show no improvement between 2007 and 2008, because the 2007 balance is likely to be better than budgeted and plans for 2008 are based on revenue and expenditure assumptions that may be somewhat optimistic. The need for continued consolidation is reinforced by the fact that revenues of up to 0.4% of GDP in 2007 are derived from a change in arrangements for lump-sum retirement payments; these revenues reduce current recorded government debt but increase future liabilities by an equivalent amount.

After a pick-up, slower but steady growth is projected

The spending measures in the revised 2007 budget may provide some support to activity towards the end of 2007 and into 2008, while at the same time higher food and energy prices may damp consumption. Further ahead, demand is unlikely to pick up significantly as the saving

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rate stops falling and construction activity slows or even falls as the housing market cools. Further rises in relative unit labour costs and export prices suggest that export volume growth will not contribute as much to growth in the future as it did in 2006. Output thus seems likely to grow roughly in line with potential, at just under 1½ per cent.

There are some downside risks but much uncertainty

These projections show little lasting impact from financial market developments: signs of a slowdown in housing were already apparent, and financing of business investment in Italy seems likely to be relatively insensitive to changes in the cost of funds on the markets most closely affected. There is nevertheless a risk that these effects could be stronger, and that the impact on Italy of negative developments in other countries could be greater. On the other hand, demand for Italian exports may again prove resilient to price increases, and labour productivity may return more rapidly to more "normal" growth rates than projected here.

UNITED KINGDOM

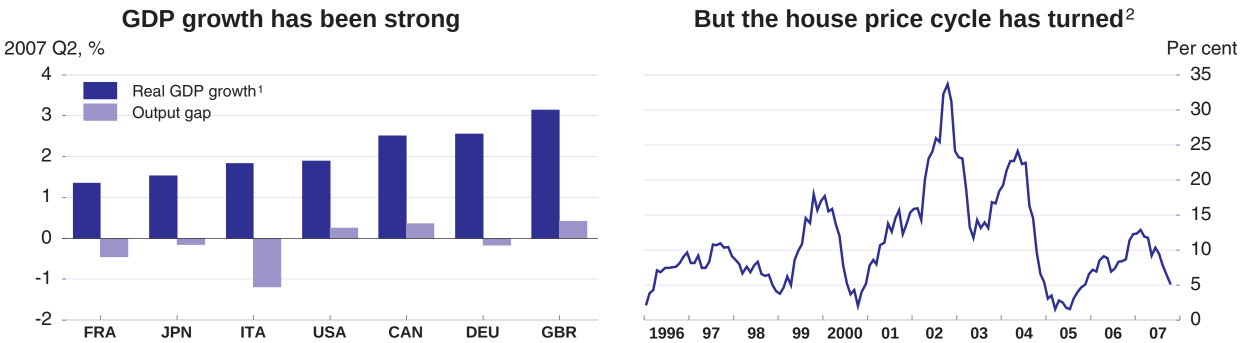
GDP grew at an above-trend pace of close to 3% through the first three quarters of 2007. However, growth is expected to be weaker in coming quarters, as both investment and consumer demand are likely to be damped by much weaker activity in the housing market, together with tighter credit conditions. Consumer price inflation has dropped sharply and is expected to remain close to the 2% target over the next two years.

After narrowing slightly in 2006, the government deficit now seems likely to move back above 3% of GDP. With fallout from the recent financial turmoil expected to limit tax revenues, additional measures will be needed to reduce the fiscal deficit more rapidly and ensure that the fiscal rules can be met in the medium term. Given the outlook for weaker output growth, the Bank of England can probably afford to ease monetary policy without risking additional inflationary pressures. Improved planning regulations, a reconsideration of the green-belt boundaries in fast-growing areas, as recommended by the Barker review, and better incentives for land development would raise potential growth and reduce the chance of house prices rebounding again.

Economic growth is at a turning point

GDP grew at a brisk pace in the first three quarters of 2007, with particularly strong growth recorded in the service sectors, and a slowing in investment being offset by strong growth in consumption. Although some measures of confidence have remained relatively robust, survey indicators suggest that the growth cycle is now turning. One important sign of the slowdown is developments in the housing market. House price inflation has slowed in recent months, the number of mortgage approvals has fallen and there has been a sharp fall in net new buyer enquiries, suggesting that a further damping of prices is likely. While the slowdown in the housing market began earlier this year in response to higher interest rates, it has been reinforced more recently by turbulence in the financial markets. Shocks to the financial sector have pushed up some borrowing rates, have restricted the availability of credit to some groups,

United Kingdom



1. Year-on-year percentage change.
2. Average of the Halifax and Nationwide house price indices. Percentage growth relative to six months earlier, annual rate.
Source: OECD, Economic Outlook 82 database, Nationwide and HBOS plc.

StatLink http://dx.doi.org/10.1787/161355038823

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

Percentage changes from previous period

	2005	2006	2007	2008	2009
Employment	1.0	0.9	0.5	0.5	1.1
Unemployment rate[1]	4.8	5.5	5.5	5.7	5.5
Compensation of employees	5.8	5.2	4.2	2.6	4.8
Unit labour cost	3.9	2.3	1.1	0.7	2.3
Household disposable income	5.5	3.6	3.5	2.8	3.6
GDP deflator	2.3	2.6	3.2	2.5	2.1
Harmonised index of consumer prices[2]	2.0	2.3	2.3	2.2	2.0
Core harmonised index of consumer prices[3]	1.4	1.3	1.6	1.6	2.0
Private consumption deflator	2.5	2.4	2.4	2.5	2.4

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 82 database.

StatLink http://dx.doi.org/10.1787/158802744484

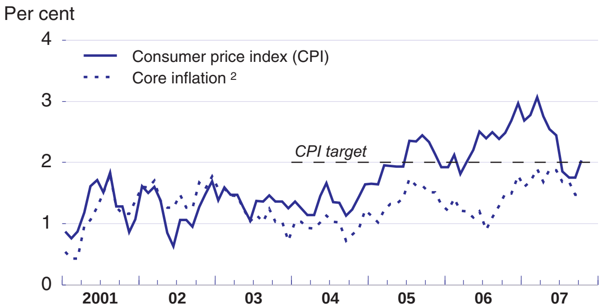
and are likely to result in lower bonuses for many financial sector workers. This could lead to flow-on effects for the upper end of the housing market in the larger cities, particularly London.

CPI inflation is close to the 2% target again

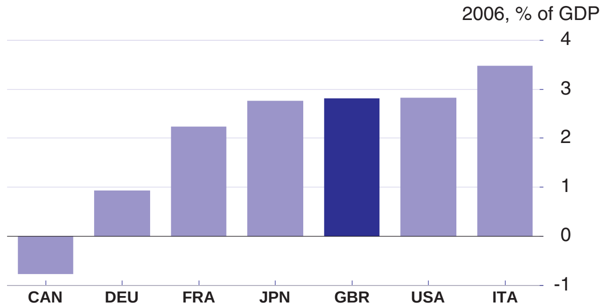
Following its March peak of 3.1%, consumer price inflation dropped sharply and has remained close to the 2% target since July. Exclusion-based measures of core inflation and central-tendency measures have also trended downwards. Inflation expectations have been stickier, perhaps reflecting recent strong economic growth and capacity pressures, as well as a lagged response to the drop in actual inflation. Wage inflation has remained moderate, despite the recent spike in headline inflation. After peaking at 5½ per cent earlier this year, the unemployment rate dropped marginally, underpinned by further employment gains and slower labour force growth.

United Kingdom

Inflation is back near the target[1]



The fiscal deficit is still large[3]



1. Year-on-year percentage change.
2. Excluding energy, food, alcohol and tobacco.
3. Cyclically-adjusted government net lending in per cent of potential GDP.

Source: OECD, Economic Outlook 82 database and National Statistics.

StatLink http://dx.doi.org/10.1787/161360482254

United Kingdom: **Financial indicators**

	2005	2006	2007	2008	2009
Household saving ratio[1]	5.6	5.0	3.3	2.7	2.3
General government financial balance[2]	-3.5	-2.8	-2.9	-3.4	-2.7
Current account balance[2]	-2.5	-3.1	-2.9	-3.1	-3.5
Short-term interest rate[3]	4.7	4.8	5.9	5.2	5.1
Long-term interest rate[4]	4.4	4.5	5.0	4.9	5.1

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158806124424

Tighter fiscal policy will be needed to meet the fiscal rules

The fiscal stance for 2007/08 that was projected to tighten in the March Budget, is now expected to ease as tax revenues have been revised down and spending has been revised up slightly (largely reflecting classification changes related to social housing). A further widening in the deficit is likely in 2008, followed by a contraction in 2009 as the government's tighter expenditure plans come into play. These projections assume that the pace of growth in current expenditure slows roughly in line with the government's projections over 2008 and 2009. However, on the revenue side it is assumed that there will be a more substantial slowing in corporate and personal income tax revenues, consistent with the more marked slowdown in GDP growth. As a result, the deficit is projected to rise to well over 3% of GDP before falling back to around 2¾ per cent of GDP in 2009. The government has tentatively stated that the cycle may have ended in the fourth quarter of last year (over which period the golden rule was met),

United Kingdom: **Demand and output**

	2004	2005	2006	2007	2008	2009
	Current prices £ billion	Percentage changes, volume (2003 prices)				
Private consumption	761.5	1.5	2.1	3.1	1.7	2.2
Government consumption	250.7	2.7	2.1	1.7	2.0	2.0
Gross fixed investment	202.3	1.5	8.2	5.7	1.8	3.5
Public[1]	21.0	-68.4	279.0	8.1	6.2	4.0
Residential	61.7	-3.9	8.9	3.8	0.0	3.4
Non-residential	119.6	15.7	-4.3	6.2	1.9	3.5
Final domestic demand	1 214.5	1.8	3.1	3.3	1.8	2.4
Stockbuilding[2]	4.8	-0.1	-0.2	0.3	0.1	0.0
Total domestic demand	1 219.3	1.6	3.0	3.6	1.9	2.4
Exports of goods and services	298.7	8.2	10.3	-4.2	5.8	5.5
Imports of goods and services	333.7	7.1	9.8	-2.0	5.1	5.0
Net exports[2]	- 35.0	0.0	-0.2	-0.6	0.0	0.0
GDP at market prices	1 184.3	1.8	2.8	3.1	2.0	2.4

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 82 database.

StatLink http://dx.doi.org/10.1787/158847427233

United Kingdom: **External indicators**

	2005	2006	2007	2008	2009
			$ billion		
Goods and services exports	593.8	679.2	717.7	782	826
Goods and services imports	674.0	768.4	818.3	896	958
Foreign balance	- 80.2	- 89.2	- 100.7	- 114	- 132
Invisibles, net	23.7	13.3	20.8	23	23
Current account balance	- 56.4	- 75.9	- 79.8	- 91	- 109
			Percentage changes		
Goods and services export volumes	8.2	10.3	- 4.2	5.8	5.5
Goods and services import volumes	7.1	9.8	- 2.0	5.1	5.0
Export performance[1]	0.8	1.7	- 10.1	- 1.2	- 1.6
Terms of trade	- 2.5	- 0.1	1.5	- 1.1	- 1.6

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/158880136080

though a final verdict is still pending. Regardless of the exact cycle dates, however, it is clear that a tighter fiscal policy will be required to meet the golden rule going forward. In addition, these projections suggest that the sustainable investment rule is at risk of being breached in the medium term as the measure of net debt monitored by the government could come close to the 40% ceiling.

But financial conditions should loosen

In response to strong economic growth and inflationary pressures, the Bank of England raised the policy rate by 25 basis points to 5.75% in July. This, together with higher three-month rates and tighter credit conditions for corporations and households, means that overall financial conditions have tightened, despite the slightly weaker pound. This was welcome as some capacity constraints have emerged, and the housing market has been overheated. However, the forward-looking picture may be very different, suggesting that, if the data do continue to reflect a slowing economy, the Bank of England could afford to cut policy rates to prevent an excessively sharp downturn, particularly given that there is no scope for fiscal policy to ease further. These projections have factored in a 25 basis point cut in the policy rate in December. As long as the real economy slows as projected and inflationary pressures remain contained, further easing in monetary policy would be justified in the first half of 2008.

GDP growth will slow and inflation remain close to target

Lower disposable income, together with a dissipation of the house value collateral effect, is expected to significantly slow consumer spending growth. Investment growth is also likely to slow significantly, due to more expensive and less readily available credit, together with increased uncertainty and profit downgrades in some sectors. Some offset will come from faster growth in public spending in 2008. GDP growth is projected to slow from around 3% this year to around 2% in 2008, before rebounding to around 2½ per cent in 2009. Compensation of employees is likely to be hit harder than employment since lay-offs and bonus reductions will be concentrated in the highly-paid financial sector, while aggregate employment growth continues. The household savings rate could fall slightly, reflecting the income hit suffered by the top income earners, who have a high propensity to save. Higher prices of food, oil and imported goods will put upward pressure on inflation over the coming year. However, weakening domestic demand is likely to have a damping impact on profit margins. Overall, consumer price inflation should remain close to the 2% target.

The outlook is very uncertain with risks in both directions

GDP growth could decline by more if the housing market falls into a significant slump and if business investment is hit harder than currently projected. But it is also possible that the economy could be more robust than projected, particularly if the global financial system recovers quickly from recent shocks and if pent-up demand for property sustains the housing market. The risks for inflation are also balanced, given the offsetting influence of higher food and imported inflation and the potential downward impact of weaker domestic demand.

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CANADA

The economy has been operating above its estimated production potential, but it is expected to decelerate noticeably in the short term as lower external demand and the marked currency appreciation damp activity. Yet growth is likely to rebound quite rapidly once the effects of these international factors disappear. A slowing in commodity-price increases, the federal Goods and Services tax cut and the stronger Canadian dollar should contribute to a temporary decline in inflation.

With large uncertainties as to the international environment, the Bank of Canada should hold its interest rate constant for now. As these uncertainties dissipate and the just-announced tax cuts take hold, the Bank should stand ready to raise rates, with the timing dependent on incoming information. Fiscal settings at all levels of government need to remain prudent, and windfall gains from non-renewable resource rents should be set aside to prepare for the looming spending effects from ageing.

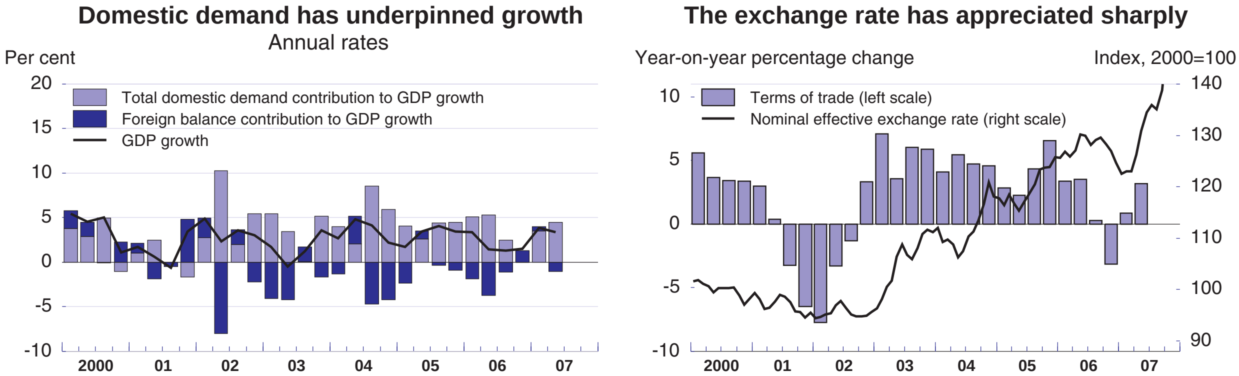
The external environment has weighed on activity

External developments have exerted a drag on economic growth. The five-year-long more than 50% rise in the exchange rate with the US dollar and the weaker performance of the US economy have curbed exports. Imports have surged, but significant terms-of-trade gains stemming from high commodity prices have boosted the current account. The split between manufacturing and other sectors of the economy has widened further, as have regional gaps. In particular, the motor vehicle industry has undergone significant output losses, while the resource sector has expanded rapidly. The sectoral gap has been reflected in employment outcomes as well: export-oriented manufacturing firms have experienced severe cutbacks in payrolls. But overall job creation has continued at a solid though decelerating pace; gains have been concentrated in full-time positions, and the unemployment rate has reached a record low level.

The fundamentals remain sound

The impact of recent financial turbulence and the credit squeeze has been modest so far, and domestic demand has remained resilient. The housing market has been in relatively good shape, and risks of a

Canada



Source: Statistics Canada; OECD, Economic Outlook 82 database.

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Canada: **Employment, income and inflation**

Percentage changes from previous period

	2005	2006	2007	2008	2009
Employment	1.4	2.0	2.3	1.3	1.2
Unemployment rate[1]	6.8	6.3	6.0	5.8	5.8
Compensation of employees	6.0	6.2	7.1	6.4	6.1
Unit labour cost	2.8	3.4	4.4	4.0	3.3
Household disposable income	4.3	6.4	6.2	5.8	5.6
GDP deflator	3.4	2.4	3.6	2.6	2.0
Consumer price index	2.2	2.0	2.4	1.7	1.8
Core consumer price index[2]	1.6	1.9	2.2	1.5	1.8
Private consumption deflator	1.7	1.4	1.6	1.4	1.7

1. As a percentage of labour force.
2. Consumer price index excluding the eight more volatile items.
Source: OECD Economic Outlook 82 database.

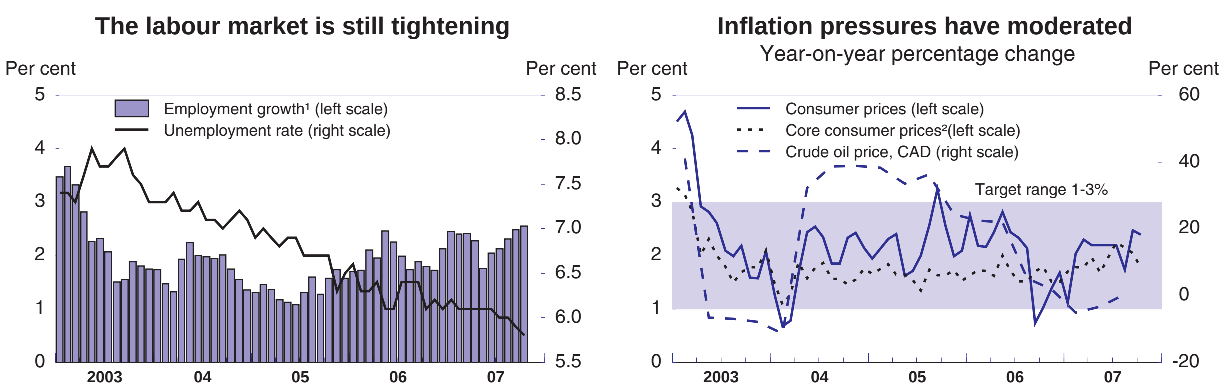
StatLink http://dx.doi.org/10.1787/160002580055

downturn are limited to a few Western cities. Large terms-of-trade gains, rising house prices and taut labour-market conditions have fuelled personal incomes and have supported private consumption, despite the higher cost of credit. As a result, the national accounts measure of the household saving ratio has fallen slightly. Strong corporate profits and declining prices on imported machinery and equipment have spurred non-residential investment, but its pace of expansion has been slowing nonetheless. Despite some re-stocking in the first half of the year, especially in the manufacturing sector, the still low inventory-to-sales ratio suggests that stock levels are lean.

Inflation pressures have moderated

The marked currency appreciation has mitigated the impact of soaring energy prices on inflation. Year-on-year headline rates had been trending up since 2006 but have recently receded. Moreover, underlying inflation has just fallen to below 2%. Nevertheless, wage settlements in

Canada



1. Year-on-year.
2. Bank of Canada definition.
Source: Statistics Canada; OECD, Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161516120022

Canada: **Financial indicators**

	2005	2006	2007	2008	2009
Household saving ratio[1]	1.6	2.3	2.4	3.0	3.5
General government financial balance[2]	1.6	1.0	1.3	0.7	0.6
Current account balance[2]	2.0	1.6	1.9	1.8	1.6
Short-term interest rate[3]	2.8	4.2	4.6	4.8	4.8
Long-term interest rate[4]	4.1	4.2	4.3	4.4	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 82 database.

StatLink http://dx.doi.org/10.1787/160040506081

both the public and private sectors have been on the rise, in line with the job market's strength and spreading labour shortages. At the same time, labour productivity performance has remained poor, and unit labour costs have been growing at a rapid rate. However, inflation expectations have stayed well anchored within the inflation-target range.

Policy interest rates have been held constant...

Uncertainties created by the credit restrictions stemming from the global financial turbulence of late summer, the significant appreciation of the Canadian dollar and the US housing-market downturn have encouraged the Bank of Canada to adopt a wait-and-see attitude. The policy rate has been kept steady since July 2007 at 4½ per cent, which is marginally below OECD estimates of the neutral rate. The OECD projections

Canada: **Demand and output**

	2004	2005	2006	2007	2008	2009
	Current prices CAD billion	Percentage changes, volume (2002 prices)				
Private consumption	720.4	3.8	4.2	4.3	3.7	3.2
Government consumption	248.9	2.2	3.3	2.6	2.8	2.8
Gross fixed investment	261.5	8.5	7.2	3.3	3.2	3.2
Public[1]	31.7	11.0	8.2	1.3	1.7	1.6
Residential	83.3	3.5	2.1	2.3	0.9	0.3
Non-residential	146.5	10.8	9.9	4.3	4.9	5.2
Final domestic demand	1 230.8	4.5	4.7	3.7	3.4	3.1
Stockbuilding[2]	5.4	0.4	-0.2	-0.3	0.1	0.0
Total domestic demand	1 236.2	4.9	4.4	3.4	3.5	3.1
Exports of goods and services	495.3	2.2	0.7	1.3	1.2	2.6
Imports of goods and services	440.7	7.5	5.0	3.6	4.6	3.6
Net exports[2]	54.6	-1.7	-1.4	-0.7	-1.1	-0.3
GDP at market prices	1 290.8	3.1	2.8	2.6	2.4	2.7

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

1. 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 82 database.

StatLink http://dx.doi.org/10.1787/160125864450

Canada: **External indicators**

	2005	2006	2007	2008	2009
			$ billion		
Goods and services exports	430.0	462.6	502.9	552	575
Goods and services imports	386.7	430.0	459.1	504	530
Foreign balance	43.3	32.6	43.8	48	45
Invisibles, net	- 20.0	- 11.9	- 16.8	- 18	- 17
Current account balance	23.3	20.7	27.0	30	28
			Percentage changes		
Goods and services export volumes	2.2	0.7	1.3	1.2	2.6
Goods and services import volumes	7.5	5.0	3.6	4.6	3.6
Export performance[1]	- 3.9	- 5.5	- 1.7	- 3.2	- 2.6
Terms of trade	4.0	0.9	4.0	3.5	0.2

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160175660500

assume that the rate will be raised to neutral in the second half of 2008 when financial unrest will have eased and the effects of appreciation attenuated. The long-term interest-rate differential with the United States is projected to remain negative over the projection period, consistent with the healthy Canadian fiscal and external positions.

... and tax relief has been granted

The federal government just announced significant cuts in personal and corporate income tax in addition to those in past Budgets and the associated Tax Fairness Plan. Moreover, the rate of the federal Goods and Services Tax (GST) will be reduced by one percentage point to 5% as of January 2008. In total, tax relief introduced since the 2006 Budget is estimated to amount to some CAD 80 billion (4.8% of GDP) over the next two years. By contrast, increases in Alberta's royalty rates on oil production are likely to boost the province's budget surplus in 2009. At the same time, the economic slowdown is likely to reduce tax revenues, and large federal transfers will be granted to provinces to finance post-secondary education, infrastructure and environmental measures. Overall, the general government's cyclically adjusted surplus is expected to decline, even assuming the provinces use some of the additional federal transfers to pay down their debt and not completely to boost spending.

Activity should slow in the near term

The economy is projected to grow at below its estimated potential rate during the rest of this year and next. Activity would mostly be supported by strength in private consumption, spurred by robust labour income and cuts in personal income tax and the GST. Business investment should also remain dynamic, boosted by strong profits and low imported capital goods prices. On the other hand, tighter credit conditions would have a small negative effect on these components of domestic demand. Restraint is expected to be exerted as well by the negative competitiveness effects of the soaring currency and the slowdown in export market growth. Inflation is projected to recede once the effects of the rise in energy prices have dissipated. The currency appreciation and the 2008 GST cut should also exert downward pressures on inflation in the short term. Both core and headline inflation rates are expected to stabilise around 2% by 2009. The unemployment rate would edge up but remain close to its historically low level. Labour productivity would gradually recover, underpinned by robust investment in the manufacturing sector. The current account surplus is projected to decline slightly as a share of GDP.

The main risks are external

Risks to the international environment lie on the downside. Indeed, the current weakness in the US economy could be more protracted and/or pronounced than expected. The recent further appreciation of the Canadian dollar, if sustained, would also hit export-oriented firms. On the domestic side, the current tightness in labour markets, as well as some persistence in food price increases, could delay the onset of the projected easing trend in inflation. The impact of diminished credit availability on private consumption and investment could also prove stronger than currently envisaged. Finally, developments in the Canadian housing sector remain uncertain.

AUSTRALIA

Output growth, which could reach 4¼ per cent in 2007, is expected to slow gradually to 3½ per cent in 2008 and 3% in 2009, a pace close to the potential growth rate. This slowdown, which will be accompanied by a further tightening of monetary policy to keep inflation in line with the Reserve Bank's inflation target, should ease strains in the labour market.

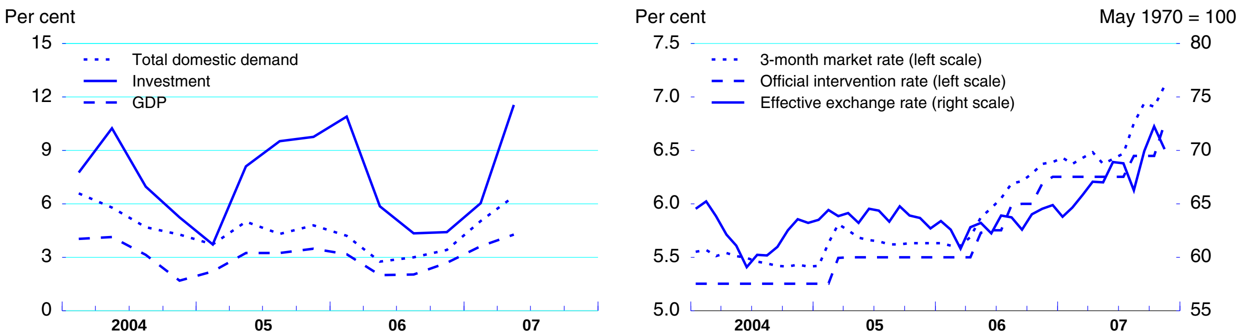
Prudent budget management, while allowing the automatic stabilisers to operate, would also help moderate the pressures on capacity that may be heightened by the announced tax cuts. Given that demand could remain brisk over the medium term, it is important to continue efforts to stimulate labour supply, especially with respect to skilled labour, and preserve job market flexibility.

Brisk demand is putting pressure on prices

Economic growth, which continued at a pace of roughly 4% until the third quarter of 2007, is still robust. Activity is fuelled by strong domestic demand, driven by very dynamic private and public investment, which has more than offset the adverse impact of the drought and the rising Australian dollar on net exports. Purchases by households, whose confidence is still firm, have kept rising fast recently, and the business climate has remained positive. Buoyed by high profits and still-favourable terms of trade, firms' investment intentions are ambitious and job creation has continued to increase briskly. The unemployment rate is at its lowest level in 33 years (4¼ per cent), while immigration is playing an increasing role in meeting companies' labour requirements. So far, wage growth, which reached 4% (at an annualised rate) in the third quarter of 2007, has remained contained. However, pressures on prices have become more acute. In the third quarter of 2007, indicators of underlying inflation used by the Reserve Bank of Australia (RBA) rose by around 3% year-on-year. Headline inflation is also likely to reach 3% in the near term corresponding to the upper limit of the monetary authority's target range.

Australia

Investment dynamism has spurred growth[1] | **Monetary conditions have tightened**



1. Year-on-year percentage change, volume.
Source: OECD, Economic Outlook 82 database and Reserve Bank of Australia.

StatLink http://dx.doi.org/10.1787/161556284885

Australia: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices AUD billion	Percentage changes, volume (2004/2005 prices)				
Private consumption	508.8	2.9	3.1	3.9	3.1	3.1
Government consumption	156.2	3.4	3.9	2.4	2.9	3.0
Gross fixed capital formation	220.8	7.8	6.3	11.5	8.0	4.5
Final domestic demand	885.8	4.2	4.1	5.6	4.5	3.5
Stockbuilding[1]	5.7	0.3	-0.7	0.5	-0.1	0.0
Total domestic demand	891.5	4.5	3.3	6.1	4.4	3.5
Exports of goods and services	157.2	2.4	3.3	3.4	4.9	7.3
Imports of goods and services	181.0	8.5	7.7	10.4	7.9	8.2
Net exports[1]	- 23.8	-1.3	-1.0	-1.6	-0.7	-0.3
GDP at market prices	867.7	3.0	2.5	4.3	3.5	3.0
GDP deflator	_	4.4	4.9	3.7	3.0	2.8
Memorandum items						
Consumer price index	_	2.7	3.5	2.3	3.2	2.7
Private consumption deflator	_	1.8	2.7	2.5	2.9	2.5
Unemployment rate	_	5.0	4.8	4.3	4.4	4.8
Household saving ratio[2]	_	-0.8	-0.5	0.3	0.5	0.6
General government financial balance[3]	_	1.2	1.2	1.3	1.2	1.0
Current account balance[3]	_	-5.7	-5.4	-6.0	-6.4	-6.9

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 disposable income.
3. As a percentage of GDP.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160372425225

Monetary policy is being tightened

The RBA raised its key interest rate twice by ¼ point in August and November 2007 to 6¾ per cent. The effect on the interbank rate was slightly more pronounced, in the wake of the liquidity shortfall resulting from the US sub-prime crisis, which the Bank partly offset by intervening in the money market. Although reinforced by the Australian dollar's effective appreciation of more than 9% since January 2007, this tightening of monetary policy should be stepped up further in order to bring growth back to a sustainable pace and contain inflationary pressures.

Tax cuts might ease the fiscal stance

The budget surplus of 1¼ per cent of GDP in 2006-07, which has once again exceeded government expectations, should decline marginally by 2009. The 2007-08 budget, which includes personal income tax cuts and major investments in education and transport infrastructure, targets a surplus of 1¼ per cent of GDP, according to the official projections. This surplus is likely to amount to roughly 1% of GDP in 2008-09, following the additional reduction of taxes on households announced by the main political parties on the eve of elections. Maintaining these surpluses should pose no problem in view of the expected strength of the economy. Their decline could, however, induce a slight short-term expansionary effect, even though some of the measures involved could also be expected to stimulate labour supply.

Growth is expected to ease, moderating strains on capacities

GDP growth could rise to 4¼ per cent in 2007 before gradually easing back to around 3% by 2009 due to the impact of monetary tightening on domestic demand. On the other hand, exports should bounce back and foster a more balanced expansion, despite the past appreciation of the exchange rate. Sales abroad are expected to benefit from an eventual return to normal weather conditions in agriculture, and from the positive impact of capital investment on export capacities. Because of the softening demand for labour and the expected slight rise in the participation rate, due to the introduction of the Welfare to Work programme in July 2007, the unemployment rate may increase slightly. In this context, inflation is likely to ease from 3% to 2½ per cent between 2008 and 2009, while the output gap should be close to zero. This soft-landing scenario could be jeopardised, however, if domestic demand and especially capital investment, driven by favourable profit prospects, remain strong. But neither can the risk of a deterioration of the external outlook be ruled out.

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AUSTRIA

A slowdown in net exports and investment is expected to result in GDP growth decelerating from almost 3½ per cent in 2007 to about 2½ per cent in 2008 and 2009. Headline inflation is projected to temporarily move above 2% in the short-term on account of rising oil and food prices.

The government should stick to its important fiscal consolidation plan and resist pressures to spend cyclical windfalls. The contribution of the inflows of workers from the new European Union member countries, which cater to labour market needs and help keep wage increases in line with productivity growth, could be made more effective by terminating contract restrictions for these workers.

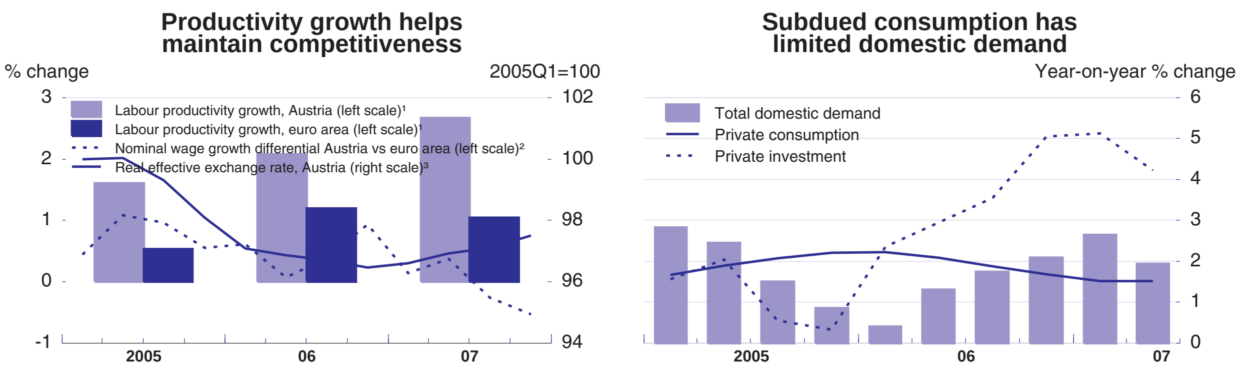
Robust growth in 2007 despite subdued consumption

The economy continued to grow at a rapid pace in the first three quarters of 2007. Wage moderation and strong productivity growth in the tradables sector have served to maintain external competitiveness despite the appreciation of the euro. Domestic demand growth levelled off somewhat. Fixed investment in plant and machinery picked up strongly, boosted by healthy corporate earnings, rising capacity utilisation and strengthening sales prospects, while investment in construction slowed down. Private consumption growth continued to be subdued, increasing by only 1.5% in the first three quarters of 2007 on a year earlier. This remains a continuing puzzle in light of the significant rises in total household real disposable incomes and strengthening consumer confidence.

Expenditure restraint boosts the fiscal balance

Expenditure restraint and, to a lesser extent, cyclical revenue windfalls helped to improve the fiscal position in the first half of 2007. Public spending on subsidies, social benefits and current and capital transfers are estimated to have declined as a share of GDP. Gross corporate tax receipts rose strongly, and there was also a strong increase in gross personal income tax receipts, reflecting the buoyancy of the economy, strong corporate profitability and the increasing number of full-time employees. However one-off factors, and notably one-off revenue rebates, limited the positive

Austria



1. Estimates for 2007.
2. Estimates for 2007 Q3 and 2007 Q4.
3. Estimates for 2007 Q4.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161558641526

Austria: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	132.6	2.0	2.0	1.6	1.9	2.0
Government consumption	42.8	1.8	2.0	2.3	2.0	1.3
Gross fixed capital formation	48.7	1.3	3.1	4.4	2.6	1.8
Final domestic demand	224.1	1.8	2.2	2.4	2.1	1.8
Stockbuilding[1]	1.9	0.0	-0.1	-0.3	0.0	0.0
Total domestic demand	226.0	1.9	1.4	2.2	2.0	1.8
Exports of goods and services	120.4	6.7	7.5	6.3	5.4	6.2
Imports of goods and services	110.5	6.1	4.6	4.6	4.9	5.4
Net exports[1]	9.9	0.6	1.8	1.2	0.7	0.9
GDP at market prices	235.9	2.3	3.1	3.3	2.5	2.5
GDP deflator	_	1.7	1.9	2.2	2.3	1.9
Memorandum items						
Harmonised index of consumer prices	_	2.1	1.7	2.1	2.4	2.0
Private consumption deflator	_	1.6	1.9	1.9	2.3	2.0
Unemployment rate[2]	_	5.7	5.4	5.3	5.3	5.5
Household saving ratio[3]	_	9.3	9.7	10.6	10.3	10.0
General government financial balance[4]	_	-1.7	-1.5	-0.8	-0.6	-0.2
Current account balance[4]	_	2.1	3.2	4.7	4.9	5.5

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160404348740

impact on net revenues. Nevertheless, the government's fiscal target of a general government deficit of 0.9% of GDP in 2007 seems likely to be met. The government plans to reduce the general government deficit to about 0.2% of GDP by 2009, with the cyclically adjusted general government position reaching balance.

Inflationary pressures contained over the medium term

Headline inflation accelerated gradually in the first half of 2007, mainly on account of higher energy and housing costs, but slowed down in the third quarter. At the same time rising energy and food prices, and the mid-2007 tax increases on diesel and gasoline, are adding to short-term inflationary pressures. Nevertheless, over the medium term, headline inflation is expected to slow down, to around 2% by the end of the projection period. Core inflation is expected to follow a similar pattern and decelerate as wage demands remain moderate because of the ongoing expansion of labour supply – mainly driven by immigration from other European Union countries – which is expected to outpace employment growth.

Slowdown in export demand will damp economic growth

Slower growth in the euro area and in the United States, together with the strength of the euro, will adversely affect net exports in 2008. This deceleration in external demand is, *inter alia*, expected to result in a slowdown in private investment growth, particularly in 2008. A modest pick-up in domestic consumption is projected to partly offset the negative impact on domestic demand in 2008, while net exports will recover in 2009 on the back of a combination of competitively priced labour inputs and a strong position in booming emerging markets.

As growth slows, the output gap is expected to close by end-2009

Overall the economy is expected to slow from the rate realised over the first three quarters of 2007, with GDP growth falling to around 2½ per cent in both 2008 and 2009, and with the positive output gap just closing towards the end of 2009. The main downside risks to growth stem from a stronger-than-anticipated cyclical slowdown in Austria's main trading partners. The main upside risk stems from a stronger-than-anticipated rebound in private consumption spending. On inflation the main uncertainties relate to developments in food and oil prices.

BELGIUM

Real GDP growth has moderated from its recent robust pace and is likely to slow further toward the potential rate in the short term, though leaving the output gap at a positive level. Domestic demand continues to underpin the expansion, boosted by higher employment and real incomes. Inflation is projected to increase somewhat in response to rising cost pressures.

The planned budget surplus is unlikely to materialise in 2007 as the post-election political situation did not allow the implementation of all planned fiscal measures. To meet the medium-term fiscal objectives, the new government will need to implement substantial fiscal consolidation measures, which require expenditure restraint at all levels of governments. Better labour market participation incentives and improved targeting of public employment subsidies to low-income workers are also important to raise employment and improve long-term fiscal trends.

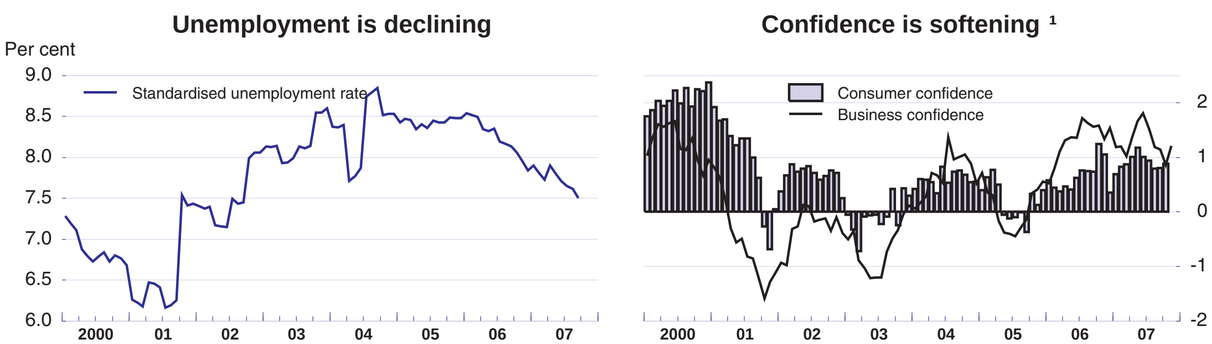
The economy has softened, but growth has remained above potential

The moderation of economic growth in the course of 2007 reflected several factors. Private consumption decelerated in the latter part of the year as consumer confidence eased somewhat and real income growth was affected by an acceleration in consumer prices and the completion of the multi-year tax reform the previous year. Strong growth in business fixed investment slowed in the second half of the year as capacity utilisation stabilised and business sentiment softened. In contrast, growth in exports was fairly robust as exporters managed to reduce their market share losses. Employment creation remained stronger than the expansion of the labour supply, allowing for a decline of nearly ½ percentage point in the standardised unemployment rate close to 7½ per cent.

Inflation has increased

Core inflation remained around 1½ per cent during 2007, which was somewhat higher than in the previous year. On the other hand, headline inflation increased from just above 1 per cent to more than 2¼ per cent during the autumn, reflecting an acceleration in both food and energy

Belgium



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

StatLink http://dx.doi.org/10.1787/161561108154

Belgium: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices €billion	Percentage changes, volume (2005 prices)				
Private consumption	152.4	1.4	2.1	2.3	2.1	1.9
Government consumption	66.1	-0.2	0.0	1.7	2.2	1.9
Gross fixed capital formation	56.9	6.7	4.2	6.7	3.2	3.0
Final domestic demand	275.5	2.1	2.0	3.1	2.4	2.1
Stockbuilding[1]	1.2	0.2	0.8	0.1	-0.1	0.0
Total domestic demand	276.7	2.4	2.8	3.2	2.3	2.1
Exports of goods and services	242.3	4.1	2.6	5.2	4.7	5.0
Imports of goods and services	229.9	4.9	2.5	5.9	5.1	5.2
Net exports[1]	12.4	-0.4	0.2	-0.5	-0.2	0.0
GDP at market prices	289.1	2.0	2.9	2.6	1.9	2.0
GDP deflator	_	2.4	2.0	2.0	2.5	2.0
Memorandum items						
Harmonised index of consumer prices	_	2.5	2.3	1.7	2.3	2.0
Private consumption deflator	_	2.9	2.5	1.8	2.4	2.0
Unemployment rate	_	8.4	8.2	7.7	7.3	7.0
Household saving ratio[2]	_	10.1	10.3	10.0	9.3	9.0
General government financial balance[3]	_	-0.1	0.2	-0.2	-0.4	-0.2
Current account balance[3]	_	1.5	2.7	2.6	2.9	2.7

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

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160408147336

prices. The growth of hourly wages was partially boosted by special factors and reached about 3%. This is higher than agreed by the social partners in the wage agreements for 2007 and 2008, which follow the reference value laid down in the wage norm for expected hourly labour costs trends in the three main trading partners. However, as labour productivity increased somewhat faster than in these countries, cost competitiveness remained roughly unchanged.

Additional fiscal measures are needed

A small general government deficit is expected to re-emerge in 2007, as the caretaker government in place since the general election in mid-2007 cannot implement all its planned fiscal measures, particularly one-off measures. Until a new government is in place, the budget for 2008 will be based on unchanged policies, which raises the prospects of a deterioration of the budget position, particularly as some previously implemented self-reversing one-off measures have to be financed. This implies that the fiscal policy objective of improving the balance by around 0.2 percentage point of GDP each year will not be achieved. As a consequence, once a new government is in place, it could be faced with the need for implementing fiscal measures of about ¾ per cent of GDP in order to make up for budgetary shortfalls and return the public finances to the planned path towards sustainability. This is likely to require securing expenditure restraint at all levels of government. The alternative would be an increased reliance on revenues, potentially unwinding the beneficial effects of the recently implemented multi-year tax reform.

Growth prospects are good

Output growth, though slowing, is projected to remain in line with its potential rate in 2008 and 2009, implying that there will be little change to the positive output gap that emerged in 2007. The main risk to these projections is mostly related to the downside uncertainties surrounding the international outlook, potentially reducing export growth. On the upside, faster-than-projected wage increases may temporarily induce higher private consumption, but also higher inflation.

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CZECH REPUBLIC

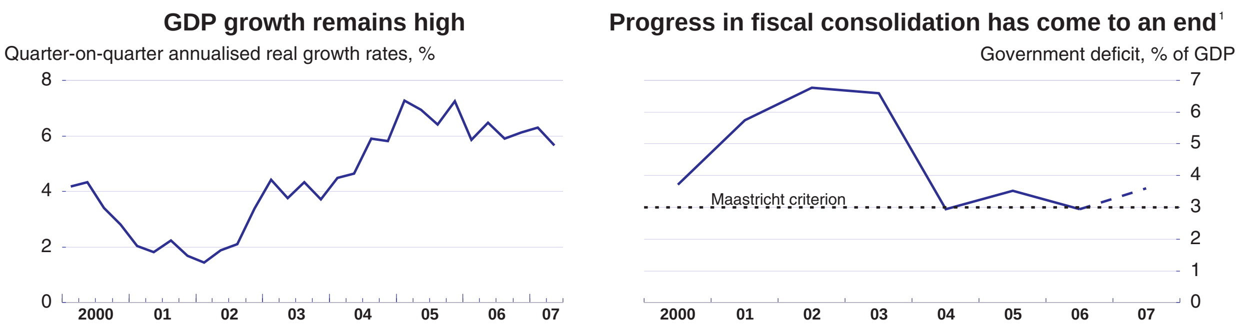
A policy-driven spike in inflation in the first half of 2008 is going to temporarily dent otherwise healthy economic conditions, and real GDP growth will dip below potential as the increases in indirect taxation and administered prices squeeze consumption. Underlying inflation is low, but is creeping up and further tightening of monetary conditions is expected.

The upcoming spike in inflation is due to increases in indirect taxation and regulated prices contained in a package of fiscal and structural-reform measures voted by parliament in September. The ambitious plans for further structural reform should be pushed forward, but the weak political mandate of the ruling coalition government means that progress may be slow.

Manufacturing exports are still driving economic growth

GDP growth in the first half of this year was over 6% year-on-year continuing an expansion in exports well above export-market growth. The strong development in exports largely reflects further increases in manufacturing production, particularly of motor vehicles. This "growth engine" is feeding through to the service sector, with employment, household incomes and consumption growing strongly. Indeed, labour reserves are being rapidly absorbed; in the third quarter of this year the unemployment rate was 5.2%, compared with 7.1% one year earlier. Headline inflation averaged 2.3% year-on-year in the first three quarters of this year, with increasing food prices playing a significant role. Underlying rate has been creeping up. For 2008, inflation will be strongly affected by an increase in value-added tax (VAT) and further increases in excise on tobacco in accordance with an EU directive. New environmental taxes, also EU-driven, and further increases in caps on housing rentals will also increase inflation. In total, these measures will raise consumer prices by several percentage points in the first half of 2008 and this might fuel inflationary expectations. These considerations, plus changes in policy rates elsewhere, have already prompted the central bank to increase its rate by 75 basis points since June to 3.25%.

Czech Republic



1. General government deficit according to the European System of Accounts (ESA95). OECD estimate for 2007.

Source: OECD, Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161582251344

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

	2004	2005	2006	2007	2008	2009
	Current prices CZK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 417.2	2.5	4.4	6.7	4.0	4.1
Government consumption	624.2	2.3	1.1	0.6	0.0	0.1
Gross fixed capital formation	727.2	2.3	7.6	4.2	7.8	7.7
Final domestic demand	2 768.6	2.4	4.5	4.7	4.1	4.2
Stockbuilding[1]	48.2	-0.6	1.1	1.6	0.1	0.0
Total domestic demand	2 816.8	1.7	5.6	6.2	4.1	4.1
Exports of goods and services	1 967.6	12.0	16.6	12.6	10.9	11.4
Imports of goods and services	1 967.4	5.1	15.8	13.2	10.6	10.8
Net exports[1]	0.2	4.8	1.1	-0.1	0.7	1.0
GDP at market prices	2 817.0	6.5	6.4	6.1	4.6	4.9
GDP deflator	_	-0.2	1.1	3.5	3.8	2.7
Memorandum items						
Consumer price index	_	1.9	2.6	2.7	4.6	3.1
Private consumption deflator	_	0.9	1.6	1.7	4.4	3.1
Unemployment rate	_	8.0	7.2	5.4	5.0	4.7
General government financial balance[2]	_	-3.5	-2.9	-3.7	-3.1	-2.5
Current account balance[2]	_	-1.6	-3.1	-2.9	-1.5	-0.6

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

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160412822148

The fiscal outlook has become more positive

Reduction of the general-government deficit remains a key hurdle for entry to the euro area. Since 2004 the deficit has hovered close to the required level, coming in at 2.9% of GDP for 2006. This year it is expected to notch-up to 3.7% due to welfare-benefit increases voted by parliament in the run-up to the 2006 election. This unambitious performance has meant abandoning 2010 as the target year for euro entry with no new target yet set. However, the package of measures approved by parliament signals a fresh commitment to consolidation and structural reform. Revenue reforms include an increase in the lower rate of VAT, the introduction of a flat tax on personal income and a reduction in the rate of corporate income tax. Expenditure reforms include staff reductions in the government sector, reforms of the welfare system and some adjustments in the healthcare system. There are plans for further reform in many areas. Regarding inflation, a cautious monetary policy is important to insure against the second-round effects from the tax-induced spike in inflation. In addition, the inflation target is being lowered; from January 2010 the target is to be 2 ± 1% instead of the current 3 ± 1%, and this further strengthens the case for a cautious stance.

Growth will dip in 2008

Real GDP growth is projected to be around 6% this year on the back of continued strength in exporting activity and strong consumption. The latter will be boosted by extra spending in anticipation of the policy-driven price increases which are set to bring a dip in activity and a spike in inflation in the first half of next year. Overall, growth for 2008 is projected to be 4.6%. Output growth is expected to recover to potential by the end of the projection period with annual growth in 2009 approaching 5%. Underlying inflation should be tempered by monetary tightening and will ease off towards the end of the projection period to around 2.5% year-on-year. The government's package is likely to bring the deficit down to 3.1% of GDP in 2008 and 2.5% in 2009.

Longer-term risk factors are prevalent

Risks over the projection period look to be fairly symmetric with, notably neither domestic banks nor foreign banks that have a large presence in the Czech Republic appearing to have been hit by the recent financial turmoil. Beyond the projection horizon, however, shrinking labour reserves may begin to have a substantial effect on growth capacity. Also, there are likely to be problems keeping the deficit on track after 2009. The next election is due in 2010 and this may prompt a spending spree similar to that seen prior to the 2006 election. Also, with the ruling coalition not having a clear majority this is likely to mean slow progress in implementing the necessary reforms.

DENMARK

GDP growth has slowed, but the positive output gap remains large with labour and capacity shortages evident. The inflow of workers from abroad has allowed employment to rise strongly. Nevertheless, wage growth is now gaining momentum, and loss of competitiveness is expected to weigh down on growth in the coming years.

Monetary conditions are no longer stimulating aggregate demand, but fiscal policy is set to do so in 2008 with rising public consumption and tax cuts that are not financed in the short run. This stimulus and additional municipal and regional overspending should be avoided or offset by savings elsewhere. Measures to boost labour supply should be pursued in ways that help long-run fiscal sustainability.

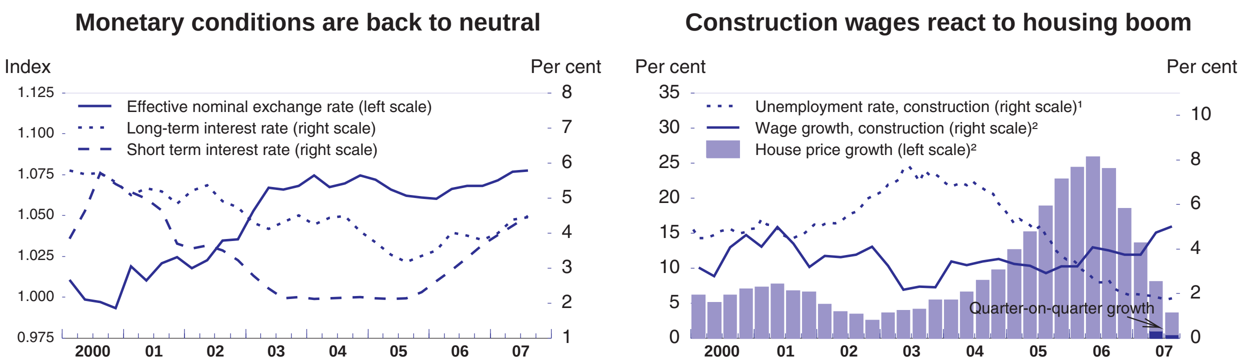
Capacity pressures remain despite a slowdown in growth

Following years of rapid expansion, GDP growth has eased to about its potential rate since mid-2006. The housing boom has come to an end and, with higher interest rates, mortgages weigh heavily on disposable income. Private consumption has weakened, while residential construction remained at a high level to meet a backlog of demand. Consumer confidence has taken a step down, but remains above its historical average. Export demand has been strong with orders coming in at a rising rate but, with intensifying capacity utilisation and labour shortages, actual export volumes have grown at a moderate pace recently. For some professions – public as well as private – the number of vacancies exceeds the number of unemployed. Consumer price inflation dipped below 2% in mid-2007, but domestically generated inflation is on the rise and wage growth has picked up.

Employment has surged with foreign workers and wider inclusion

While GDP slowed, employment surged by almost 3% during the year to mid-2007. Less than half of the increase can be attributed to lower unemployment: registered unemployment has fallen steadily by about one percentage point annually. The net flow into employment from social assistance and labour-market training programmes has been equal to almost 1% of the workforce during the year to mid-2007. Immigrants

Denmark



1. Among persons with unemployment insurance. This tends to be higher than the Labour Force Survey concept used for the aggregate economy.
2. Year-on-year percentage change.
Source: Statistics Denmark, Association of Danish Mortgage Banks and OECD Analytical database.

StatLink http://dx.doi.org/10.1787/161583284444

Denmark: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices DKK billion	Percentage changes, volume (2000 prices)				
Private consumption	708.5	4.2	3.1	1.9	1.7	1.5
Government consumption	388.5	1.1	1.5	1.9	2.2	1.4
Gross fixed capital formation	283.5	9.6	12.9	5.0	2.3	1.1
Final domestic demand	1 380.4	4.4	4.8	2.6	2.0	1.4
Stockbuilding[1]	7.0	-0.1	0.4	0.2	0.0	0.0
Total domestic demand	1 387.4	4.3	5.2	2.8	2.0	1.4
Exports of goods and services	667.3	7.2	10.1	3.2	4.7	3.9
Imports of goods and services	595.4	10.7	14.4	4.7	5.4	5.1
Net exports[1]	72.0	-1.0	-1.4	-0.6	-0.3	-0.5
GDP at market prices	1 459.4	3.1	3.5	2.0	1.7	0.8
GDP deflator	_	3.2	2.2	2.0	3.0	2.9
Memorandum items						
Consumer price index	_	1.8	1.9	1.6	2.4	2.7
Private consumption deflator	_	2.2	2.1	1.8	2.2	2.7
Unemployment rate[2]	_	4.8	3.9	3.5	3.4	3.6
Household saving ratio[3]	_	-2.5	-0.2	3.2	3.9	4.4
General government financial balance[4]	_	4.6	4.7	4.8	3.8	3.0
Current account balance[4]	_	3.8	2.4	1.2	1.0	0.7

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).*

Based on information available up until 20 November, before the third quarter 2007 and revised historical data were released.

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, differing by +/- ½ a percentage point from the registered unemployment rate.
3. As a percentage of disposable income, net of household consumption of fixed capital.
4. As a percentage of GDP.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160433325530

coming to work in Denmark and cross-border workers appear to have added much more to labour supply than in previous cycles, although precise statistics are not available. Meanwhile, with employment growing much faster than output, productivity has fallen. Unit labour costs have grown much more than in other countries, making Danish exports less competitive. Public-sector wage agreements are due for renewal in early 2008. If the very high demands currently aired are met, they could well fuel local wage growth and further loss of competitiveness in the private sector where collective agreements recently signed otherwise imply hourly wage increases of 4 to 4½ per cent.

The housing boom is ending, but not in a bust so far

National average house prices were constant in nominal terms from the second to third quarter of 2007, thereby putting an end to the spectacular boom where annual price increases peaked at 26% in spring 2006. However, the adjustment that often follows such episodes has, so far, not materialised. Forced sales have become more frequent since the beginning of 2007 but remain at merely a tenth of what they were in the downturn of the late 1980s. Apparently, banks have maintained more cautious lending standards during the current boom. The recent financial turmoil has had only limited implications as mortgage banks keep loans on their books, financing them with bonds having the same coupon and maturity as the loans, implying no need to refinance via the interbank market. Nevertheless, with the level of prices being well above what interest rates and other fundamental factors would justify, risks remain.

GDP growth slows while cost pressures rise

After having been ahead of other countries in the European recovery, growth is now expected to stay below that in the euro area throughout the forecast horizon. In 2009, growth would be particularly slow as residential construction is expected to fall and business investment to weaken. Rising cost pressures weigh on exports, but the relative strength of demand in Denmark's main export markets and the weakness of domestic demand limit the negative contribution from net exports. The fiscal surplus remains high, partly due to revenues from North Sea oil and gas production.

How strong will the overheating become?

The economy has come to a turning point. If the growing inflationary pressures evolve into a genuine wage and price spiral, with a further loss of competitiveness and rising unemployment, it could trigger a house-price correction and lead to a prolonged recession. Much would then depend on how the foreign labour supply reacts: either staying on or moving to other countries, thereby cushioning the rise in unemployment.

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FINLAND

Output grew by 5% in 2006, and strong growth has continued into 2007, underpinned by a robust export performance and sustained strength in consumption. While healthy employment growth is projected to continue, leading to a further decline in unemployment, output growth is expected to moderate.

In order to address the significant imbalances emerging in the labour market, more needs to be done to better match those out of work with the growing number of unfilled vacancies. The government should consider tightening fiscal policy to offset the effects of the large wage increases agreed in the current round of wage negotiations.

Economic growth has been robust

Strong growth in private consumption has been sustained in 2007 while export growth has increased. This has resulted in continued strong job creation and a marked improvement in the unemployment rate, which has dropped to 6.4% in the third quarter of 2007, its lowest level in over sixteen years. While employment growth has been impressive, real disposable income growth has been more moderate and consumption was sustained by a drop in the household saving ratio to a historic low of around –2.5% in the first half of 2007. Despite strong economic growth, consumer price inflation has remained low.

The fiscal position is strong

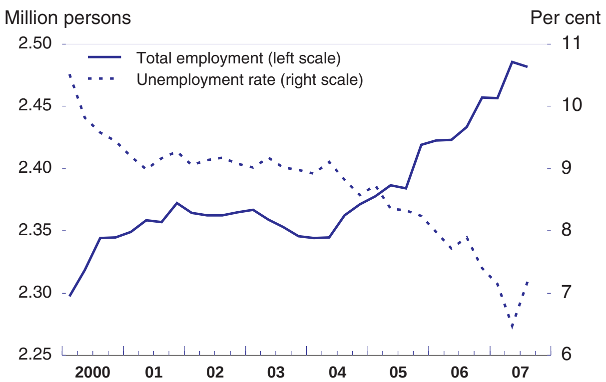
Public finances are solid with the general government recording a surplus of 3.7% of GDP in 2006, driven by strong revenue growth from both taxes and social security contributions. This is expected to continue over the projection period, helped by strong employment growth and higher nominal wages. The 2008 budget review has signalled an acceleration in public investment and a continued focus on addressing labour market issues.

There are imbalances in the labour market

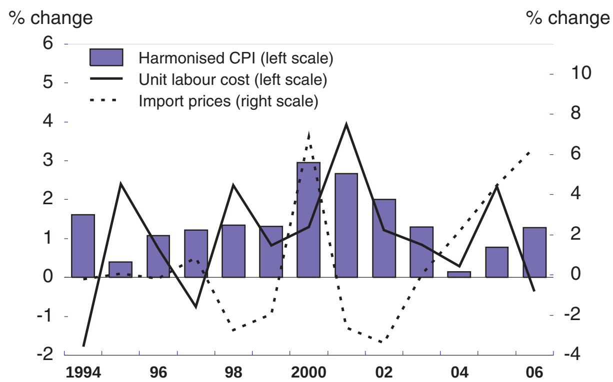
Developments in the labour market have been very positive with a sustained surge in employment growth resulting in a welcome fall in the number of unemployed. Nevertheless, significant imbalances have

Finland

Employment is buoyant



Inflation is picking up



Source: OECD, Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161584162621

Finland: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices €billion	Percentage changes, volume (2000 prices)				
Private consumption	78.2	4.0	4.3	3.1	2.5	2.3
Government consumption	33.4	1.6	1.1	1.5	1.8	1.8
Gross fixed capital formation	27.6	3.8	4.5	4.7	3.2	2.6
Final domestic demand	139.2	3.4	3.6	3.0	2.5	2.2
Stockbuilding[1,2]	0.8	0.8	-0.3	-0.6	0.1	0.0
Total domestic demand	140.0	4.2	3.2	2.3	2.5	2.2
Exports of goods and services	60.8	7.1	10.5	9.0	6.4	4.2
Imports of goods and services	48.7	12.1	8.2	3.8	4.9	3.6
Net exports[1]	12.1	-1.0	1.4	2.5	1.0	0.5
GDP at market prices	152.1	2.9	4.9	4.2	2.9	2.6
GDP deflator	_	0.5	1.5	1.4	1.9	1.5
Memorandum items						
GDP without working day adjustments	_	2.9	5.0	..	..	..
Harmonised index of consumer prices	_	0.8	1.3	1.5	2.3	2.4
Private consumption deflator	_	0.0	1.3	1.6	2.2	2.1
Unemployment rate	_	8.4	7.7	6.6	6.3	6.1
General government financial balance[3]	_	2.5	3.7	4.0	4.4	4.2
Current account balance[3]	_	4.9	5.1	6.1	6.2	5.8

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. Including statistical discrepancy.
3. As a percentage of GDP.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160445133741

been building up in the labour market for some time. Although the unemployment rate remains high, the number of vacancies has climbed to exceptional levels, with firms across a number of high-growth sectors reporting significant labour shortages. Developments in the current wage round are also unhelpful as the most productive and profitable sectors have completed agreements first and the others seek increases on par with or exceeding those of the preceding agreements. This leapfrogging behaviour by the less productive sectors is likely to exacerbate imbalances in these sectors. Wage increases during the current wage round could amount to over 10% during the next three years, significantly higher than in the 2005-07 round. Large wage increases risk igniting inflation and could seriously jeopardise the government's target of getting the unemployment rate down to 5% by 2011.

GDP growth is expected to moderate

GDP is projected to grow at around 4¼ per cent this year, but to decelerate in 2008 and 2009. Export growth is expected to moderate from the rapid pace recorded in 2006 as certain sectors continue the process of off-shoring production and others begin to feel the pinch of capacity constraints and labour shortages. Household consumption is expected to remain robust, sustained by strong job creation and significant wage increases. However purchasing power will be eroded as the large wage increases being negotiated in the current round feed through and inflation picks up in 2008. After an exceptionally strong performance in 2006, labour productivity growth is also projected to slow as GDP growth moderates while rapid employment growth continues. The unemployment rate is projected to fall to 6% by the end of 2009.

Risks are building in the export sector and the labour market

Finland's rather narrow export base and the importance of the external sector makes it particularly vulnerable to changes in the international outlook where there has been a substantial shift in the balance of risks to the downside. Russia's plan to impose a tariff on raw timber exports could have a significant negative impact on the paper and pulp sector. Developments in the latest wage round pose a significant risk for the economy with wage outcomes diverging considerably from the underlying productivity performance in certain sectors. This risks exacerbating imbalances in the labour market and inhibiting the required structural adjustments. Moreover, the large wage increases will raise inflation and undermine competitiveness.

GREECE

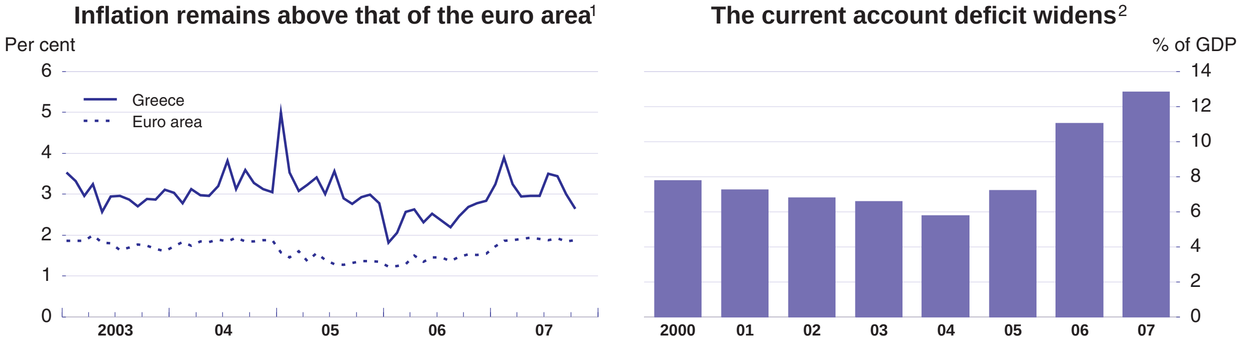
Activity has been strong so far in 2007, despite the impact of forest fires and a slowing of housing investment towards a more sustainable level. Growth is set to weaken in 2008, before edging up to around 4% in 2009. Inflation is likely to rise in the light of demand pressures and the current account deficit is expected to remain large.

The correction of fiscal imbalances has been impressive but consolidation needs to continue given the sizeable future costs from population ageing. Long-run fiscal sustainability requires strict control of primary spending and wide-ranging reforms of the pension and health care systems. Greater administrative efficiency is also critical. Fostering competition in key network industries and reducing labour market rigidities are essential for maintaining strong growth while keeping a lid on inflation.

Growth has remained robust and demand pressures persist

Activity has remained buoyant so far in 2007, supported by robust domestic demand, while net exports continued to act as a drag on activity in light of strong import growth. The current account deficit has widened considerably, reaching 13% of GDP in the second quarter (on the basis of revised GDP data[3]). Strong wage gains and job creation, coupled with a still rapid, albeit slowing expansion of credit, have all contributed to the solid growth performance. Housing investment has remained strong, though growth has come off its 2006 peak. Construction indicators provide signals for some further slowing in investment activity over the coming months. For 2007 as a whole, real output is expected to grow by around 4%, close to its potential rate, despite the impact of forest fires on GDP. Harmonised

Greece



1. Core inflation measured by the harmonised consumer price index excluding food and energy; the euro area also excludes tobacco and alcohol. Year-on-year percentage change.
2. Average of first two quarters for 2007.
Source: OECD, Main Economic Indicators.

StatLink http://dx.doi.org/10.1787/161586356683

3. The data incorporate an upward revision to the *level* of GDP by about 10% in 2000, as agreed to by Eurostat in October 2007. This revision is lower than that proposed originally by the Greek authorities (by 26%), which had been incorporated in the Economic Outlook 81 database. In the absence of detailed information on the revision of the GDP components at the time of finalising the projections, expenditure account data have been rescaled on the basis of the agreed GDP revision.

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Greece: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices €billion	Percentage changes, volume (2000 prices)				
Private consumption	126.9	3.7	3.2	3.0	3.1	3.2
Government consumption	27.6	-0.5	3.8	4.1	2.1	1.7
Gross fixed capital formation[1]	45.2	0.2	14.6	5.8	6.5	6.7
Final domestic demand	199.8	2.4	5.9	3.8	3.8	3.9
Stockbuilding[2,3]	1.8	-0.1	-0.3	0.7	0.0	0.0
Total domestic demand	201.6	2.3	5.5	4.4	3.7	3.9
Exports of goods and services	33.9	3.7	5.4	5.8	6.6	7.2
Imports of goods and services	50.3	-2.1	9.8	6.2	5.7	6.0
Net exports[2]	- 16.3	1.3	-1.7	-0.7	-0.4	-0.4
GDP at market prices	185.2	3.7	4.3	4.1	3.7	3.9
GDP deflator	_	3.4	3.3	2.9	3.0	3.2
Memorandum items						
Harmonised index of consumer prices	_	3.5	3.3	2.9	3.3	3.1
Private consumption deflator	_	3.7	3.4	3.0	3.2	3.1
Unemployment rate	_	10.4	9.3	8.6	8.4	8.3
General government financial balance[4]	_	-5.2	-2.8	-2.9	-2.0	-2.0
Current account balance[5]	_	-7.2	-11.1	-11.9	-11.7	-11.5

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160445360382

consumer price inflation dipped to 2.6% in the second quarter of 2007, due to moderating energy and processed food prices, but it bounced back in the following quarter. Core inflation has also remained relatively high, reflecting labour cost and demand pressures, and the second-round effects from the oil price increase. The core inflation differential *vis-à-vis* the euro area stood at 1½ percentage points in the third quarter of 2007.

Fiscal performance is expected to improve further

The 2007 budget deficit for the general government is somewhat above original expectations, because of the budgetary impact of the forest fires and other one-off spending measures (such as a settlement of government debt to Olympic Airlines, expenditure for the organisation of elections, as well as a one-off payment of arrears, that accrued in 2007, associated with the permanent increase in the Greek contribution to the European Union, as a result of the GDP revision). The net impact of these measures is estimated at around ½ per cent of GDP. The 2008 budget, which targets a deficit reduction of 1% of GDP, embodies further cuts in personal tax rates, as well as the abolition of transfer taxes on main residences. The cost of these measures will be compensated by higher excise taxes on fuel, increased property tax revenue arising largely from the simplification of the system, and further progress in curtailing tax evasion. On present policies, the projection is for a decline in the general government deficit from 2.9% of GDP in 2007 to 2% of GDP in 2008 and the following year, implying a mildly restrictive fiscal stance in 2008.

Growth should rebound, with higher inflation being the main risk

GDP growth is likely to weaken going into 2008, before bouncing back gradually to 4% in 2009. Tighter monetary conditions are expected to restrain domestic demand. However, activity will be stimulated by the reconstruction of fire-stricken areas and still buoyant export markets. Domestic demand should be further supported by the gradual lowering of personal tax rates, a range of investment-boosting initiatives, and the faster absorption of European Union funds. Growth will continue to outpace the euro area average. Inflation is expected to average around 3¼ per cent over the next two years, reflecting a positive output gap and tight labour market conditions. The unemployment rate will remain below the estimated structural rate, drifting down to 8¼ per cent by 2009. The main uncertainties attached to the projections are related to the achievement of the fiscal targets and to inflation, which could be higher than projected, given buoyant activity.

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HUNGARY

Growth decelerated markedly during 2007, reflecting fiscal consolidation. It is likely to recover over the projection period, supported by buoyant exports and gradually reaccelerating investment and consumption. Inflation is projected to decelerate towards the 3% target, as wage growth remains moderate. The external deficit should continue to improve.

The main challenge is to restore the sustainability of public finances. If public-expenditure reform goes according to plans it will bring dividends to the economy via **increased confidence, lower interest rates and reduced tax and social security wedges. This progress, along with reforms to improve labour supply, will be conducive to more stable growth in the longer term.**

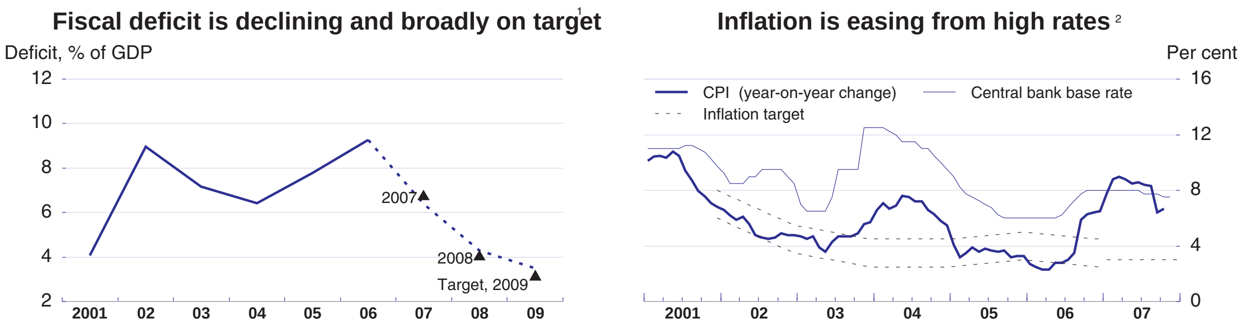
Fiscal consolidation has slowed growth

Real GDP growth slowed markedly in the first half of 2007 – to 1.9%, well below trend growth (4%). Declining social transfers and health care expenditures led to significant cuts in household spending and government consumption. Moreover, private consumption was hit by real income losses due to value-added tax (VAT) and regulated price increases. Government projects were scaled back, which hurt investment spending, particularly construction. Still, net exports had a positive impact on growth, thanks to supportive external conditions. Vibrant manufacturing exports, including to the new EU member states and Russia, resulted in a healthy improvement in the current account deficit.

However, a pick-up in activity is in sight

There are indications that the deceleration of activity will soon end. In particular, industrial production will continue to benefit from strong manufacturing export orders. Real income gains are also in sight as the fade out of the impact of revenue-raising measures will bring some declines in inflation. Notwithstanding the offsetting effects of recent food price rises, consumer price inflation was about 6.5% in September and October, some two percentage points below the average for the first eight months.

Hungary



1. General government deficit according to the European System of Accounts (ESA95). Deficit targets for 2008 and 2009 as in the Fiscal Budget for 2008.
2. CPI is consumer price index. From January 2007 the medium-term inflation target is 3%.
Source: Hungarian Central Statistical Office; Magyar Nemzeti Bank; Ministry of Finance; OECD, Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161586602318

Hungary: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices HUF billion	Percentage changes, volume (2000 prices)				
Private consumption	11 294.5	3.4	1.8	-0.5	1.4	2.7
Government consumption	4 636.6	2.5	4.7	-4.5	-3.3	0.2
Gross fixed capital formation	4 650.7	5.3	-2.1	1.1	4.1	6.8
Final domestic demand	20 581.8	3.6	1.6	-1.1	0.9	3.1
Stockbuilding[1]	721.5	-2.3	-0.5	0.8	0.0	0.0
Total domestic demand	21 303.3	0.8	1.0	-0.6	0.9	3.1
Exports of goods and services	13 147.9	11.5	18.9	15.5	13.1	12.1
Imports of goods and services	13 734.0	6.8	14.5	13.0	11.3	11.6
Net exports[1]	- 586.2	2.8	2.8	2.0	1.7	0.9
GDP at market prices	20 717.1	4.1	3.9	1.8	2.6	3.8
GDP deflator	_	2.2	3.7	5.9	3.8	2.9
Memorandum items						
Consumer price index	_	3.6	3.9	7.8	4.7	3.4
Private consumption deflator	_	3.8	3.3	6.6	5.0	3.4
Unemployment rate	_	7.3	7.5	7.3	7.2	7.1
General government financial balance[2]	_	-7.8	-9.3	-6.4	-4.3	-3.5
Current account balance[2]	_	-6.8	-6.5	-4.6	-3.8	-3.5

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 82 database.

StatLink http://dx.doi.org/10.1787/160461087365

Monetary policy is set to ease gradually

Uncertainties in the transmission into inflation of recent food and oil price increases, along with the expectation of some wage acceleration next year, are important considerations in setting monetary policy. However, these factors have not had a major impact on inflation expectations, based on survey figures, which have so far remained anchored to the target of 3%. This prompted two small cuts in policy rates during the summer (from 8 to 7.5%), following a year-long "wait and see" period by the Monetary Council. The projections assume further gradual monetary easing up to the middle of 2008, predicated on the assumption that inflation expectations will remain anchored.

The fiscal stance remains tight

Over the past year, fiscal policy has moved to a contractionary stance. Interim figures suggest that the 2007 deficit will be around 6½ per cent of GDP, about 3 percentage points below its level a year earlier and close to ½ percentage point below target. This better than expected outcome mainly reflects extra tax and contribution revenues. For 2008, the draft budget incorporates revenue and spending measures outlined in the consolidation plan and these projections take account of them. Adjustment on the revenue side is set to come mainly from continued efforts to reduce the "grey sector" of the economy, while the bulk of spending cuts should come from the central government budget. Some detailed measures scheduled for 2009 are also taken into account, reflecting revenue and spending commitments announced under the consolidation plan. All in all, the budget deficit is expected to come down to 4.3% of GDP in 2008 and 3.5% in 2009, broadly consistent with the targets.

Domestic demand should recover over the projection period

Real GDP growth is expected to pick up, though remaining below trend over the projection period. The acceleration is driven by favourable export demand which should boost private investment. Household consumption is set to recover along with incomes, as inflation is expected to decelerate. Ongoing wage setting discussions may bring a hike in the regular wage component, though by a relatively moderate extent because unemployment will remain relatively high (above 7%). The current account deficit is set to improve further, coming down to 3.5% by 2009.

There are external and internal risks

Exports and growth could be affected should European activity be slower than expected. Domestically, negative surprise from exposure to US sub-prime credit seems unlikely, based on present information. One immediate uncertainty regards the speed of the bounce back in household consumption following the squeeze induced by consolidation measures. At the same time, a sizeable share of households have taken out loans denominated in foreign currencies. On the fiscal side, Hungary's record of large fiscal deficit blow-outs in the run up to elections means there are risks to 2009 (the next general election is due in 2010). While electoral spending would provide some immediate boost to activity, private agents would probably take a dim view with negative repercussions for the economy overall.

ICELAND

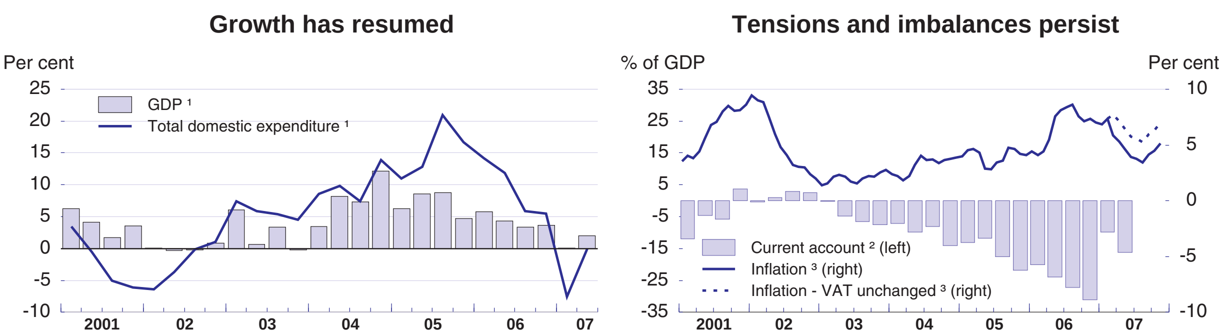
Expansionary government measures have rekindled demand and inflation pressures at a time when imbalances in the economy remain substantial. Still, tight monetary policy is expected to eventually succeed in slowing the economy, taming inflation and reducing imbalances. However, the slow and uneven adjustment process leaves the economy vulnerable to changes in foreign-investor sentiment, especially in a context of fragile global financial-market conditions, and has increased the risk of a harder landing of the economy.

The authorities should not hesitate to tighten the monetary stance further if this is necessary to anchor inflation expectations at the official target and thereby minimise the second-round effects of a possible exchange-rate depreciation. To facilitate the task of monetary policy, priority should be given to reforming the public Housing Financing Fund's operations; as well, the implementation of new public investment projects should be made dependent on progress in cooling down the economy.

Economic growth has resumed

After coming virtually to a halt in the year to the first quarter of 2007 as a result of tight macroeconomic policies and the maturing of large power-intensive investment projects, economic growth resumed in the second quarter when real GDP was 2½ per cent higher than a year earlier. A major factor behind this turnaround was a revival of household demand as direct and indirect tax cuts boosted real disposable income. Moreover, the exchange rate strengthened during that period, underpinning household purchasing power (the bulk of consumer durables is imported). Finally, households' financial position improved due to rising equity prices and a re-acceleration of property prices. The latter was associated with strengthening housing market activity as the Housing Financing Fund eased its credit terms and private banks followed suit. Household demand appears to have remained robust in the third quarter, although leading indicators suggest some softening following the financial-market turmoil in August; this had adversely affected the exchange rate and the stock market and entailed higher borrowing costs. Still, with a tight labour

Iceland



1. Annual increase at constant prices.
2. As a percentage of gross domestic product.
3. Annual increase in the consumer price index and constant tax-rate consumer price index.
Source: Statistics Iceland.

StatLink http://dx.doi.org/10.1787/161613616173

Iceland: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices ISK billion	Percentage changes, volume (2000 prices)				
Private consumption	530.5	13.0	4.4	3.2	-1.1	-1.6
Government consumption	233.1	3.5	3.9	2.5	3.3	3.0
Gross fixed capital formation	219.0	33.9	19.8	-21.1	-13.9	-1.3
Final domestic demand	982.6	15.4	8.2	-3.9	-3.0	-0.4
Stockbuilding[1]	- 0.9	0.0	1.1	0.0	0.6	0.0
Total domestic demand	981.7	15.4	9.2	-3.9	-2.6	-0.4
Exports of goods and services	316.9	7.2	-5.1	8.2	9.9	6.9
Imports of goods and services	369.2	29.4	10.1	-8.7	-2.6	0.9
Net exports[1]	- 52.3	-9.2	-6.1	7.0	4.4	2.0
GDP at market prices	929.4	7.1	4.2	1.2	1.0	1.6
GDP deflator	_	2.9	9.0	6.1	4.0	3.3
Memorandum items						
Consumer price index	_	4.0	6.7	4.9	4.4	2.8
Private consumption deflator	_	1.9	7.5	4.3	3.7	2.8
Unemployment rate	_	2.6	2.9	2.5	3.2	3.3
General government financial balance[2]	_	4.9	6.3	4.2	0.8	-1.3
Current account balance[2]	_	-16.2	-25.7	-13.9	-11.1	-9.9

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 82 database.

StatLink http://dx.doi.org/10.1787/160518410301

market putting upward pressure on wages and strongly rising housing costs, inflation has edged up, reaching 7% excluding the temporary impact of value-added-tax (VAT) cuts. At the same time, the unwinding of the huge current account deficit (16% of GDP in the second quarter) has stalled.

The policy mix has changed

Monetary policy remained on hold through October despite stronger-than-expected activity, given uncertainties related to substantial cuts in fishing quotas and financial-market developments, which might limit the access to inexpensive foreign financing. The policy rate was finally raised by 45 basis points to 13¾ per cent at the beginning of November and the projections assume that the policy rate will remain unchanged until mid-2008, after which it starts falling. The authorities have indicated that the policy rate would have to rise further if the inflation outlook deteriorated significantly (for instance, as a result of a sharp decline in the exchange rate or an excessive wage round). By contrast, the government has begun to reverse its previous fiscal tightening. Partly reflecting the tax cuts, the general government budget surplus is likely to have fallen from above 6% of GDP in 2006 to above 4% this year. The decline is projected to accelerate in the period ahead, with a deficit emerging by 2009. Apart from the cyclical downturn, this is attributable to increased transfer payments and sharply higher investment expenditure, aimed in part at counteracting the effects of lower catch quotas on fishing communities.

Risks and uncertainties surrounding the outlook are considerable

The projected slowing of growth and inflation reflects countervailing forces. Household demand contracts in response to high interest rates; business investment drops sharply as aluminium-related investment projects are being completed; the adverse effect of lower fish catch quotas on exports is outweighed by the strong increase in aluminium-production capacity; and government investment is soaring. The emergence of a significant negative output gap should help bring inflation down to the official target towards the end of the projection period. However, in the context of a still tight labour market, it remains to be seen whether the major wage agreements due in the first half of 2008 are compatible with this scenario. Moreover, with the external deficit remaining uncomfortably large, renewed sharp downward pressure on the exchange rate (which is assumed here to remain constant) cannot be excluded. Finally, the projections do not include the effects of possible new large aluminium-related investment projects, which could delay the achievement of the inflation target and unwinding of the external deficit. Thus, the adjustment process could be more uneven than projected.

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IRELAND

Activity was strong in the first half of 2007, but the slump in house-building will slow growth substantially. GNP is expected to increase by 3% in 2008, which is considerably below the growth rate of potential output, but to recover to grow at 4½ per cent in 2009 as housing construction levels out at a sustainable level. Inflationary pressures will ease and unemployment is likely to increase.

Tax revenues partly depend on the property market and will grow more slowly in coming years. Expenditure growth needs to be limited to maintain sound public finances over the medium term. Public investment that eases supply-side constraints should be given priority over current spending and sharp pay increases in the public sector need to be avoided. Regulatory reforms, particularly in network industries, have the potential to improve competitiveness.

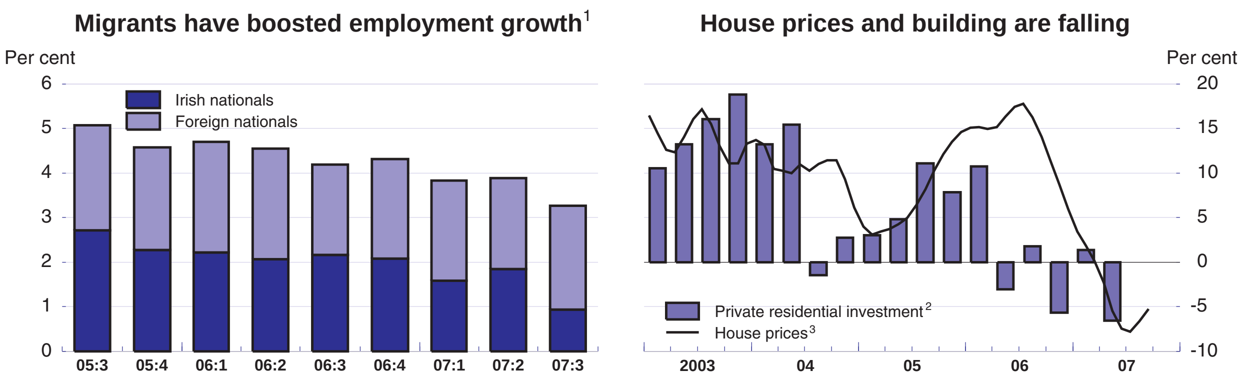
Economic activity is slowing

The expansion of economic activity was strong in the first half of 2007, although it is now slowing. Consumption growth was boosted by higher incomes and pay-outs from government-subsidised savings accounts (SSIAs). Government spending, investment in equipment and net exports also supported activity. But housing investment nose-dived, falling by 14% in the second quarter.

Falling house building and house prices are dragging activity down

The decade-long housing construction boom raised the share of residential investment to more than a tenth of GDP in 2006, the highest in the OECD. The current meltdown in the housing market is thus weighing heavily on activity. The drop in housing investment is having a substantial effect on construction output despite the huge investment in public infrastructure. Employment in construction has begun to contract. House prices have fallen and are likely to fall further. Housing market transactions are sharply lower with loan approvals down by a fifth on a year ago. Consumption is likely to be affected by the housing market through weak consumer confidence, which has already fallen to its lowest level since 2003, and possible negative wealth effects.

Ireland



1. Contributions to year-on-year percentage growth.
2. Year-on-year percentage change.
3. National house price index, three-month moving average, percentage growth relative to previous three months, annual rate.
Source: CSO, Quarterly National Household Survey; OECD, Economic Outlook 82 database and Permanent TSB/ESRI.

StatLink http://dx.doi.org/10.1787/161630248348

Ireland: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices €billion	Percentage changes, volume (2005 prices)				
Private consumption	67.8	7.4	5.3	6.4	4.7	3.8
Government consumption	23.2	4.1	6.4	6.3	5.2	4.5
Gross fixed capital formation	35.1	12.0	3.0	3.5	-1.9	4.2
Final domestic demand	126.1	8.1	4.8	5.5	2.9	4.1
Stockbuilding[1]	0.1	-0.1	0.7	-1.8	-0.2	0.0
Total domestic demand	126.2	8.0	5.7	3.4	2.7	4.1
Exports of goods and services	124.8	5.2	4.5	7.4	5.4	5.3
Imports of goods and services	102.4	7.7	4.4	5.4	5.2	5.3
Net exports[1]	22.4	-1.0	0.6	2.2	0.8	0.6
GDP at market prices	148.6	5.9	5.7	5.2	2.9	4.2
GDP deflator	_	2.7	2.5	2.1	2.5	2.1
Memorandum items						
Harmonised index of consumer prices	_	2.2	2.7	2.8	2.5	2.0
Private consumption deflator	_	1.4	2.5	2.8	2.5	2.1
Unemployment rate	_	4.4	4.4	4.8	5.6	5.4
General government financial balance[2]	_	1.2	2.9	2.2	1.0	0.2
Current account balance[2]	_	-3.5	-4.2	-4.0	-3.0	-2.8

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

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160522181722

Slower immigration may cushion the impact on the labour market

Employment growth has slowed and the unemployment rate has picked up. Foreign nationals accounted for more than half of the increase in employment over the past two years, but the inflow has already shown modest signs of easing. A slowdown of inward migration would help offset the impact of weaker economic activity on unemployment and labour market participation.

Growth is set to slow sharply

GNP growth slowed in 2007 and is anticipated to be substantially below trend growth in 2008. Housing investment will continue to fall in 2008. There will be a modest recovery in the growth of activity in 2009 as house building reaches a sustainable level. Consumption growth in the coming quarters will be constrained by slowing employment growth and falling house prices. The fiscal stance is likely to ease, but export growth will be subdued by the strong euro and the weaker US and UK economies. Inflation is projected to slow sharply as the impact of past increases in electricity and tobacco prices fades. In the absence of further major shocks to food and energy prices, weaker output growth should damp inflationary pressures.

Control of government expenditure is vital

Tax revenues depend on the property market through stamp duties, value-added tax (VAT) on new homes and capital gains tax. The growth of receipts will therefore slow sharply. This will cushion the impact of the economic slowdown in the short run. But it is vital for the medium term that expenditure growth is better controlled and spending increases at much lower rates than in recent years. Further expensive commitments should be avoided, particularly on public-sector pay.

A more pronounced slump of the housing market is the main risk

The main risk is that house building may fall further than anticipated, dropping below the long-run sustainable level, or that the correction will be more protracted than forecast. The downturn in the housing market could be more severe as house prices appeared more overvalued than in other OECD countries and credit standards have tightened. There is a further downside risk to activity from the strength of the euro against the dollar, to which Ireland is particularly exposed due to the direction of its trade flows and the important role of foreign investment by US firms.

KOREA

An acceleration of domestic demand, combined with continued buoyant exports, is projected to keep economic growth at around 5% in 2008-09. Strong demand from other Asian countries is sustaining export growth at double-digit rates, despite the appreciation of the won, which has helped to keep inflation below the Bank of Korea's target zone.

Monetary policy should focus on the medium-term inflation target while concerns about a possible bubble in the housing market need to be addressed through measures aimed at increasing supply. In this regard, price regulations on new houses, which were introduced to stabilise the real estate market, should be gradually phased out. Korea should maintain a flexible exchange rate policy while adopting reforms to boost productivity growth, especially in the service sector.

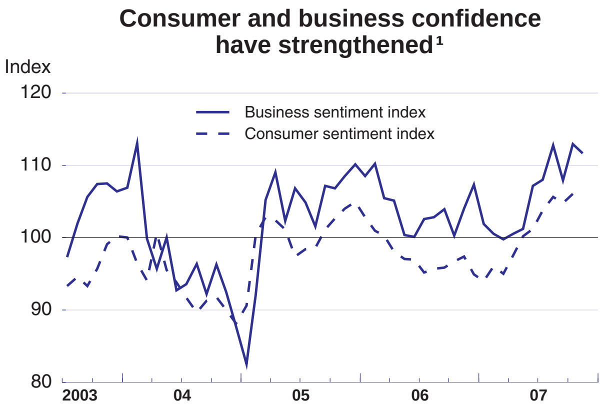
The pick-up in domestic demand is driven by private consumption…

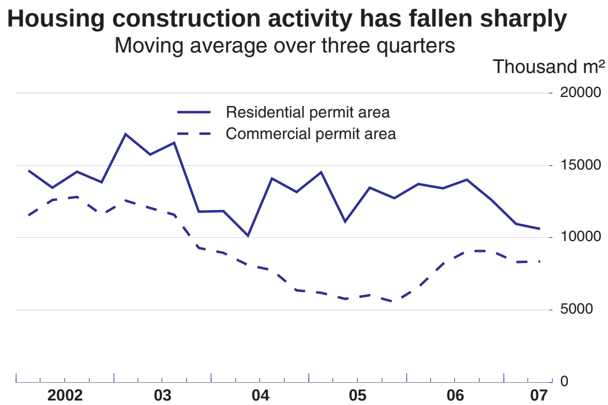
Following four years of subdued growth, domestic demand rebounded in the first half of 2007, with annual growth of nearly 6%, led by private consumption. Robust employment growth, rising confidence and a booming stock market, which has increased around a quarter this year, underpinned private consumption. In addition, a less marked deterioration in the terms of trade in 2007 has supported income. The growth of investment in machinery and equipment accelerated to a double-digit rate in the first half of 2007, driven by robust export growth despite the appreciation of the won, which rose 20% in effective terms during 2005-06 before stabilising in 2007. The stronger won had helped to contain inflation, as measured by the overall consumer price index, to 2.3% in the first ten months of 2007, slightly below the central bank's medium-term target of 2.5% to 3.5%.

… despite stricter rules in the housing market and interest rate hikes

In contrast to the upward trend in total domestic demand, construction investment remains sluggish as a result of declining residential construction, reflecting stricter regulations on bank lending for mortgages and controls on redeveloping apartment buildings. Indeed, residential construction permits

Korea





1. A number over 100 indicates optimism about the economic outlook. The business and consumer sentiment indices are seasonally adjusted.
Source: Korea National Statistical Office, Federation of Korean Industries and Ministry of Construction and Transportation.

StatLink http://dx.doi.org/10.1787/161665228044

Korea: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices KRW trillion	Percentage changes, volume (2000 prices)				
Private consumption	401.5	3.6	4.2	4.4	4.3	4.0
Government consumption	105.5	5.0	5.8	5.4	4.8	4.9
Gross fixed capital formation	230.2	2.4	3.2	4.8	4.4	3.9
Final domestic demand	737.2	3.4	4.1	4.7	4.4	4.1
Stockbuilding[1]	9.0	-0.2	-0.3	-0.3	-0.1	0.0
Total domestic demand	746.2	3.2	3.7	4.3	4.3	4.1
Exports of goods and services	342.9	8.5	12.4	10.3	10.6	11.0
Imports of goods and services	309.6	7.3	11.3	10.5	10.2	10.5
Net exports[1]	33.2	1.3	1.6	1.0	1.4	1.5
GDP at market prices	779.4	4.2	5.0	4.9	5.2	5.1
GDP deflator	_	-0.2	-0.4	0.9	1.2	1.4
Memorandum items						
Consumer price index	_	2.8	2.2	2.5	2.8	3.0
Private consumption deflator	_	2.6	2.1	2.4	2.8	3.0
Unemployment rate	_	3.7	3.5	3.3	3.3	3.3
Household saving ratio[2]	_	4.7	3.9	3.9	4.0	4.0
General government financial balance[3]	_	3.0	3.0	3.0	3.0	3.0
Current account balance[3]	_	1.9	0.7	0.5	-0.2	-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 82 database.

StatLink http://dx.doi.org/10.1787/160554142004

fell 21% (year-on-year) during the first three quarters of 2007, while housing prices, adjusted for inflation, have been nearly stable, on average, across the nation. The introduction of new measures in September 2007, including price caps on new houses and the requirement that companies disclose their construction costs, will further discourage housing investment in the medium term. In addition, the Bank of Korea raised the short-term policy interest rate from 4.5% to 5.0% in two steps during the summer of 2007 despite the fact that the inflation rate has remained below the target zone since mid-2005. The increase in the rate over the past two years, from 3.25%, in part reflects concern over asset prices, particularly in housing. Rising interest rates have stimulated capital inflows, particularly short-term bank loans, putting upward pressure on the exchange rate and reinforcing the tightening of monetary conditions. In contrast, fiscal policy has been broadly neutral.

Growth is projected to pick up to around 5% in 2008-09…

Output growth is projected to increase to slightly above 5% in 2008-09 as domestic demand remains relatively strong. Rising confidence in both the household and corporate sectors will support private consumption and fixed investment, although the recent interest rate hikes may have a negative impact on highly-indebted households and smaller firms. The high capacity utilisation ratio should also promote investment. Export growth is expected to remain at double-digit levels, increasing the positive contribution from the external sector. However, the current account balance is likely to fall into deficit in 2008 for the first time in a decade. A continued upward trend in the labour force participation rate is expected to moderate wage pressure as employment rises further. Nevertheless, inflation is projected to move toward the midpoint of the central bank's inflation target by 2009, in the context of continued growth.

... although there are risks related to housing and the exchange rate

Given the importance of information and communication technology (ICT) exports and oil imports, the Korean economy is sensitive to world developments in these sectors. There are a number of other risks, including the possibility of a hard landing in the housing market, with adverse impacts on both households and the financial sector. In addition, the widening interest rate differential between Korea and Japan tends to put upward pressure on the exchange rate. On the upside, the improved prospects for economic co-operation on the Korean peninsula following the inter-Korean summit in October 2007 may have a positive impact on foreign investment. In addition, the implementation of the free trade agreement with the United States could result in a faster-than-expected rise in exports and accelerate structural reforms in service industries with low productivity.

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LUXEMBOURG

Growth was well above that in other European economies in 2007. Largely unaffected by the turmoil on international markets due to its strong position in the mutual funds sector, financial services continued to be the main driver of economic growth. Strong private investment and manufacturing exports also contributed to the expansion. The improved employment prospects spread from cross-border workers to residents, enabling a gradual reduction in the unemployment rate. Despite a loss in price competitiveness, the recovery is set to weaken only moderately and growth is likely to remain above potential growth through to 2009.

In order to achieve a balanced pattern of growth, labour force participation should be stimulated further, so as to increase employment growth among residents. With output growing above potential, fiscal consolidation should concentrate on further expenditure restraint.

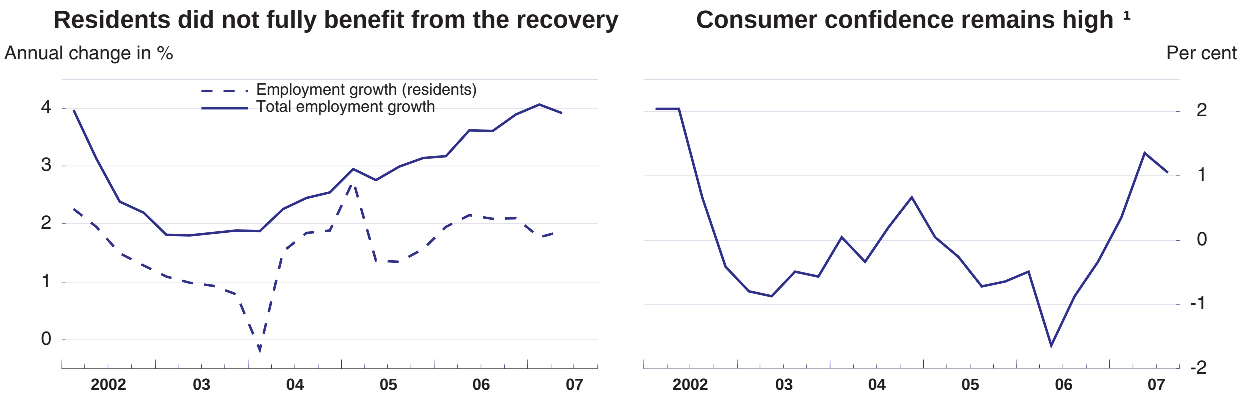
Growth became more broad-based

Output growth is estimated to have declined only moderately, to 5½ per cent in 2007. Notwithstanding the sub-prime-related turmoil on international markets, the financial sector remained prosperous, thanks to the rapid increases in the value of mutual funds under management. Activity in the construction sector benefited from strong residential investment and the manufacturing sector gained export market shares despite losses in price competitiveness. Private consumption continued its recovery as domestic employment increased and consumer confidence remained high. On the other hand, as employment creation benefited mainly cross-border workers and the labour force grew fast, the unemployment rate declined only gradually.

Consumer price inflation has stabilised above 2%

Despite rising oil and food prices, both headline and core consumer price inflation stabilised at slightly above 2% in 2007, following a temporary levelling-off of wage growth. However, labour shortages reached a new historical high, implying further upward pressures on wages. Moreover, the temporary suspension of automatic wage indexation that has been in place

Luxembourg



1. The data are shown in terms of standard deviations from the mean.
Source: OECD, Main Economic Indicators.

StatLink http://dx.doi.org/10.1787/161670384577

Luxembourg: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices €billion	Percentage changes, volume (2000 prices)				
Private consumption	10.8	3.9	2.1	2.4	3.3	3.4
Government consumption	4.6	2.9	2.2	1.4	2.2	3.0
Gross fixed capital formation	5.7	1.8	2.9	17.1	11.1	7.7
Final domestic demand	21.2	3.1	2.4	6.0	5.4	4.6
Stockbuilding[1]	0.2	1.3	-1.1	-1.8	-0.8	-0.1
Total domestic demand	21.4	4.8	0.8	3.4	4.4	4.7
Exports of goods and services	40.6	6.4	9.7	5.4	6.2	6.2
Imports of goods and services	34.6	6.3	6.9	4.6	6.3	7.0
Net exports[1]	6.0	1.5	6.1	2.6	1.9	1.0
GDP at market prices	27.4	5.0	6.0	5.2	4.9	4.1
GDP deflator	_	4.3	6.3	3.0	3.4	5.4
Memorandum items						
Harmonised index of consumer prices	_	3.8	3.0	2.6	3.3	3.0
Private consumption deflator	_	2.8	2.9	1.6	2.8	3.2
Unemployment rate	_	4.7	4.4	4.4	4.2	3.9
General government financial balance[2]	_	-0.1	0.7	1.2	1.0	1.7
Current account balance[2]	_	10.9	10.3	11.0	10.1	9.6

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

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160565248016

since 2006, which has so far prevented an acceleration of wage growth, is coming under increasing pressure in the public sector.

Automatic stabilisers supported fiscal consolidation

The robust economy helped the government to achieve its fiscal consolidation goals, raising the budget surplus to 1.2% of GDP in 2007. A one-off change in the indexation mechanism followed by a pre-set wage path helped to curb government expenditure through lower growth of government wages and social transfers. As well, public investment growth decelerated. On the revenue side, the government enacted additional fiscal measures through higher gasoline taxes and higher health care contributions. With 2008 being a pre-election year, however, further fiscal consolidation has been postponed. Tax brackets are being adjusted to inflation and a child tax credit is being introduced as from January 2008, generating revenue losses estimated at almost 1% of GDP. Moreover, public investment spending is rising again to above 4% of GDP. In sum, despite the robust economy, the fiscal surplus is expected to reach only 0.7% of GDP in 2008. For 2009, a further improvement in the fiscal balance is mainly related to increasing social security surpluses, with fiscal consolidation continuing only at a modest pace.

Growth is set to weaken but remains above potential

Real GDP growth is set to weaken somewhat in 2008, mainly as the result of losses in price competitiveness and a return to normality in financial sector activity. On the other hand, private consumption growth is expected to accelerate as disposable income is supported by a reduction in the tax burden and more favourable labour market conditions. With the recovery being more based on domestic factors, the current account surplus is expected to decline after reaching a historical high. Headline inflation is set to accelerate further in line with core inflation as wage drift in the market services sectors is pushed up by strong employment growth. The unemployment rate is expected to gradually fall to its structural level.

There are risks to financial market activity and competitiveness

A permanent reversal in international financial markets would lower growth substantially. On the other hand, stronger-than-projected employment growth may lead to a brisk acceleration of wage growth, leading to a more rapid deterioration in price competitiveness.

MEXICO

After a moderate slowdown in 2007, reflecting a weakening of external demand, GDP growth is expected to accelerate in the course of 2008 and reach 4¼ per cent in 2009. The approval of the fiscal reform should boost business confidence, underpinning stronger (domestic and foreign) investment. Inflation, affected by the increases in international oil and food prices, may rise to above 4% during 2008, easing down thereafter, and approaching the inflation target by the end of 2009. The current account deficit is expected to widen gradually.

With inflation at the top of the variability interval around the target, the central bank tightened the monetary stance, taking action to raise interest rates in October, which is appropriate. The recent tax reform is expected to bring additional revenue, reducing the reliance of the budget on uncertain oil revenue and helping to finance higher public spending in key areas such as infrastructure, health care and education. A strong commitment to increase spending efficiency would contribute to improve growth prospects over the longer term.

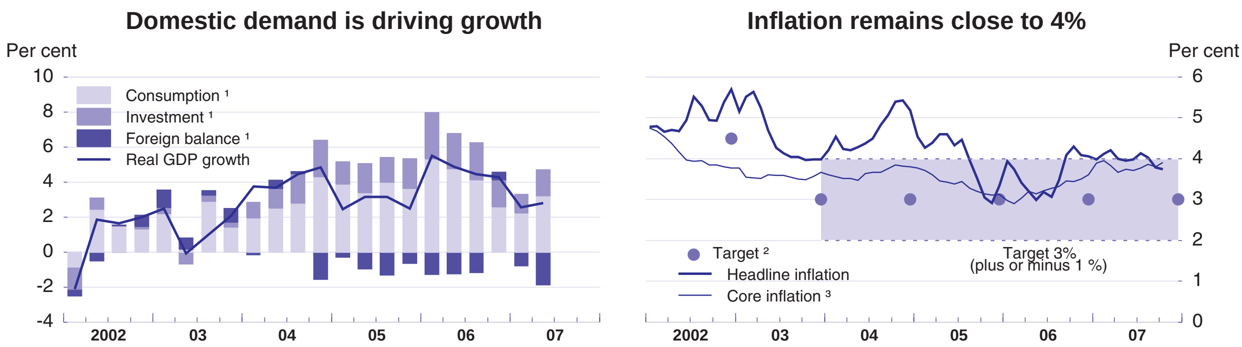
Robust domestic demand underpins economic activity in 2007

Most components of domestic demand continued to grow at relatively strong rates in 2007, but the negative contribution of foreign trade to growth increased, as imports remained strong while export growth was held back by weaker markets and supply constraints in the oil sector. As a result, the current account deficit has widened, and it could reach close to 1% of GDP in 2007. Foreign direct investment (FDI) inflows have continued on a large scale. The peso has been broadly stable *vis-à-vis* the dollar, with the slight depreciation in the third quarter of 2007 reversing its appreciation earlier in the year. Employment continued to expand in the formal sector, including in construction and services.

The monetary stance has been tightened

As volatile food prices moderated, inflation eased to 3.7% (year-on-year) in October, just below the top of the variability interval around the central bank's target (3% plus or minus 1 percentage point). Core inflation has remained broadly stable at around 3.8% since March 2007.

Mexico



1. Contribution to GDP growth, as per cent of real GDP in the same period of previous year.
2. The target is based on the consumer price index headline inflation.
3. Core inflation excludes food and other items which move erratically.
Source: Bank of Mexico; OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161678745636

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Mexico: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices MXN billion	Percentage changes, volume (1993 prices)				
Private consumption	5 253.4	5.1	5.0	4.5	4.4	4.4
Government consumption	914.0	0.4	6.0	-1.2	1.3	0.8
Gross fixed capital formation	1 514.6	7.6	10.0	7.0	8.2	9.2
Final domestic demand	7 682.0	5.2	6.1	4.6	5.0	5.2
Stockbuilding[1]	189.4	-1.6	-0.7	0.1	0.1	0.0
Total domestic demand	7 871.3	3.5	5.4	4.7	5.1	5.2
Exports of goods and services	2 280.5	7.1	11.1	3.2	4.5	5.6
Imports of goods and services	2 438.0	8.6	12.2	7.2	7.7	7.4
Net exports[1]	- 157.5	-0.8	-0.8	-1.9	-1.8	-1.3
GDP at market prices	7 713.8	2.8	4.8	3.0	3.6	4.3
GDP deflator	_	5.5	4.5	2.7	3.9	3.3
Memorandum items						
Consumer price index	_	4.0	3.6	3.8	3.7	3.6
Private consumption deflator	_	3.3	3.4	3.7	3.7	3.4
Unemployment rate[2]	_	3.5	3.2	3.3	3.2	3.2
Current account balance[3]	_	-0.6	-0.2	-1.0	-1.7	-2.4

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. Based on National Employment Survey.
3. As a percentage of GDP.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160565625356

Inflation expectations for December 2008 have risen recently, but they are back at 3½ per cent for December 2009. Contractual wage increases were around 4¼ per cent in October 2007, just above expected inflation. Short-term interest rates were hovering around 7.3 to 7.4% between May and September 2007, implying broadly stable real interest rates. To control inflationary pressures, the Bank of Mexico tightened the monetary stance at its October meeting, raising its interest rate by a quarter of a point. The Bank's move will help prevent contagion effects and it will moderate inflation expectations. With pressures from world commodity prices easing over the projection period, inflation is expected to decline to around 3¼ per cent by the end of 2009.

The fiscal stance remains cautious in 2008

The 2007 budget is expected to be balanced, as targeted, and the public sector borrowing requirement (PSBR) should remain around 1½ per cent of GDP. Non-oil revenue, especially income tax, increased substantially in 2007, but oil revenue turned out somewhat below budget projections. An important tax reform was passed in September introducing, in particular, a minimum income tax on firms and professional activities that is revenue enhancing. The 2008 budget projects that the recent tax measures could raise revenue by about 1.2 per cent of GDP (a 5% increase in real terms). At the same time, oil-related budget revenue is expected to fall slightly in relation to GDP, because of changes in the fiscal regime for the oil-producing company PEMEX and production constraints, so that, in total, there will be a rebalancing of total revenue towards its more reliable tax component. Overall, a balanced budget is projected, with both revenue and spending rising; additional spending is being allocated to infrastructure, and, to a lesser extent, to health care and education.

Economic growth is set to accelerate

Private domestic demand is expected to gradually accelerate, boosted by stronger business investment reflecting positive confidence effects from the fiscal reform. Exports are likely to find a new momentum, thanks to the strengthening of foreign demand in late 2008, but net exports should continue to exert a drag on growth. GDP is set to increase by about 4¼ per cent in 2009. The current account deficit is projected to slowly widen to close to 2½ per cent of GDP in 2009, which should be easily financed by large FDI inflows, attracted by Mexico's improved economic prospects.

External uncertainties loom large

The main risks to the outlook are related to the external environment, the depth and duration of the slowdown in the United States in particular. There is also some uncertainty as to the response of Mexican exports to the projected recovery in export markets.

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NETHERLANDS

The economic expansion remained strong in 2007 and is expected to reach 3% for the second year in a row. Over the projection period above-potential growth is projected to continue, reflecting both robust domestic demand and dynamic export markets. However, labour shortages are likely to persist, partly reflecting population ageing, which will increasingly hamper the expansion of the economy. Indeed, inflation pressures are expected to increase gradually.

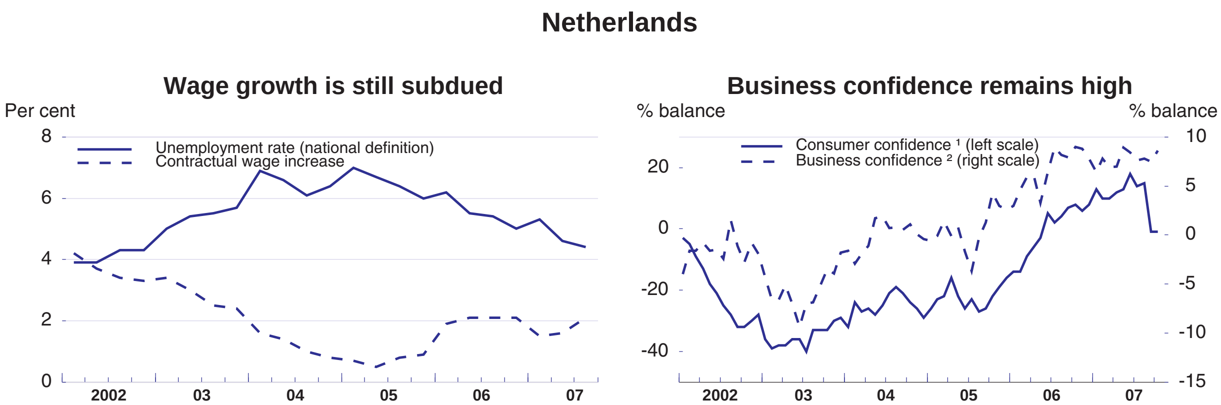
To facilitate stronger sustainable growth, policies aimed at raising labour utilisation should be intensified. Moreover, given the unusual uncertainty in short-term economic prospects, the government should be ready to allow the full functioning of the automatic stabilisers.

Strong growth in 2007...

Output is estimated to have continued to expand by 3% in 2007. After a relatively slow first half of the year, growth increased in the third quarter, reaching its highest rate since 2000. Besides the underlying strong growth momentum, this reflected several specific factors: natural gas production was high, reflecting somewhat unusual weather conditions, while export and investment growth were rather buoyant. Survey-based indicators suggest a continuation of these positive developments. Business confidence in the manufacturing sector remained above average throughout the third quarter of the year, with notable optimism about future production and stocks of finished products. Despite a sharp decline in September following the sub-prime-related financial turmoil, consumer confidence remains at a relatively high level. Households have become less positive about the economic climate although the decline in their willingness to buy has been more limited.

... and rising labour shortages

Labour shortages have increased. The number of job vacancies has reached an historical high, while the unemployment rate (national definition) has fallen to 4.3% in the third quarter, down 1.2 percentage points compared to the same period a year earlier, and has reached its



1. Weighted balance of positive and negative replies, manufacturing sector, seasonally adjusted.
2. Balance of positive and negative replies, seasonally adjusted.
Source : Statistics Netherlands.

StatLink http://dx.doi.org/10.1787/161703753526

Netherlands: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices €billion	Percentage changes, volume (2000 prices)				
Private consumption[1]	242.8	0.7	-0.8	1.9	2.0	2.3
Government consumption[1]	118.9	0.0	9.4	3.1	1.4	0.8
Gross fixed capital formation	92.4	3.0	7.2	4.7	4.8	4.3
Final domestic demand	454.1	1.0	3.5	2.8	2.4	2.4
Stockbuilding[2]	0.8	-0.1	-0.1	-0.2	0.0	0.0
Total domestic demand	455.0	0.9	3.4	2.6	2.5	2.4
Exports of goods and services	326.1	5.9	7.0	6.4	5.7	6.0
Imports of goods and services	289.9	5.5	8.1	6.1	6.2	6.5
Net exports[2]	36.2	0.7	-0.1	0.7	0.1	0.1
GDP at market prices	491.2	1.5	3.0	3.0	2.4	2.3
GDP deflator	_	2.1	1.9	1.4	1.9	2.5
Memorandum items						
Harmonised index of consumer prices	_	1.5	1.7	1.6	2.0	2.4
Private consumption deflator	_	2.1	2.3	1.7	1.8	2.4
Unemployment rate	_	4.9	4.1	3.3	2.9	2.7
Household saving ratio[3]	_	6.3	6.4	6.1	7.0	8.5
General government financial balance[4]	_	-0.3	0.5	-0.1	0.6	1.1
Current account balance[4]	_	7.7	8.6	6.9	6.5	6.3

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

1. The introduction of a health care insurance reform in 2006 caused, 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 82 database.

StatLink http://dx.doi.org/10.1787/160604538730

estimated structural level. Nevertheless, contractual wages grew by only 2% over the year, in line with developments in 2006. Harmonised consumer price inflation was only 1½ per cent over the year, in line with core inflation developments and well under the euro area average.

A small government deficit re-emerged in 2007

In 2007, a small government deficit of –0.1% of GDP is projected to re-emerge due to a combination of fiscal loosening and somewhat lower gas revenues related to the warm winter and spring. The government balance should improve substantially in 2008. However, this improvement is driven by cyclical developments and higher projected revenues from natural gas, while tax increases are offset by additional expenditure. A further improvement of the budget balance, necessary to reach the medium-term consolidation target is planned for the 2009-11 period. A significant fiscal measure in 2009 is the raising of the general rate of the value-added tax (VAT) from 19 to 20%, which in revenue terms will be largely compensated by lower social security contributions.

Growth should remain above potential…

Growth should stay above potential over the projection horizon. Domestic demand is expected to remain robust, reflecting strong private consumption on the back of employment growth and rising real wages, while business investment should continue to grow as capacity utilisation increases. Tensions on the labour market are likely to become more pronounced, leading to an acceleration in wage inflation towards the end of the projection horizon and putting upward pressures on consumer prices. Inflation will be boosted further by some 0.4 percentage point in 2009 due to the increase in the general VAT rate. With domestic demand growing robustly and domestic production being held back by capacity constraints, notably on the labour market, domestic demand will be increasingly met by rising imports.

... although risks loom in the short-term outlook for the global economy

Downward risks are largely related to international developments, where higher uncertainty on financial markets could lead to lower growth. On the other hand, faster-than-projected growth in wages could lead to higher consumption expenditure and fuel a temporary growth spurt.

NEW ZEALAND

Activity thus far in 2007 has picked up markedly in a context of unprecedented high prices for New Zealand's major commodity exports, maintaining pressure on resources and inflation. Monetary conditions have been tightened, while domestic risk spreads have widened in conjunction with the international financial-market turbulence. These factors should cause growth to slow over the near term, allowing a moderation of inflation and eventual monetary easing.

In the light of persistent capacity tightness and external imbalance, caution should be exercised in reducing the large fiscal surplus. A slower than planned decline could ease pressure on both interest and real exchange rates, thereby supporting a shift toward more supply-friendly growth led by exports and investment. The rapid increase in public spending should be scrutinised for its efficiency and sustainability.

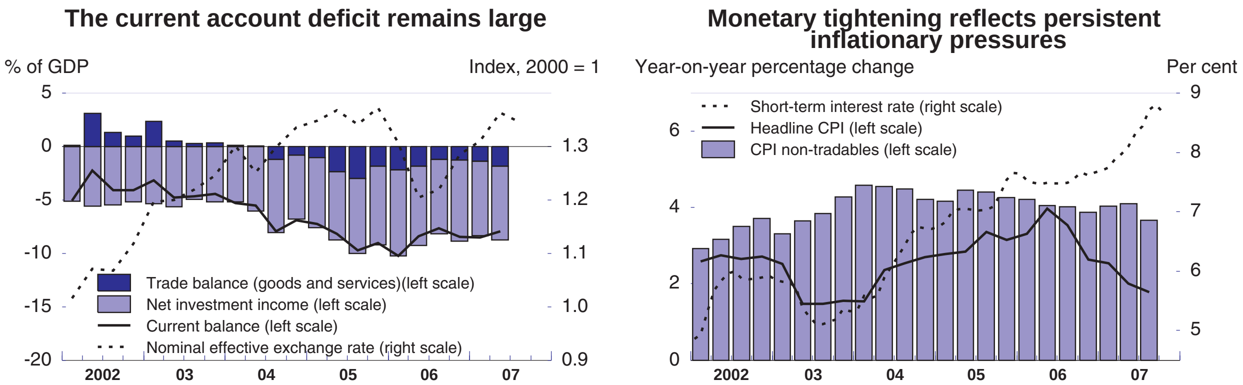
Domestic demand has rebounded

A strong acceleration of domestic demand during the first half of 2007 reflected several factors that had turned quite favourable. The housing sector rallied in response to lower interest rates. Ongoing labour-market strength, lower oil prices, rising government transfers and housing wealth all lifted household real incomes and confidence, hence consumption. Private investment was stimulated by surging consumption and some rise in wage costs relative to capital costs. International prices for milk – of which New Zealand is the world's premier exporter – doubled in response to supply problems stemming from drought in Australia and crowding out by bio-fuels production in the United States, as well as from rising demand from Asia; price rises for lamb and wood were also significant. However, net export volumes declined as a result of worsened competitiveness and spill-over of domestic demand into imports, limiting the current account improvement.

Monetary conditions have tightened

Demand is pushing up against supply constraints. Although consumer price inflation is currently within the 1-3% target range, non-tradeables inflation remains substantially in excess of this. With

New Zealand



Source: Statistics New Zealand and OECD, Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161710307006

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

	2004	2005	2006	2007	2008	2009
	Current prices NZD billion	Percentage changes, volume (1995/1996 prices)				
Private consumption	86.3	4.8	2.1	4.3	2.0	2.1
Government consumption	25.9	4.5	4.6	3.2	3.6	3.9
Gross fixed capital formation	34.7	3.1	-2.7	3.6	2.0	1.5
Final domestic demand	146.8	4.3	1.5	4.0	2.3	2.3
Stockbuilding[1]	0.0	-0.1	-0.7	0.6	0.2	0.0
Total domestic demand	148.2	4.1	0.6	4.9	2.6	2.3
Exports of goods and services	43.1	-0.4	1.8	2.7	2.9	4.9
Imports of goods and services	43.8	5.4	-2.6	7.6	5.0	5.6
Net exports[1]	- 0.7	-1.7	1.3	-1.6	-0.7	-0.2
GDP at market prices	147.5	2.7	1.8	3.4	1.9	2.1
GDP deflator	_	2.1	2.3	3.9	3.9	2.4
Memorandum items						
GDP (production)	_	2.7	1.7	3.0	1.9	2.1
Consumer price index	_	3.0	3.4	2.3	3.2	2.8
Private consumption deflator	_	1.8	2.7	1.6	2.2	2.0
Unemployment rate	_	3.7	3.8	3.6	4.0	4.1
General government financial balance[2]	_	4.5	3.8	3.3	2.6	1.8
Current account balance[2]	_	-8.6	-8.7	-7.9	-7.4	-7.6

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

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160606733333

labour markets very tight ever since 2004, wage growth has risen towards 5%, pushing up unit labour costs, eroding profits and increasing the likelihood of future price rises. To counteract these pressures, the central bank has increased the official cash rate to 8.25%. This contributed to a substantial appreciation of the exchange rate, already trending upwards on account of terms-of-trade gains and strong international demand for New Zealand dollars (the so-called "carry trade"), driven by abundant global liquidity. The exchange rate subsequently backed off somewhat from its July 2007 peak, reflecting both exchange-market interventions by the central bank and some unwinding of carry trade due to the international re-pricing of investment risks. Nevertheless, in the third quarter it remained on average some 10% above year-ago levels in real effective terms. Financial turbulence has also implied an extra *de facto* tightening because of higher domestic lending margins and the failure of some non-bank financial institutions.

Fiscal policy is projected to become stimulative

The upswing and higher inflation have given rise to unexpectedly high fiscal receipts. New policy measures are providing support to domestic demand, notably through a corporate tax cut of 3 percentage points and pension savings enhancements. Together with the ongoing impacts of the 2006 Working for Families transfers, and buoyant growth of public consumption and investment, the cumulative fiscal stimulus over 2007-09 is of the order of 2½ per cent of GDP. However, given continuing upside risks to receipts, the fiscal balance may fall less than officially forecast over this period.

Activity is expected to cool

The projections envisage a downshift in the pace of growth from over 3% in 2007 to around 2% in 2008-09. Indeed, house sales have dropped sharply since August as mortgage lending rates are being reset and net immigration is shrinking. As the market correction proceeds, house prices and construction costs should ease. Consumption should decelerate in response to the higher oil price, rising debt-service burdens, reduced housing wealth, and greater employment uncertainty. Emerging spare capacity in product and labour markets should then alleviate underlying inflation pressures. Business investment is expected to be relatively resilient, given the tax cuts and lower NZ dollar prices for imported investment goods, although reduced profitability in the non-dairy export and import competing sectors might work in the opposite direction. The negative drag from net exports should also decline as appreciation effects wane.

Though uncertainty is high

External risks would appear to be mostly on the downside: world demand growth could be reduced by more extensive financial-market adjustments than assumed, while non-oil commodity prices could soften. Domestic risks loom more on the upside: inherent momentum in demand could mean persisting labour market tensions and more entrenched inflationary expectations, postponing the monetary policy easing or even necessitating further tightening.

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NORWAY

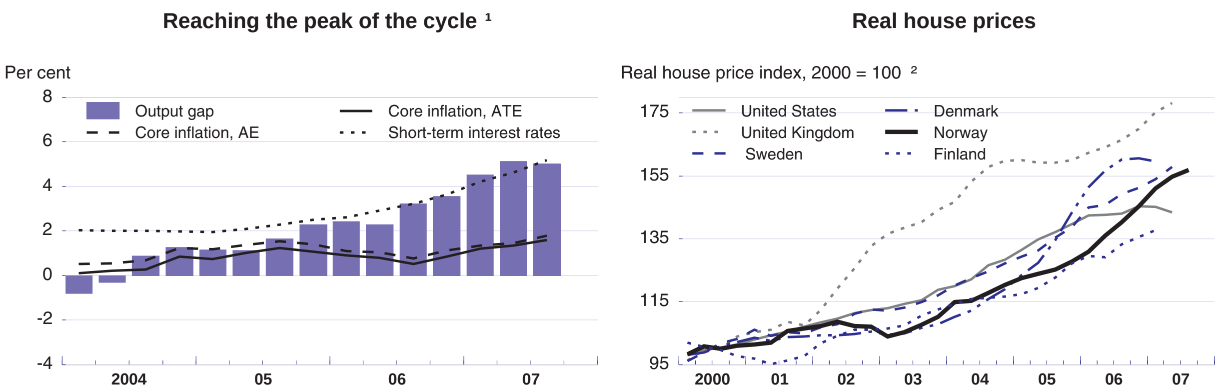
After a long period of robust growth, which continued unabated in the first half of 2007, there are signs that mainland Norway is reaching the peak of the cycle with a large positive output gap. Tightening monetary conditions are beginning to exert a cooling effect and further expansion is made difficult by very high capacity utilisation. Some of the forces that kept price increases down are diminishing and inflation is now picking up slightly.

Further monetary policy tightening is expected ahead, broadly in line with the path forecast by Norges Bank. Fiscal policy has been expansionary and needs to be tighter than the fiscal rule would imply if overheating is to be avoided. Structural policies aimed at increasing labour utilisation, notably among youth and elderly, remain a priority.

Another year of brisk growth, with high capacity utilisation

The Norwegian mainland economy enjoyed a fourth consecutive year of exceptional growth in 2007, well above potential. Output growth has been fuelled by domestic demand, which rose 5% in the year to the second quarter. Sustained by high income and favourable financing conditions, housing investment was strong up to the first quarter of 2007, but started softening since then. After house prices increases which have been particularly strong, even by comparison with the most ebullient housing markets in the OECD area, the Norwegian housing market is now showing signs of slowing down. Mainland business investment has also been expanding, not least due to improved profitability. Employment has continued to grow in 2007 and unemployment has decreased further, reaching 2.6% in the second quarter. Falling electricity prices (reversing earlier steep increases) pushed down headline inflation in the first half of 2007, but have since been increasing again. Underlying inflation measured by the consumer price index adjusted for tax changes and energy prices (1.4% in October) has risen well above the headline figure (0.1%, year on year). There is accumulating evidence that the economy has

Norway



1. Mainland economy for output gap; CPI-AE is the consumer price index excluding energy product, CPI-ATE excludes energy product and is adjusted for tax changes (source: Statistics Norway).
2. Real house price indices are deflated by the consumer price index.
Latest data are from 2nd quarter 2007, except for Norway, 3rd quarter 2007 and for Denmark, 1st quarter 2007.

StatLink http://dx.doi.org/10.1787/161728437748

Norway: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices NOK billion	Percentage changes, volume (2004 prices)				
Private consumption	786.0	3.3	4.4	6.3	3.7	2.9
Government consumption	373.3	1.8	3.3	2.7	3.2	2.7
Gross fixed capital formation	314.2	11.2	7.4	7.8	5.0	2.7
Final domestic demand	1 473.5	4.6	4.8	5.7	3.9	2.8
Stockbuilding[1]	33.7	1.0	0.5	-0.1	0.1	0.0
Total domestic demand	1 507.2	5.6	5.2	5.4	3.9	2.7
Exports of goods and services	732.7	0.7	1.6	2.9	4.4	2.7
Imports of goods and services	496.8	8.6	8.2	8.7	5.7	3.7
Net exports[1]	235.9	-2.2	-1.6	-1.1	0.3	0.2
GDP at market prices	1 743.0	2.7	2.8	3.4	3.6	2.4
GDP deflator	_	8.5	7.7	1.6	6.0	3.0
Memorandum items						
Mainland GDP at market prices[2]	_	4.5	4.6	5.2	3.1	2.5
Consumer price index	_	1.5	2.3	0.5	2.7	2.4
Private consumption deflator	_	1.0	2.0	0.5	2.5	2.1
Unemployment rate	_	4.6	3.4	2.5	2.5	2.5
Household saving ratio[3]	_	8.8	1.3	0.8	0.7	2.2
General government financial balance[4]	_	15.2	18.0	17.1	16.6	16.3
Current account balance[4]	_	15.5	16.4	15.4	18.3	18.3

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160638587755

reached a cyclical peak, as rising cost-inflation now increasingly feeds in to domestic price inflation. Labour shortages encouraged higher-than-expected immigration and stronger participation of older workers.

Inflation is edging up

The economic expansion has recently unfolded in a context of low inflation and fast-rising real incomes. Strong productivity growth boosted consumption and investment, via higher wages and profits. Favourable monetary conditions sustained housing investment and, along with rising wealth, also lent support to consumer spending. Consumer price inflation and production costs have been contained, helped by a decline in import prices, reflecting the effects of globalisation and, more recently, exchange rate appreciation. In the previous year, however, stronger wage growth and slackening productivity have been pushing up labour costs and core domestic inflation, resulting in higher expectations of inflation ahead. This, together with increasing concern about overheating, led the Norges Bank to raise interest rates step by step for an overall increase of 1.5 percentage points during 2007. Some further tightening in 2008 is necessary as inflation rises towards the central bank's target. Provided inflation eases, as projected here, the bank will have room to lower interest rates in 2009. Part of the current slowing down of the economy reflects this monetary tightening. The fiscal policy stance of the central government remained expansionary in 2007, and under current plans not much tightening is projected.

Despite some risks, a soft landing is projected

The mainland economic expansion is projected to peak soon and then decelerate slowly over the next two years, reflecting tighter monetary conditions and capacity constraints. The sub-prime-related global financial turmoil and the cooling housing market may exert a drag on the mainland economy as well. Slower consumption and residential investment will be partially offset by business fixed investment, which will remain strong through 2008. Exporters face higher uncertainty, with traditional goods export volume growth and non-commodity export prices likely to decline in 2008. By contrast, with new production capacity coming on stream, petroleum exports will increase strongly in 2008, boosting GDP, although the secular decline of production may then resume. Labour shortages are likely to intensify in 2008, with unemployment steady at 2.5% and the labour force flattening. Accelerating wage growth will contribute to rising inflation, which is projected to pick up in 2008 and to come closer to the Central Bank's target of 2.5%. To head off higher inflation, given the large positive output gap, further tightening of monetary conditions is expected. If substantial currency appreciation resumed, the need for tightening may however be reduced. Energy-price uncertainty aside, a serious correction of the housing market would be a risk to growth, especially if financial market disturbances make it much harder for Norwegian banks to continue to borrow abroad to finance housing loans. Given the high debt-income ratio of the household sector, this would exert a further dampening effect on consumer spending.

POLAND

The first half of 2007 saw an acceleration of economic activity, driven by booming domestic demand. Growing labour shortages have fuelled strong wage increases. The pick-up in unit labour costs and record-high capacity utilisation rates have darkened the inflation outlook. Persistent strength in domestic demand should support growth, but the current account deterioration is projected to continue.

The fiscal outcome has improved this year, and the outgoing government started to reduce the tax wedge. Yet the recent decision to increase spending and decrease revenues renders all the more uncertain Poland's EU commitment to reduce its excessive deficit. With a pro-cyclical fiscal stance and above-potential GDP growth, the burden of staying on a non-inflationary growth path falls on monetary policy alone. A better policy mix would call for significant fiscal retrenchment.

Economic activity has accelerated

Real growth in the first half of 2007 amounted to 6.8% (year on year) after 6.2% in 2006, driven by surging domestic demand. Investment has risen at double-digit rates, supported by foreign direct investment and EU funds used for co-financing private and public capital formation. Private consumption has also added to the buoyancy of spending, stimulated by vigorous wage increases, increasing employment, remittances of emigrants and wealth effects from house and equity price appreciation. Yet the negative contribution of net exports to economic activity has been growing, and recent industrial production outcomes suggest that output expansion may be slowing somewhat.

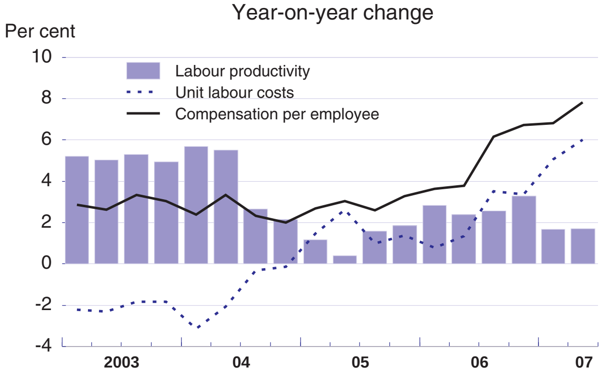
Wage growth has picked up as unemployment has trended down

Strong job creation has contributed to falling unemployment, and this has not led to any recovery in participation. Growing labour shortages (especially in construction and catering) have led to close to double-digit wage gains of late. The relationship between wages and productivity growth has deteriorated sharply, with unit labour costs rising rapidly, even in the industrial sector.

Poland

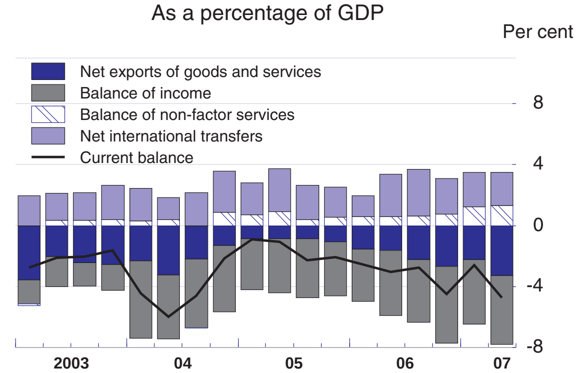
Productivity gains no longer offset rising wages

Year-on-year change



The slide in the current account is continuing

As a percentage of GDP



Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161744220733

Poland: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices PLZ billion	Percentage changes, volume (2000 prices)				
Private consumption	594.7	2.0	4.8	6.1	6.2	6.1
Government consumption	162.7	5.2	5.8	1.5	1.9	2.0
Gross fixed capital formation	167.2	6.5	15.6	21.5	15.5	11.6
Final domestic demand	924.5	3.4	7.0	8.3	7.5	6.7
Stockbuilding[1]	18.4	-0.9	0.4	0.3	0.1	0.0
Total domestic demand	942.9	2.4	7.3	8.5	7.4	6.6
Exports of goods and services	346.6	7.9	14.6	8.9	8.3	8.6
Imports of goods and services	365.0	4.6	17.4	13.4	12.3	11.5
Net exports[1]	- 18.3	1.2	-1.1	-2.0	-2.0	-1.6
GDP at market prices	924.5	3.6	6.2	6.5	5.6	5.2
GDP deflator	_	2.6	1.5	3.5	4.7	5.0
Memorandum items						
Consumer price index	_	2.2	1.3	2.3	3.6	4.2
Private consumption deflator	_	2.1	1.2	2.1	3.5	4.1
Unemployment rate	_	17.7	13.8	9.7	8.4	7.7
General government financial balance[2,3]	_	-4.3	-3.8	-2.8	-3.2	-3.0
Current account balance[2]	_	-1.6	-3.2	-4.9	-5.7	-6.2

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.
3. With private pension funds (OFE) classified outside the general government sector.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160664642611

Fiscal policy is not helping to contain demand

By letting the automatic stabilisers work, the current upswing would have allowed for a rapid decline in the budget deficit. This would have been highly desirable, given that, under the excessive deficit procedure, the Council of the European Union recommended to Poland a credible and sustainable reduction of the budget deficit to 3.1% of GDP in 2008 and 2.9% in 2009. However, in July the tax wedge was reduced with a 3 percentage points cut in employees' disability pension contribution rates and an additional cut of 2 percentage points each for employees and employers to apply in 2008. On top of these cuts amounting to 1.3% of GDP in 2008, a fiscal stimulus of 1.7% of GDP has been legislated, with a generous tax cut for families with children, eased access to early retirement as well as increases in pension benefits and health-sector wages. These measures are embodied in the projections. As a result, although the latest Ministry of Finance budget assumptions are for a deficit of 3% of GDP in 2008 and 2.8% in 2009, such an outcome will depend on very tight budget implementation, rendering all the more uncertain the termination of the excessive deficit procedure.

Monetary tightening should continue

Consumer price inflation jumped to 3.0% in October, and the central bank has begun to respond to increased inflation pressures, raising official rates by 1 percentage point since April to 5%. Yet inflation is expected to rise further, driven by both cost-push and demand-pull factors, even though the appreciation of the Zloty may provide some relief. OECD projections embody an increase in the policy interest rate to 6.5% by mid-2008.

Growth may edge down

The year 2008 may see slightly weaker GDP growth than in 2007, but nonetheless above the estimated potential rate of 5.3%. Both investment (underpinned by EU co-financing) and private consumption (sustained by dynamic compensation growth and buoyant remittances from emigrants) will remain important drivers of the expansion. But the slide in the external balance is projected to continue. With intensifying labour shortfalls the inflation rate is projected to pick up over the next few quarters and peak at a level somewhat above the ceiling of the central bank's target band (1½ to 3½ per cent).

Balancing economic growth is vital

Because of the positive outlook, wage inflation is an upside risk, and the 20% hike in the minimum wage from 2008 could reinforce the wage-price spiral. Rising consumer price inflation, deepening of the budget deficit and a sharply deteriorating current account could threaten the sustainability of the high growth rate and jeopardise the objective of joining the euro area in the coming years.

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PORTUGAL

The expansion has become more broadly based in 2007. Following a period of buoyant export growth, investment is picking up. Growth is expected to strengthen further in 2008 and 2009, largely driven by domestic demand. The still large negative output gap should drive inflation down in 2009. Though gradually declining, unemployment remains high and, as a result, wage increases are set to be moderate.

The budget deficit continues to decline. It is important that the government maintains momentum in structural reforms to ensure further consolidation. This will help to underpin growth in the long run. Further progress in enhancing human capital and increasing competition in the domestic market would also help boost productivity and growth over the longer term.

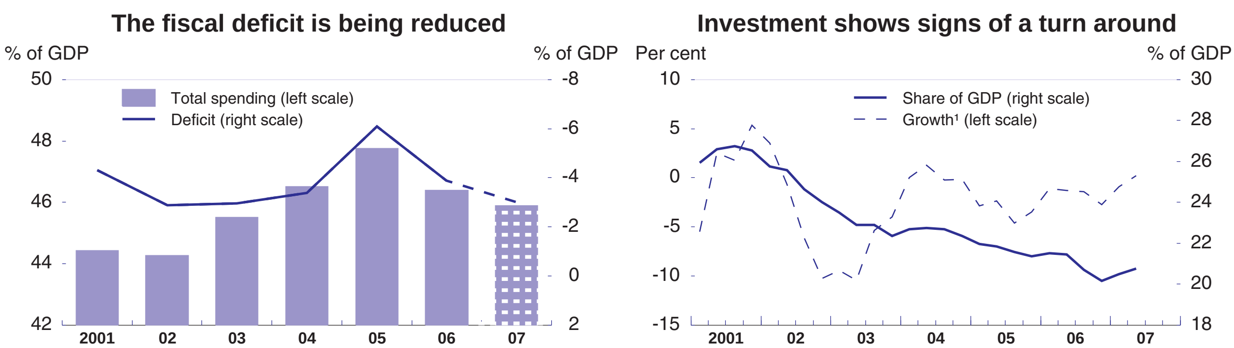
Growth is stronger and more broadly based

The current expansion began in 2005 and gathered momentum in 2007, with annual growth around 1.8%. Portuguese exports have grown strongly on the back of solid growth in European markets, with some gains in market shares. After a long period of decline, investment recovered in 2007. Stronger economic activity is translating into some reduction in unemployment. Headline inflation turned up in October, driven by energy prices, while core inflation remained more subdued, at 2.2% (year on year).

Fiscal consolidation continues

After a substantial decline in 2006, the fiscal deficit is expected to drop further to 3% of GDP in 2007, below the government's budget target (3.3% of GDP). The government has been successful in restricting wage expenditure, through freezing automatic career progression and reducing personnel numbers. The new stricter hiring policy has had a large impact, and the number of civil servants continued to decline in 2007. Moreover, a comprehensive reform to the career, contract and hiring conditions for civil servants, to be introduced in 2008, is expected to underpin further fiscal consolidation in the years ahead. Consolidation will also be assisted by structural changes already made to curb social security and health

Portugal



1. Percentage change from the same period of previous year.
Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161772302643

Portugal: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices €billion	Percentage changes, volume (2000 prices)				
Private consumption	92.3	2.2	1.1	1.3	1.4	1.8
Government consumption	29.7	2.2	-0.5	-0.5	-0.9	-1.2
Gross fixed capital formation	32.6	-3.3	-1.6	2.5	3.8	4.3
Final domestic demand	154.7	1.0	0.2	1.2	1.5	1.8
Stockbuilding[1]	0.7	-0.2	0.0	-0.2	-0.1	0.0
Total domestic demand	155.4	0.8	0.2	1.0	1.4	1.8
Exports of goods and services	41.0	1.2	8.9	6.2	5.6	6.1
Imports of goods and services	52.2	1.9	4.3	3.3	3.5	4.6
Net exports[1]	- 11.3	-0.4	1.0	0.7	0.5	0.2
GDP at market prices	144.1	0.5	1.3	1.8	2.0	2.2
GDP deflator	_	2.8	2.9	2.8	2.4	2.1
Memorandum items						
Harmonised index of consumer prices	_	2.1	3.0	2.4	2.6	2.2
Private consumption deflator	_	2.5	3.3	2.7	2.5	2.2
Unemployment rate	_	7.7	7.7	7.9	7.6	7.3
Household saving ratio[2]	_	9.0	8.4	7.5	7.5	7.5
General government financial balance[3]	_	-6.1	-3.9	-3.0	-2.4	-1.5
Current account balance[3]	_	-9.7	-9.4	-8.1	-8.2	-7.9

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160680003455

expenditure. In particular, reforms of both the civil servant and general pension systems will gradually take account of longer life expectancy. Given the package of specific measures to reduce spending that are being implemented or already announced, it is assumed that the government's deficit targets for 2008 (2.4% of GDP) and 2009 (1.5% of GDP) will be achieved.

The outlook is favourable

GDP growth is projected to increase further, reaching 2.2% in 2009. This is somewhat above potential growth and should lead to a gradual reduction in the large negative output gap. Solid export growth is projected to continue, supported by robust foreign demand. As the economy continues to diversify away from its traditional trade specialisation in labour intensive products, Portugal is expected to gradually improve its export performance. Investment is projected to strengthen, in response to the solid expansion of exports and positive confidence effects from the fiscal consolidation. The still large output gap is expected to drive inflation down in 2009. However, relatively weak competition in the economy implies that inflation may not fully converge to the euro-area average. Unemployment is expected to decline only slowly. Labour market slack and moderation in public sector wage increases are expected to translate into wage increases below 3½ per cent in the private sector. This will help to ensure that export growth and the overall expansion are sustainable.

There are both domestic and external uncertainties

A key uncertainty is whether private investment will continue to grow in response to the export recovery and fiscal consolidation. If tight conditions in international money markets persist for a sustained period, borrowing costs for firms in Portugal would increase, likely damping investment. Persistent tight credit conditions would also reduce consumption spending, particularly on durables. There is also a risk that tighter credit conditions and a steeper-than-expected slowdown in the United States spills over into much slower growth in Portugal's main European trading partners. This would slow export growth and overall activity. However, if changes in the structure of the economy continue at the same pace as in the past few years, and recent export performance is maintained, overall growth could be more robust than projected.

SLOVAK REPUBLIC

Economic growth is projected to ease to 7% by 2009 as the rate at which new export-oriented manufacturing capacity comes on stream declines. Unemployment is projected to fall to 9½ per cent in 2009. Further disinflation will be slowed by higher food prices, increases in indirect taxes and the assumed euro changeover in 2009.

Labour market reforms should continue to help bring the long-term unemployed back into employment and make entry into the labour force more attractive to young women and older workers. This would help spread the gains from strong growth more widely. Fiscal policy should continue to remain tight to ensure that Slovakia meets the Maastricht criteria and to counteract the danger of a boom-bust cycle after the likely euro area accession.

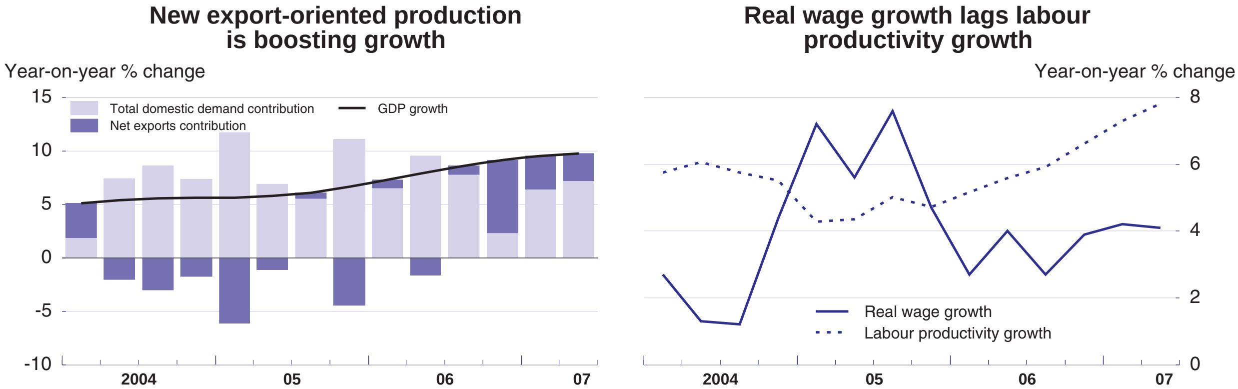
Growth is being boosted by production from new plants

Real GDP growth remained high exceeding 9% at an annualised rate in the first half of 2007, driven by the entry into production of additional export-oriented capacity in the automobile and electronics industries. Private consumption continued to be robust, as did investment. The contribution of net exports remained strong. The new manufacturing capacity pushed estimated growth in potential GDP up to 9% in 2007. The output gap is estimated presently to be close to zero. Economic sentiment continues to be well above its historical average, although it has been declining since global financial turmoil hit markets in August.

Long-term unemployment is starting to fall from a high level

Domestic employment growth has remained solid, albeit slowing slightly to 1.8% in the year to the second quarter of 2007. Growth in national employment has slowed more markedly, to the same rate as domestic employment, as adjustment to the opening of labour markets in neighbouring countries and to the introduction of a transport subsidy comes to an end. The unemployment rate survey measure stood at 11.1% in September, almost 2 percentage points below a year earlier. Long-term unemployment has been falling at about the same pace as unemployment,

Slovak Republic



Source: Statistical Office of the Slovak Republic and OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161834426002

OECD ECONOMIC OUTLOOK 82 – ISBN 978-92-64-04162-2 – © OECD 2007

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

	2004	2005	2006	2007	2008	2009
	Current prices SKK billion	Percentage changes, volume (2000 prices)				
Private consumption	768.9	7.0	6.1	6.7	6.1	6.1
Government consumption	270.7	-0.6	4.1	2.8	2.2	2.0
Gross fixed capital formation	327.1	17.5	7.3	7.4	7.4	7.8
Final domestic demand	1 366.7	8.1	6.1	6.2	5.8	5.9
Stockbuilding[1]	25.5	0.6	0.3	-0.5	-0.6	0.0
Total domestic demand	1 392.2	8.6	6.2	5.6	5.1	5.8
Exports of goods and services	1 018.8	13.8	20.7	17.5	15.0	10.6
Imports of goods and services	1 055.7	16.6	17.8	13.5	13.0	9.8
Net exports[1]	- 36.9	-2.8	1.7	3.6	2.2	1.2
GDP at market prices	1 355.3	6.0	8.3	9.3	7.3	6.9
GDP deflator	_	2.4	2.7	1.4	1.8	2.5
Memorandum items						
Consumer price index	_	2.7	4.5	2.7	3.2	2.8
Private consumption deflator	_	2.6	5.1	2.9	3.1	2.8
Unemployment rate	_	16.2	13.3	11.0	10.1	9.4
General government financial balance[2]	_	-2.8	-3.7	-2.6	-2.3	-1.8
Current account balance[2]	_	-8.7	-8.3	-4.1	-3.0	-1.8

Note: GDP growth for 2006 has been revised upward to 8.8% in 2006, but this has not been included in the table as no quarterly data were available at the time of publication.

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 82 database.

StatLink http://dx.doi.org/10.1787/160688317328

but remains high, amounting to approximately three quarters of total unemployment. Inflation as measured by the consumer price index fell to 2.5% year on year in the third quarter, supported by exchange rate appreciation, lower increases in regulated prices and declining unit labour costs, but there was a considerable uptick in October mainly owing to higher food prices; harmonised index of consumer prices (HICP), which does not take into account owner-occupier housing costs, fell to 1.4% year on year in the third quarter. The current account deficit narrowed to 4.3% of GDP in the year to July, largely driven by the entry into production of the new manufacturing capacity.

Fiscal plans are aimed at meeting the euro entry conditions

Despite a Eurostat revision (mainly concerning government interest revenue) that increased the budget deficit by 0.3 percentage point of GDP in 2006 and subsequent years, the government is on track to attain a significantly lower budget deficit (including the cost of pension reform) in 2007 than previously planned, largely owing to higher than expected increases in tax and property income revenues. The planned reductions to 2.3% of GDP in 2008 and 1.8% in 2009 seem within reach. A possible further revision (mainly concerning the treatment of highway company debt) that could add an additional 0.2-0.3 percentage point of GDP to the deficit, is therefore unlikely to prevent the government from meeting the Maastricht fiscal deficit criteria. Increases in cigarette and energy taxes are planned, in 2008 and 2009, adding an estimated 0.4 percentage point to inflation in each year. The central bank's basic interest rate has remained at 4.25% since April 2007.

Growth should ease and the current account deficit should fall

Growth is projected to rise to about 9¼ per cent in 2007, supported by the sharp acceleration in the first two quarters, strong exports and carry-over effects. As the rate at which new exported-oriented projects enter production slows, so will exports and hence GDP growth, which is expected to ease to around 7% in 2008 and 2009, remaining close to potential. The rise in exports should push the current account deficit down to around 2% in 2009. The drop in the unemployment rate should lessen over the projection period, as short-term unemployment falls to low levels and the growth in cross-border employment eases. Despite continued moderate growth in unit labour costs owing to buoyant productivity growth, higher energy and food prices and an increase in indirect taxes are likely to cause a temporary increase in headline inflation to around 3.2% in 2008. In 2009 inflation will fall to 2.8%, as the euro changeover, adding an estimated 0.3 percentage point to the price level, and further increases in indirect taxes will not completely offset the disinflationary impulses. The general government deficit is projected to decrease from 2.6% in 2007 to around 2% of GDP in 2009. The main risk to this scenario is that energy prices, which have a relatively large impact on production costs and inflation, rise by more than expected.

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SPAIN

Economic growth is likely to slow in 2008 and 2009, as residential construction falls. Private consumption may decelerate, reflecting lower employment gains and tighter credit conditions. From a peak in late 2007, inflation should decline as demand pressures moderate.

In order to minimise output losses resulting from the slowdown in domestic demand, the indexation of wages to past inflation should be eliminated. Competition in product markets, in particular in retail distribution, needs to be nurtured to raise medium-term growth prospects. Calls for further relaxation of fiscal policy should be resisted in order to tackle the future fiscal consequences of population ageing.

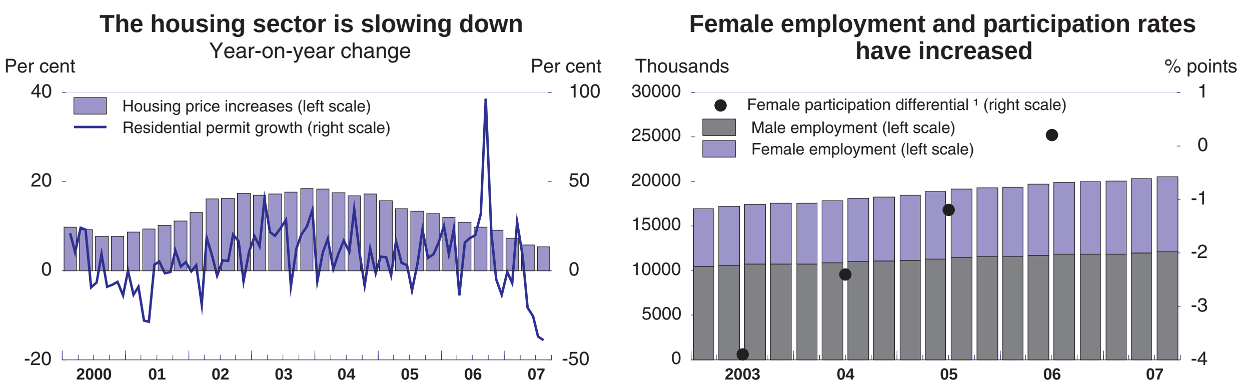
Activity remains strong…

Growth decelerated slightly in the third quarter, although it remained at a still robust pace. Domestic demand growth edged lower, as consumption and construction, which have been the main drivers of the long running expansion, were less dynamic, while machinery and equipment spending remained strong, stimulated by buoyant corporate profits and robust foreign demand. As both exports and imports accelerated, external demand maintained its negative contribution to real GDP. After hovering around 2¼ per cent for the first half of the year, headline inflation has risen to 3.6%, significantly higher than the euro-area average, driven mainly by oil and food prices. Vigorous job creation has pushed the unemployment rate down to 8%. Nonetheless, real wage gains have remained moderate.

… but signs of a slowdown have appeared

Recent indicators, however, suggest that a sharper slowdown of the economy is now in progress. Industrial production increases have diminished steadily, while a slowdown in value-added tax (VAT) receipts suggests weaker private consumption. Residential building permits have plunged, mortage lending has fallen significantly, and housing prices have

Spain



1. Difference in the female participation rate in Spain vis-à-vis the OECD average, in percentage points.
Source: Bank of Spain, Summary Economic Indicators, INE, Labour Force Survey and OECD calculations.

StatLink http://dx.doi.org/10.1787/161845684387

Spain: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	487.1	4.2	3.8	3.3	2.7	2.5
Government consumption	149.8	5.5	4.8	5.0	4.1	4.0
Gross fixed capital formation	235.8	6.9	6.8	5.8	1.2	1.3
Final domestic demand	872.6	5.1	4.8	4.3	2.5	2.4
Stockbuilding[1]	2.0	-0.1	0.1	0.0	0.0	0.0
Total domestic demand	874.6	5.1	4.8	4.3	2.5	2.4
Exports of goods and services	218.2	2.6	5.1	4.7	6.5	6.5
Imports of goods and services	251.8	7.7	8.3	6.3	5.6	5.5
Net exports[1]	- 33.6	-1.6	-1.2	-0.8	-0.2	-0.1
GDP at market prices	841.0	3.6	3.9	3.8	2.5	2.4
GDP deflator	_	4.2	4.0	3.2	3.3	2.9
Memorandum items						
Harmonised index of consumer prices	_	3.4	3.6	2.8	3.6	2.5
Private consumption deflator	_	3.4	3.4	2.7	3.2	2.5
Unemployment rate[2]	_	9.2	8.5	8.1	8.1	8.3
Household saving ratio	_	10.7	10.3	10.3	10.6	10.8
General government financial balance[2]	_	1.0	1.8	1.9	1.5	1.3
Current account balance[2]	_	-7.4	-8.6	-9.8	-10.0	-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. 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 82 database.

StatLink http://dx.doi.org/10.1787/160710164777

decelerated in real terms, presaging a shrinking residential construction sector. Consumer and business confidence indicators have worsened.

The fiscal stance will become slightly expansionary

The general government surplus is expected to reach 1.9% of GDP in 2007, as revenues have remained buoyant, notwithstanding cuts in personal income and corporate taxes. Looking forward, the fiscal stance, which was broadly neutral in 2007, is projected to become slightly expansionary. Expenditures are likely to increase somewhat, mainly due to investment, while revenues, in particular the corporate tax, will grow more modestly. Monetary conditions have gradually stiffened as the increase in euro-area official interest rates has raised *ex post* real rates. As a high share of mortgage rates are indexed to short-term rates, the resulting higher obligations are already weighing on consumption. This negative effect will be compounded by the relatively high level of indebtedness of both households and firms.

Growth will slow due to the falling housing market

Overall, GDP growth is projected to fall from 3.8% in 2007 to around 2½ per cent over the projection horizon. Residential investment should decline through 2008 and 2009. However, rising population and family formation still underpin housing demand, and this, together with robust investment in public works should limit the fall in construction activity and permit it to level out by the end of 2009. Business spending on equipment may also slow, so that total investment will rise only modestly. Private consumption growth may ease due to moderation of real disposable income gains. Job creation will be lower, reflecting the fall in construction employment. However, the unemployment rate may not change much as immigration flows and female labour force participation are projected to decelerate. Net exports are likely to reduce their negative contribution to real GDP, as imports are tempered by the slowdown in domestic demand, while the export sector will benefit from still dynamic foreign markets. The current account deficit will nonetheless move up to over 10% of GDP. After edging up in late 2007, and in the absence of further increases in oil prices, headline and core inflation should diminish. Meanwhile, the inflation differential with the euro area is likely to ease to around 0.5%, significantly lower than in recent years.

Downside risks predominate, especially in housing

The main risk surrounding the projection lies in a more pronounced adjustment in the housing market, in particular if a re-emergence of global financial turbulence leads to tighter credit conditions. Such an alternative scenario could be combined with a spillover into even weaker private consumption and less job creation. Separately, the unemployment rate could increase further if labour supply does not decelerate as projected. On the other hand, greater export strength could encourage faster business investment growth.

SWEDEN

After posting very strong growth in 2006, the Swedish economy cooled during 2007, due mainly to weaker export growth. Domestic demand is expected to continue to grow markedly in the near term as strong employment growth and income gains should boost private consumption.

Inflation is set to continue rising, as tight labour market conditions might gradually fuel wage growth. The central bank should continue moderate tightening of monetary policy, and expansionary fiscal policy should be avoided.

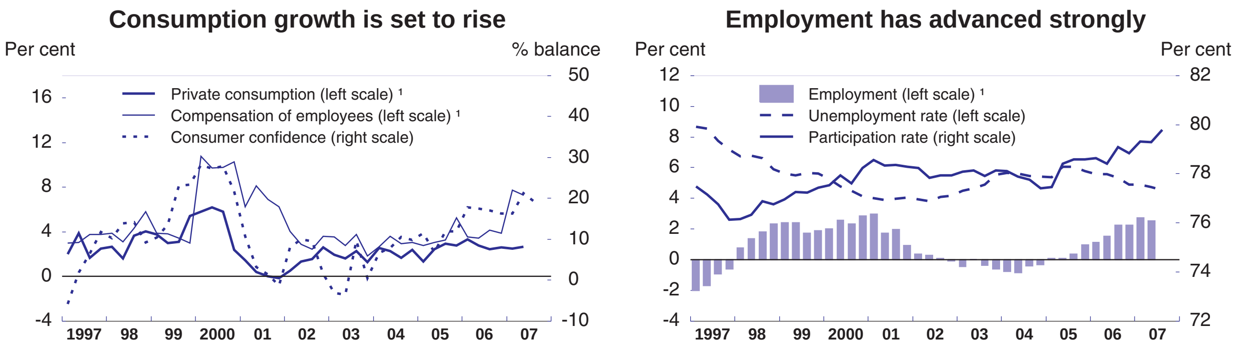
Domestic demand grows rapidly

The Swedish economy has grown solidly for the past several years. In 2006, growth was supported by strong increases in exports in line with the strength of the world economy. Export growth weakened in the first half of 2007, as the decline in goods exports to the United States over the last two years was coupled with weakening growth in exports to key European trading partners. While GDP slowed as a result, domestic demand continued to expand strongly. In particular, residential investment continued to expand rapidly in 2007, buoyed by continued house price growth and strong underlying demand. Capacity utilisation reached historic highs prompting strong increases in business investment. Private consumption growth has been solid, but less than might be expected based on high levels of consumer confidence and strong income growth. The labour market has responded to the strength of domestic demand and the unemployment rate has fallen markedly since 2006. Inflation, measured by the consumer price index, has continued to rise, partly due to higher interest costs for owner-occupied dwellings, but also reflecting higher prices for both domestically-produced goods and imports.

Monetary policy is tightening while taxes are cut

As monetary policy has been progressively tightened over the past two years, the official interest rate is now close to its neutral level. With inflation already at the central bank's target of 2% and wage growth

Sweden



1. Percentage change from the same period of previous year.
Source: Swedish National Institute of Economic Research; OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/161853017085

Sweden: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices SEK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 240.0	2.4	2.8	2.8	3.5	3.0
Government consumption	703.0	0.3	1.8	1.7	1.0	0.5
Gross fixed capital formation	417.6	8.1	7.9	10.3	7.1	3.5
Final domestic demand	2 360.6	2.7	3.5	3.9	3.5	2.4
Stockbuilding[1]	- 0.3	-0.1	0.0	0.2	0.0	0.0
Total domestic demand	2 360.4	2.7	3.5	4.2	3.6	2.4
Exports of goods and services	1 184.5	7.0	8.4	5.1	5.7	6.5
Imports of goods and services	979.8	6.2	7.9	7.3	6.9	6.8
Net exports[1]	204.7	0.8	0.8	-0.5	-0.1	0.3
GDP at market prices	2 565.1	2.9	4.5	3.4	3.2	2.6
GDP deflator	_	1.2	1.5	3.1	2.6	2.5
Memorandum items						
Consumer price index	_	0.5	1.4	1.9	2.5	2.6
Private consumption deflator	_	1.3	1.3	1.8	2.8	2.6
Unemployment rate[2]	_	5.8	5.3	4.6	3.8	3.6
Household saving ratio[3]	_	8.7	8.3	9.9	6.8	4.4
General government financial balance[4,5]	_	2.1	2.3	2.9	3.1	3.1
Current account balance[4]	_	7.0	7.1	7.0	6.7	6.8

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).*

Based on information available up until 20 November, before the third quarter 2007 and revised historical data were released.

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. Historical data and projections are based on the definition of unemployment which covers 16 to 64 year olds and classifies job-seeking full-time students as outside the labour force.
3. As a percentage of disposable income.
4. As a percentage of GDP.
5. Maastricht definition.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160723307167

accelerating, the projections are based on a monetary policy strategy of acting early and continuing tightening. This is likely to progressively impact on demand, particularly business and residential investment, over the projection period. Higher financing costs and the rising cost of construction are likely to slowly deflate the residential investment boom that has been underway for some years. Very strong income growth, due to higher after-tax wages and strong employment growth, is however likely to support consumption during 2008. This effect should wane in 2009 due to higher interest rates and weaker employment growth. At the same time, the government is taking further initiatives to increase labour supply and reduce unemployment. The reforms announced over the past year will be supplemented by additional measures introduced with the 2008 budget. These reforms are expected to have a substantial impact on employment in the long term. It is also possible that the expected labour supply gains could come through in the short run, thereby facilitating continued rapid expansion of production. This could lead to stronger potential output growth with less inflationary pressure than currently envisaged.

Growth to return towards potential in 2009…

On balance, tighter monetary conditions are likely to induce some weakening of GDP growth over the course of 2008, despite an acceleration in exports. Growth should slow to just below its potential rate in 2009. The unemployment rate is expected to continue to fall throughout the projection period, despite an easing in employment growth. Consumer price inflation is likely to continue to rise until the second half of 2008.

… with the key uncertainty relating to inflation developments

One risk surrounding the projections lies in the tight labour market generating inflationary pressure, but there is also a possibility that earlier than expected gains in labour supply from the government's labour market reforms could ease wage pressures. At the same time, GDP growth may be weaker than projected if the recent lower export growth continues in response to slower than anticipated global demand growth.

SWITZERLAND

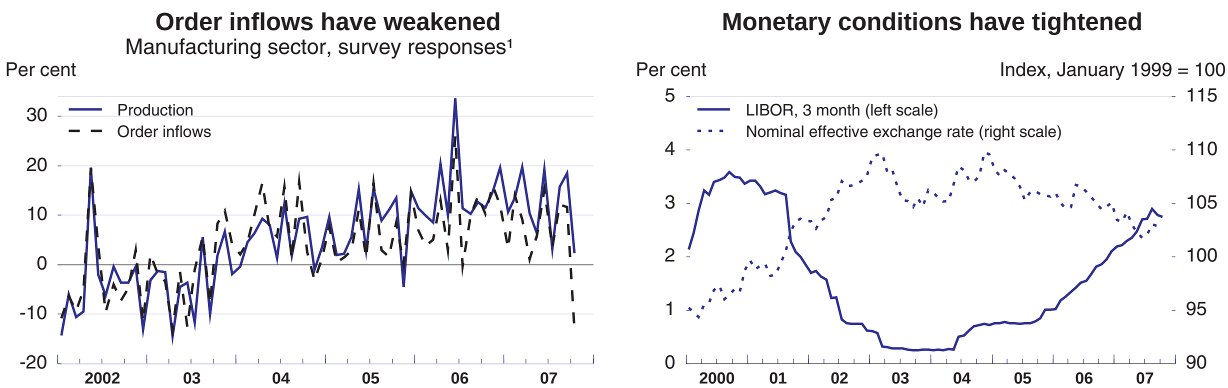
Economic growth is expected to slow to about 2% in 2008 and 2009, close to the potential rate, with a diminished contribution from net exports. Employment should continue rising, although unemployment may not fall much further. Inflation is projected to rise modestly, reflecting past oil-price rises and a high level of capacity utilisation. The government budget surplus will decline.

Should economic growth remain solid in 2008, as projected, a further ¼ point increase in policy interest rates is likely to be necessary. Comprehensive removal of remaining non-tariff trade barriers *vis-à-vis* the European Union would stimulate competition and trade, raising supply capacity, as would further measures to facilitate market entry in network industries.

Domestic demand has pushed up growth

Growth picked up in the first half of 2007, with its impetus shifting from net exports to domestic demand, and may reach 2¾ per cent this year. Private consumption accelerated on the back of recent gains in employment and wages, with the latter reflecting to some extent high bonus payments to workers in the financial sector. While business machinery and equipment investment also expanded strongly, boosted by historic highs in capacity utilisation in manufacturing, residential construction continued to weaken. Export growth slowed from very high rates, as demand in major export markets, notably in Germany, decelerated. While consumer confidence remains upbeat, order inflows in manufacturing have dropped below trend, suggesting some deceleration of activity in the near future, and housing starts are declining, albeit slowly. Inflation has risen somewhat in recent months, reaching 1.3% year-on-year in October, reflecting higher oil and food prices as well as a modest increase in underlying inflation on account of high capacity utilisation and the depreciation of the Swiss franc *vis-à-vis* trading partners over the past year.

Switzerland



1. Balance between positive and negative assessments in latest month relative to previous month, seasonaly adjusted.
Source: Swiss National Bank, Monthly Statistical Bulletin and OECD, Main Economic Indicators database.

StatLink http://dx.doi.org/10.1787/161887561350

Switzerland: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices CHF billion	Percentage changes, volume (2000 prices)				
Private consumption	272.3	1.8	1.5	1.9	2.0	1.7
Government consumption	53.0	0.5	-1.4	-0.7	0.1	0.8
Gross fixed capital formation	93.9	3.8	4.1	5.0	2.2	1.5
Final domestic demand	419.3	2.1	1.7	2.3	1.8	1.5
Stockbuilding[1]	1.0	-0.2	-0.3	-2.0	0.2	0.0
Total domestic demand	420.3	1.8	1.4	0.2	2.0	1.6
Exports of goods and services	209.1	7.3	9.9	7.9	4.0	5.0
Imports of goods and services	178.0	6.7	6.9	3.5	4.3	4.7
Net exports[1]	31.1	0.6	1.9	2.6	0.2	0.6
GDP at market prices	451.4	2.4	3.2	2.7	2.0	2.0
GDP deflator	_	0.3	1.6	0.8	0.7	1.4
Memorandum items						
Consumer price index	_	1.2	1.1	0.6	1.5	1.4
Private consumption deflator	_	0.8	1.4	0.9	1.5	1.4
Unemployment rate	_	4.3	3.8	3.3	3.2	3.0
General government financial balance[2]	_	0.4	1.1	1.2	1.2	1.0
Current account balance[2]	_	13.5	15.1	15.8	15.2	15.5

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

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/160726273627

Credit conditions have tightened somewhat

As vigorous growth opened up a positive output gap, the central bank has continued to tighten monetary policy, raising the target range for the three-month interbank interest rate by a cumulative ½ percentage point, positioning it between 2.25 and 3.25%. Spreads between corporate and government bonds have risen modestly in the aftermath of the global financial-market turbulence in August 2007, suggesting a moderate impact on the costs and availability of credit thus far, and Swiss exporters have continued to benefit from gains in price competitiveness in recent months, albeit at a reduced pace. However, the impact of the recent global financial-market turmoil on activity is as yet uncertain, and its continuation cannot be excluded. A further increase in the target range for the short-term interest rate by ¼ point is likely to be necessary if economic growth does not drop significantly below the potential rate, estimated at 2%, in 2008.

Fiscal policy remains neutral

The fiscal policy stance is likely to remain broadly neutral over the projection period. While the ongoing impact of consolidation measures taken in recent years, notably on government consumption and subsidies, is expected to fade, spending growth will be curbed somewhat by the recent approval of measures to reduce disability benefits and by budget cuts across federal ministries. On the other hand, strong revenue growth has induced some cantons and municipalities to lower tax rates on personal and corporate income, and tax competition considerations are likely to incite others to follow suit. Moreover, the outturns of profit and capital income taxes as well as stamp duties levied on securities transactions are likely to weaken significantly relative to their buoyancy of recent years.

The expansion is expected to continue at a slower pace

Economic growth is expected to fall to about 2% in 2008 and 2009, close to its estimated potential rate, mostly on account of a weaker growth contribution of net exports including that of financial services. Domestic demand is also expected to decelerate somewhat, reflecting the damping effect of higher interest rates. Employment gains will continue, albeit at a slowing pace, supported by continued strong immigration from EU countries and the inflow of cross-border workers, while the unemployment rate may fall to just below 3%. Inflation is set to rise slightly, stabilising at 1.5% in 2009. The general government surplus is estimated to fall by 0.2 percentage point to 1% of GDP in 2009.

Further upheaval in financial markets could impair the outlook

A continuation of financial-market turbulence could further tighten credit conditions and trigger an appreciation of the Swiss franc, which would reduce export growth to below its projected rate. It would also reduce the contribution of financial services to economic growth.

TURKEY

The economy, which had slowed down earlier in the year as a result of monetary tightening in 2006 and political uncertainties in the spring, gained momentum after the summer elections. In the absence of shocks, growth should settle at around 6% in 2008 and 2009.

Progress with enhancing the resilience and performance of the economy is put at risk by loss of competitiveness provoked by booming capital inflows. In this context the government is encouraged to restore fiscal restraint, which would help the central bank to continue reducing interest rates, and to increase the flexibility of product and labour markets to help the economy to cope with strong appreciation.

Growth resumed following political uncertainties…

GDP growth, which had slowed down in the first half of the year, resumed despite remaining geopolitical tensions in the region. At the same time, stronger domestic and international confidence after the elections fuelled capital inflows and boosted the exchange rate which in real terms had appreciated by 15% in September on a year-on-year basis, undermining competitiveness and reducing the contribution of trade to growth. The current account deficit remained high, at above 7% of GDP.

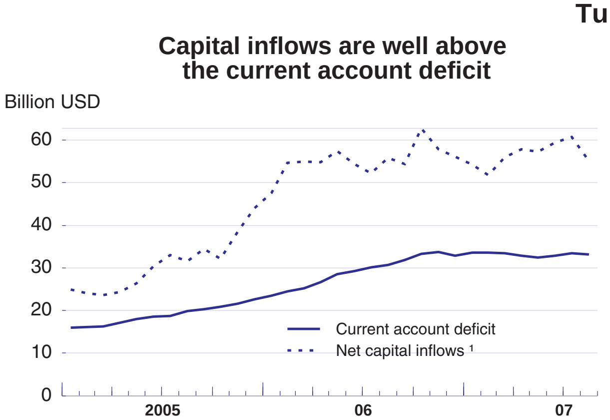
… but remains below potential

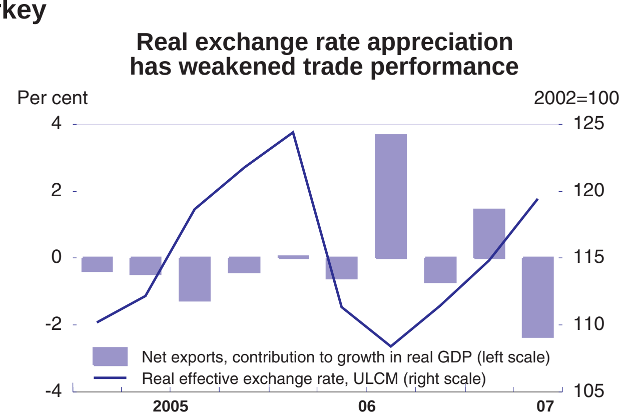
Weaker competitiveness has generated job losses in the low productivity and unskilled-labour intensive segments of industry. Service sector job creation having also slowed down, net employment demand has been limited in 2007 and workforce exits from agriculture have decelerated. The unemployment rate remained high at 9% in the middle of the year, at the same level as the previous year. The disinflation trend, which had been interrupted in 2006, resumed, helped by the appreciating exchange rate with headline inflation declining to 7.1% in September before rebounding to 7.7% in October.

Macroeconomic policy mix can be improved…

Monetary policy remained tight until the autumn, with policy rates above 17%. However, as the credibility in reaching ambitious inflation

Turkey





1. IMF loans and reserve changes are excluded.
Source: Central Bank of Turkey and OECD Economic Outlook 82 database.

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OECD ECONOMIC OUTLOOK 82 – ISBN 978-92-64-04162-2 – © OECD 2007

Turkey: **Demand, output and prices**

	2004	2005	2006	2007	2008	2009
	Current prices TRL billion	Percentage changes, volume (1987 prices)				
Private consumption	284.6	8.8	5.2	1.8	4.1	5.3
Government consumption	56.8	2.4	9.6	9.5	4.4	2.1
Gross fixed capital formation	76.7	24.0	14.0	9.3	10.9	11.3
Final domestic demand	418.1	12.1	8.0	4.6	6.2	7.0
Stockbuilding[1]	37.3	-2.5	-2.1	-0.1	0.1	0.0
Total domestic demand	455.5	8.8	5.6	4.3	6.2	6.8
Exports of goods and services	124.3	8.5	8.5	11.3	8.7	9.9
Imports of goods and services	149.3	11.5	7.1	9.0	9.6	10.5
Net exports[1]	- 25.0	-1.7	0.3	0.7	-0.8	-0.7
GDP at market prices	430.5	7.4	6.1	5.1	5.8	6.3
GDP deflator	_	5.4	11.5	9.2	8.7	6.5
Memorandum items						
Consumer price index	_	8.2	9.6	8.6	6.8	5.5
Private consumption deflator	_	6.1	10.7	8.3	7.4	5.9
Unemployment rate	_	10.0	9.7	9.6	9.4	9.1
Current account balance[2]	_	-6.2	-8.1	-7.7	-7.4	-7.1

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

Source: OECD Economic Outlook 82 database.

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targets (at 4 ± 2% for end-2008) has improved and demand pressures have stayed relatively weak, the Central Bank cut rates by a cumulative 125 basis points between September and November. However, the rise in special consumption taxes in November and the likely upward adjustment in regulated energy prices may render the Central Bank more cautious in considering any further reductions. Furthermore, Central Bank action is likely to depend on the evolution of the fiscal policy stance, as well as global liquidity conditions, external demand, and other determinants of the medium-term inflation outlook. Fiscal policy loosened in the run up to the elections and the primary surplus objective for 2007 will likely be undershot by a wide margin (possibly by about 2 percentage points relative to the official target of 6.5% of GDP). Even if part of the increase in the deficit arose from the slowdown of growth, this drift does not facilitate a further shift in the policy mix to help reduce the policy interest rates.

… to re-balance domestic and external demand

Cyclical developments are closely affected by global liquidity conditions. These still appear favourable as of late 2007 – despite regional tensions related to Northern Iraq and the global financial stress of recent months – and support domestic demand, but they also undermine cost competitiveness and thereby the contribution of net exports to growth. Both a restrictive fiscal stance and also further structural reforms reducing labour costs and facilitating restructurings and productivity gains in the business sector are needed to damp real appreciation on a unit labour cost basis. Success with these policies would help re-balance domestic and external demand, reduce the current account deficit and increase the resilience of the economy.

A baseline scenario of respectable growth…

The projections assume a stable international and regional environment and no departure from a sustainable macroeconomic policy environment. They imply GDP growth above 5% in 2007, and about 6% in 2008 and 2009. The current account deficit is expected to remain above 7% and unemployment rate above 9%. The inflation target for 2007 will probably be missed but disinflation should gain momentum again in 2008 and the target bracket should be reached by the end of the year.

… is subject to downward and upward risks

Baseline projections are based on the technical assumption of a stable nominal exchange rate. A smooth and moderate depreciation of the exchange rate would stimulate competitiveness and growth but a sharper adjustment may generate real income losses and depress growth. If, on the other hand, real appreciation remains strong and structural reforms do not help restore competitiveness, this would hinder growth. There is also an upward risk: if the pending reforms targeted by the government, notably in the labour markets and for the modernisation of the business sector, are implemented assertively, this could strengthen confidence and investment, and accelerate Turkey's shift to a stronger growth rate. In such a scenario capital inflows may be utilised in more growth-enhancing ways and the growing working age population could be more fully mobilised.

BRAZIL

GDP growth picked up in the first half of 2007. Private consumption continues to support activity on the heels of strong credit increases and rising incomes. The expansion of investment has been particularly sharp. Export performance remains robust. But a vigorous pick-up in imports, especially of capital goods and intermediate inputs, is beginning to weigh on the trade surplus. Inflation remains well below the central target, despite an uptick in mid-year on the back of food price hikes.

A two-year cycle of monetary easing was interrupted in October owing to the strength of demand growth. A fiscal impulse is expected at year-end and into 2008 due to an unexpectedly back-loaded execution of investment commitments from the pro-growth policy package announced in January. The policy mix is by and large supportive of continued expansion over the projection horizon. But current public expenditure growth should be reined in over the medium term.

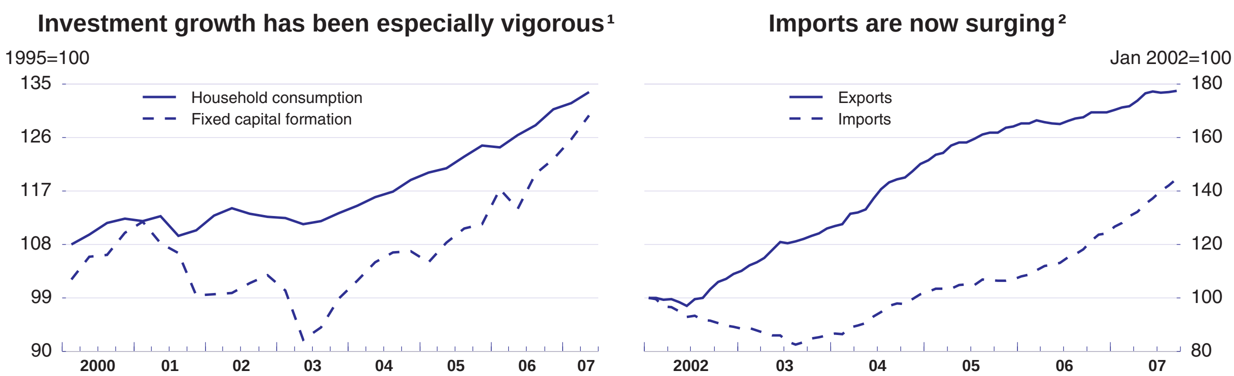
GDP growth picked up in the first half…

GDP grew by 4.8% on a year-on-year basis in the first semester of 2007. The expansion has been fuelled by sustained monetary easing, continued credit growth and improving labour-market conditions. The increase in private investment, which began to rebound towards end-2006, has gathered further impetus. Export performance remains strong overall, and also for manufacturing products, despite a strong *real*. Imports are also growing rapidly, including of capital goods and intermediate inputs, sustained by the strength of domestic demand. Nevertheless, in comparison with the same period of 2006, the contribution of net exports to growth was only marginally negative in the second quarter, by contrast with strong negative outturns in previous quarters. Labour-market conditions continue to improve, as shown by falling unemployment and rising real wages. From the supply side, the strength in manufacturing production contrasts with lacklustre growth in agriculture.

… and is gathering further momentum

Several coincident and leading indicators suggest that the dynamism of the ongoing expansion is unlikely to ebb in the coming months.

Brazil



1. Seasonally adjusted.
2. Volumes,12-month moving average.
Source : IBGE and FUNCEX.

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Brazil: Macroeconomic indicators

	2005	2006	2007	2008	2009
Real GDP growth	3.2	3.7	4.8	4.5	4.5
Inflation (CPI)	5.7	3.1	3.9	4.0	4.0
Fiscal balance (per cent of GDP)	-3.0	-3.0	-1.9	-1.4	-1.0
Primary fiscal balance (per cent of GDP)	4.4	3.9	3.8	3.8	3.8
Current account balance (per cent of GDP)	1.6	1.3	0.6	-0.1	-0.4

Note: Real GDP growth and inflation are defined in percentage change from the previous period. Inflation refers to the end-year consumer price index (IPCA).

Source: Figures for 2005-06 are from national sources. Figures for 2007-08 are OECD projections.

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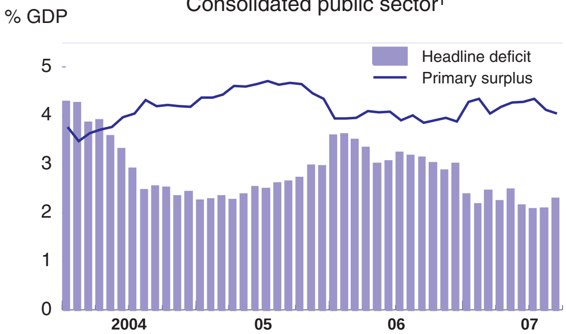
Capacity utilisation and industrial-production indicators have increased substantially, especially in the case of intermediate and capital goods. Retail and industrial sales also suggest that activity is likely to have gathered additional steam in the third quarter.

The monetary easing cycle paused in October

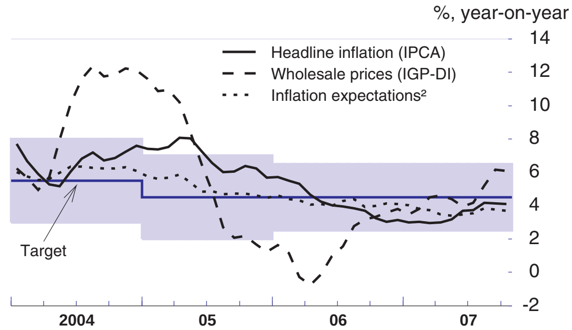
Headline inflation rose substantially in the second quarter essentially due to temporary hikes in food prices. It began to retreat in September but edged up again in October. Although still well below the mid-point of the inflation target range, one-year-ahead inflation expectations have also risen, albeit moderately. But the strength of the expansion prompted the central bank to interrupt the two-year, 8½ percentage-point monetary easing cycle in October, when the policy interest rate was kept at 11.25%. The *real* remains strong, despite some volatility in August during the global financial-market turmoil. Otherwise, financial conditions overall remain solid. The central bank continues to accumulate reserves. Sovereign interest spreads have risen since the second quarter, due to falling investor appetite for risk, but remain low by historical standards.

Brazil

Public finances are strengthening
Consolidated public sector[1]



Inflation remains within the target range



1. Cumulated 12-month flows.
2. 12 months ahead.
Source : National Treasury and Central Bank of Brazil.

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Brazil: **External indicators**

	2005	2006	2007	2008	2009
	$ billion				
Goods exports	118.3	137.8	155.6	168.3	179.4
Goods imports	73.6	91.3	114.3	136.1	152.1
Trade balance	44.7	46.5	41.3	32.2	27.3
Services, net	- 8.3	- 9.7	- 11.0	- 12.3	- 12.7
Invisibles, net	- 22.4	- 23.3	- 22.8	- 21.4	- 20.6
Current account balance	14.0	13.5	7.5	- 1.5	- 6.0
	Percentage changes				
Goods export volumes	9.3	3.3	5.5	4.0	3.5
Goods import volumes	5.4	16.1	18.0	14.5	8.0
Terms of trade	0.9	5.1	0.9	0.0	- 0.5

Source: Figures for 2005-06 are from national sources. Figures for 2007-08 are OECD projections.

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The inflation target for 2008-09 was kept unchanged

The inflation target for 2008-09 was maintained at the current level of 4.5% (within a 2.5-6.5% tolerance range). This central target is nevertheless well above recent inflation readings and expectations, especially those prevailing in June when it was set. It was widely hoped then that the authorities would have validated the below-target inflation outcomes by lowering their official target.

Expenditure keeps rising, supported by buoyant revenue…

Fiscal policy is on track to meet the 2007 consolidated primary surplus target of 3.8% of GDP. The fiscal performance of the state governments remains particularly strong. Despite recent measures to reduce the tax burden, especially on investment, the revenue-to-GDP ratio has risen further owing to the buoyancy of income-elastic tax bases, including corporate profits and earnings. Improving labour-market conditions and the creation of formal-sector jobs have propped up social security revenue and put a lid on the system's financial imbalance, which had hitherto been widening. However, current expenditure continues to increase, especially payroll outlays at the federal level. Implementation of the investment programmes announced in January in support of the federal government's Programme for Growth Acceleration (PAC) is nevertheless behind schedule. Consistent with these trends, a further small reduction in the debt-to-GDP ratio is expected. Nevertheless, reining in the growth of current expenditure commitments will continue to be among Brazil's most pressing policy challenges over the medium term.

… and the 2008 draft budget calls for further increases in the tax take

The draft 2008 federal budget law, submitted to Congress in August, presages further increases in tax revenue, payroll outlays and discretionary spending. Discussions are ongoing in Congress on the extension of the bank debit tax (CPMF) and the mechanism for withholding part of the sharable revenues with the sub-national governments. Renewal of both instruments is taken into account in the projections, although it needs to be legislated by year-end. The option of gradually reducing the CPMF statutory rate during 2008-11 is being considered.

Activity is set to remain strong…

GDP growth is projected to reach about 4.8% in real terms in 2007. Further recovery-driven dynamism in the labour market will continue to support domestic consumption over the projection period. Investment is poised for further increases, helping to raise potential growth. The external current account is likely to shift to a small deficit, due essentially to a gradual reduction in the trade surplus. Inflation is expected to remain comfortably below 4.5%, the mid-point of the target range, although demand pressures may underpin further price hikes. On the supply side, agricultural production is expected to bounce back, while the ongoing expansion in manufacturing output will probably continue over 2008-09.

… in the context of a still supportive policy mix

The policy mix will continue to underpin growth momentum into 2008. A fiscal impulse is likely in the final quarter of 2007 and into 2008 as a result of a surge in federal investment spending in connection with PAC. These projects are due to be executed in a much more back-loaded manner than originally envisaged, given the implementation delays to date. Further interest-rate cuts are unlikely before year-end, although some additional gradual easing is expected in 2008-09.

Several risks can be enumerated

Although it remains by and large auspicious, the outlook is not free of risks. A tighter global credit environment may impinge on investors' appetite for emerging-market assets. On the domestic front, the emergence of supply bottlenecks, as well as a stronger than so far observed pass-through of wholesale price hikes into consumer-price inflation, may preclude any additional monetary easing in the coming months, with attendant negative implications for the pace of expansion going forward.

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CHINA

After moderating in the second half of 2006, economic growth has accelerated again and is expected to reach almost 11½ per cent in 2007, leading to a widening of the output gap. The inflation rate is projected to increase to around 4½ per cent in 2007 and stabilise thereafter as weaker food prices are estimated to offset accelerating non-agricultural prices. Despite continued strong export growth, output is likely to slow in 2008 and 2009 as imports accelerate. Nonetheless, the current account surplus is projected to rise from around $350 billion in 2007 to over $500 billion in 2009, passing from 11¼ to 11¾ per cent of GDP.

The balance of risks suggests that some tightening of macroeconomic policies is needed to reduce overheating, help ease inflation and calm equity markets. Rebalancing growth away from net exports continues to be a key concern, implying that a faster appreciation of the currency should be part of this tightening. There is also scope to redirect public spending to meet pressing social needs.

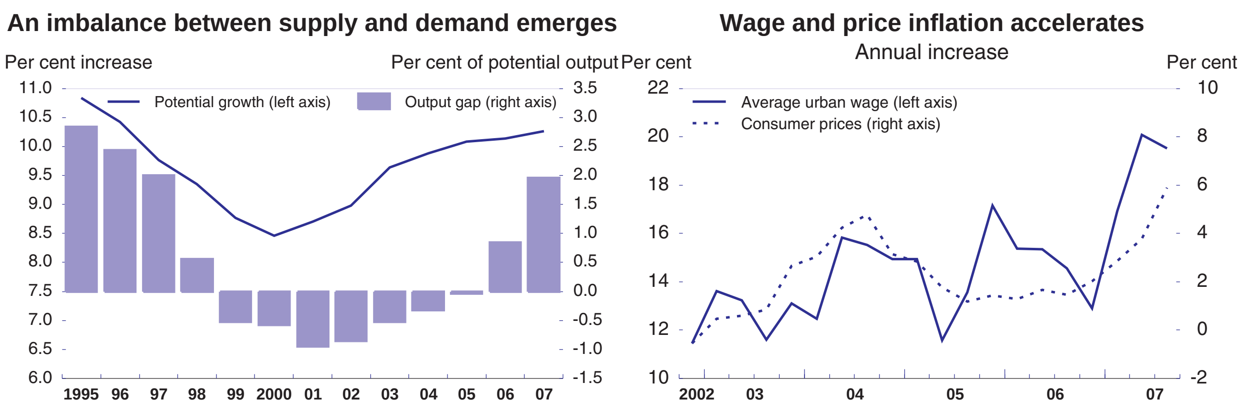
The economy continues to grow strongly

Economic growth has been very dynamic in the first three quarters of 2007, reaching 11.5%, but there is some evidence of growth slowing slightly in the fourth quarter. Domestic demand has accelerated on the back of higher investment growth as the impact of administrative controls imposed in 2006 has worn off. The strong contribution of net exports to growth has, however, slackened towards the end of 2007, leading to lower industrial production growth. Nonetheless, the current account surplus has risen to new heights.

Driven in part by buoyant net exports

The net foreign balance increased further in 2007. Growing domestic investment in heavy industries – such as iron, steel and cars – resulted in a surge of exports while imports only grew slowly, boosting the trade surplus. At the same, the slowdown in the global electronics industry hit exports of this type of product, which account for over 30% of China's foreign sales. Because these products are assembled in China from imported parts, the growth of imports also declined and net exports of

China



Source: OECD, CEIC.

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China: **Macroeconomic indicators**

	2005	2006	2007	2008	2009
Real GDP growth	10.4	11.1	11.4	10.7	10.1
Inflation[1]	4.1	3.1	4.4	4.5	4.6
Consumer price index[2]	1.8	1.6	4.5	4.0	3.9
Fiscal balance (per cent of GDP)[3]	0.2	1.0	2.0	1.8	1.7
Current account balance (per cent of GDP)	7.2	9.4	11.2	11.3	11.8

Note: The figures given for GDP and inflation are percentage changes from the previous year.
1. Percentage change in GDP deflator from previous period.
2. Change in Laspeyres fixed base year index (base year 2005).
3. Consolidated budgetary and extrabudgetary accounts on a national accounts basis. Revised in Sept. 2006.
Source: National sources and OECD projections.

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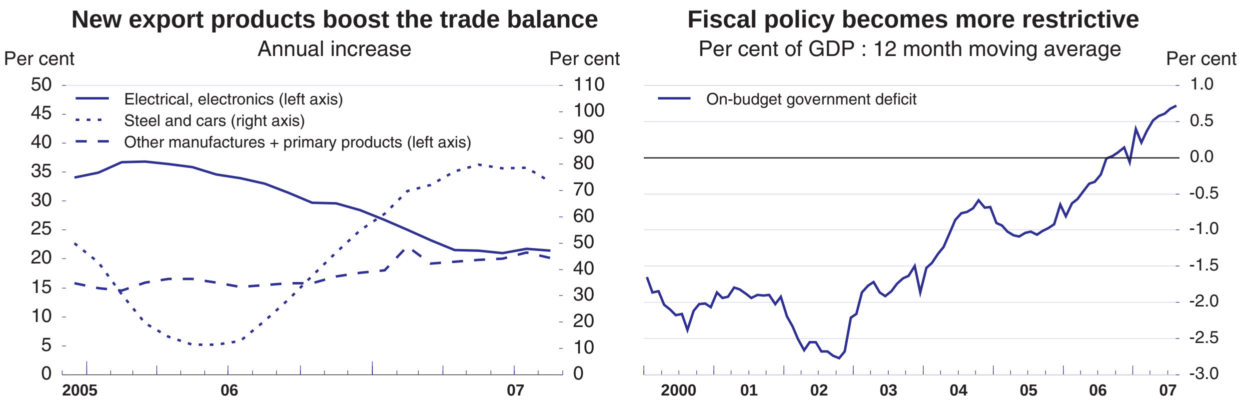
these products continued to rise. Overall in the first ten months of 2007, the (annualised) cumulative trade balance was over $100 billion more than the annual figure for 2006. With the service balance likely to increase somewhat, the current account surplus is expected to reach over $350 billion in 2007, 11¼ per cent of GDP.

An output gap has opened and inflation has risen

Domestic demand accelerated somewhat in 2007, driven by investment, which is now growing slightly faster than GDP. In particular, residential construction activity has risen markedly during the year. Given the increase in the growth of the capital stock, the potential growth rate of the Chinese economy continues to accelerate, but remains below that of actual output. Spare capacity has been used up and the economy is starting to overheat. Inflation, as measured by the consumer price index (CPI), remained at 6.5% in October, unchanged from its August pace when inflation reached the highest level in more than a decade and more than double the central bank's indicative target. To date, most of the increase in inflation has been due to higher food prices. Nonetheless, inflation

China



Source: OECD, CEIC.

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China: **External indicators**

	2005	2006	2007	2008	2009
	$ billion				
Goods and services exports	836.9	1 061.7	1 311.5	1 616.3	1 973.7
Goods and services imports	712.1	852.8	1 008.1	1 258.8	1 545.3
Foreign balance	124.8	208.9	303.5	357.5	428.4
Net investment income and transfers	36.0	41.0	57.4	73.8	89.5
Current account balance	160.8	249.9	360.8	431.2	517.9
	Percentage changes				
Goods and services export volumes	23.9	23.9	21.3	20.6	19.1
Goods and services import volumes	13.6	16.0	11.9	18.1	20.0
Export performance[1]	15.5	14.8	14.3	12.3	10.4
Terms of trade	- 0.3	- 0.8	- 3.6	- 3.3	0.2

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 82 database.

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indices that exclude food, such as the non-agricultural GDP deflator, have also started to increase slightly and growth in urban wages accelerated to almost 20% by the third quarter of 2007. Furthermore, there will be an additional stimulus to inflation following the increase of regulated oil-product prices by 10% in November, the first increase in 17 months, even though they still remain well below world market prices.

The authorities are attempting to slow down economic growth

In response to rapid GDP growth and fears of food price inflation spilling over into wages and sparking more generalised inflation pressures, the People's Bank has increased interest rates by 27 basis points twice, following the announcement of the July and August CPI numbers. However, despite the increasing surplus on the current account and continued capital inflows, in the year to mid-November 2007, the People's Bank has only allowed the currency to appreciate by 5.5% against the dollar, an insufficient movement to prevent a depreciation of half a per cent in the effective exchange rate. China has accumulated over $400 billion of reserves over the same period. In an attempt to sterilise the increase in the money supply, the People's Bank has increased the reserve ratio for commercial banks nine times this year, to 13.5%, and has been aggressively selling short-term bills. Nonetheless, monetary growth is now over 18% per annum and asset prices are high. In the autumn, a number of large initial public offerings (IPOs) were heavily oversubscribed and attracted large first-day premiums on listing. This extra supply of shares may have been one factor behind the stabilisation of stock prices between August and November, after they had more than tripled in the previous year. Residential land prices, though, have continued to rise.

Fiscal policy has tightened

Fiscal policy has become increasingly restrictive with government revenue growing some 10 percentage points faster than expenditure in the first three quarters of 2007 relative to the same period in 2006. As a result, the accounts of central and local governments are likely to move into surplus this year from a deficit in 2006. Moreover, the surplus of the social security system has increased. In an effort to slow export growth, the government has also cut the value-added tax (VAT) rebates on exports and imposed taxes on exports that are energy intensive.

Growth should ease slightly in 2008-09

Looking forward, output growth is likely to slow slightly in 2008 and 2009 as higher wage and price inflation erodes competitiveness and lowers the contribution of the net foreign balance to growth. However, this slight decline in competitiveness will not be sufficient to significantly undermine the fundamental drivers of growth – profitability and exports – and so the economy may only weaken slightly, with GDP still growing by around 10% in 2009. The moderation in GDP growth is projected to be insufficient to eliminate excess demand in the economy and inflation in the non-agricultural sector is likely to increase. However, to a large extent, this will be offset by an easing of food and commodity price inflation. Given the assumption of a constant exchange rate, the surplus on the current account is projected to continue expanding.

Excess demand raises the risk of higher inflation

The economy has moved to a situation of excess demand with increasing pressure on monetary aggregates from the continued accumulation of officially-owned foreign currency assets. If this situation persists, and global food prices do not moderate as expected, there is a risk of inflation becoming entrenched, as in the mid-1990s. Speculative activity has already increased, both in the equities market and in real estate markets in southern coastal areas. Faster inflation could give new momentum to this development and increase the risk of an eventual significant downturn in asset prices and activity, together with a worsening of the quality of the balance sheets of banks. A more pronounced and widespread slowdown in world GDP growth than currently projected would help mitigate imbalances in the Chinese economy by reducing the current account surplus and lowering inflation pressures. However, the probability of such an event is small relative to the probability of ongoing difficulty in slowing the Chinese economy to a sustainable growth rate.

INDIA

The economy grew rapidly in the fiscal year (FY) 2006, expanding by 9.4%. Strong growth was fuelled by a good performance of the agricultural sector and continued strength of industrial output. In the first half of FY 2007, investment remained buoyant, leading to improvements in the supply potential of the economy. With higher interest and exchange rates, output growth is projected to gradually slow to 8.4% by 2009. The current account deficit is likely to widen from 1.1% of GDP in FY 2006 to 2.0% by 2009. Inflation, as measured by the GDP deflator, is expected to ease back somewhat over the projection horizon as increases in food prices moderate.

Achieving strong and sustainable economic growth will require a significant package of economic reforms. Fiscal deficits will need to be further reduced to make room for private corporate investment. Tariffs should be lowered further and measures taken to reduce the administrative burden on enterprises. At the same time, restrictive labour market policies should be eased so that companies are encouraged to employ staff on a long-term basis, thereby helping to reduce poverty. Improvements in public service delivery are also needed to raise the quality of education and infrastructure.

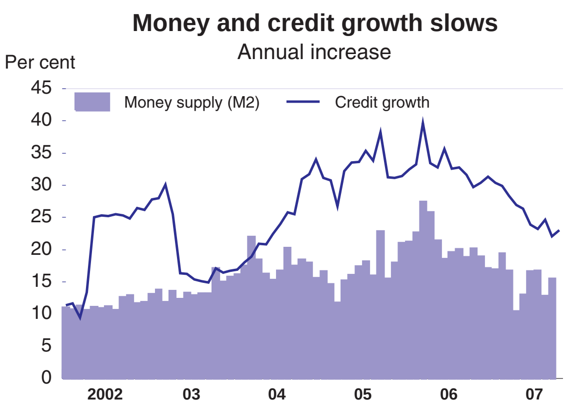
The upswing continued at the beginning of the fiscal year…

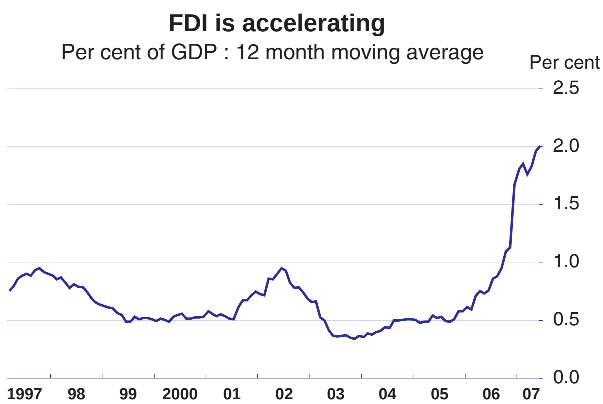
The economy expanded strongly in the year to March 2007 with GDP growth reaching 9.4%. Moreover, since these GDP data were published, estimates of agricultural and industrial output have been revised upwards, suggesting that actual economic growth may have been even higher. In particular, agricultural output rose significantly, despite adverse weather conditions, with large gains in cereal crops where high prices had encouraged increased planting. By the second quarter of FY 2007 there was some evidence of a slowdown in growth, notably in the industrial sector.

… with investment remaining strong and FDI surging

Demand has continued to be led by fixed capital formation. Since FY 2004, the share of fixed capital investment in GDP has risen by five percentage points, reaching 31% by the first quarter of the current fiscal year. As a result, almost half of the increase in domestic demand over the past three fiscal years has come from capital formation. Part of the reason for

India





Source: Centre for Monitoring the Indian Economy (CMIE).

StatLink http://dx.doi.org/10.1787/162112125877

India: **Macroeconomic indicators**

	2005	2006	2007	2008	2009
Real GDP growth	9.2	9.4	8.8	8.6	8.4
Inflation[1]	4.4	5.3	5.4	4.9	4.5
Consumer price index[2]	4.4	6.8	6.4	5.8	5.0
Short-term interest rate[3]	6.6	8.1	8.7	8.6	7.5
Long-term interest rate[4]	6.9	7.6	7.9	7.7	7.5
Fiscal balance (per cent of GDP)[5]	-6.7	-6.4	-5.6	-5.2	-5.2
Current account balance (per cent of GDP)	-1.1	-1.1	-2.0	-2.1	-2.0

Note: Data refer to fiscal years starting in April.
1. Percentage change in GDP deflator from previous period.
2. Consumer price index for industrial workers.
3. Mumbai three month offered rate.
4. 10 year government bond.
5. Gross fiscal balance for central and state governments, includes net lending.

Source: CMIE and OECD projections.

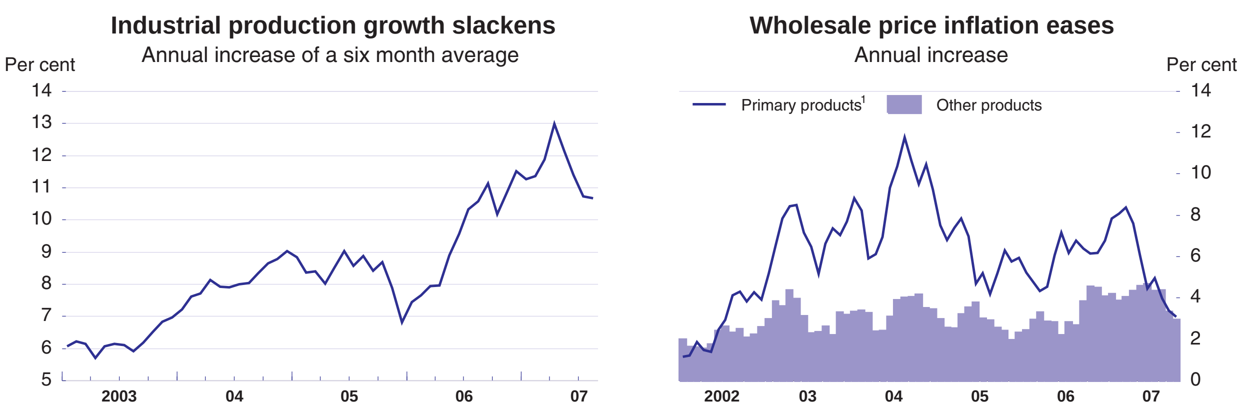
StatLink http://dx.doi.org/10.1787/161047280360

this surge has been a change in the attitude of foreign investors towards the Indian market, with surveys suggesting that India is now the second favourite destination for foreign investors. Inflows of foreign direct investment (FDI), notably in the areas of electrical equipment and telecommunications, have more than doubled in the first quarter of FY 2007, reaching 2.3% of GDP. In contrast to investment, private consumption has weakened, notably in the areas that depend on credit.

Food prices have pushed up inflation…

Inflation appears to have eased back somewhat at the wholesale level in the year to November, partly as a result of a better harvest that has helped contain price increases for domestically-produced agricultural products. Nonetheless, food price increases have been substantial, with the result that the various consumer price indices (all with a large weight on food) were still rising at a rate of between 5¾ and 8% in September 2007. On the other hand, prices for manufactured products show more modest

India



1. Primary products include agricultural, food and energy products, metals and cement.
Source: Centre for Monitoring the Indian Economy (CMIE).

StatLink http://dx.doi.org/10.1787/162113231545

India: **External indicators**

	2005	2006	2007	2008	2009
			$ billion		
Goods and services exports	166.6	208.4	245.4	284.8	313.8
Goods and services imports	194.5	240.6	293.8	342.6	377.4
Foreign balance	- 28.0	- 32.2	- 48.4	- 57.8	- 63.6
Net investment income	- 4.9	- 4.3	- 5.4	- 6.5	- 7.4
Transfers	23.7	26.9	30.7	35.0	39.9
Current account balance	-9.2	-9.6	-23.1	-29.3	-31.1
			Percentage changes		
Goods and services export volumes	5.9	8.6	9.0	8.5	8.0
Goods and services import volumes	10.3	11.4	10.0	7.0	8.0
Terms of trade	0.0	4.6	-3.0	-2.0	0.0

Note: Data refer to fiscal years starting in April.
Source: National sources and OECD projections.

StatLink http://dx.doi.org/10.1787/161053681341

increases and the GDP deflator for the non-agricultural sector rose by 4.7% in the year ending in the first quarter of FY 2007. This suggests that higher food prices have not yet spilled over into general inflationary expectations.

… and the trade deficit has widened

There is some evidence of an emerging imbalance between supply and demand in the foreign trade sector. The growth in the exports of goods slackened markedly in the second half of FY 2006 while the growth of imports picked up. The strong performance of service exports and continued increase in migrants' remittances meant that, for the year as a whole, the overall current account deficit remained at 1.1% of GDP. However, by the first quarter of the FY 2007, imports were growing markedly faster than overall exports of goods and services, suggesting that the external deficit for the year will widen.

The budget deficit is expected to fall, also at the state level

Further progress in reducing budget deficits was made in FY 2006. Tax revenues were strong, increasing by nearly 25% at the central and state level. Despite budget overruns in a number of areas, spending rose by less than revenues, increasing by about one percentage point of GDP over the fiscal year. As a result, the combined deficit of central and state governments fell, if only slightly, to 6.4% of GDP. Fiscal consolidation is projected to continue in FY 2007 and the following years. By FY 2008, both central and state governments are expected to achieve their legislated budget deficit targets and bring their combined fiscal deficit to 5¼ per cent of GDP. However, off budget subsidies paid to food producers and oil refiners are not included in these deficit measures, adding further percentage point of GDP to the deficit in FY 2006 and are likely to re-occur in FY 2007.

Capital inflows surged

Monetary conditions have been tightened since the spring. Between March and early November, although the Reserve Bank kept its repo rate unchanged at 7.75%, it allowed the exchange rate to appreciate by 12% against the dollar, albeit by less in effective terms. Despite this upward movement, capital inflows have been sufficiently large to allow reserves to increase by 35% (corresponding to about 9½ per cent of GDP), with a significant portion of capital inflows being directed to the purchases of equities, boosting prices by over one half. However, as the Reserve Bank has both increased reserve ratios for banks and drained liquidity from the money markets, the growth of the money supply and credit to the non-food sector eased back during the summer of 2007.

Some moderation in growth seems likely

Economic growth is projected to slacken from the second half of calendar 2007, despite a favourable movement in agricultural output. The appreciation of the effective exchange rate, coupled with relatively high domestic inflation, is likely to result in some easing of export growth and increase in the growth of imports. As a result, the current account deficit is projected to progressively widen, though remaining within the recent magnitude of capital inflows. In 2008, domestic demand may also be restrained by the lagged impact of interest rate increases in 2007 and the deterioration of the terms of trade stemming from higher oil prices. Faced with a slower growth of sales, some slowdown in investment is also projected. Overall, GDP growth is projected to decelerate to 8.4% by FY 2009.

But there is a risk of inflationary expectations rising

The main risk stems from ongoing increases in food and oil prices spilling over into inflationary expectations. An inflationary environment might eventually put some downward pressure on the exchange rate and further strengthen inflation expectations. This could also discourage foreign capital inflows.

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RUSSIAN FEDERATION

Real GDP growth is set to accelerate in 2007, before moderating over the projection period as oil and metal prices stabilise at their current high levels. Domestic demand will remain strong, but the exceptional rates of investment growth observed in the first half will not be sustained. Fuelled by relaxed monetary conditions and the tightening of the labour market, inflation is set to hit double digits at the end of the year and will, in any case, exceed the central bank target of 8% by a wide margin.

Fiscal loosening is adding to inflationary pressures and the non-oil fiscal balance is set to deteriorate sharply this year. While the government has turned to artificial administrative measures to limit retail price increases, the key factor to bringing down inflation would be a return to a much tighter fiscal stance. Strengthening pro-competitive market regulations would certainly help but, in this respect, the trend towards ever greater state activism in industrial policy is a source of concern.

The economy has gained considerable momentum

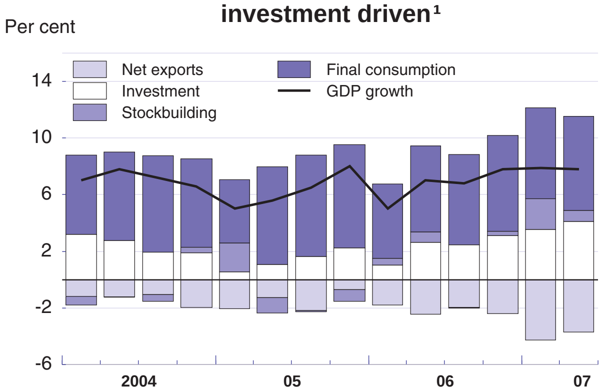
GDP growth accelerated in the first half of 2007, reaching 7.8% on a year-on-year basis. Private consumption continues to grow at double-digit rates, stimulated by rapidly rising real wages and credit to households, and remains the main engine of growth. The principal factor behind the current acceleration is, however, fixed investment, which rose by approximately 22% year-on-year in January-June. Gross fixed capital formation was particularly vigorous in resource-extraction industries, in real estate and sectors covered by the "Priority National Project" programme. The manufacturing sector rebounded vigorously in the first half, as it benefited from the increase in investment demand, the construction boom and, to some extent, favourable weather conditions at the beginning of the year. Not surprisingly, activity in the sector has thus slowed down markedly over the summer.

Inflation has picked up and monetary conditions have eased

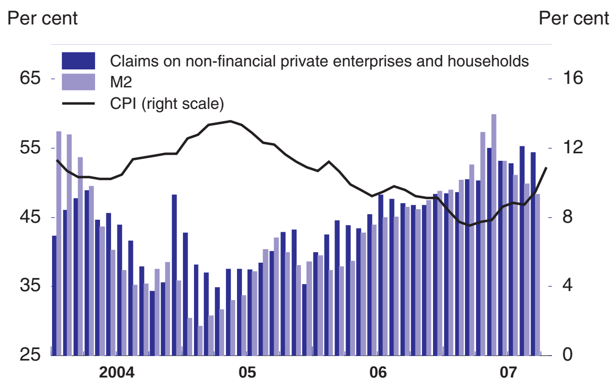
After a prolonged period of decline, headline and core inflation began trending upwards in the second quarter. This primarily reflects a surge in food prices, although other factors have been playing a role. Despite a

Russian Federation

Recent growth acceleration is investment driven[1]



Disinflation is on hold[1]



1. Year-on-year percentage change.
Source: Russian Federal Service For State Statistics and Central Bank of Russia.

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Russian Federation: **Macroeconomic indicators**

	2005	2006	2007	2008	2009
Real GDP growth	6.4	6.7	7.3	6.5	6.0
Inflation	10.9	9.0	11.0	9.5	8.5
Fiscal balance (per cent of GDP)[1]	8.1	8.5	5.5	3.8	1.5
Current account balance (per cent of GDP)	10.9	9.8	6.0	4.7	2.0

1. Consolidated budget.

Source: Data for 2005-06 are from national sources. Data for 2007-09 are OECD estimates and projections.

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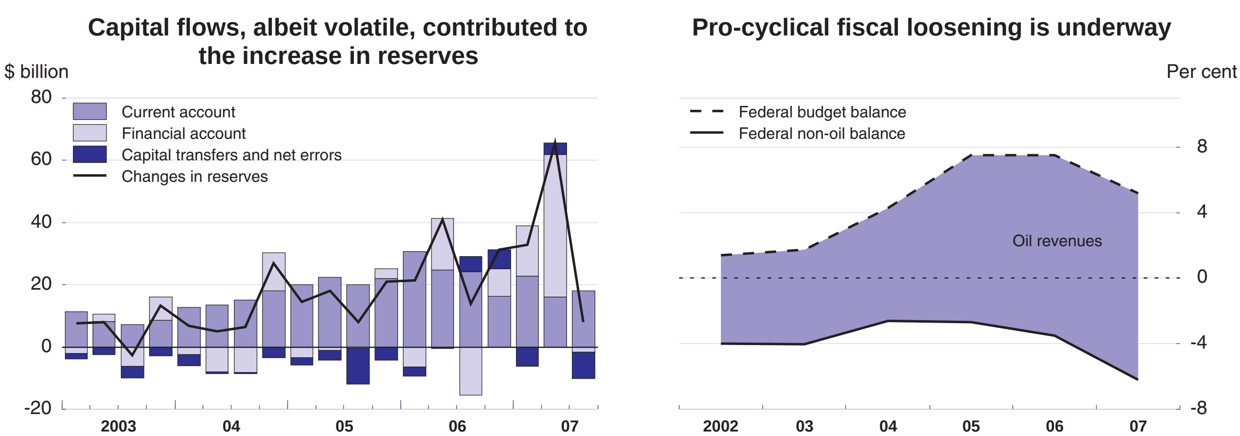
stabilisation of the terms of trade in the first six months, the monetary stimulus arising from large forex inflows has not weakened, as the reduction in the current account surplus in the first nine months of 2007 was more than offset by increased net capital inflows, which – unlike oil windfalls – are not sterilised. As a result, money supply growth accelerated further, exceeding 50% year-on-year. Moreover, the tightening of the labour market has added to inflationary pressures, with the unemployment rate falling below the historically low level of 6%. The reaction of the central bank has so far been muted: while the rouble has strengthened against a weakening dollar, in nominal effective terms it has not appreciated much. In this context, the government's attempt to damp inflation by imposing artificial restrictions on retail prices, both at the federal and regional level, appears to be ill-advised: such steps create new distortions without addressing the underlying roots of inflation.

Fiscal loosening is underway

Fiscal policy has remained pro-cyclical and has contributed to the resurgence of inflation. More worrying is the fact that the amended 2007 budget allows for massive additional spending (2% of GDP) ahead of the election cycle, financed by receipts from the sales of remaining Yukos assets and large transfers from the Stabilisation Fund. Although a large

Russian Federation



Source: Central Bank of Russia, Russian Federal Service For State Statistics, MERT and OECD projections.

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Russian Federation: **External indicators**

	2005	2006	2007	2008	2009
			$ billion		
Goods and services exports	269	335	389	471	507
Goods and services imports	164	209	280	361	429
Foreign balance	104	125	109	110	78
Invisibles, net	-20	-29	-33	-38	-42
Current account balance	84	96	76	72	36
			Percentage changes		
Goods and services export volumes	6.4	7.2	5.0	5.5	6.0
Goods and services import volumes	17.0	21.7	25.4	21.0	15.5
Terms of trade	15.4	11.0	3.5	7.9	- 1.3

Source: National sources and OECD projections.

StatLink http://dx.doi.org/10.1787/161040301375

share of the increase in expenditures corresponds to an allocation of funds to development institutions, which will be spent over three to four years, this marks a significant deviation from the past prudent policy of saving the bulk of windfall revenues. It will also favour the re-emergence of Dutch Disease pressures. Thanks to higher oil prices, the accumulated savings might however be sufficient to supply simultaneously the future "Reserve Fund" up to its ceiling (10% of GDP) and the "Fund for Future Generations", when the Stabilisation Fund is split into two separate funds in February 2008.

Greater state activism risks impeding needed structural changes

The trend towards growing activism of Russian industrial policy has intensified this year, with the adoption of a number of new instruments aiming at facilitating economic diversification. In addition to the existing Investment Fund and Venture Fund, these initiatives include the creation of a Development Bank – on the basis of the state-owned bank Vneshekonombank – and a state-owned nanotechnology corporation. While initially envisaged on a fairly modest scale, such instruments have rapidly been expanded and were the primary beneficiaries of extra federal spending. Given the risks associated with Russia's current heavy reliance on natural resources, the determination to address development bottlenecks is understandable. The authorities appear, however, to be in a hurry: the government claims that such activist policies could lead to a doubling of the high-tech sector's share in GDP by 2020 and to a halving of the oil and gas share. This haste risks doing more to impede the kind of structural change Russia needs than to accelerate it, since massive spending increases without pro-competitive framework regulations will simply distort markets and waste resources. These risks are further amplified by the continued expansion of state ownership.

After accelerating this year, growth is projected to moderate gradually

Strong investment has improved the supply capacity of the economy. Growth will remain very robust over the projection period, but will gradually moderate as domestic demand slows down and the impulse from past terms-of-trade gains diminishes. Household income growth, while decelerating, will still benefit from improving labour market conditions. The current exceptional rates of investment growth are unlikely to be sustained in the absence of improvement in the business climate and, as real appreciation might accelerate, the tradable sector will struggle to maintain competitiveness. At the same time, export performance in volume terms will not improve much, and the negative contribution of net exports to real GDP growth will keep increasing. The projected slowing in global food price growth in 2008 would reduce inflationary pressure. In addition, the contribution to money supply growth from the current account surplus is expected to decline over the projection period. Achieving further disinflation is, however, likely to be difficult in the short run given the lagged effect of the recent acceleration of M2 growth and the still expansive fiscal policy planned for next year.

There are downside risks linked to state intervention

Barring a very sharp adjustment up or down in the oil price, the extent to which greater state intervention in key sectors of the economy will affect the business environment constitutes the major source of uncertainty. So far, investor confidence does not appear to be flagging, and foreign direct investment inflows have risen steadily this year, as profitability prospects remain attractive. On the other hand, Russia has been affected by the financial market turbulence this summer and the re-pricing of risks means that access to foreign borrowing – which is expanding rapidly – might become more costly. Capital flow volatility also means that the conduct of monetary policy might become even more challenging.

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Chapter 3

CORPORATE SAVING AND INVESTMENT: RECENT TRENDS AND PROSPECTS

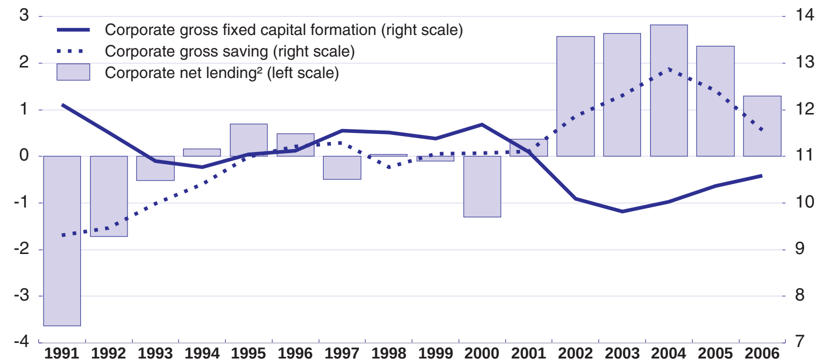
Introduction and summary of the main results

Since 2001, OECD corporate net lending has risen sharply

For the aggregate OECD corporate sector, the excess of gross saving over fixed investment (*i.e.* net lending) has been unusually large since 2002, even allowing for the recent fall (Figure 3.1). Indeed, while attention has increasingly focussed on the emergence of global financial imbalances and a possible global "saving glut",[1] aggregate OECD corporate net lending rose slightly more over 2001-05 than the aggregate external surplus of the emerging market economies (2% of OECD GDP against 1½ per cent of OECD GDP) (Figure 3.2).[2] To the extent the household sector does not fully "pierce the corporate veil", the rise in corporate saving that has driven the run-up in net lending will have contributed to low global interest rates.[3]

Figure 3.1. **OECD corporate net lending**[1]

As a percentage of GDP, in current dollars



1. Aggregates include Australia, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, United Kingdom and United States. For Japan and Denmark in 2006, estimates based on Economic Outlook 82 database.
2. Net lending is not equal to the difference between gross saving and gross fixed capital formation. It is also affected by changes in inventories and capital transfers. These can be important, as for Germany in 1995 and Japan in 1998.

Source: OECD Annual National Accounts, national sources and OECD calculations.

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1. See Bernanke (2005).
2. Detailed information on corporate accounts is not yet available for 2006 for some countries, notably Japan. In most other cases it became available only recently and could not be used for the econometric analysis. Therefore this chapter focuses on the 2001-2005 period, notably as concerns OECD aggregates. Where available, the data for 2006 is included in individual country charts.
3. To the extent rising corporate saving has been a driver of the fall in household savings rates, and provided high corporate saving is expected to persist, this would provide greater confidence in the sustainability of what otherwise appear to be unusually low household saving rates in many OECD countries.

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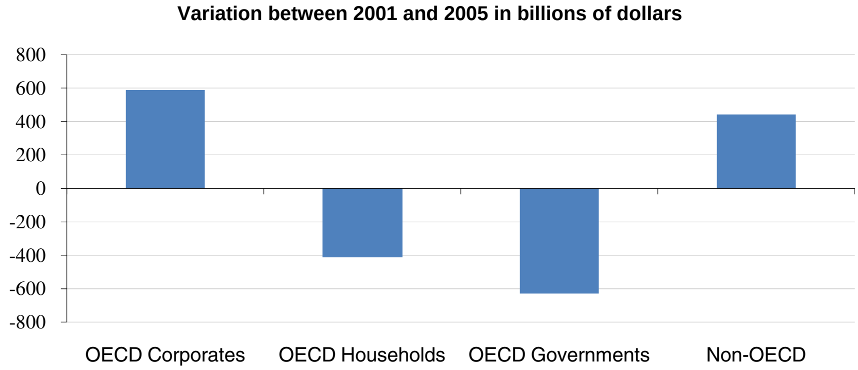
Figure 3.2. **Change in net lending: a global perspective**



Source: OECD Economic Outlook 82 database and OECD Annual National Accounts.

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A rough and ready decomposition suggests…

Against this background this chapter examines various facets of corporate net lending with a view to understanding some of the main forces at play behind the recent run-up and providing some insight into whether and how they might possibly unwind in the future, a process that may already be underway. To this end, it attempts to identify cyclical, other transitory and trend influences on corporate net lending, distinguishing, in successive sections, between those phenomena which appear common across most OECD countries, and those which appear more country-specific. An attempt is made to keep a crude running score-card of these transitory and more long lasting contributions (Table 3.1). The focus of the chapter is on the seven major economies, which have made a large contribution to the increase in total OECD corporate net lending, but other country experiences are also mentioned. China, where corporate net lending has also increased sharply over the recent past is covered separately in Box 3.1. The main findings of the chapter are:

… that the increase is partly temporary…

- No more than half of the increase in corporate net lending over the period 2001 to 2005 is likely to be persistent (Table 3.1).

… with some of it likely to fade with the cycle and…

- A factor contributing to the recent buoyancy in net lending has been the simultaneous pick-up across both financial and non-financial sectors in many countries, whereas in the past such movements have typically been poorly correlated. High net lending in the non-financial sector has been partly driven by the cyclical downturn since 2001; with output gaps continuing to close after 2005 this transitory effect is fading.

… the ongoing adjustments in the financial…

- Movements in financial sector net lending appear to be better explained by financial variables such as broad money growth and real house prices, rather than by the business cycle. The financial sector, in terms of its value added in the economy, has contributed disproportionately to the increase in net lending (about ½ per cent of OECD GDP over the period 2001-05). This positive contribution to aggregate net lending is likely to be lowered substantially both because it was based on unusual

Table 3.1. **Contributions to increase OECD corporate net lending over period 2001-05**

Percentage points of GDP

	Magnitude of effect (% of OECD GDP)	Transitory or long-lasting effect
TOTAL	**2.0**	
Contribution by country		
United States	0.6	Some partial reversal likely
Japan	0.8	Unclear, more likely to fall
Germany	0.3	Likely to persist
United Kingdom	0.4	Some partial reversal likely
Others	-0.1	
Contribution by macroeconomic effects [1]		
Effect of business cycle	0.5	Transitory
Effect of financial variables	0.6	Probably mostly transitory
Contribution by sector to operating surplus		
Contribution of financial sector	0.4	Probably mostly transitory
Contribution of housing-related sector[2]	0.3	Probably mostly transitory
Total operating surplus	1.1	
Contribution by accounting concept		
Effects through higher corporate saving		
Effect of lower interest payments	0.8	Some partial reversal likely
Effect of increased property income	0.7	Probably long-lasting
Effect of lower inflation	0.1	Long-lasting
Total from higher corporate gross saving	1.2	
Effects through lower corporate investment		
Lower investment goods relative prices	0.5	Possibly permanent
Total through lower corporate investment	0.9	

Notes: The results are derived from different analyses, which are not mutually exclusive. This means the individual effects cannot be meaningfully summed.

1. For details, see André *et al.* (2007).
2. The contribution of the construction sector and real estates services, including imputed rent.

Source: OECD calculations

StatLink http://dx.doi.org/10.1787/162185270868

financial buoyancy and because financial turmoil negatively affects profits of financial institutions.

… and housing sectors

- Construction, real estate and housing sectors have also added significantly to the increase in corporate net lending in many countries (in aggregate about 0.3% of OECD GDP). Also this effect is likely to dissipate in the future as the housing correction continues in the United States and housing booms come to an end elsewhere.

Higher saving and lower investment contributed to the increase

- Rising corporate net lending as a share of GDP reflected both falling corporate investment and increasing corporate saving shares. An important part of the recent apparent weakness in corporate investment relative to GDP can be explained by the current business cycle. Other possible explanatory factors, which appear to be more structural in nature, and therefore more long-lasting, include: the ongoing decline in the relative price of capital goods; in some countries, lower trend growth and depreciation rates; and net foreign investment (FDI) abroad, which appears to have increased since 2000. Corporate

Box 3.1. **Corporate saving and investment in China**

Since the early 2000s, profits of the corporate sector in China have risen markedly. Survey data show that companies in the industrial, retail, wholesale and construction sectors have seen their after-tax profits rise by about 6% of GDP between 2003 and 2006 (see Table).[1] Profits have also been increasing rapidly in the banking and telecommunication sectors. Most of the gains in corporate profits have translated into an increase in retained earnings (gross saving), as dividend payout ratios are extremely low for the corporate sector as a whole.[2]

Selected indicators of saving and investment in the Chinese economy

Percentage of GDP

	2003	2004	2005	2006	Change from 2003 to 2006
Corporate profits (selected sectors)	6.8	8.5	9.4	12.6	5.8
General government net lending	-0.9	0	0.2	1.1	2
Gross fixed capital formation	39.2	40.6	41.5	42.7	3.5
Current account surplus	2.8	3.6	7.2	9.5	6.7

Source: National Bureau of Statistics, State Administration of Foreign Exchange, CIEC, OECD calculations.

StatLink http://dx.doi.org/10.1787/162415402810

Outside the corporate sector, net lending by the general government sector rose by 2% of GDP between 2003 and 2006, with estimates suggesting that gross government saving increased only modestly more.[3] Household saving rates are high, at 32% of disposable income (according to survey data) and a bit less than 17% of GDP, and appear to have increased only modestly between 2003 and 2006. National accounts data suggest that investment increased by 3½ per cent of GDP between 2003 and 2006.[4] With saving rising more than investment, the current account balance rose from 2¾ per cent of GDP in 2003 to an estimated level of 9½ per cent of GDP in 2006. There are indications that in 2007 corporate profits have continued to soar and to drive national saving and the current account surplus.

1. The currently published official sectoral accounts stop in 2003 and do not appear to take into account the large revision made to GDP as the result of the Economic Census. An attempt at updating the sectoral income and expenditure balances was made by Barnett and Brooks (2006).
2. Just over half of listed companies pay no dividends and dividends paid by state-controlled listed companies accrue to holding companies which, in turn, pay no dividend to their ultimate shareholder, national or local governments.
3. The government revenue and spending statements do not present figures for government fixed capital investment or capital transfers and so do not permit the calculation of saving. As a benchmark calculation, total government spending rose by 0.9% of GDP between 2003 and 2006 and if the share of investment and capital transfers remained stable at around one third of total spending, public investment would have increased by about 0.3% of GDP.
4. Estimated as a residual, saving by households seems to have increased at most by 2% of GDP between 2003 and 2006 (where the residual = gross investment + current account – gross saving of the corporate sector – gross saving of the government sector). This residual includes, however, not only household saving but also unmeasured corporate profits, mis-measurement of investment and differences between the income and expenditure measures of GDP.

saving was mainly driven by increasing profit shares in most countries, possibly related to a degree of wage moderation, and lower interest charges. Dividends generally did not rise in line with profits, and in some cases fell relative to profits. In a few countries, corporate profits were channelled to shareholders *via* share buybacks. Looking forward, the factors described above as mostly transient are likely to fade, but other structural factors behind higher net lending, such as a degree of wage moderation, may persist for some time.

Cross-country differences have reflected…

- Although corporate net lending rose over this period in the large majority of countries, variation was considerable (Figure 3.3). Japan, Germany and the United Kingdom experienced above average increases in corporate net lending, while in France and Italy, corporate net lending has not risen at all.

… competitiveness in Japan…

- ❖ In the case of Japan, the increase represents a continuation of trend recovery in corporate balance sheets from the financial crisis of the early 1990s which has been further boosted by sustained gains in competitiveness.

… as well as in continental Europe…

- ❖ For Germany, on the one hand, and France and Italy, on the other, an important factor behind the development in corporate net lending has been, respectively, sustained improvement or deterioration in competitiveness that has affected profitability.

… while in the United Kingdom, the financial sector played a large role

- ❖ The increase in corporate net lending has been particularly strong in the UK financial sector, in relation with the United Kingdom's importance as an international financial centre.

The forces behind the increase in aggregate OECD corporate net lending

Assessing the influence of output and financial cycles

The activity cycle accounts for ¼ of increased net lending

Corporate net lending has been historically high since 2002 as a result of cyclical, other transitory and trend influences. As regards the influence of the cycle, coefficient estimates from panel regressions suggest that a decrease in the output gap (*i.e.* more slack) by 1 percentage point is associated with an increase in corporate net lending by ½ per cent of GDP. On this basis, up to one quarter of the overall increase in aggregate OECD corporate net lending of 2 percentage points of GDP between 2001, the year after the cyclical peak for the OECD as a whole, and 2005, when output had still not fully recovered, might be attributed to the influence of the cycle.[4]

Another fifth is due to financial sector buoyancy

Over and above the normal influence of the cycle, financial-sector buoyancy appears to have boosted corporate net lending (Figure 3.4). About one-fifth of the overall increase in corporate net lending over the 2001-05 period stemmed from the financial sector, even though the financial sector accounts for less than 10% of value added. Panel regressions of financial sector net lending identify a role for the ratio of house prices to rents and broad money growth relative to GDP growth whereas no impact could be identified for the output gap.[5]

4. See André *et al.* (2007) for more details.
5. The results, however, remain conjectural because many of the financial variables come out significantly and with the expected sign for only a sub-group of countries (which usually included the United States, the United Kingdom, Canada and Australia). See André *et al.* (2007) for more details.

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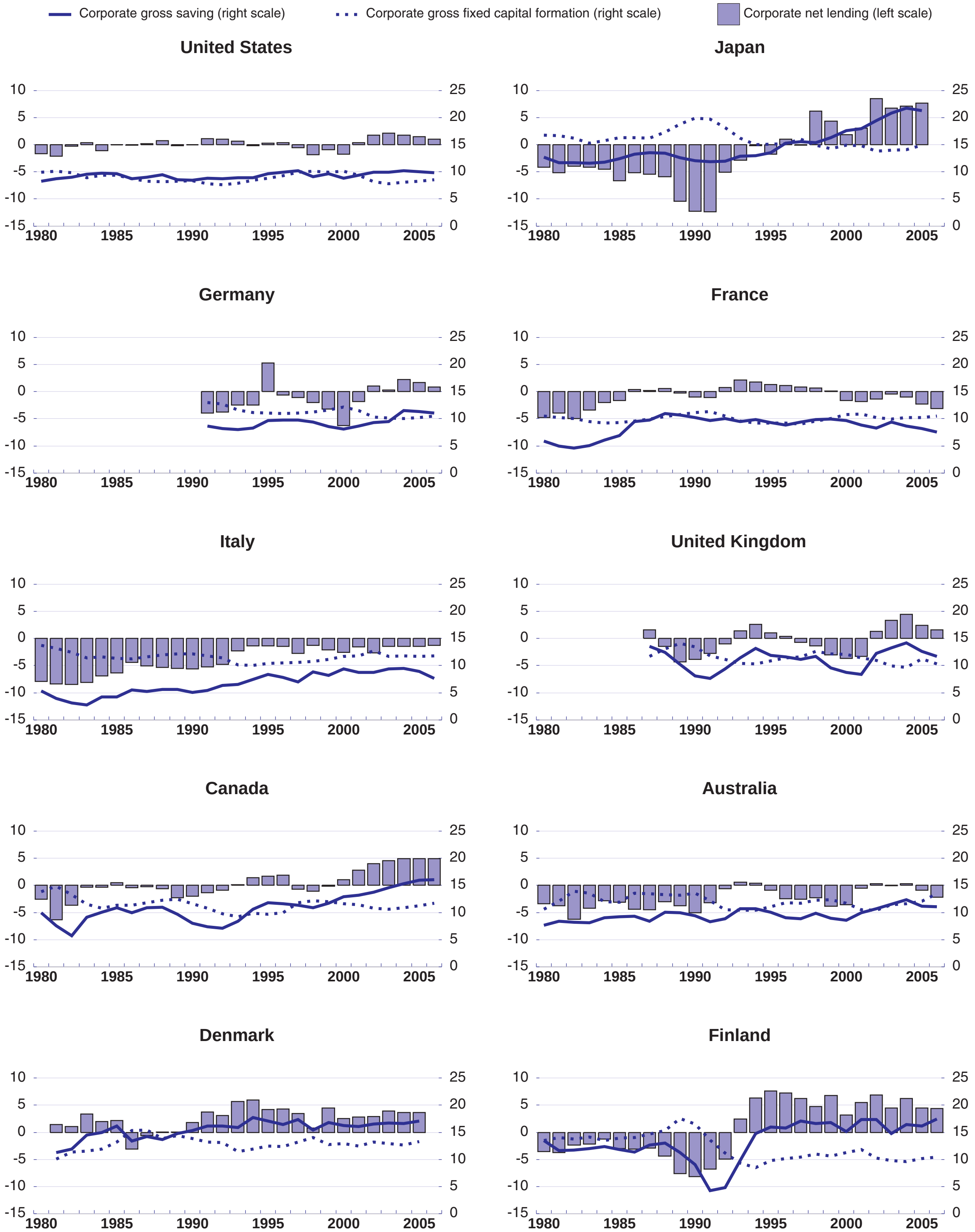
Figure 3.3. **Net lending of corporations**

Per cent of GDP



1. Net lending is not equal to the difference between gross saving and GFCF. It is also affected by changes in inventories and capital transfers. These can be important, as for Germany in 1995 and in Japan in 1998.

Source: OECD Annual National Accounts and national sources.

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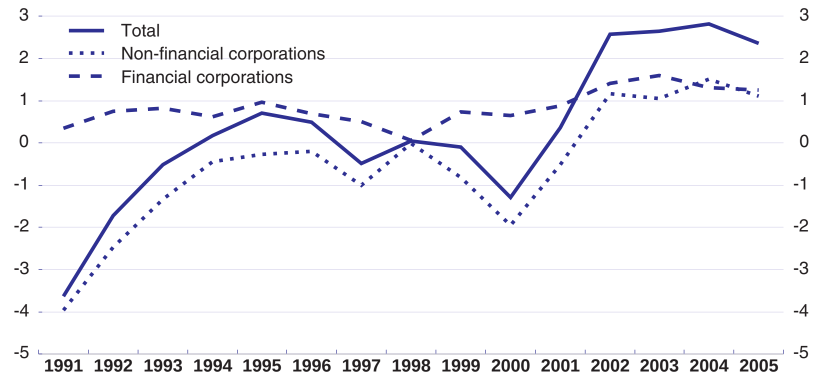
Figure 3.4. **OECD financial and non-financial corporate net lending**[1]



1. Aggregates include Australia, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, United Kingdom and United States.

Source: OECD Annual National Accounts, national sources and OECD calculations.

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The correlation of cyclical and financial effects is unusual

The confluence of the cyclical and financial effects, together accounting for a rise in corporate net lending of about 1% of GDP, is atypical. Historically, net lending in the financial and non-financial sectors has not been strongly correlated.[6] In any case, a normalisation of the cyclical situation, a return of velocity to its long-term trend and a fall of house price-to-rent ratios to historical norms would, on the basis of the estimated equations, lead to a drop in corporate net lending of nearly 1% of GDP compared with its 2005 level.

Longer term factors have also played a role

In addition to cyclical and financial effects, there have been other factors, some of them accounting for a possible long-term increase in net lending, as reflected in time trends and/or shift variables in panel regressions of corporate net lending. In order to analyse the possible reasons for these trends, and so provide some insight into whether they will continue, it is useful to distinguish between gross corporate saving and gross fixed capital formation, noting that the increase in OECD corporate net lending between 2001 and 2005 reflects a roughly equivalent rise in gross saving and fall in gross fixed capital formation (Figure 3.1, above).

Identifying factors behind the increase in gross saving

The increase in the profit share may be long lasting

An important long-term influence seems to come from a general shift in profit shares. Corporate gross operating surplus as a share of GDP rose by 1¼ per cent of GDP over the period 2001-05, broadly similar to the rise

6. Of the ten countries considered here, the correlation is positive and significant (at the 5% level) for only three countries (Japan, the United Kingdom and Canada). Conversely, there appears to be much greater co-movement in the net lending of the non-financial sector across countries, and similarly for the financial sector, at least among the larger countries. Across 45 pair-wise country comparisons, non-financial corporate net lending is significantly positively correlated in over two-thirds of cases.

in corporate saving. Much recent research suggests that the shift in income distribution towards profits can be ascribed to globalisation, technological change and wage moderation, the latter being at least in part linked to the former two influences.[7] These global trends have accelerated in the recent period and wage moderation explains to some extent the increase of the OECD aggregate operating surplus since 2001.

Higher net property income has also contributed to saving

Lower net interest payments and higher property income have also contributed to the trend increase in corporate gross saving. The fall in net interest payments reflected the combination of further declines in interest rates and the de-leveraging of corporate balance sheets after high indebtedness in the late 1990s. The positive contribution of net property income reflected to some extent an increase in profits from abroad.[8]

The effect of inflation is now marginal

Correcting the corporate gross saving ratio of non-financial corporations for inflation gains (as it erodes the real value of their nominally denominated liabilities) changes historical profiles significantly; in particular gross saving would be increased substantially in the 1980s, and the long-term upward trend in a number of countries would tend to flatten or even be reversed.[9] However, in the first half of the current decade, adjusting for inflation has not had a significant effect on trends in countries' gross saving ratios,[10] with corrections for inflation raising or reducing the change in profits over 2001-05 by around 0.2% of GDP in the largest countries.

The impact of taxes on gross savings changed over time

At the OECD aggregate level, lower taxes (as a per cent of GDP) supported gross saving until 2002-03, after which, tax payments rose more quickly than profits, likely reflecting the progressive exhaustion of carry-over provisions for past losses and greater limits on tax sheltering activities. Since then, government accounts for 2006 and preliminary data for 2007 suggest that corporate income tax receipts have exhibited further buoyancy in most OECD countries.[11]

Global forces behind lower investment ratios

Investment has been weak

Lower corporate investment as a per cent of GDP accounts for half of the increase in OECD aggregate corporate net lending from 2001 to 2005. Investment spending declined sharply as a share of GDP in the early 2000s and has since recovered only slowly (Figure 3.1 above) remaining well below its 2001 level in 2005.

7. See Molnar *et al.* (2007), IMF (2007), OECD (2007), Ellis and Smith (2007), and Hornstein *et al.* (2007).
8. The net property income item includes dividends received (but is not net of those paid) from both national and foreign sources, reinvested earnings on foreign direct investment, primary incomes received from the investment of insurance technical reserves. In some countries, notably Japan and Italy where cross-shareholding is important, the rise in this income source was also due to an increase in dividend payout ratios (see below) reflecting the asymmetric treatment of dividends received (included) and paid (not included).
9. See André *et al.* (2007). Due to limited data availability on corporate sector balance sheets, it is only possible to adjust long term trends in three of the seven major OECD economies.
10. See as well Box 1 in IMF (2006).
11. See Chapter 1, "General Assessment of the Macroeconomic Situation".

Lower relative prices of capital goods reduced investment ratios

An important influence on corporate investment over recent decades has been the well-documented fall in the relative price of investment goods, which can be partly explained by the growing importance of computers, semiconductors and software in combination with their rapidly falling prices starting in the 1980s. The implication is that firms over this period were able to increase real investment with lower nominal outlays. In the absence of such a fall in prices, and for the same real investment path, investment ratios (in nominal terms) would have shown an upward trend in most countries, or downward trends would at least have been moderated (for Germany and Japan). This phenomenon has also affected investment ratios over the first half of the current decade.[12] For the major seven countries, about half of the fall in the ratio of nominal business investment to GDP can, in an accounting sense, be attributed to lower relative prices (Table 3.2), the other half reflecting lower real investment.

Table 3.2. **The effect of changes in the relative price of capital goods on investment-to-GDP ratios**

2001-05, percentage points

	Change in I/GDP (nominal)	Change in I/GDP assuming constant relative price of investment
United States	-1.3	-0.9
Japan	0.1	0.3
Germany	-1.3	-0.6
France	-0.7	-0.2
Italy	0.0	0.1
United Kingdom	-1.5	-0.6
Canada	-0.2	1.2
Total (weighted by GDP)	-1.0	-0.5

Source: OECD calculations

StatLink http://dx.doi.org/10.1787/162226287056

Lower user cost of capital did not spur domestic capital deepening…

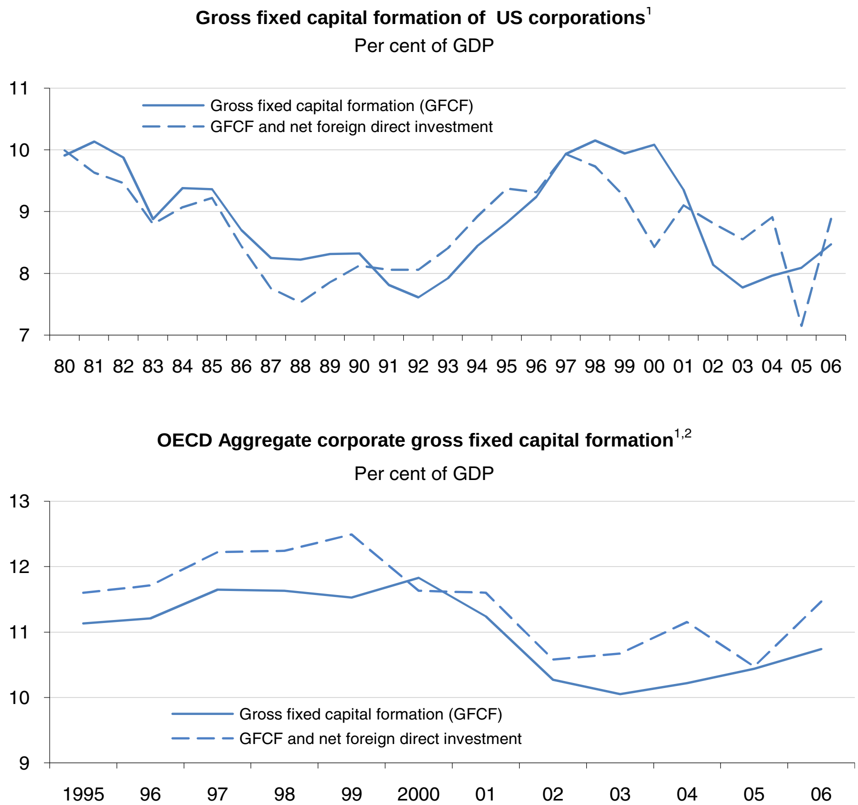
The decline in the relative price of investment goods, however, raises other questions. Coupled with the low interest rates and healthy equity markets seen over most of this period, the user cost of capital has been lowered as well, which in turn should have encouraged capital deepening. The opposite has been the case. This may possibly be due to previous over-accumulation of capital. Another possible explanation, at least for some countries, is that potential growth rates have declined over the past half decade compared with the 1990s in several of the major economies, implying less need for investment.[13]

12. In the United States for instance from 2000 to 2006 the price of non-residential investment increased by 6.3% compared with 16% for the GDP deflator. The price of structures increased by 50% while the price of information processing equipment and software declined by 20% and the price of other investment (industrial equipment, transportation equipment, other equipment) increased by 10%.
13. Analysis provided in André *et al.* (2007), suggests, however, that this explanation holds only for a few countries (Italy, Japan, and to a lesser extent Germany).

... while corporations invested more abroad

Decisions to invest in assets other than domestic physical capital may be the counterparts of some of the observed investment patterns. In particular, foreign direct investment may have been a substitute for domestic fixed capital formation.[14] Adding such flows to domestic investment suggests that some of the increased net lending in the OECD has been used to fund direct investment abroad since 2001 (Figure 3.5).[15]

Figure 3.5. **Gross fixed capital formation and foreign direct investment**



1. In 2005, net foreign direct investment of US corporations is reduced by 1.5 percentage point of GDP as a temporary effect of tax legislation. The impact on aggregate OECD net foreign direct investment is about 0.6 percentage point of GDP.
2. Aggregates include Australia, Austria, Canada, Czech Republic, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Poland, Spain, United Kingdom, United States.

Source: OECD Annual National Accounts, OECD Main Economic Indicators and IMF International Financial Statistics.

StatLink http://dx.doi.org/10.1787/162317661744

14. Among others, Moëc and Frey (2006) make this point in the case of the United States. In addition to fixed investment abroad (either green-field investment or fixed investment in existing structures), FDI flows include acquisitions of companies abroad.
15. The 2005 drop in US net outflows was triggered by changes in tax legislation (the American Jobs Creation Act of 2004) that reduced the rate of taxation on US multinational enterprises' qualifying dividends from abroad for one year. As a result, the distributions of earnings from foreign affiliates to parents in the United States increased in 2005 while earnings reinvested in affiliates abroad were reduced by a similar amount.

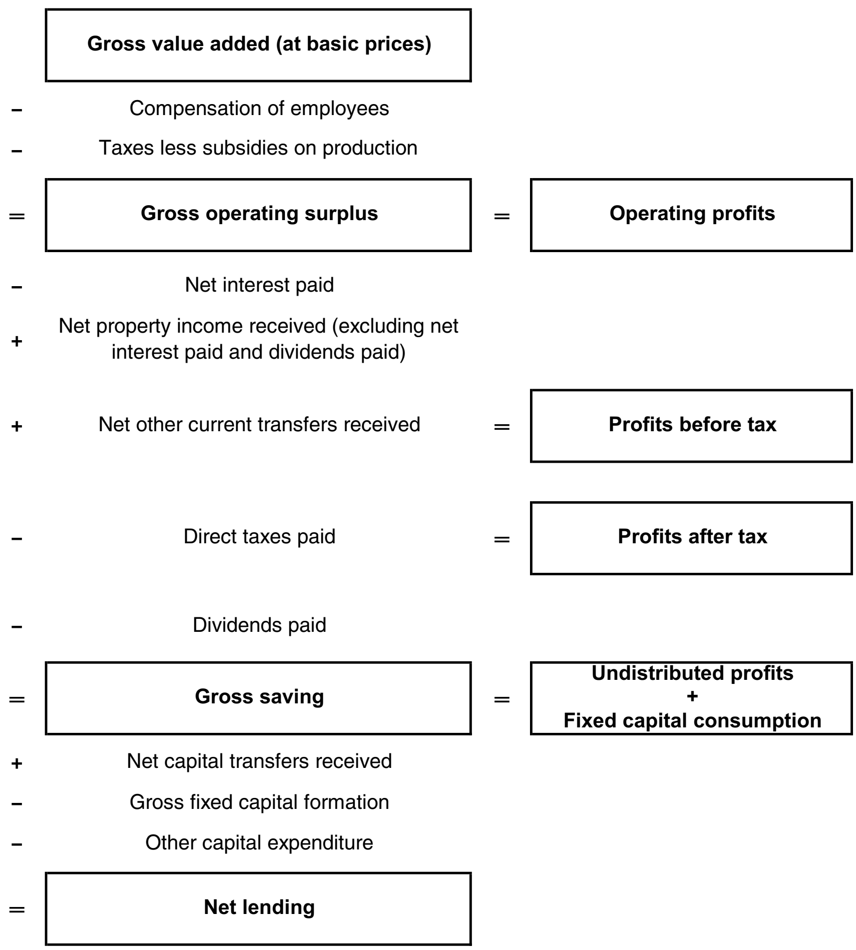
This is especially true for the United States where domestic investment has lagged the most (see next section).

The forces shaping cross-country differences

The bulk of the increase in net lending comes from four countries

The increase in aggregate OECD corporate net lending hides heterogeneous country patterns in both saving and investment (Figure 3.3, above). Disproportionate contributions to high net lending have come from Japan, Germany and the United Kingdom, which together contributed over three-quarters of the increase in OECD corporate net lending over the period 2001-05 (while accounting for less than one quarter of OECD GDP), with Japan accounting for around 40%. The United States also made a large contribution to the overall change in OECD corporate net lending, but this was mainly by virtue of its size rather than because of an exceptional change in corporate net lending. Conversely, net lending declined in some other countries (including France and Italy).

Figure 3.6. **Main concepts used to describe corporate sector accounts**



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Some factors behind the increase are country specific

In the case of Japan, the increase in net lending represents a continuation of a trend which has underpinned a sustained recovery in corporate balance sheets from the financial crisis of the early 1990s and which has been further boosted by gains in competitiveness since 2000.[16] In the United Kingdom the increase in corporate net lending has been particularly large in the financial sector. For Germany, an important factor behind the improvement in corporate net lending has been the continued gains in competitiveness since the mid-1990s that has boosted profitability. By the same token, deteriorations in competitiveness have held back net lending in Italy (since the mid-1990s) and France (since 2000). As well, the contribution of individual countries to higher net lending has taken different forms, in the sense that it came from different sectors of the economy or from different components of net lending. These are further assessed by examining the components of net lending (Figure 3.6).

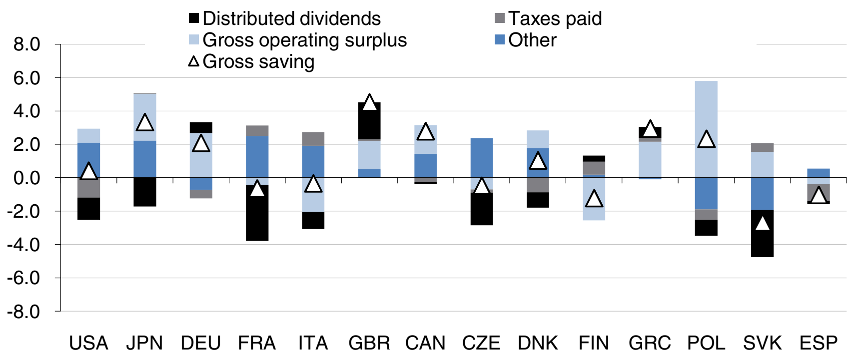
Cross country differences in the evolution of gross saving

Global factors drove increases in the gross operating surplus

Cross country differences in the evolution of gross corporate saving over the past half decade have tended to reflect to a large extent those of the gross operating surplus (Figure 3.7). Such differences across countries are likely to be due to countries' exposure to already mentioned global factors (accelerated globalisation and technological progress), presumably depending on institutional framework conditions (such as product and labour market regulations), as well as the sectoral composition of their economies.[17]

Figure 3.7. **Breakdown of the change in corporate gross saving (2001-05)**

Per cent of GDP



Note: Other consists of net property income and other transfers received less net interest paid.

Source: OECD Annual National Accounts and national sources.

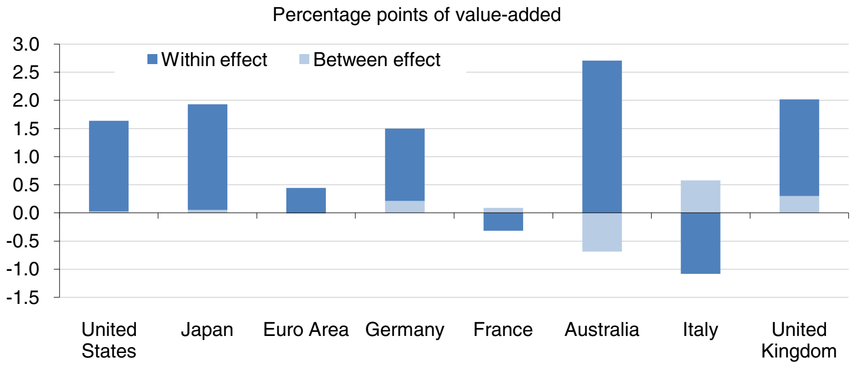
StatLink http://dx.doi.org/10.1787/162336126880

16. The econometric analysis presented in André *et al.* (2007) suggests that improvements in international manufacturing competitiveness (a fall in relative unit labour costs) have a positive impact on profitability (saving) and hence net corporate lending in some countries.
17. Another potential source of country differences is the extent of the reliance on stock options as a part of employees' remuneration and its change over time. Labour costs, as measured by the national accounts, tend to underestimate the costs of stock options which are recorded only at the time they are exercised. However, no exhaustive cross country data are available to assess the magnitude of their impact.

Sector composition and competitiveness shaped cross-country differences

A breakdown of the profit share (gross operating surplus as a per cent of GDP) into effects due to changing profitability within sectors and those due to changing sectoral composition shows that cross-country differences over the first half of the current decade have been mainly driven by within-sector effects (Figure 3.8).[18] Looking at the changes in more detail, the contribution of the manufacturing sector is where differences across countries are most striking (Figure 3.9), reflecting to a large extent the evolution of competitiveness; the manufacturing gross operating surplus has risen strongly in Japan and Germany where there have been continued improvements in competitiveness, whereas the

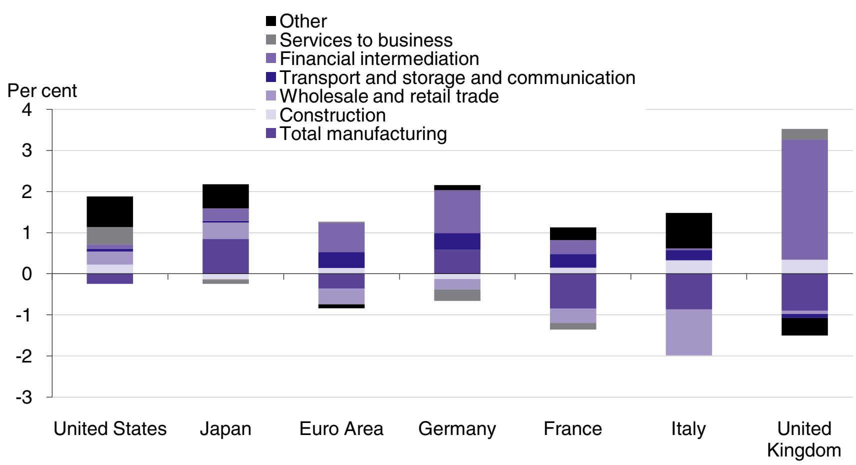
Figure 3.8. **Contribution of within and between sector effects to the change in the gross operating surplus (2001-04)**



Source: EU-KLEMS and OECD calculations.

StatLink http://dx.doi.org/10.1787/162348252457

Figure 3.9. **Contribution of the sectors to the change in the gross operating surplus (2001-04)**



Source: EU-KLEMS and OECD calculations.

StatLink http://dx.doi.org/10.1787/162356551827

18. Due to data limitations such a detailed sectoral analysis is only possible at the gross operating surplus level.

reverse has occurred in France and Italy. Other sources of cross country divergence come from the services to business that supported profits in the United Kingdom and the United States, and the extraction of crude petroleum and natural gas, and agriculture sectors that account for a large share of the increase in the United States (respectively 16 and 12%).

The role of the financial sector stands out in the United Kingdom

On the other hand, the financial sector and, to a lesser extent, the construction sector contributed positively to the aggregate rise in profits in most G7 countries. Once again, the United Kingdom stands out for the exceptionally strong contribution of the financial sector.

Dividend payouts were an important source of cross-country divergence

Dividends generally did not increase as fast as profits but there were also substantial cross-country differences in the extent to which dividends lagged profits and these were an important source of cross-country divergence in gross saving (Table 3.3). On the one hand, in the United States and in most continental European countries, dividend payout ratios increased over the period so that a large share of the additional profits was transferred to shareholders.[19] On the other hand, in

Table 3.3. **Dividend payouts in various OECD countries**

	Average payout 1995-2000[1]	Change in profits after tax 2001-2005	Marginal payout 2001-05[2]
United States	36%	38%	**51%**
Japan	8%	27%	**33%**
Germany	57%	12%	8%
France	45%	19%	**78%**
Italy	59%	18%	**92%**
United Kingdom	57%	35%	8%
Canada	16%	50%	4%
Australia	36%	41%	27%
Austria	45%	34%	34%
Denmark	22%	26%	**38%**
Finland	28%	6%	**48%**
Greece	32%	56%	0%
Netherlands	32%	38%	**88%**
Spain	29%	26%	**46%**

Note: The average payout 1995-2000 is defined as the sum of distributed dividends over 1995-2000 divided by the sum of profits after tax. The marginal payout 2001-05 is defined as the change in dividends between 2001 and 2005 divided by the change in profits before taxes between 2001 and 2005.

1. 1999-2000 for Spain.
2. Figures in bold indicate a large payout over the recent period.

Source: OECD calculations

StatLink http://dx.doi.org/10.1787/162242833651

19. In the United States, the increase in dividend payouts also reflects the reduction of the personal income tax rates on dividend income (in 2003 from 38 to 15%). Both for the United States and Europe there is evidence that over 1989-2003 the increase in aggregate dividends hides the fact that fewer companies paid dividends but the ones which paid some, paid more. See von Eije and Megginson (2006).

Germany, Canada, the United Kingdom and Greece (and to a lesser extent Austria and Australia) dividends grew much more slowly than profits, boosting undistributed profits and gross saving.[20] It is not clear at this stage in which countries changes in dividend payout ratios observed since 2001 are temporary and in which countries they reflect more structural changes in the behaviour of corporations. Where corporate saving is high and payout ratios have decreased, shareholders could demand a larger share of profits in the form of dividends. Dividends may in any case continue to be a potential source of net lending divergence within the OECD corporate sector.

In the United States and the United Kingdom buybacks were important

The use of share buybacks to channel funds to shareholders complicates the assessment. Share buybacks involve the exchange of cash against equity and therefore do not affect national accounts gross saving while the distribution of dividends would. Statistically, buybacks appear as a use of corporate saving rather than as an influence on saving. In the United States, several sources suggest that share buybacks have increased at least as fast as dividends. Share buybacks by S&P 500 companies, from 2001 to 2005, rose by 1.5% of GDP; *i.e.* as much as aggregate dividends paid and more than net lending of the whole corporate sector.[21] In a comparison of flow of funds data for non financial corporations, the United States stands out with a large increase in net purchases of equities that reflects net purchases of shares from other institutional sectors, as a result of share buybacks and mergers (Figure 3.10).[22] In the United Kingdom, flow of funds data also suggest that share buybacks played an important role.[23] This increase in share buybacks, in the United States and the United Kingdom, is likely to have

20. In the United Kingdom, this reduction may be a response to higher current and expected contributions to pension funds. Bunn and Trivedi (2005), using a large panel of quoted UK firms from 1983 to 2002, show that dividends are reduced in response to higher pension contributions. Companies that seek to tackle under-funding of defined benefit pension schemes by raising their contributions could pay lower dividends than they would have otherwise.
21. Several factors tend to make buybacks attractive. In several countries, capital gains are taxed less than dividends. Share buybacks give also discretion to shareholders to opt in or out and to managers to avoid increasing and then cutting dividends. Furthermore, buybacks are more likely when companies have distributed many stock options, both as a response to concerns regarding excessive dilution and because they potentially benefit the holders of options while dividends do not. Last, buybacks are also a signal that management believes the stock is undervalued. See for instance Legg Mason Capital Management (2006).
22. A major difference between this situation and that of the late 1990s, where net equity purchases were also important, is that corporations over the 2001-05 period did not borrow to fund equity retirements but instead relied more on savings. The holding of cash does not seem to have increased significantly in the United States, contrary to some widespread views.
23. Cash holdings (deposits and short-term assets, as well as a residual item to insure that the accounts add up) have tended to increase in many countries, most notably in the United Kingdom and Canada, which may reflect an increase in firm-level uncertainty, either due to general factors such as globalisation or more country-specific factors such as the degree of under-funding of company pensions.

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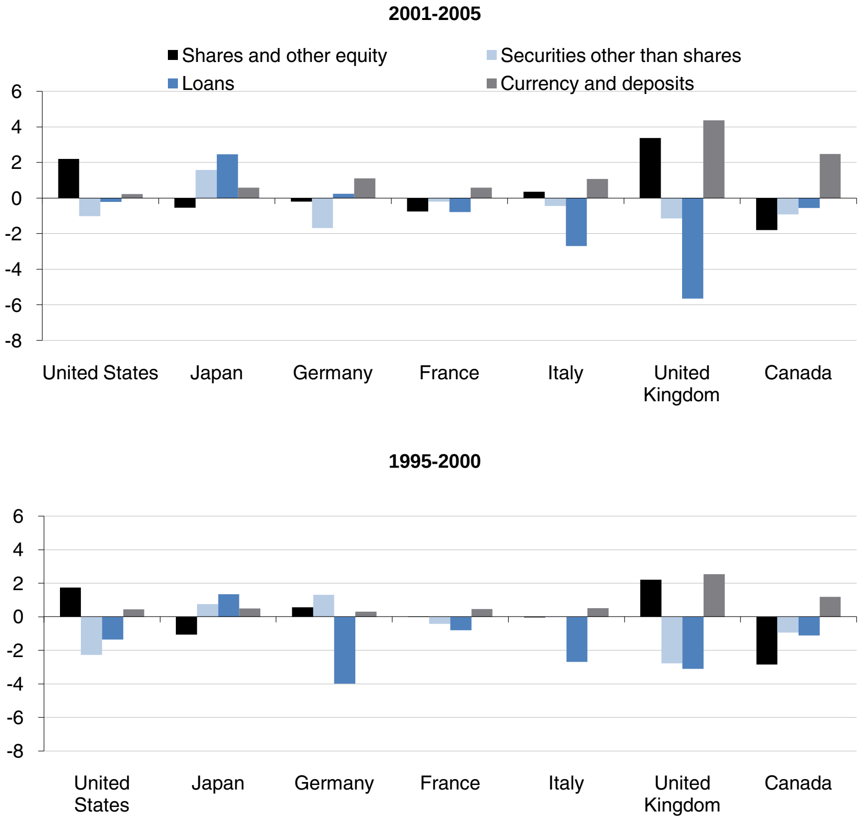
Figure 3.10. **Financial flows of non-financial corporations: selected items**

Annual average, per cent of GDP



Note: Excluded are insurance technical reserves, other accounts receivable and the statistical discrepancy.

Source: OECD National accounts and national sources.

StatLink http://dx.doi.org/10.1787/162374842637

an important cyclical component (when profits are increasing, share buybacks are a way to channel extra funds to shareholders without taking the risk of having to cut dividends if profits drop subsequently). In other countries, such operations have only been liberalised recently (in most cases in the late 1990s) and data are difficult to obtain. Some data suggest, however, that in the euro area buybacks have not increased significantly over 2001-05.[24]

Cross-country differences in the evolution of gross investment

Gross investment patterns are quite similar across countries

There is less heterogeneity across countries in the evolution of corporate investment ratios since 2001 than in the evolution of corporate gross saving ratios. In most OECD countries, investment spending as a percentage of GDP declined in the early 2000s and has since recovered only slowly. In 2005, it remained below its 2001 level in nearly all countries

24. See ECB (2007).

including the largest ones (Figure 3.3, above). Nevertheless, while in Japan, the United Kingdom, Germany and Canada it is higher gross saving that contributed most to the increase in net lending, in the United States it is lower investment.

The weakness of US investment during this cycle remains a puzzle

Indeed, the development of US business investment as a share of GDP from the most recent cyclical trough has lagged behind that in other countries as well as that experienced in earlier recoveries. Differences in the evolution of steady-state investment-to-GDP ratios due to changes in potential growth and depreciation rates do not seem to provide an explanation as to why investment has been particularly weak in the United States, compared both with other countries and previous US recoveries.[25]

The future evolution of corporate net lending and its implications

Looking forward, net lending is likely to reverse partly…

Looking forward, and based on the analysis presented here and summarised in Table 3.1 above, some of the factors that have driven aggregate OECD corporate net lending are likely to fade or reverse while others, that reflect structural changes in corporate behaviour and in their environment, are likely to persist. These developments may have implications for interest rates and, to the extent that cross-country differences in net lending impacted current accounts, something that is difficult to determine, there may as well be implications for global imbalances (Box 3.2).

Box 3.2. **The relationship of corporate net lending with other sectors**

Over the period 2001-05, the association between changes in corporate net lending and changes in external imbalances has been fairly tight (Figure). Countries with more marked increases in corporate net lending have generally experienced stronger improvements in their current account positions. Conversely, countries with decreasing, stagnating or modestly increasing corporate net lending typically experienced deteriorating current account imbalances. The reasons behind this correlation, which is stronger over this recent period than it used to be, are not entirely clear though some conjectures may be made.

Cross-country data show almost no relation between changes in household net lending and changes in corporate balances. That is, where corporate profits and saving have increased they have to a much lesser extent been ploughed back into domestic investment or generated commensurate increases in household spending, possibly suggesting difficulties in "piercing the corporate veil". Speculatively, concomitant changes in current account imbalances and corporate net lending may reflect ongoing financial globalisation trends. When it takes the form of increasing FDI flows, financial globalisation may weaken the link between domestic corporate saving and domestic investment. In this scenario, which is supported by some empirical evidence, increasing capital mobility jointly affects external balances and the national accounts measure of corporate net lending independently from changes in the relative strength of national saving. In addition, households with increasingly internationally diversified portfolios will respond less and less to domestic corporate saving and more and more to saving in the corporations they own abroad.

25. See André *et al.* (2007).

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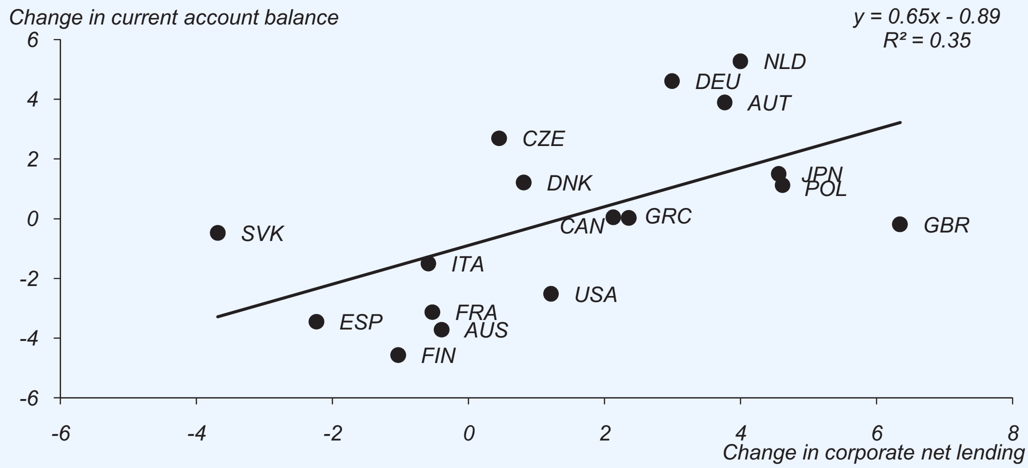
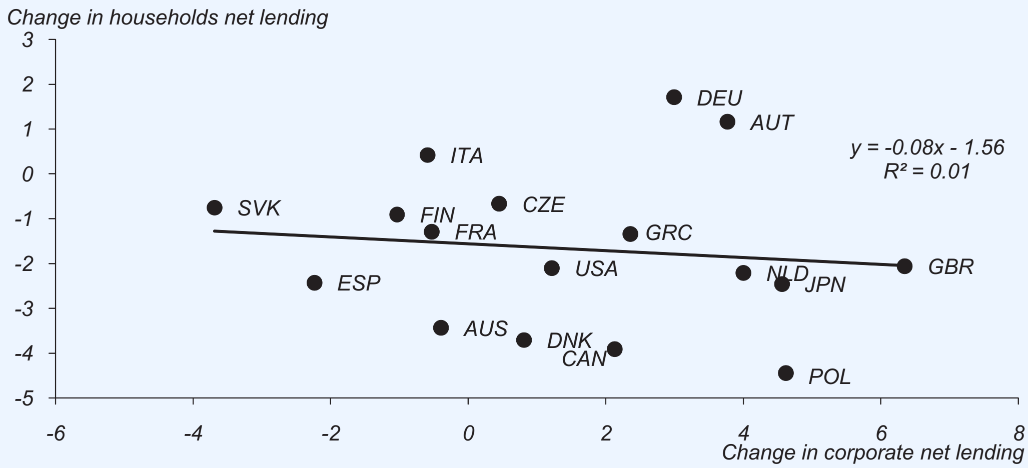
Box 3.2. **The relationship of corporate net lending with other sectors** *(cont.)*

The relationship between corporate and households net lending and the current account balance

Change between 2001and 2005 in percentage points of GDP





Source: OECD Annual National Accounts and national sources.

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... as saving decreases and investment accelerates

Recent information suggests that there has been a decline in aggregate OECD corporate net lending in 2006 (Figure 3.1 above). Based on the current *OECD Economic Outlook*, the immediate prospects are for a further modest fall in corporate net lending from that witnessed in 2006, due in the main to additional increases in business investment in Europe and Japan. The expected increase in labour costs would also reduce net lending, although only mildly. This scenario is also consistent with the recovery maturing in most economies, a point at which net lending has historically tended to slow or fall. It also supposes that commodity prices stabilise, putting a cap on further increases in profits in countries such as the United States (as well as the other major commodities producers such as Australia and Canada). The contribution of the corporate sector to global saving is therefore likely to decrease further in the near future.

But housing and financial turmoil may provoke stronger adjustments

The limited adjustment in corporate saving presented in this scenario may still underestimate the contraction of profits in the financial sector as a result of the financial turmoil, particularly where it contributed the most to the increase in profits.[26] This scenario may also underestimate the full impact of the on-going adjustment in the US housing market that affects profits both in the financial sector and in construction. The possibility of housing market adjustment in other countries is another downside risk to OECD corporate gross saving. On the other hand, the tightening of credit standards may slow corporate investment growth to a larger extent than expected.

26. According to recently released data for 2006, such an adjustment already started in 2006 in the United Kingdom, even before the 2007 financial turmoil.

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Policy influences on foreign direct investment

ISBN 978-92-64-04162-2
OECD Economic Outlook 82

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 2007 to 2009 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 rates for values and base-year exchange rates for volumes.

The OECD projection methods and underlying statistical concepts and sources are described in detail in documentation that can be downloaded from the OECD internet site:

- *OECD Economic Outlook* Sources and Methods (*www.oecd.org/eco/sources-and-methods*)
- *OECD Economic Outlook* Database Inventory (*www.oecd.org/pdf/M00024000/M00024521.pdf*)
- The construction of macroeconomic data series of the euro area (*www.oecd.org/pdf/M00017000/M00017861.pdf*)

Corrigenda for the current and earlier issues, as applicable, can be found at *www.oecd.org/document/53/0,2340,en_2649_33733_37352309_1_1_1_1,00.html*

NOTE ON NEW FORECASTING FREQUENCIES

OECD is now making quarterly projections on a seasonal and working day-adjusted basis for selected key variables. This implies that differences between adjusted and unadjusted annual data may occur, though these in general are quite small. In some countries, official forecasts of annual figures do not include working-day adjustment. Even when official forecasts do adjust for working days, the size of the adjustment may in some cases differ from that used by the OECD. The cut-off date for information used in the compilation of the projections is 20 November 2007.

Country classification

	OECD
Seven major OECD countries	Canada, France, Germany, Italy, Japan, United Kingdom and United States.
Euro area OECD countries	Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.
	Non-OECD
Africa and the Middle East	Africa and the following countries (Middle East): Bahrain, Cyprus, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates and Yemen.
Dynamic Asian Economies (DAEs)	Chinese Taipei; Hong Kong, China; Indonesia; Malaysia; the Philippines; Singapore and Thailand.
Other Asia	Non-OECD Asia and Oceania, excluding China, the DAEs and the Middle East.
Latin America	Central and South America.
Central and Eastern Europe	Albania, Bulgaria, Romania, the Newly Independent States of the former Soviet Union, and the Baltic States.

Weighting scheme for aggregate measures

Per cent

Australia	1.87	Mexico	3.29
Austria	0.84	Netherlands	1.65
Belgium	1.00	New Zealand	0.29
Canada	3.20	Norway	0.60
Czech Republic	0.56	Poland	1.50
Denmark	0.56	Portugal	0.69
Finland	0.49	Slovak Republic	0.21
France	5.77	Spain	3.11
Germany	7.69	Sweden	0.88
Greece	0.73	Switzerland	0.81
Hungary	0.46	Turkey	1.68
Iceland	0.03	United Kingdom	5.55
Ireland	0.40	United States	35.94
Italy	5.40	Total OECD	100.00
Japan	11.89	Memorandum items:	
Korea	2.81	Euro area	27.87
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	1936.27
Finland	5.94573	Luxembourg	40.3399
France	6.55957	Netherlands	2.20371
Germany	1.95583	Portugal	200.482
Greece	340.750	Spain	166.386

Source: European Central Bank.

National accounts reporting systems, base-years and latest data updates

In the present edition of the OECD Economic Outlook*, the status of national accounts in the OECD countries is as follows :*

	Expenditure accounts	Household accounts	Government accounts	Use of chain weighted price indices	Benchmark/ base year
Australia	SNA93 (1959q3-2007q2)	SNA93 (1959q3-2007q2)	SNA93 (1959q3-2007q2)	NO	2004/2005
Austria	ESA95 (1988q1-2007q3)	ESA95 (1995-2006)	ESA95 (1976-2006)	YES	2000
Belgium	ESA95 (1995q1-2007q2)	ESA95 (1985-2006)	ESA95 (1985-2006)	YES	2005
Canada	SNA93 (1961q1-2007q2)	SNA93 (1961q1-2007q2)	SNA93 (1961q1-2007q2)	YES	2002
Czech Republic	SNA93 (1996q1-2007q2)	SNA93 (1995-2006)	SNA93 (1995-2006)	YES	2000
Denmark	ESA95 (1990q1-2007q2)	ESA95 (1990-2005)	ESA95 (1990-2006)	YES	2000
Finland	ESA95 (1975q1-2007q2)	ESA95 (1975-2006)	ESA95 (1975-2006)	YES	2000
France	ESA95 (1978q1-2007q3)	ESA95 (1978q1-2007q2)	ESA95 (1978-2006)	YES	2000
Germany[1]	ESA95 (1991q1-2007q2)	ESA95 (1991-2006)	ESA95 (1991-2006)	YES	2000
Greece	ESA95 (2000q1-2007q2)	..	ESA95 (2000-2006)	NO	2000
Hungary	SNA93 (2000q1-2007q2)	..	SNA93 (2000-2006)	NO	2000
Iceland	SNA93 (1997q1-2007q2)	..	SNA93 (1993-2006)	YES	2000
Ireland	ESA95 (1997q1-2007q2)	SNA93 (1995-2005)	ESA95 (1990-2006)	YES	2005
Italy	ESA95 (1981q1-2007q2)	ESA95 (1999-2005)	ESA95 (1980-2006)	YES	2000
Japan	SNA93 (1994q1-2007q3)[2]	SNA93 (1980-2005)	SNA93 (1980-2005)	YES	2000
Korea	SNA93 (1970q1-2007q3)	SNA93 (1975-2006)	SNA93 (1975-2005)	NO	2000
Luxembourg	ESA95 (1995q1-2007q2)	..	ESA95(1990-2006)	YES	2000
Mexico	SNA93 (1980q1-2007q2)	..	..	NO	1993
Netherlands	ESA95 (1995q1-2007q3)	ESA95 (1987-2005)	ESA95 (1987-2006)	YES	2000
New Zealand	SNA93 (1987q2-2007q2)	..	SNA93 (1986-2003)	YES	1995/1996
Norway	SNA93 (1978q1-2007q2)	SNA93 (1996-2006)	SNA93 (1991-2006)	YES	2004
Poland	SNA93 (1995q1-2007q2)	SNA93 (1995-2005)	SNA93 (1999-2006)	YES	2000
Portugal	ESA95 (1995q1-2007q2)	ESA95(2000-2005)	ESA95 (1999-2006)	NO	2000
Slovak Republic	SNA93 (1993q1-2007q2)	SNA93 (1995q1-2007q2)	SNA93 (1993-2006)	NO	2000
Spain	ESA95 (1995q1-2007q2)	ESA95 (2000-2006)	ESA95 (1995-2006)	YES	2000
Sweden	ESA95 (1993q1-2007q2)	ESA95 (1993q1-2007q2)	ESA95 (1993-2006)	YES	2000
Switzerland	SNA93 (1981q1-2007q2)	SNA93 (1990-2004)	SNA93 (1990-2004)	YES	2000
Turkey	SNA68 (1987q1-2007q2)	..	..	NO	1987
United Kingdom	ESA95 (1955q1-2007q2)	ESA95 (1987q1-2007q2)	ESA95 (1987q1-2007q2)	YES	2003
United-States	NIPA (SNA93) (1960q1-2007q3)	NIPA (SNA93) (1960q1-2007q3)	NIPA (SNA93) (1960q1-2007q2)	YES	2000

Note: SNA: System of National Accounts. ESA: European Standardised Accounts. NIPA: National Income and Product Accounts. GFS: Government Financial Statistics. The numbers in brackets indicate the starting year for the time series and the latest available historical data included in this Outlook database.

1. Data prior to 1991 refer to the new SNA93/ESA95 accounts for western Germany data.

Annex Tables

Demand and Output

Wages, Costs, Unemployment and Inflation

Key Supply-Side data

Saving

Fiscal Balances and Public Indebteness

Interest Rates and Exchange Rates

External Trade and Payments

Other background Data

Annex Table 1. **Real GDP**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009
Australia	3.3	5.0	4.0	4.0	3.8	5.2	4.3	3.5	2.2	4.0	3.4	3.2	3.0	2.5	4.3	3.5	3.0	4.5	3.2	3.0
Austria	2.4	2.5	2.2	2.3	2.1	3.5	3.6	3.0	1.0	0.7	1.0	2.3	2.3	3.1	3.3	2.5	2.5	3.0	2.5	2.5
Belgium	2.2	3.2	2.4	1.0	3.5	1.8	3.3	3.9	0.7	1.4	1.0	2.8	2.0	2.9	2.6	1.9	2.0	2.2	2.0	2.0
Canada	2.6	4.8	2.8	1.6	4.2	4.1	5.5	5.2	1.8	2.9	1.9	3.1	3.1	2.8	2.6	2.4	2.7	2.9	2.5	2.9
Czech Republic	..	2.6	5.9	4.2	-0.7	-0.8	1.3	3.7	2.5	1.9	3.6	4.6	6.5	6.4	6.1	4.6	4.9	6.3	3.6	5.5
Denmark	1.8	5.5	3.1	2.8	3.2	2.2	2.6	3.5	0.7	0.5	0.4	2.1	3.1	3.5	2.0	1.7	0.8	2.0	1.2	0.6
Finland	1.2	3.6	3.8	3.6	6.2	5.3	4.0	5.0	2.6	1.6	2.0	3.7	2.9	4.9	4.2	2.9	2.6	2.6	3.3	2.1
France	2.2	2.2	2.3	1.1	2.2	3.6	3.2	4.0	1.8	1.1	1.1	2.3	1.7	2.2	1.9	1.8	2.0	2.1	1.7	2.0
Germany	2.8	2.7	2.0	1.0	1.9	1.8	1.9	3.5	1.4	0.0	-0.2	0.6	1.0	3.1	2.6	1.8	1.6	2.0	1.6	1.7
Greece	1.3	2.0	2.1	2.4	3.6	3.4	3.4	4.5	4.5	3.9	4.9	4.7	3.7	4.3	4.1	3.7	3.9	4.4	4.2	3.9
Hungary	..	2.9	1.5	1.3	4.6	4.9	4.2	5.2	4.1	4.4	4.2	4.8	4.1	3.9	1.8	2.6	3.8	1.7	2.9	4.3
Iceland	2.1	3.6	0.1	4.8	4.8	6.3	4.1	4.3	3.9	0.1	2.4	7.7	7.1	4.2	1.2	1.0	1.6	1.0	1.2	1.8
Ireland	3.9	5.8	9.6	8.3	11.7	8.6	10.9	9.4	5.9	6.4	4.3	4.3	5.9	5.7	5.2	2.9	4.2	5.0	4.1	4.3
Italy	2.3	2.3	2.9	0.6	2.0	1.3	1.9	3.8	1.7	0.3	0.1	1.0	0.2	1.9	1.8	1.3	1.3	1.1	1.3	1.3
Japan	3.7	1.1	2.0	2.7	1.6	-2.0	-0.1	2.9	0.2	0.3	1.4	2.7	1.9	2.2	1.9	1.6	1.8	1.3	1.7	1.9
Korea	8.4	8.5	9.2	7.0	4.7	-6.9	9.5	8.5	3.8	7.0	3.1	4.7	4.2	5.0	4.9	5.2	5.1	5.4	5.0	5.2
Luxembourg	6.1	3.8	1.4	1.5	6.0	6.6	8.4	8.0	2.7	4.1	2.1	5.0	5.0	6.0	5.2	4.9	4.1	..	..	..
Mexico	2.4	4.5	-6.2	5.1	6.8	4.9	3.9	6.6	-0.2	0.8	1.4	4.2	2.8	4.8	3.0	3.6	4.3	3.4	3.5	4.6
Netherlands	2.8	3.0	3.1	3.4	4.3	3.9	4.7	3.9	1.9	0.1	0.3	2.2	1.5	3.0	3.0	2.4	2.3	2.8	2.4	2.2
New Zealand	1.9	6.2	4.2	3.3	3.1	0.7	4.6	3.8	2.4	4.8	4.3	3.8	2.7	1.8	3.4	1.9	2.1	2.7	1.9	2.2
Norway	2.9	5.1	4.2	5.1	5.4	2.7	2.0	3.3	2.0	1.5	1.0	3.9	2.7	2.8	3.4	3.6	2.4	3.6	3.3	2.0
Poland	..	5.3	7.0	6.2	7.1	5.0	4.5	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.5	5.6	5.2	..	..	..
Portugal	3.2	1.0	4.3	3.6	4.2	4.8	3.9	3.9	2.0	0.8	-0.7	1.5	0.5	1.3	1.8	2.0	2.2	2.0	2.1	2.2
Slovak Republic	..	6.2	5.8	6.9	5.7	3.7	0.3	0.7	3.2	4.1	4.2	5.4	6.0	8.3	9.3	7.3	6.9	8.4	7.3	6.6
Spain	2.9	2.4	2.8	2.4	3.9	4.5	4.7	5.0	3.6	2.7	3.1	3.3	3.6	3.9	3.8	2.5	2.4	3.3	2.3	2.6
Sweden	1.5	3.8	4.1	1.4	2.5	3.6	4.3	4.4	1.2	2.0	1.8	3.7	2.9	4.5	3.4	3.2	2.6	3.5	2.8	2.5
Switzerland	2.0	1.2	0.4	0.6	2.1	2.6	1.3	3.6	1.2	0.4	-0.2	2.5	2.4	3.2	2.7	2.0	2.0	2.6	1.8	2.0
Turkey	5.4	-5.5	7.2	7.0	7.5	3.1	-4.7	7.4	-7.5	7.9	5.8	8.9	7.4	6.1	5.1	5.8	6.3	..	..	..
United Kingdom	2.4	4.3	2.9	2.8	3.1	3.4	3.0	3.8	2.4	2.1	2.8	3.3	1.8	2.8	3.1	2.0	2.4	2.9	1.7	2.9
United States	3.3	4.0	2.5	3.7	4.5	4.2	4.4	3.7	0.8	1.6	2.5	3.6	3.1	2.9	2.2	2.0	2.2	2.6	1.6	2.5
Euro area	2.5	2.5	2.5	1.4	2.6	2.7	2.9	4.0	1.9	0.9	0.8	1.8	1.6	2.9	2.6	1.9	2.0	2.2	1.9	2.0
Total OECD	3.1	3.3	2.6	3.0	3.6	2.6	3.3	4.0	1.1	1.6	1.9	3.1	2.6	3.1	2.7	2.3	2.4	2.6	2.1	2.6

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

These numbers are working-day adjusted and hence may differ from the basis used for official projections.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162425326762

Annex Table 2. **Nominal GDP**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	2008	2009
Australia	8.7	5.9	5.5	6.3	5.4	5.4	4.9	8.0	6.1	7.0	6.4	7.2	7.6	7.5	8.1	6.6	6.0	7.3	6.3	5.9
Austria	5.6	5.0	4.1	3.3	2.2	3.7	4.1	5.0	2.7	2.3	2.4	4.3	4.1	5.1	5.6	4.8	4.5	5.2	4.9	4.3
Belgium	5.7	5.4	3.6	1.7	4.5	3.9	3.6	5.9	2.7	3.3	2.7	5.3	4.4	5.0	4.6	4.5	4.1	5.0	4.3	4.0
Canada	5.9	6.0	5.1	3.3	5.5	3.7	7.4	9.6	2.9	4.0	5.2	6.4	6.5	5.2	6.3	5.0	4.8	7.8	4.4	5.0
Czech Republic	..	13.9	16.8	14.8	7.6	10.2	4.2	5.3	7.4	4.8	4.6	9.3	6.3	7.6	9.8	8.6	7.7	9.7	8.1	8.0
Denmark	5.4	7.1	4.4	4.9	5.3	3.4	4.3	6.6	3.2	2.8	2.0	4.2	6.3	5.8	4.0	4.7	3.7	5.0	4.3	3.5
Finland	5.9	5.1	9.0	3.2	8.6	8.8	4.8	7.9	5.6	2.9	1.5	4.2	3.3	6.5	5.7	4.9	4.1	4.0	5.1	3.7
France	5.8	3.6	3.6	2.7	3.2	4.5	3.3	5.5	3.8	3.5	3.0	3.9	3.5	4.5	4.1	4.0	4.1	4.3	3.9	4.2
Germany	5.7	5.2	3.9	1.5	2.1	2.4	2.2	2.8	2.6	1.4	0.9	1.7	1.7	3.7	4.5	3.5	3.6	4.0	3.5	3.6
Greece	19.1	13.4	12.1	9.9	10.7	8.8	6.5	8.0	7.3	7.7	8.7	8.2	7.2	7.7	7.1	6.7	7.3	7.2	5.5	8.3
Hungary	..	23.0	28.6	22.8	23.9	18.1	12.9	15.6	12.9	12.5	10.2	9.4	6.5	7.7	7.7	6.5	6.9	6.5	8.2	6.1
Iceland	19.9	6.3	3.1	7.4	8.0	11.8	7.5	8.1	12.9	5.8	3.1	10.4	10.1	13.6	7.3	5.1	4.9	5.5	5.0	4.9
Ireland	7.8	7.5	13.0	10.6	15.8	15.6	15.1	15.7	11.8	11.4	7.1	6.5	8.7	8.4	7.4	5.4	6.3	9.7	6.3	6.4
Italy	9.5	5.9	8.0	5.8	4.6	3.9	3.2	5.9	4.8	3.7	3.2	3.9	2.5	3.7	4.5	3.6	3.8	4.0	3.6	3.8
Japan	5.5	0.5	1.4	2.2	2.2	-2.0	-1.4	1.1	-1.0	-1.3	-0.2	1.6	0.6	1.2	1.4	1.3	2.2	0.5	1.8	2.3
Korea	16.1	17.0	17.2	12.5	9.5	-1.4	9.4	9.3	7.5	10.0	5.9	7.5	4.0	4.6	5.8	6.4	6.6	5.8	7.5	5.9
Luxembourg	9.1	7.5	3.8	4.6	4.0	6.0	14.1	10.6	2.7	6.2	7.2	6.7	9.5	12.7	8.4	8.5	9.8	..	..	..
Mexico	52.3	13.3	29.3	37.5	25.7	21.0	19.5	19.5	5.7	7.8	10.0	11.9	8.5	9.4	5.8	7.7	7.8	9.4	7.1	8.0
Netherlands	4.2	5.1	5.2	4.7	7.0	5.9	6.5	8.2	7.1	3.9	2.5	3.0	3.6	5.0	4.5	4.3	4.9	4.2	4.5	5.0
New Zealand	9.0	7.4	6.6	5.9	3.5	1.6	5.0	6.5	6.8	5.9	5.9	7.6	4.8	4.2	7.3	5.9	4.5	7.4	5.0	4.4
Norway	6.6	4.8	7.4	9.5	8.3	1.9	8.8	19.4	3.8	-0.3	4.0	9.4	11.5	10.7	5.1	9.8	5.5	7.1	9.9	4.3
Poland	..	44.5	36.9	25.3	22.0	16.6	10.8	11.8	4.7	3.7	4.3	9.7	6.4	7.8	10.3	10.6	10.4	..	..	..
Portugal	17.6	8.3	7.9	6.3	8.2	8.7	7.3	7.1	5.8	4.7	2.3	4.0	3.3	4.2	4.7	4.4	4.3	4.3	4.4	4.2
Slovak Republic	..	20.5	16.3	11.9	10.6	9.0	7.9	10.5	8.4	8.9	9.1	11.8	8.5	11.2	10.8	9.2	9.6	9.9	9.4	9.5
Spain	10.5	6.4	7.8	6.0	6.3	7.1	7.5	8.7	8.0	7.1	7.4	7.4	8.0	8.0	7.1	5.9	5.4	6.5	5.8	5.3
Sweden	7.7	6.7	7.6	2.3	4.1	4.3	5.5	5.8	3.2	3.6	3.7	4.3	4.1	6.0	6.6	5.9	5.1	7.0	5.4	4.9
Switzerland	5.3	2.5	1.1	0.8	1.9	2.9	1.9	4.8	2.0	0.9	0.8	3.1	2.7	4.9	3.5	2.8	3.4	3.1	3.1	3.4
Turkey	64.2	95.2	100.7	90.3	95.2	81.1	48.2	60.9	43.2	55.6	29.6	19.7	13.2	18.3	14.8	15.0	13.3	..	..	..
United Kingdom	7.8	6.0	5.7	6.3	6.1	6.1	5.3	5.2	4.6	5.2	5.9	5.9	4.2	5.5	6.4	4.5	4.6	6.2	3.8	5.2
United States	6.5	6.2	4.6	5.7	6.2	5.3	6.0	5.9	3.2	3.4	4.7	6.6	6.4	6.1	4.9	4.1	4.2	5.1	3.7	4.6
Euro area	7.2	5.3	5.3	3.4	4.1	4.3	3.9	5.4	4.4	3.5	3.0	3.8	3.6	4.8	4.9	4.2	4.3	4.7	4.2	4.3
Total OECD	9.8	8.1	8.0	7.6	7.5	5.9	5.9	7.0	4.2	4.2	4.3	5.7	4.9	5.5	5.0	4.4	4.5	5.1	4.3	4.7

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence there are breaks in many national series. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162454438333

Annex Table 3. **Real private consumption expenditure**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009
Australia	2.5	3.8	4.8	2.8	3.7	4.4	5.2	3.9	2.9	3.9	3.6	5.7	2.9	3.1	3.9	3.1	3.1	3.6	3.2	3.1
Austria	2.4	3.1	0.6	3.4	0.1	2.0	2.6	3.0	0.8	-0.1	1.2	1.9	2.0	2.0	1.6	1.9	2.0	1.8	1.9	2.0
Belgium	2.0	1.6	0.9	1.1	1.8	2.8	2.1	3.9	1.0	0.7	0.7	1.4	1.4	2.1	2.3	2.1	1.9	2.8	1.9	1.9
Canada	2.8	3.0	2.1	2.6	4.6	2.8	3.8	4.0	2.3	3.6	3.0	3.4	3.8	4.2	4.3	3.7	3.2	4.4	3.2	3.2
Czech Republic	..	5.3	5.9	8.9	2.2	-0.8	2.6	1.4	2.1	2.2	6.0	3.0	2.5	4.4	6.7	4.0	4.1	6.9	2.4	4.9
Denmark	1.6	6.3	1.6	2.2	3.0	2.3	-0.4	0.2	0.1	1.5	1.0	4.7	4.2	3.1	1.9	1.7	1.5	2.4	1.5	1.5
Finland	1.3	2.4	4.2	3.7	3.6	4.2	3.1	2.2	2.8	2.4	4.7	2.9	4.0	4.3	3.1	2.5	2.3	3.5	1.9	2.5
France	1.9	1.2	1.8	1.7	0.3	3.9	3.5	3.7	2.5	2.4	2.0	2.4	2.2	2.2	1.9	2.1	2.4	2.4	2.1	2.4
Germany	2.9	2.0	2.3	1.2	1.0	1.4	2.8	2.5	1.9	-0.8	0.2	-0.2	0.1	1.1	-0.2	1.8	1.7	-0.3	1.6	1.7
Greece	2.2	1.4	2.7	2.4	2.7	3.5	2.5	2.2	4.8	3.8	4.2	4.6	3.7	3.2	3.0	3.1	3.2	..	..	..
Hungary	..	0.2	-7.1	-3.5	1.9	4.9	5.6	3.6	6.2	10.6	8.3	2.7	3.4	1.8	-0.5	1.4	2.7	-1.0	3.0	2.0
Iceland	1.7	2.9	2.2	5.7	6.3	10.2	7.9	4.2	-2.8	-1.5	6.2	6.9	13.0	4.4	3.2	-1.1	-1.6	4.9	-2.8	-0.9
Ireland	3.2	4.4	3.4	6.6	7.5	7.2	8.3	8.6	5.1	4.1	2.9	4.0	7.4	5.3	6.4	4.7	3.8	6.5	3.4	4.5
Italy	2.5	1.6	1.5	1.0	3.2	3.4	2.6	2.4	0.7	0.2	1.0	0.7	0.6	1.5	2.1	1.7	1.7	2.2	1.7	1.7
Japan	3.5	2.7	1.9	2.5	0.7	-0.9	1.0	0.7	1.6	1.1	0.4	1.6	1.6	0.9	1.6	1.1	1.3	1.7	1.0	1.4
Korea	7.9	8.4	9.9	6.7	3.3	-13.4	11.5	8.4	4.9	7.9	-1.2	-0.3	3.6	4.2	4.4	4.3	4.0	4.8	4.0	4.0
Luxembourg	3.3	4.0	1.9	2.8	4.0	5.7	3.6	5.1	3.5	5.8	1.0	1.9	3.9	2.1	2.4	3.3	3.4	..	..	..
Mexico	2.9	4.6	-9.5	2.2	6.5	5.4	4.3	8.2	2.5	1.6	2.2	4.1	5.1	5.0	4.5	4.4	4.4	6.0	4.3	4.5
Netherlands	2.0	2.0	2.7	4.3	3.5	5.1	5.3	3.7	1.8	0.9	-0.2	1.0	0.7	-0.8	1.9	2.0	2.3	2.3	2.2	2.3
New Zealand	1.8	5.9	4.3	4.9	2.5	2.6	3.6	1.8	2.1	4.6	5.8	5.9	4.8	2.1	4.3	2.0	2.1	3.6	2.1	2.2
Norway	2.1	3.4	3.6	6.3	3.1	2.8	3.7	4.2	2.1	3.1	2.8	5.6	3.3	4.4	6.3	3.7	2.9	5.9	3.4	2.8
Poland	..	3.9	3.7	8.8	7.2	5.0	5.7	3.1	2.2	3.4	1.9	4.3	2.0	4.8	6.1	6.2	6.1	..	..	..
Portugal	3.5	1.0	0.6	3.4	3.6	5.3	5.2	3.7	1.3	1.3	-0.1	2.5	2.2	1.1	1.3	1.4	1.8	1.5	1.6	1.9
Slovak Republic	..	1.0	5.4	9.3	7.3	4.8	1.1	0.9	5.2	5.2	0.2	4.2	7.0	6.1	6.7	6.1	6.1	6.7	5.8	6.3
Spain	2.8	1.1	1.7	2.3	3.2	4.8	5.3	5.0	3.4	2.8	2.9	4.2	4.2	3.8	3.3	2.7	2.5	3.3	2.6	2.4
Sweden	1.5	1.8	0.9	1.7	2.5	3.0	3.8	5.0	0.4	1.5	1.8	2.2	2.4	2.8	2.8	3.5	3.0	3.1	3.5	2.7
Switzerland	1.6	1.1	0.6	1.1	1.4	2.2	2.3	2.4	2.3	0.1	0.9	1.6	1.8	1.5	1.9	2.0	1.7	2.3	1.8	1.7
Turkey	4.0	-5.4	4.8	8.5	8.4	0.6	-2.6	6.2	-9.2	2.1	6.6	10.1	8.8	5.2	1.8	4.1	5.3	..	..	..
United Kingdom	3.1	3.0	1.8	3.8	3.5	3.9	4.5	4.6	3.0	3.5	2.9	3.4	1.5	2.1	3.1	1.7	2.2	2.8	1.3	2.6
United States	3.3	3.7	2.7	3.4	3.8	5.0	5.1	4.7	2.5	2.7	2.8	3.6	3.2	3.1	2.9	1.8	1.9	2.5	1.5	2.3
Euro area	2.5	1.7	2.0	1.7	1.8	3.1	3.3	3.2	2.0	0.9	1.2	1.5	1.6	1.9	1.6	2.1	2.1	1.8	2.0	2.1
Total OECD	3.1	3.0	2.2	3.0	3.0	2.9	4.0	3.9	2.1	2.2	2.0	2.8	2.6	2.6	2.6	2.2	2.3	2.6	2.0	2.4

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 82 database.

StatLink http://dx.doi.org/10.1787/162454748283

Annex Table 4. **Real public consumption expenditure**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	2008	2009
Australia	3.2	3.5	4.1	3.3	3.0	3.2	3.2	4.4	1.7	3.0	3.7	3.9	3.4	3.9	2.4	2.9	3.0	2.9	3.0	3.0
Austria	1.8	2.8	3.1	2.7	2.5	2.2	2.0	1.0	-1.2	1.7	1.5	1.5	1.8	2.0	2.3	2.0	1.3	3.0	1.1	1.4
Belgium	1.2	1.4	1.5	1.6	0.4	0.9	3.3	2.9	2.4	2.9	2.1	1.8	-0.2	0.0	1.7	2.2	1.9	2.1	2.2	1.7
Canada	2.3	-1.2	-0.6	-1.2	-1.0	3.2	2.1	3.1	3.9	2.5	3.1	2.5	2.2	3.3	2.6	2.8	2.8	2.7	2.8	2.8
Czech Republic	..	-2.3	-4.3	1.5	3.0	-1.6	3.7	0.7	3.6	6.7	7.1	-3.1	2.3	1.1	0.6	0.0	0.1	1.7	-2.9	2.0
Denmark	0.9	2.2	2.4	3.6	0.7	3.5	2.4	2.3	2.2	2.1	0.7	1.6	1.1	1.5	1.9	2.2	1.4	1.8	2.0	1.2
Finland	1.5	0.0	1.9	2.7	2.7	1.7	1.3	0.3	1.3	2.6	1.7	1.8	1.6	1.1	1.5	1.8	1.8	1.7	1.6	1.9
France	2.9	0.3	0.0	2.0	1.3	-0.6	1.4	2.0	1.1	1.9	2.0	2.2	0.9	1.6	1.5	1.1	1.1	1.4	1.0	1.0
Germany	1.4	2.7	1.9	2.1	0.5	1.8	1.2	1.4	0.5	1.5	0.4	-1.5	0.5	0.9	2.0	1.2	1.5	2.1	1.6	1.5
Greece	0.4	-1.1	5.6	0.9	3.0	1.7	2.1	14.8	0.4	6.5	-1.2	2.5	-0.5	3.8	4.1	2.1	1.7	..	..	..
Hungary	..	-7.4	-5.7	-2.4	3.1	1.7	1.5	-2.0	2.2	5.8	5.3	1.9	2.5	4.7	-4.5	-3.3	0.2	-4.6	-5.9	3.5
Iceland	3.8	4.0	1.7	1.0	2.6	4.2	4.4	3.8	4.6	5.3	1.8	2.2	3.5	3.9	2.5	3.3	3.0	2.7	3.0	3.0
Ireland	0.3	4.1	3.9	3.4	5.0	5.6	6.6	8.2	10.2	7.2	1.8	2.3	4.1	6.4	6.3	5.2	4.5	7.1	5.4	4.1
Italy	2.0	-1.7	-3.3	0.4	0.1	0.4	1.3	2.3	3.6	2.1	2.0	1.6	1.5	-0.3	0.5	1.2	0.8	1.1	1.0	0.6
Japan	3.0	3.2	3.9	2.9	0.8	1.8	4.2	4.3	3.0	2.4	2.3	1.9	1.7	0.4	1.0	1.9	1.4	1.3	1.6	1.4
Korea	7.0	4.1	5.0	8.0	2.6	2.3	2.9	1.6	4.9	6.0	3.8	3.7	5.0	5.8	5.4	4.8	4.9	6.2	3.2	5.0
Luxembourg	5.2	1.0	4.7	5.9	3.7	1.5	8.2	4.6	6.5	4.6	4.4	4.5	2.9	2.2	1.4	2.2	3.0	..	..	..
Mexico	2.2	2.9	-1.3	-0.7	2.9	2.3	4.7	2.4	-2.0	-0.3	0.8	-0.4	0.4	6.0	-1.2	1.3	0.8	0.8	0.5	1.0
Netherlands	2.7	2.0	2.5	-0.7	2.5	2.5	2.8	2.0	4.6	3.3	2.9	-0.1	0.0	9.4	3.1	1.4	0.8	3.2	0.4	1.1
New Zealand	1.4	1.0	4.6	2.0	7.1	-0.2	6.5	-2.4	4.0	1.5	3.2	5.3	4.5	4.6	3.2	3.6	3.9	3.5	3.6	4.0
Norway	3.1	1.5	0.6	2.7	3.3	3.4	3.1	1.9	4.6	3.1	1.7	1.5	1.8	3.3	2.7	3.2	2.7	3.2	2.6	2.7
Poland	..	1.2	4.8	2.2	3.1	1.9	2.5	2.1	2.7	1.4	4.9	3.1	5.2	5.8	1.5	1.9	2.0	..	..	..
Portugal	4.5	4.3	1.0	3.3	2.2	4.3	5.6	3.5	3.3	2.6	0.2	2.6	2.2	-0.5	-0.5	-0.9	-1.2	-0.2	-1.5	-1.0
Slovak Republic	..	-10.7	3.6	11.1	0.2	6.0	-7.4	3.6	5.2	5.2	3.9	2.0	-0.6	4.1	2.8	2.2	2.0	3.3	1.4	2.3
Spain	5.0	0.5	2.4	1.3	2.5	3.5	4.0	5.3	3.9	4.5	4.8	6.3	5.5	4.8	5.0	4.1	4.0	4.0	4.0	4.1
Sweden	1.9	-0.8	-0.4	0.6	-0.8	3.5	1.7	-1.3	0.9	2.3	0.7	0.4	0.3	1.8	1.7	1.0	0.5	1.3	0.9	0.3
Switzerland	3.2	1.1	0.2	1.6	0.4	-1.1	0.5	2.3	4.5	1.2	1.9	0.8	0.5	-1.4	-0.7	0.1	0.8	-0.6	0.4	1.1
Turkey	5.7	-5.5	6.8	8.6	4.1	7.8	6.5	7.1	-8.5	5.4	-2.4	0.5	2.4	9.6	9.5	4.4	2.1	..	..	..
United Kingdom	0.9	1.0	1.3	0.7	-0.5	1.1	3.7	3.1	2.4	3.5	3.5	3.2	2.7	2.1	1.7	2.0	2.0	2.0	1.8	2.3
United States	2.2	0.3	0.2	0.4	1.8	1.6	3.1	1.7	3.1	4.3	2.5	1.5	0.8	1.4	2.0	2.4	2.1	2.1	2.1	2.1
Euro area	2.2	1.1	0.8	1.6	1.1	1.2	1.8	2.4	2.0	2.3	1.8	1.3	1.3	2.0	2.1	1.6	1.5	2.2	1.5	1.5
Total OECD	2.5	1.0	1.2	1.5	1.4	1.7	2.9	2.5	2.4	3.2	2.3	1.6	1.5	2.1	2.0	2.1	1.9	2.3	1.8	1.9

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. 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 82 database.

StatLink http://dx.doi.org/10.1787/162456205814

Annex Table 5. **Real total gross fixed capital formation**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009
Australia	2.9	12.2	3.4	5.8	10.5	6.0	5.7	1.2	-4.5	17.0	8.8	7.5	7.8	6.3	11.5	8.0	4.5	13.7	5.7	4.3
Austria	3.7	3.9	0.0	2.0	1.5	3.1	2.8	5.5	-1.4	-4.8	4.3	1.1	1.3	3.1	4.4	2.6	1.8	3.4	2.5	1.4
Belgium	4.3	0.4	3.4	0.9	7.2	3.7	5.0	3.7	0.3	-2.3	-0.3	7.5	6.7	4.2	6.7	3.2	3.0	8.7	2.7	2.9
Canada	2.6	7.5	-2.1	4.4	15.2	2.4	7.3	4.7	4.0	1.6	6.2	7.7	8.5	7.2	3.3	3.2	3.2	3.3	3.0	3.3
Czech Republic	..	17.3	19.8	7.6	-5.7	-0.9	-3.3	5.1	6.6	5.1	0.4	3.9	2.3	7.6	4.2	7.8	7.7	5.2	7.8	7.6
Denmark	3.2	8.5	11.9	5.8	10.3	8.1	-0.1	7.6	-1.4	0.1	-0.2	5.6	9.6	12.9	5.0	2.3	1.1	2.3	2.0	0.8
Finland	-2.8	-2.5	13.9	5.6	13.9	11.2	2.2	6.4	4.0	-2.9	4.1	3.0	3.8	4.5	4.7	3.2	2.6	5.1	2.6	2.5
France	2.1	1.8	2.1	0.6	0.3	7.2	8.1	7.5	2.3	-1.6	2.2	3.3	4.1	4.1	3.7	2.5	2.6	2.8	2.6	2.5
Germany	3.2	4.6	0.1	-0.7	0.6	3.8	4.5	3.8	-3.5	-6.3	-0.2	-1.1	1.3	7.0	5.2	2.0	2.4	2.4	2.3	2.3
Greece	-0.5	-3.1	4.1	8.4	6.8	10.6	11.0	8.0	3.2	5.6	13.4	5.8	0.2	14.6	5.8	6.5	6.7	..	..	..
Hungary	..	12.5	-4.3	6.8	9.2	13.2	5.9	7.7	5.2	10.2	2.2	7.6	5.3	-2.1	1.1	4.1	6.8	3.0	5.4	6.3
Iceland	0.1	-0.2	-1.7	25.0	8.8	34.4	-4.1	11.8	-4.3	-14.0	11.1	28.5	33.9	19.8	-21.1	-13.9	-1.3	-29.5	-11.0	1.8
Ireland	0.0	11.8	15.8	17.4	18.1	13.7	14.6	6.2	0.2	3.4	5.7	6.9	12.0	3.0	3.5	-1.9	4.2	..	..	..
Italy	1.5	0.7	7.1	1.6	1.8	4.0	3.5	6.7	2.3	4.0	-1.5	1.3	-0.2	2.4	2.3	1.5	1.4	1.5	1.4	1.4
Japan	4.8	-1.6	0.9	4.6	-0.3	-7.2	-0.8	1.2	-0.9	-4.9	-0.5	1.4	2.4	3.3	-0.8	-0.3	1.8	-3.8	1.4	1.9
Korea	12.2	12.5	13.1	8.4	-2.3	-22.9	8.3	12.2	-0.2	6.6	4.0	2.1	2.4	3.2	4.8	4.4	3.9	3.9	4.8	3.0
Luxembourg	7.9	0.0	-1.5	5.1	10.4	6.4	22.0	-5.2	9.0	5.5	2.4	2.4	1.8	2.9	17.1	11.1	7.7	..	..	..
Mexico	4.5	8.4	-29.0	16.4	21.0	10.3	7.7	11.4	-5.6	-0.6	0.4	7.5	7.6	10.0	7.0	8.2	9.2	8.8	7.7	9.5
Netherlands	3.2	2.0	5.9	8.5	8.5	6.8	8.7	0.6	0.2	-4.5	-1.5	-1.6	3.0	7.2	4.7	4.8	4.3	3.3	4.5	4.1
New Zealand	1.0	14.9	12.4	7.2	1.2	-3.4	6.8	8.4	-1.1	10.8	10.3	11.5	3.1	-2.7	3.6	2.0	1.5	3.5	2.6	0.9
Norway	-1.4	5.3	3.9	10.2	15.8	13.6	-5.4	-3.5	-1.1	-1.1	0.2	10.2	11.2	7.4	7.8	5.0	2.7	8.2	1.1	3.4
Poland	..	9.2	16.6	19.7	21.8	14.0	6.6	2.7	-9.7	-6.3	-0.1	6.4	6.5	15.6	21.5	15.5	11.6	..	..	..
Portugal	3.1	2.7	6.6	5.6	14.3	11.7	6.2	3.5	1.0	-3.5	-7.4	0.2	-3.3	-1.6	2.5	3.8	4.3	7.0	3.7	4.5
Slovak Republic	..	-2.5	0.6	30.1	14.0	9.4	-15.7	-9.6	12.9	0.3	-2.3	5.0	17.5	7.3	7.4	7.4	7.8	7.5	6.8	8.4
Spain	4.2	1.9	7.7	2.6	5.0	11.3	10.4	6.6	4.8	3.4	5.9	5.1	6.9	6.8	5.8	1.2	1.3	4.3	0.4	1.9
Sweden	0.4	6.6	9.9	4.5	-0.3	7.8	8.2	5.7	-1.0	-2.6	1.1	6.4	8.1	7.9	10.3	7.1	3.5	10.3	5.1	3.1
Switzerland	2.1	6.5	4.8	-1.7	2.1	6.4	1.5	4.2	-3.5	-0.5	-1.2	4.5	3.8	4.1	5.0	2.2	1.5	4.8	1.2	1.5
Turkey	10.8	-16.0	9.1	14.1	14.8	-3.9	-15.7	16.9	-31.5	-1.1	10.0	32.4	24.0	14.0	9.3	10.9	11.3	..	..	..
United Kingdom	3.2	4.6	2.9	5.4	6.8	13.7	3.0	2.7	2.6	3.6	1.1	5.9	1.5	8.2	5.7	1.8	3.5	2.7	1.3	4.6
United States	3.7	7.3	5.7	8.1	8.0	9.1	8.2	6.1	-1.7	-3.5	3.2	6.1	5.8	2.6	-2.1	-1.2	2.4	-1.2	0.1	3.0
Euro area	2.6	2.7	3.1	1.4	2.7	5.9	6.1	5.3	0.5	-1.5	1.2	1.9	2.9	5.2	4.4	2.2	2.4	3.0	2.3	2.5
Total OECD	3.8	4.8	3.3	6.0	6.1	5.0	5.4	5.3	-1.3	-1.6	2.2	4.9	4.8	4.7	2.1	1.5	3.1	1.6	2.1	3.3

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).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162500472374

Annex Table 6. **Real gross private non-residential fixed capital formation**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	2008	2009
Australia	1.8	13.0	11.0	14.2	9.1	4.0	5.2	-0.2	-2.6	15.0	11.8	9.6	13.1	8.6	13.7	10.0	5.2	20.1	7.0	4.7
Austria	4.9	2.7	-2.4	3.7	10.1	6.8	5.6	11.4	2.3	-5.9	7.9	1.8	0.8	2.9	4.7	2.6	2.3	3.1	2.5	2.2
Belgium	5.4	-1.7	4.1	5.8	7.0	5.6	3.3	4.6	3.4	-3.0	-1.8	7.4	4.6	3.9	7.6	4.5	3.4	6.2	4.1	3.0
Canada	2.6	9.4	4.8	4.4	22.6	5.3	7.2	4.7	0.2	-4.1	6.9	8.4	10.8	9.9	4.3	4.9	5.2	3.3	5.0	5.3
Denmark	5.0	7.8	12.3	4.8	11.9	11.9	-1.6	6.7	-0.3	0.7	-3.0	1.3	7.5	13.3	5.3	3.9	3.0	4.4	3.9	2.8
Finland	-3.2	-3.6	28.2	4.4	10.0	15.7	0.0	10.1	10.2	-7.2	0.5	0.6	6.5	6.3	5.7	3.3	2.6	5.6	2.0	2.9
France	2.8	0.9	3.9	0.8	2.0	10.4	9.1	8.6	3.4	-3.0	1.3	3.7	2.2	4.7	5.0	3.6	3.5	3.7	3.7	3.3
Germany	3.0	1.6	2.1	-0.3	2.6	6.2	5.8	8.0	-2.7	-7.1	0.8	1.0	4.4	8.0	6.9	3.4	3.0	5.3	2.9	2.8
Greece	23.6	13.6	3.4	27.3	4.9	13.9	24.1	17.0	2.8	0.0	12.1	12.0	6.3	1.9	3.2	3.9	4.9	..	..	..
Iceland	-1.9	-0.1	9.6	49.2	16.9	46.2	-7.4	11.1	-11.3	-20.2	20.9	34.6	57.1	20.0	-32.5	-26.2	-2.8	-44.4	-20.7	3.5
Ireland	0.5	7.6	18.5	18.7	21.2	18.9	14.7	2.2	-8.3	1.2	4.6	11.5	25.9	3.4	24.6	18.1	6.7	..	..	..
Italy	2.2	5.0	11.4	0.8	2.9	4.5	3.7	8.0	2.1	5.2	-3.6	0.9	-2.5	2.3	2.1	2.0	1.8	1.5	2.0	1.7
Japan	6.1	-5.7	3.0	1.6	8.4	-6.5	-4.3	7.5	1.3	-5.2	4.4	5.6	6.6	7.4	2.2	2.4	2.8	0.0	2.6	2.9
Korea	12.4	17.0	15.7	8.5	-3.4	-29.2	13.8	18.9	-4.7	7.6	2.1	1.9	3.4	4.7	6.2	5.8	4.6	5.5	6.1	3.2
Netherlands	4.1	-0.6	9.3	10.4	13.5	8.4	11.3	-2.0	-3.0	-7.6	-1.0	-2.7	0.4	10.6	5.0	7.0	5.0	3.8	4.7	5.0
New Zealand	3.9	16.3	15.5	6.5	-6.0	-1.1	7.0	19.4	-3.0	-0.9	11.9	14.5	9.2	-5.0	4.5	3.2	2.3	3.2	3.4	1.7
Norway	-1.4	3.3	2.3	13.1	16.1	16.0	-8.3	-3.9	-4.3	-1.9	-2.9	10.3	13.0	7.3	8.6	6.0	3.2	9.2	3.8	3.1
Spain	4.1	3.4	12.4	3.9	6.5	11.4	11.7	7.9	3.2	1.2	5.3	6.8	7.5	6.9	6.2	3.1	3.1	4.6	2.7	3.4
Sweden	0.9	17.9	20.8	8.0	4.4	9.3	8.5	8.2	-2.9	-7.1	1.2	5.9	8.8	6.4	11.8	7.1	3.3	12.8	4.9	3.0
Switzerland	..	5.1	9.0	1.3	3.2	9.5	1.4	4.7	-2.6	1.1	-4.0	5.5	4.6	5.7	7.4	2.9	1.8	7.0	1.5	1.8
United Kingdom	4.0	4.9	7.8	10.4	10.0	19.3	4.1	4.4	1.5	1.2	-1.0	2.4	15.7	-4.3	6.2	1.9	3.5	1.8	1.4	4.4
United States	3.7	9.2	10.5	9.3	12.1	11.1	9.2	8.7	-4.2	-9.2	1.0	5.8	7.1	6.6	4.7	3.7	2.6	6.7	1.8	3.2
Euro area	3.2	2.0	5.8	2.1	4.8	8.0	7.2	7.4	0.8	-2.4	0.6	2.7	2.8	5.4	5.4	3.5	3.1	4.3	3.2	3.0
Total OECD	4.1	5.2	8.0	6.1	8.9	6.6	6.3	7.8	-1.4	-4.7	1.6	4.7	7.0	6.2	5.0	3.6	3.0	4.9	2.7	3.3

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. 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 82 database.

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Annex Table 7. **Real gross private residential fixed capital formation**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009
Australia	4.4	12.3	-7.5	-9.6	16.5	11.6	5.7	1.5	-10.8	25.4	5.6	2.9	-3.8	-1.2	3.8	0.2	1.1	0.3	0.2	1.8
Austria	2.4	6.9	8.0	2.3	-1.7	-3.0	-1.8	-4.9	-6.5	-5.5	-4.1	0.2	2.4	5.6	0.8	2.5	2.4	0.2	3.0	2.0
Belgium	7.6	5.5	4.3	-8.4	9.8	-0.2	5.0	1.3	-4.4	-0.9	3.6	10.0	10.1	7.4	4.9	1.2	1.5	2.4	0.8	2.0
Canada	1.6	3.9	-14.9	9.7	8.2	-3.6	3.6	5.2	10.5	14.1	5.4	7.5	3.5	2.1	2.3	0.9	0.3	4.4	0.1	0.4
Denmark	-1.5	11.7	14.5	6.7	9.7	1.9	4.3	10.3	-9.3	0.8	11.8	14.4	16.7	12.0	9.6	-1.0	-4.3	3.4	-2.5	-5.2
Finland	-3.4	-6.1	-3.0	6.6	22.8	8.7	9.7	4.2	-9.7	1.2	10.0	8.8	6.1	5.6	4.0	2.2	2.2	4.8	2.4	1.9
France	-0.6	4.4	2.3	0.5	1.0	3.7	7.1	2.5	1.4	1.3	2.1	3.1	6.1	4.4	1.0	0.3	0.7	0.7	0.4	0.8
Germany	3.8	12.6	0.9	-0.6	-0.2	0.5	1.6	-1.5	-6.1	-6.3	-0.7	-3.6	-3.8	5.4	1.0	-0.2	0.9	-3.1	0.8	1.0
Greece	-4.2	-11.3	2.6	-1.2	6.6	8.8	3.8	-4.3	3.9	15.0	12.3	-0.7	-1.3	32.3	8.5	8.9	8.3	..	..	..
Iceland	-0.3	4.1	-8.7	7.1	-9.3	1.0	0.6	12.7	12.1	12.4	3.9	14.1	11.9	17.8	7.9	-4.8	-5.0	5.0	-9.0	-1.3
Ireland	1.6	24.0	14.5	18.3	15.8	6.4	12.9	7.6	1.9	5.4	14.7	7.2	6.6	0.8	-11.8	-22.1	-0.8	..	..	..
Italy	0.3	-1.8	0.6	-1.9	-2.6	-1.2	1.1	3.8	1.0	0.6	2.3	2.0	5.5	4.1	3.2	-0.6	-0.3	0.6	-0.8	0.0
Japan	3.1	7.2	-4.8	11.8	-12.1	-14.3	0.2	0.9	-5.3	-4.0	-1.0	1.9	-1.3	1.0	-7.3	-7.6	4.9	-15.1	0.6	6.0
Korea	12.9	-0.2	9.9	2.8	-4.9	-13.4	-6.1	-9.3	12.9	11.4	9.0	4.7	2.2	-2.4	-1.3	-1.2	0.7	-4.5	0.0	1.3
Netherlands	2.1	7.1	0.1	3.9	5.6	2.9	2.8	1.6	3.2	-6.5	-3.7	4.1	5.7	4.5	4.7	2.6	4.3	3.6	4.6	4.0
New Zealand	3.3	13.0	3.5	5.2	6.8	-12.8	7.5	0.5	-11.7	21.3	19.6	4.7	-3.8	-3.6	2.8	-4.5	-2.8	-1.4	-3.9	-2.4
Norway	-5.6	24.5	10.5	2.8	12.1	7.7	3.0	5.6	8.1	-0.7	1.9	16.3	14.5	6.5	6.7	2.3	0.6	4.5	1.6	0.0
Spain	1.7	0.4	7.1	12.3	2.2	10.9	11.4	10.3	7.5	7.0	9.3	5.9	5.9	6.4	3.6	-4.8	-5.9	2.5	-8.1	-4.2
Sweden	-2.1	-34.1	-23.9	8.9	-11.5	-0.6	10.8	10.0	4.2	10.5	5.4	15.4	14.0	14.3	12.5	7.1	3.7	13.0	5.0	3.2
Switzerland	..	12.3	-2.0	-8.7	-0.1	2.8	-5.5	-2.7	-4.0	-3.7	14.4	7.1	4.7	0.8	-2.6	-0.7	0.3	-2.8	0.0	0.4
United Kingdom	1.2	3.1	-2.2	4.9	6.8	3.7	1.7	0.5	0.3	6.9	0.7	13.0	-3.9	8.9	3.8	0.0	3.4	3.5	-1.4	5.8
United States	2.7	9.6	-3.2	8.0	1.9	7.6	6.0	0.8	0.4	4.8	8.4	10.0	6.6	-4.6	-17.2	-15.4	2.1	-19.8	-5.7	3.1
Euro area	1.5	6.5	1.9	0.5	1.1	2.1	3.8	1.3	-1.2	-1.0	2.6	1.7	3.0	6.0	1.9	-1.1	0.1	-0.4	-0.6	0.5
Total OECD	2.5	7.3	-1.8	5.4	0.5	1.7	3.9	1.0	-0.3	2.9	4.9	6.4	3.6	0.8	-6.8	-7.3	1.7	-9.8	-2.4	2.5

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162545741355

Annex Table 8. **Real total domestic demand**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009
Australia	2.8	5.2	4.7	3.5	3.6	6.0	5.2	2.8	0.7	6.3	6.0	5.3	4.5	3.3	6.1	4.4	3.5	6.3	3.9	3.4
Austria	2.7	1.7	2.3	2.4	0.7	2.4	3.2	2.6	0.0	-0.9	1.7	1.9	1.9	1.4	2.2	2.0	1.8	2.2	1.9	1.7
Belgium	2.8	2.6	3.0	0.6	2.7	2.2	3.1	3.7	0.1	0.7	0.9	2.9	2.4	2.8	3.2	2.3	2.1	3.7	2.1	2.1
Canada	2.8	3.2	1.8	1.3	6.1	2.5	4.2	4.7	1.3	3.2	4.5	4.2	4.9	4.4	3.4	3.5	3.1	4.3	3.1	3.1
Czech Republic	..	6.3	8.2	7.8	-1.0	-1.3	1.1	3.7	3.7	3.8	4.2	3.2	1.7	5.6	6.2	4.1	4.1	6.9	2.6	4.9
Denmark	1.5	6.8	4.5	2.5	4.7	3.7	-0.6	3.2	0.0	1.7	0.2	4.1	4.3	5.2	2.8	2.0	1.4	2.2	1.7	1.2
Finland	0.4	3.2	5.0	2.3	6.0	5.1	1.7	3.8	2.0	1.4	3.9	3.0	4.2	3.2	2.3	2.5	2.2	2.7	1.9	2.3
France	2.1	2.2	1.9	0.8	1.0	4.2	3.7	4.4	1.7	1.2	1.8	3.0	2.3	2.5	2.2	2.0	2.1	2.2	1.9	2.1
Germany	2.8	2.8	2.0	0.4	0.9	2.2	2.6	2.4	-0.4	-2.0	0.6	-0.7	0.5	2.1	1.5	1.6	1.8	2.2	1.8	1.8
Greece	1.6	0.7	3.6	3.3	3.5	4.6	3.8	5.5	3.6	4.5	5.1	4.4	2.3	5.5	4.4	3.7	3.9	..	..	..
Hungary	..	1.1	-5.2	0.3	4.9	8.2	5.1	4.5	2.2	6.5	6.2	4.2	0.8	1.0	-0.6	0.9	3.1	-1.1	2.3	3.1
Iceland	2.1	2.2	1.9	6.9	5.5	13.8	4.2	5.9	-2.1	-2.3	5.8	9.9	15.4	9.2	-3.9	-2.6	-0.4	-5.9	-3.1	0.6
Ireland	2.1	5.5	6.4	8.1	9.7	8.7	8.8	8.3	4.0	4.5	3.9	3.8	8.0	5.7	3.4	2.7	4.1	2.0	3.9	4.2
Italy	2.4	1.7	1.9	0.3	3.0	3.0	3.1	2.9	1.6	1.3	0.9	0.8	0.5	1.7	1.7	1.4	1.5	1.1	1.4	1.4
Japan	3.8	1.2	2.6	3.3	0.5	-2.4	0.0	2.4	1.0	-0.4	0.8	1.9	1.7	1.4	0.9	0.9	1.4	0.3	1.2	1.5
Korea	8.8	10.2	9.9	8.1	0.4	-17.2	13.2	8.5	3.5	7.4	0.6	1.5	3.2	3.7	4.3	4.3	4.1	5.2	4.2	3.9
Luxembourg	4.4	1.7	1.8	4.3	6.4	6.3	8.0	4.1	4.9	2.6	3.1	2.9	4.8	0.8	3.4	4.4	4.7	..	..	..
Mexico	3.3	5.6	-14.0	5.6	9.6	6.0	4.4	8.4	0.5	0.9	0.7	4.4	3.5	5.4	4.7	5.1	5.2	6.4	4.7	5.3
Netherlands	2.3	2.9	3.3	3.9	4.5	5.1	4.9	2.7	2.3	-0.4	0.4	0.5	0.9	3.4	2.6	2.5	2.4	2.6	2.2	2.4
New Zealand	1.8	7.0	5.7	4.4	2.7	0.5	5.9	1.9	1.7	5.8	6.1	7.1	4.1	0.6	4.9	2.6	2.3	4.0	2.5	2.2
Norway	1.8	3.9	4.4	4.4	6.8	5.8	0.4	2.9	0.6	2.3	1.7	6.7	5.6	5.2	5.4	3.9	2.7	5.6	2.6	2.9
Poland	..	4.0	7.4	9.6	9.3	6.4	5.2	3.1	-1.3	0.9	2.7	6.0	2.4	7.3	8.5	7.4	6.6	..	..	..
Portugal	3.8	1.5	4.1	3.6	5.5	6.9	5.8	3.3	1.7	0.0	-2.0	2.7	0.8	0.2	1.0	1.4	1.8	2.0	1.5	2.0
Slovak Republic	..	-3.7	9.6	17.0	6.2	4.7	-5.9	0.4	8.0	4.1	-1.3	6.2	8.6	6.2	5.6	5.1	5.8	5.4	9.0	4.3
Spain	3.5	1.1	3.1	2.1	3.4	6.2	6.4	5.3	3.8	3.2	3.8	4.8	5.1	4.8	4.3	2.5	2.4	3.6	2.2	2.5
Sweden	1.5	3.2	2.2	0.9	1.2	4.3	3.4	3.8	-0.2	0.8	1.7	2.0	2.7	3.5	4.2	3.6	2.4	5.2	3.1	2.1
Switzerland	2.0	3.0	1.4	0.6	0.6	3.7	0.2	2.2	2.0	0.1	0.5	1.9	1.8	1.4	0.2	2.0	1.6	0.1	1.6	1.6
Turkey	5.8	-12.5	11.4	7.6	9.0	0.6	-3.7	9.8	-18.5	9.3	9.3	14.1	8.8	5.6	4.3	6.2	6.8	..	..	..
United Kingdom	2.6	3.3	1.8	3.0	3.3	5.0	4.2	3.8	2.9	3.2	2.8	3.8	1.6	3.0	3.6	1.9	2.4	3.4	1.4	2.9
United States	3.3	4.4	2.4	3.8	4.8	5.3	5.3	4.4	0.9	2.2	2.8	4.1	3.1	2.8	1.6	1.5	2.0	1.8	1.4	2.4
Euro area	2.5	2.4	2.3	1.1	2.1	3.6	3.6	3.5	1.3	0.4	1.5	1.6	1.8	2.7	2.3	1.9	2.0	2.2	1.9	2.1
Total OECD	3.2	3.3	2.3	3.2	3.5	3.0	4.0	4.1	0.9	1.8	2.3	3.3	2.7	2.9	2.3	2.1	2.4	2.5	2.0	2.5

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162604807218

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 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	2008	2009
Australia	0.2	-1.0	-0.6	0.4	0.3	-1.3	-1.0	0.3	1.4	-2.3	-2.6	-2.3	-1.3	-1.0	-1.6	-0.7	-0.3	-0.9	-0.3	-0.3
Austria	0.0	-1.4	0.0	0.0	1.3	1.0	0.5	0.6	0.9	1.5	-0.5	0.5	0.6	1.8	1.2	0.7	0.9	0.4	0.8	0.9
Belgium	-0.3	0.9	0.4	0.5	0.7	-0.6	0.8	0.3	0.6	0.5	0.2	0.2	-0.4	0.2	-0.5	-0.2	0.0	-0.2	0.0	0.0
Canada	-0.1	1.4	1.0	0.3	-1.7	1.7	1.4	0.6	0.7	-0.1	-2.5	-1.0	-1.7	-1.4	-0.7	-1.1	-0.3	-1.3	-0.3	-0.1
Czech Republic	..	-3.9	-2.7	-3.9	0.3	0.7	0.1	0.1	-1.4	-2.0	-0.6	1.2	4.8	1.1	-0.1	0.7	1.0	-0.2	1.0	0.8
Denmark	0.2	-0.8	-1.2	0.5	-1.3	-1.4	3.2	0.5	0.7	-1.1	0.2	-1.7	-1.0	-1.4	-0.6	-0.3	-0.5	-1.3	-0.5	-0.6
Finland	0.3	0.8	0.8	0.2	1.8	1.1	3.2	1.9	0.7	0.4	-1.7	0.9	-1.0	1.4	2.5	1.0	0.5	-1.3	1.3	-0.1
France	0.0	0.0	0.4	0.3	1.2	-0.5	-0.4	-0.3	0.1	-0.1	-0.7	-0.7	-0.6	-0.3	-0.3	-0.3	-0.1	-0.3	-0.1	-0.1
Germany	0.3	0.0	0.0	0.6	0.9	-0.3	-0.6	1.1	1.8	2.0	-0.8	1.2	0.5	1.1	1.3	0.2	0.0	0.2	-0.1	0.1
Greece	-0.4	0.7	-1.4	-1.0	-0.3	-1.4	-0.9	-1.7	0.4	-1.0	-0.7	-0.3	1.3	-1.7	-0.7	-0.4	-0.4	..	..	..
Hungary	..	0.5	5.0	1.2	-0.2	-3.0	-0.8	0.7	1.8	-2.2	-2.1	0.8	2.8	2.8	2.0	1.7	0.9	7.2	-0.4	2.7
Iceland	0.0	1.9	-1.9	-1.7	-0.8	-7.5	-0.3	-1.9	6.2	2.5	-3.3	-2.5	-9.2	-6.1	7.0	4.4	2.0	7.4	2.6	1.0
Ireland	1.9	1.4	4.2	1.4	2.7	0.0	4.1	1.6	2.6	3.0	1.7	0.4	-1.0	0.6	2.2	0.8	0.6	0.2	0.5	0.5
Italy	-0.1	0.6	1.0	0.3	-0.9	-1.5	-1.1	0.9	0.2	-1.0	-0.8	0.2	-0.3	0.3	0.1	-0.2	-0.1	-0.1	-0.1	-0.1
Japan	-0.1	-0.2	-0.5	-0.5	1.0	0.4	-0.1	0.5	-0.8	0.7	0.7	0.8	0.3	0.8	1.0	0.7	0.4	0.6	0.4	0.3
Korea	-0.7	-2.4	-1.5	-1.8	4.2	11.3	-2.9	0.3	0.5	-0.2	2.5	3.3	1.3	1.6	1.0	1.4	1.5	-2.5	1.0	1.9
Luxembourg	2.1	2.2	1.2	-2.0	0.6	0.7	1.5	7.1	-2.4	2.0	-0.4	2.1	1.5	6.1	2.6	1.9	1.0	..	..	..
Mexico	-0.9	-1.4	8.5	-0.3	-2.5	-1.1	-0.6	-1.9	-0.6	-0.1	0.7	-0.3	-0.8	-0.8	-1.9	-1.8	-1.3	-1.4	-1.3	-1.2
Netherlands	0.6	0.3	0.0	-0.2	0.0	-0.9	0.1	1.3	-0.2	0.5	-0.1	1.7	0.7	-0.1	0.7	0.1	0.1	-1.7	0.3	-0.1
New Zealand	-0.1	-0.7	-1.3	-1.0	0.5	0.1	-1.2	2.2	0.5	-0.9	-1.9	-2.8	-1.7	1.3	-1.6	-0.7	-0.2	-0.4	-0.3	0.0
Norway	1.3	1.4	0.0	1.0	-0.8	-2.6	1.6	0.6	1.5	-0.4	-0.5	-2.0	-2.2	-1.6	-1.1	0.3	0.2	-0.1	0.9	-0.2
Poland	..	0.5	0.2	-2.8	-2.3	-1.7	-1.1	0.9	2.6	0.5	1.1	-0.7	1.2	-1.1	-2.0	-2.0	-1.6	..	..	..
Portugal	-0.6	-0.6	-0.1	-0.2	-1.6	-2.6	-2.5	0.3	0.2	0.7	1.5	-1.4	-0.4	1.0	0.7	0.5	0.2	0.6	0.4	0.1
Slovak Republic	..	10.1	-3.3	-9.9	-0.9	-1.5	6.8	0.3	-5.0	-0.3	5.5	-0.9	-2.8	1.7	3.6	2.2	1.2	4.2	0.0	1.9
Spain	-1.0	0.9	-0.3	0.3	0.5	-1.7	-1.7	-0.4	-0.2	-0.6	-0.8	-1.7	-1.6	-1.2	-0.8	-0.2	-0.1	-0.1	-0.1	-0.1
Sweden	0.0	0.9	1.7	0.5	1.2	-0.4	1.5	0.7	1.4	1.2	0.0	2.1	0.8	0.8	-0.5	-0.1	0.3	0.1	0.2	0.6
Switzerland	0.2	-1.6	-1.0	0.0	1.4	-0.9	1.1	1.4	-0.7	0.4	-0.8	0.6	0.6	1.9	2.6	0.2	0.6	-0.1	0.6	0.6
Turkey	-0.7	8.6	-4.7	-0.6	-1.9	2.6	-0.9	-3.0	12.4	-0.9	-3.1	-4.9	-1.7	0.3	0.7	-0.8	-0.7	..	..	..
United Kingdom	-0.1	0.7	0.9	0.0	-0.2	-1.4	-1.0	-0.1	-0.5	-1.1	-0.1	-0.6	0.0	-0.2	-0.6	0.0	0.0	-0.1	0.1	-0.1
United States	0.0	-0.4	0.1	-0.1	-0.4	-1.2	-1.0	-0.8	-0.2	-0.7	-0.4	-0.7	-0.2	-0.1	0.5	0.4	0.1	0.3	0.1	0.0
Euro area	0.0	0.2	0.2	0.3	0.5	-0.8	-0.6	0.5	0.6	0.5	-0.7	0.2	-0.2	0.2	0.4	0.0	0.0	-0.3	0.0	0.0
Total OECD	-0.1	0.0	0.3	-0.1	0.1	-0.4	-0.6	-0.1	0.3	-0.2	-0.4	-0.2	-0.2	0.1	0.3	0.1	0.0	-0.1	0.0	0.0

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence there are breaks in many national series. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)*. Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162640250365

Annex Table 10. **Output gaps**

Deviations of actual GDP from potential GDP as a per cent of potential GDP

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	-1.5	-5.3	-5.6	-4.5	-2.6	-2.0	-1.7	-1.4	0.2	1.1	1.0	-0.3	0.4	0.4	0.3	0.0	-0.8	0.2	0.4	0.2
Austria	1.1	1.9	1.3	-0.7	-0.5	-0.5	-0.3	-0.3	0.8	1.9	2.4	0.8	-1.0	-2.4	-2.5	-2.4	-1.4	-0.5	-0.5	-0.1
Belgium	1.2	0.6	0.2	-2.7	-1.8	-1.4	-2.4	-1.1	-1.4	-0.5	1.3	0.0	-0.8	-1.8	-1.0	-1.1	-0.4	0.1	0.0	0.0
Canada	1.1	-3.0	-4.2	-4.1	-2.1	-2.1	-3.4	-2.4	-1.5	0.8	2.8	1.4	1.3	0.3	0.5	0.6	0.6	0.2	-0.2	-0.2
Czech Republic	..	..	..	..	..	..	..	..	-0.4	0.5	1.0	0.3	-1.5	-2.1	-2.0	-0.4	0.6	1.4	0.7	0.5
Denmark	-1.0	-1.5	-1.4	-3.4	-0.4	0.0	0.1	0.8	0.5	0.8	2.1	0.8	-0.4	-1.7	-1.2	0.1	1.6	1.7	1.6	1.0
Finland	3.7	-4.2	-9.4	-11.9	-10.4	-8.8	-7.1	-3.5	-1.2	-0.1	1.9	1.3	-0.2	-1.1	-0.4	-0.7	1.0	1.9	1.6	1.3
France	3.3	2.4	1.8	-0.9	-0.5	-0.2	-1.1	-1.0	0.3	1.1	2.7	2.1	0.6	-0.5	-0.3	-0.6	-0.3	-0.3	-0.4	-0.2
Germany	3.9	2.0	1.5	-1.6	-0.8	-0.5	-1.1	-0.8	-0.5	-0.1	2.0	2.0	0.4	-1.3	-2.1	-2.6	-1.0	0.0	0.1	0.1
Greece	0.3	1.3	0.1	-3.3	-3.4	-3.4	-3.5	-2.6	-2.0	-1.9	-1.1	-0.4	-0.4	0.6	1.3	1.2	1.4	1.3	0.9	0.9
Hungary	..	..	..	5.1	4.4	2.5	0.4	1.4	2.6	2.8	3.6	3.0	2.7	2.0	1.9	1.1	0.2	-2.0	-3.0	-2.3
Iceland	-1.8	-3.6	-7.9	-7.5	-5.0	-6.0	-3.1	-1.0	1.3	1.4	1.6	2.6	0.8	0.9	5.0	7.4	5.6	2.3	0.2	-0.5
Ireland	3.3	0.3	-2.0	-4.7	-5.3	-3.5	-3.0	0.1	0.6	3.4	5.1	4.0	3.6	2.2	1.0	1.2	1.1	0.9	-0.9	-1.5
Italy	1.3	0.7	-0.5	-3.1	-2.5	-1.1	-1.8	-1.3	-1.3	-0.8	1.4	1.6	0.4	-1.1	-1.5	-2.4	-1.7	-1.1	-1.0	-0.9
Japan	3.7	4.3	2.8	1.0	0.3	0.5	1.8	2.1	-1.2	-2.4	-0.7	-1.7	-2.6	-2.7	-1.5	-0.9	-0.2	0.2	0.2	0.5
Luxembourg	4.1	6.7	2.9	2.0	1.1	-2.1	-5.0	-3.9	-2.5	0.4	3.1	0.8	0.2	-2.4	-2.5	-2.8	-2.3	-1.9	-1.3	-1.0
Netherlands	2.0	1.5	0.1	-1.8	-1.9	-1.8	-1.2	0.2	1.0	2.6	3.9	3.0	0.1	-1.8	-1.6	-2.0	-1.0	0.2	0.8	1.4
New Zealand	-1.6	-4.7	-5.8	-3.1	-0.3	0.8	1.6	0.8	-2.0	-0.6	0.2	-0.1	1.4	1.1	2.0	1.6	0.2	0.3	-0.3	-0.2
Norway[1]	-6.1	-6.1	-5.3	-4.3	-3.2	-2.5	-1.3	0.7	2.1	2.0	2.0	1.7	0.4	-1.1	0.3	1.5	2.9	4.9	4.5	3.7
Poland	..	..	..	..	..	-0.5	0.0	1.3	0.6	0.2	0.2	-2.2	-3.7	-2.9	-0.8	-0.8	0.8	2.0	2.3	2.1
Portugal	2.9	4.2	2.3	-2.6	-4.4	-3.1	-2.5	-1.3	0.5	1.7	3.1	2.5	0.9	-2.1	-2.1	-3.1	-3.3	-3.2	-2.7	-2.1
Spain	4.4	3.9	1.7	-2.3	-2.8	-3.0	-3.7	-3.0	-1.6	-0.1	1.4	1.3	0.1	-0.6	-0.9	-0.9	-0.5	-0.2	-0.6	-0.9
Sweden	0.9	-1.8	-4.0	-7.2	-5.4	-3.5	-3.7	-2.9	-1.4	0.5	2.1	0.4	-0.5	-1.5	-0.8	-0.8	0.4	0.4	0.3	0.1
Switzerland	4.4	0.8	-1.0	-2.4	-2.2	-2.6	-2.9	-1.8	-0.2	-0.7	1.1	0.6	-0.6	-2.6	-1.8	-1.1	0.3	1.1	1.1	1.1
United Kingdom	1.7	-1.8	-3.6	-3.6	-1.8	-1.4	-1.3	-1.0	-0.4	-0.3	0.7	0.5	0.0	0.1	0.7	-0.1	0.0	0.4	-0.3	-0.5
United States	1.0	-2.0	-1.7	-2.2	-1.6	-2.4	-2.1	-1.0	-0.1	1.2	2.0	0.0	-1.0	-1.1	-0.1	0.4	0.7	0.4	-0.1	-0.4
Euro area	3.0	1.9	0.9	-2.1	-1.6	-1.1	-1.7	-1.1	-0.5	0.3	2.1	1.8	0.3	-1.0	-1.3	-1.7	-0.9	-0.3	-0.3	-0.3
Total OECD	1.9	-0.1	-0.7	-2.0	-1.4	-1.5	-1.4	-0.7	-0.4	0.3	1.6	0.4	-0.6	-1.1	-0.6	-0.5	0.0	0.2	-0.1	-0.1

Note: Potential output for all countries except Portugal is calculated using the "production function method" described in Giorno et al, "Potential Output, Output Gaps, and Structural Budget Balances", *OECD Economic Studies,* No. 24, 1995/I. Using this methodology, two broad changes have been made to the calculation of potential output since the last *OECD Economic Outlook.* First, the "smoothing parameters" applied in the calculations have been standardised across the OECD countries. Second, as was previously the case for the major seven economies only, the calculations now incorporate trend working hours for other Member economies also, excepting Austria and Portugal where the data span is insufficient. Potential output for Portugal is calculated using a Hodrick-Prescott filter of actual output. See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to Table on Real GDP.

1. Mainland Norway.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162644532847

Annex Table 11. **Compensation per employee in the private sector**

Percentage change from previous period

	Average 1980-1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	8.0	2.7	4.4	2.6	2.2	2.8	5.2	4.0	3.1	2.7	2.6	4.4	2.9	3.0	6.5	4.1	5.0	4.6	4.8	4.7
Austria	5.0	6.1	5.7	4.4	3.5	1.7	1.3	1.7	2.6	1.6	2.2	2.1	2.6	1.8	2.1	2.3	2.5	2.4	2.7	3.0
Belgium	6.1	6.0	4.9	4.0	3.7	1.7	1.2	3.2	1.2	3.7	1.8	3.7	3.5	1.4	2.2	1.2	3.1	2.7	2.6	3.0
Canada	6.6	5.0	3.6	2.3	0.5	2.4	3.0	6.1	3.0	3.2	4.9	2.2	1.0	2.2	4.3	5.2	3.9	5.4	5.2	4.8
Czech Republic	..	..	..	..	..	..	16.5	9.2	9.7	7.9	7.4	7.2	7.0	8.7	6.0	4.4	6.3	7.6	7.3	7.2
Denmark	7.1	3.8	5.3	1.9	1.7	2.5	4.0	3.8	4.0	3.7	3.2	4.2	3.7	3.4	2.4	3.6	3.6	3.9	4.6	4.6
Finland	9.8	4.8	1.7	1.0	4.6	4.2	2.4	2.4	5.0	2.4	4.3	5.2	1.2	2.3	3.5	3.4	2.8	2.7	5.1	4.2
France	7.5	3.7	3.7	2.1	1.1	1.4	1.4	1.4	1.4	1.9	2.3	2.3	3.4	3.0	4.0	3.1	3.4	3.3	3.1	3.2
Germany	3.4	5.6	10.3	3.6	2.9	3.4	1.0	0.6	0.8	1.0	2.0	1.6	1.3	1.6	0.1	-0.1	1.3	1.3	2.3	2.7
Greece	19.4	16.2	12.5	8.7	11.4	12.7	10.8	12.0	4.5	6.6	5.6	8.5	12.6	5.7	1.2	4.9	4.7	6.1	6.3	6.5
Hungary	..	..	..	..	..	24.2	21.4	18.7	12.4	1.7	15.6	15.1	9.5	7.0	14.0	7.4	5.4	7.6	6.2	6.2
Iceland	34.9	16.2	0.6	-3.7	3.7	4.9	5.1	3.9	9.4	8.4	10.0	5.5	8.9	0.0	10.7	12.1	10.7	9.1	5.8	4.7
Ireland	8.5	3.3	7.9	4.8	1.5	3.4	4.2	4.2	4.9	4.1	8.7	6.6	3.8	4.2	5.7	5.1	5.0	4.4	3.9	3.9
Italy	11.2	7.2	5.8	4.3	4.4	5.1	4.5	3.6	-1.0	1.9	1.9	2.4	1.8	1.8	3.2	2.5	2.1	2.1	2.6	3.0
Japan	3.7	4.5	0.7	0.5	1.4	1.0	-0.2	1.1	-1.2	-1.6	0.1	-1.2	-2.1	-1.2	-0.9	0.1	0.1	0.0	0.6	1.8
Korea	12.6	16.2	11.8	12.9	12.0	15.0	12.0	4.0	4.4	2.1	3.2	6.6	4.8	7.0	4.2	3.9	2.5	5.9	5.8	5.9
Luxembourg	5.2	5.6	6.5	5.5	4.1	-0.2	1.0	2.0	1.4	4.6	6.1	3.5	2.4	1.8	3.7	3.8	5.1	3.5	3.1	3.5
Mexico	..	..	20.5	10.1	9.2	8.0	19.2	23.4	16.1	17.7	11.5	9.0	3.7	3.4	2.7	5.0	4.3	4.0	4.0	3.8
Netherlands	2.3	4.0	4.1	2.7	1.9	0.3	1.9	2.5	4.2	3.5	4.8	4.8	4.4	3.2	3.4	0.7	2.4	2.6	4.2	5.6
Norway	8.1	6.2	4.3	2.6	3.1	3.2	2.6	2.5	7.5	6.1	4.5	7.0	3.9	2.5	4.4	4.6	5.8	5.8	5.9	6.1
Poland	..	..	..	..	..	..	29.0	20.5	14.7	12.6	10.2	9.5	0.5	0.3	0.8	-0.2	3.1	8.1	9.4	9.2
Portugal	17.0	18.7	16.2	7.2	6.0	6.8	7.1	4.9	2.0	2.3	5.3	3.0	2.8	5.2	2.3	0.9	2.9	3.2	3.2	3.2
Slovak Republic	..	..	..	..	..	3.2	5.8	17.0	13.2	6.7	14.3	5.1	8.4	7.1	10.3	6.2	4.9	7.1	7.2	7.3
Spain	10.4	10.3	10.4	8.3	4.0	3.5	5.2	3.6	1.3	1.9	2.9	4.1	3.5	2.7	1.8	1.8	1.2	2.3	2.6	2.4
Sweden	8.8	6.3	1.7	6.4	6.8	2.4	7.3	5.5	3.1	1.2	7.2	4.6	2.5	2.4	4.2	3.3	1.7	4.7	4.2	4.1
Switzerland	4.7	6.8	4.0	2.8	2.5	2.3	0.7	2.9	0.3	1.6	2.6	3.7	1.7	-0.7	-0.8	3.2	3.8	2.6	1.9	2.1
United Kingdom	8.1	7.4	4.9	2.3	3.4	2.6	2.2	4.0	7.2	4.6	5.8	4.8	2.8	4.6	4.1	4.5	4.1	3.6	1.6	3.7
United States	5.1	4.0	6.2	2.0	1.8	2.3	3.0	4.0	5.4	4.5	6.7	2.6	3.3	3.3	4.5	3.4	4.0	5.0	3.6	3.5
Euro area	6.9	6.5	7.6	4.1	3.0	3.0	2.0	1.6	0.8	1.4	2.4	2.5	2.5	2.3	1.6	1.2	1.8	2.4	2.8	3.1
Total OECD	6.0	5.0	6.3	3.1	2.8	3.1	3.7	4.1	3.8	3.3	4.6	2.9	2.4	2.5	2.9	2.5	2.9	3.7	3.2	3.5

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 82 database.

StatLink http://dx.doi.org/10.1787/162731678576

Annex Table 12. **Labour productivity for the total economy**

Percentage change from previous period

	Average 1980-1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	0.9	1.0	3.0	3.4	1.9	-0.2	2.7	2.9	3.4	2.7	0.8	1.0	2.0	1.1	1.3	-0.2	0.4	1.4	1.6	1.9
Austria	2.0	2.1	1.7	1.4	2.4	2.3	2.0	1.3	2.3	2.0	2.0	0.5	0.8	1.2	2.5	1.6	2.1	2.7	1.8	1.9
Belgium	1.8	1.5	1.7	-0.3	3.6	1.7	0.7	3.0	0.2	2.0	1.9	-0.7	1.5	1.0	2.1	0.7	1.6	0.9	0.9	1.3
Canada	1.0	-0.4	1.9	1.8	2.7	1.0	0.7	2.1	1.6	2.9	2.7	0.6	0.5	-0.5	1.3	1.7	0.8	0.3	1.0	1.5
Czech Republic	..	..	..	..	1.3	5.2	3.2	-0.9	0.8	4.9	3.8	2.0	1.3	5.0	4.2	5.5	4.7	4.5	3.8	4.3
Denmark	1.6	1.9	3.1	1.4	3.8	2.1	1.8	2.0	0.7	1.6	3.1	-0.1	0.5	1.7	2.1	2.3	1.5	-0.4	1.7	1.5
Finland	2.5	-0.6	3.5	5.4	5.1	1.9	2.2	2.8	3.3	1.5	2.7	1.1	0.6	1.9	3.2	1.4	3.1	2.1	2.0	2.0
France	2.2	1.0	1.9	0.5	2.1	1.4	0.7	1.8	2.0	1.2	1.3	0.0	0.5	0.9	2.1	1.3	1.4	0.9	1.1	1.4
Germany	1.3	2.3	3.4	0.5	2.8	1.8	1.3	1.9	0.6	0.5	1.6	0.9	0.6	0.7	0.2	1.1	2.4	1.0	1.0	1.2
Greece	-0.3	5.6	-0.8	-2.4	0.1	1.2	2.8	4.2	-0.7	3.4	4.6	4.8	3.8	3.5	1.7	2.3	1.9	2.4	2.2	2.4
Hungary	..	..	..	..	..	5.1	1.8	4.4	3.1	0.7	3.9	3.8	4.3	2.8	5.5	4.1	3.2	1.7	2.1	3.1
Iceland	1.0	-0.2	-3.4	1.5	2.8	-2.9	4.8	4.8	2.1	0.4	2.3	2.2	1.6	2.3	8.3	3.7	-0.9	-3.7	0.1	0.7
Ireland	3.6	2.2	2.8	1.2	2.4	4.5	4.5	5.8	0.0	4.4	4.5	2.8	4.6	2.3	1.1	1.2	1.4	2.1	1.3	1.8
Italy	1.8	-0.3	1.4	1.8	4.0	3.1	0.0	1.6	0.3	0.8	1.8	-0.3	-1.4	-1.4	0.6	-0.1	0.2	0.5	0.4	0.6
Japan	2.7	1.4	-0.1	0.0	1.0	1.9	2.3	0.5	-1.4	0.7	3.1	0.7	1.6	1.6	2.5	1.5	1.7	1.5	1.9	2.3
Korea	5.7	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	2.8	3.7	3.6	4.0	4.4
Luxembourg	3.2	4.3	-0.7	2.4	1.2	-1.4	-1.0	2.8	2.0	3.3	2.5	-2.8	0.8	0.3	2.6	2.1	2.3	1.2	1.2	0.7
Mexico	..	..	0.0	-1.6	0.9	-5.4	1.0	1.0	2.2	2.7	4.3	-0.4	-1.5	0.5	0.7	2.2	1.3	0.6	1.1	1.8
Netherlands	1.1	0.5	0.4	0.9	2.3	0.8	1.1	1.2	1.3	2.1	1.7	-0.1	-0.4	0.8	3.1	1.3	1.1	1.4	1.3	1.4
New Zealand	1.5	-0.1	0.4	3.1	1.5	-0.2	0.7	1.6	0.5	2.7	2.1	0.2	2.2	1.1	0.9	-0.1	-0.5	1.3	1.4	1.6
Norway	1.9	4.1	3.8	2.8	3.5	1.9	2.5	2.4	0.2	1.6	2.8	1.6	1.1	1.8	3.6	2.1	-0.4	0.4	2.0	1.5
Poland	..	..	..	..	7.0	6.0	5.0	5.6	3.8	8.8	5.9	3.5	4.6	5.1	4.0	1.3	2.8	1.9	3.5	3.6
Portugal	1.8	1.4	0.2	0.0	1.1	4.9	3.1	2.3	2.2	2.5	1.6	0.2	0.1	-0.3	1.5	0.4	0.6	1.9	1.2	1.3
Slovak Republic	..	..	..	..	..	4.0	4.5	7.1	4.1	3.1	2.6	2.6	4.7	2.3	5.8	4.6	5.8	7.1	5.7	5.5
Spain	1.9	1.4	2.4	1.9	2.9	0.9	0.7	0.3	0.0	0.2	0.0	0.5	0.3	0.0	-0.3	-0.4	0.1	0.4	0.1	0.5
Sweden	1.5	0.4	3.4	3.4	4.8	2.5	2.2	3.9	2.0	2.2	2.0	-0.7	1.8	2.2	4.3	2.5	2.6	0.8	1.7	2.3
Switzerland	0.3	-2.7	0.5	0.7	1.9	0.3	0.6	2.0	1.2	0.5	2.5	-0.5	0.0	0.0	2.2	2.0	0.9	0.7	0.8	0.9
Turkey	3.6	-2.9	5.1	13.5	-12.4	4.2	4.0	7.5	0.4	-5.8	9.6	-7.5	8.3	6.6	6.9	5.6	4.9	3.2	3.5	3.9
United Kingdom	1.9	1.3	2.7	3.2	3.5	1.7	1.8	1.3	2.3	1.7	2.6	1.5	1.3	1.8	2.2	0.8	2.0	2.6	1.5	1.3
United States	1.4	0.6	3.3	0.7	1.0	0.2	1.8	2.1	1.9	2.4	1.9	0.9	2.8	2.5	2.5	1.5	1.0	1.1	1.5	1.5
Euro area	1.8	1.5	2.2	1.1	2.8	1.8	0.9	1.6	0.7	0.8	1.5	0.3	0.2	0.4	0.8	0.5	1.2	1.0	0.9	1.1
Total OECD	1.8	0.9	2.4	1.3	1.8	1.2	1.7	1.9	1.1	1.8	2.3	0.6	1.7	1.7	2.1	1.3	1.4	1.3	1.5	1.7

Note: See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162735058515

Annex Table 13. **Unemployment rates: commonly used definitions**

Per cent of labour force

	2004 Unemployment thousands	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009
Australia	553	9.4	8.2	8.2	8.2	7.7	6.9	6.3	6.7	6.3	5.9	5.4	5.0	4.8	4.3	4.4	4.8	4.2	4.5	5.0
Austria	248	5.3	5.3	5.6	5.6	5.7	5.2	4.6	4.7	5.4	5.6	5.7	5.7	5.4	5.3	5.3	5.5	5.6	5.2	5.8
Belgium	386	9.8	9.7	9.5	9.2	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.4	8.2	7.7	7.3	7.0	7.6	7.1	7.0
Canada	1 235	10.4	9.5	9.6	9.1	8.3	7.6	6.8	7.2	7.6	7.6	7.2	6.8	6.3	6.0	5.8	5.8	5.8	5.8	5.8
Czech Republic	426	4.3	4.1	3.9	4.8	6.5	8.8	8.9	8.2	7.3	7.8	8.3	8.0	7.2	5.4	5.0	4.7	5.0	4.9	4.6
Denmark	159	7.6	6.7	6.3	5.2	4.8	5.0	4.3	4.5	4.5	5.3	5.5	4.8	3.9	3.5	3.4	3.6	3.3	3.5	3.6
Finland	229	17.9	16.7	15.9	12.7	11.4	10.3	9.8	9.2	9.1	9.0	8.9	8.4	7.7	6.6	6.3	6.1	6.3	6.3	6.0
France	2 400	10.5	9.9	10.5	10.5	9.9	9.3	8.1	7.5	7.8	8.5	8.9	8.8	8.8	8.0	7.5	7.4	7.7	7.4	7.4
Germany	3 931	7.3	7.1	7.7	8.6	8.1	7.5	6.9	6.9	7.6	8.7	9.2	9.1	8.1	6.4	5.7	5.6	6.0	5.6	5.6
Greece	506	9.6	9.1	9.8	9.8	11.4	12.3	11.7	11.2	10.9	10.4	11.0	10.4	9.3	8.6	8.4	8.3	..	..	..
Hungary	253	11.0	10.4	10.1	8.9	7.9	7.1	6.5	5.8	5.9	5.9	6.2	7.3	7.5	7.3	7.2	7.1	7.1	7.3	7.1
Iceland	5	5.3	4.7	3.7	3.9	2.7	2.0	2.3	2.3	3.3	3.4	3.1	2.6	2.9	2.5	3.2	3.3	2.6	3.3	3.3
Ireland	87	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	4.8	5.6	5.4	5.2	5.6	5.3
Italy	1 955	10.9	11.3	11.3	11.4	11.5	11.1	10.2	9.2	8.8	8.6	8.1	7.8	6.8	5.9	5.8	5.8	5.7	5.8	5.8
Japan	3 135	2.9	3.1	3.4	3.4	4.1	4.7	4.7	5.0	5.4	5.3	4.7	4.4	4.1	3.8	3.7	3.6	3.8	3.7	3.5
Korea	860	2.5	2.1	2.0	2.6	7.0	6.6	4.4	4.0	3.3	3.6	3.7	3.7	3.5	3.3	3.3	3.3	3.3	3.2	3.3
Luxembourg	9	2.7	3.0	3.3	3.6	3.1	2.9	2.6	2.5	2.9	3.7	4.2	4.7	4.4	4.4	4.2	3.9	4.3	4.1	3.8
Mexico[1]	1 528	3.5	6.9	5.2	4.1	3.6	2.5	2.6	2.5	2.9	3.0	3.7	3.5	3.2	3.3	3.2	3.2	3.3	3.2	3.1
Netherlands	422	7.2	6.8	6.3	5.4	4.2	3.5	3.0	2.5	2.9	4.1	4.9	4.9	4.1	3.3	2.9	2.7	3.2	2.8	2.6
New Zealand	82	8.1	6.2	6.1	6.6	7.5	6.8	6.0	5.3	5.2	4.7	3.9	3.7	3.8	3.6	4.0	4.1	3.6	4.2	3.9
Norway	106	5.4	4.9	4.8	4.0	3.2	3.2	3.4	3.5	3.9	4.5	4.5	4.6	3.4	2.5	2.5	2.5	2.4	2.5	2.5
Poland	3 230	14.4	13.3	12.3	11.2	10.6	14.0	16.1	18.2	19.9	19.6	19.0	17.7	13.8	9.7	8.4	7.7	..	..	..
Portugal	365	6.8	7.2	7.3	6.7	5.0	4.4	4.0	4.0	5.0	6.3	6.7	7.7	7.7	7.9	7.6	7.3	7.6	7.6	7.2
Slovak Republic	480	13.7	13.1	11.3	11.9	12.6	16.4	18.8	19.3	18.6	17.5	18.1	16.2	13.3	11.0	10.1	9.4	11.0	9.7	9.2
Spain[2]	2 134	19.1	18.7	17.5	16.3	14.6	12.2	10.8	10.1	11.0	11.0	10.5	9.2	8.5	8.1	8.1	8.3	7.8	8.2	8.2
Sweden	247	8.0	7.7	8.0	8.0	6.5	5.6	4.7	4.0	4.0	4.9	5.5	5.8	5.3	4.6	3.8	3.6	4.2	3.7	3.5
Switzerland	184	3.7	3.3	3.8	4.0	3.4	2.9	2.5	2.5	3.1	4.1	4.2	4.3	3.8	3.3	3.2	3.0	3.1	3.1	2.9
Turkey[3]	2 479	8.4	7.5	6.5	6.7	6.7	7.5	6.4	8.2	10.1	10.3	10.0	10.0	9.7	9.6	9.4	9.1	..	..	..
United Kingdom	1 421	9.5	8.6	8.1	7.0	6.2	6.0	5.5	5.1	5.2	5.0	4.8	4.8	5.5	5.5	5.7	5.5	5.5	5.7	5.3
United States	8 142	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.8	5.8	6.0	5.5	5.1	4.6	4.6	5.0	5.0	4.8	5.1	4.9
Euro area	12 671	10.2	10.0	10.2	10.1	9.6	8.8	7.9	7.5	7.9	8.5	8.6	8.4	7.7	6.8	6.4	6.4	6.5	6.4	6.4
Total OECD	37 197	7.3	7.1	6.9	6.6	6.5	6.3	5.9	6.1	6.7	6.9	6.7	6.4	5.9	5.4	5.4	5.3	5.4	5.3	5.2

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, breaks in series and rebasings, see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Based on National Employment Survey. 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 82 database.

StatLink http://dx.doi.org/10.1787/162746368826

Annex Table 14. **Standardised unemployment rates**

Per cent of civilian labour force

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Australia	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	6.7	6.4	5.9	5.4	5.1	4.8
Austria	..	..	..	..	..	4.0	3.8	3.9	4.3	4.4	4.5	3.9	3.6	3.6	4.2	4.3	4.8	5.2	4.7
Belgium	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	8.2
Canada	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	6.3
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	7.1
Denmark	5.7	6.8	7.2	7.9	8.6	9.5	7.7	6.8	6.3	5.2	4.9	5.1	4.3	4.5	4.6	5.4	5.5	4.8	3.9
Finland	4.2	3.1	3.2	6.7	11.6	16.2	16.8	15.1	14.9	12.7	11.4	10.3	9.6	9.1	9.1	9.1	8.8	8.3	7.7
France	9.3	8.8	8.4	8.9	9.8	11.0	11.6	11.0	11.5	11.4	11.0	10.4	9.0	8.3	8.6	9.0	9.2	9.3	9.2
Germany[1]	6.2	5.6	4.8	4.2	6.3	7.6	8.2	8.0	8.7	9.4	9.0	8.2	7.5	7.6	8.3	9.3	9.8	10.6	9.8
Greece	6.9	6.7	6.3	6.9	7.8	8.6	8.8	9.0	9.7	9.6	11.0	12.0	11.2	10.7	10.3	9.7	10.5	9.9	8.9
Hungary	..	..	..	..	10.0	12.1	11.0	10.4	9.6	9.0	8.4	6.9	6.4	5.7	5.8	5.9	6.1	7.2	7.4
Ireland	16.2	14.7	13.4	14.7	15.4	15.6	14.3	12.3	11.7	9.9	7.5	5.7	4.2	4.0	4.5	4.7	4.5	4.3	4.4
Italy	9.7	9.7	8.9	8.5	8.8	9.8	10.6	11.2	11.2	11.3	11.4	10.9	10.1	9.1	8.6	8.4	8.0	7.7	6.8
Japan	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	4.1
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	3.5
Luxembourg	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	2.0	2.7	3.7	5.1	4.5	4.7
Netherlands	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	3.9
New Zealand	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	3.8
Norway	3.3	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	3.5
Poland	..	..	..	..	..	16.3	16.9	15.4	14.1	10.9	10.2	13.4	16.1	18.2	19.9	19.6	19.0	17.7	13.8
Portugal	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	6.3	6.7	7.6	7.7
Slovak Republic	..	..	..	..	..	..	13.7	13.1	11.3	11.9	12.6	16.3	18.8	19.3	18.6	17.6	18.2	16.3	13.3
Spain	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	10.4	11.1	11.1	10.6	9.2	8.5
Sweden	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	6.3	7.3	7.0
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	4.0
United Kingdom	8.5	7.1	6.9	8.6	9.8	10.2	9.3	8.5	7.9	6.8	6.1	5.9	5.3	5.0	5.1	4.9	4.7	4.8	5.3
United States	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	4.6
Euro area	..	..	..	7.8	8.5	10.0	10.7	10.4	10.6	10.5	10.0	9.2	8.3	7.8	8.2	8.7	8.8	8.8	8.2
Total OECD	6.7	6.2	6.1	6.8	7.4	7.8	7.6	7.2	7.2	6.9	6.8	6.6	6.2	6.4	6.9	7.1	6.9	6.7	6.1

Note: In so far as possible, the data have been adjusted to ensure comparability over time and to conform to the guidelines of the International Labour Office. 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 July 1991 data refers to Western Germany.

Source: OECD Main Economic Indicators.

StatLink http://dx.doi.org/10.1787/162758650135

Annex Table 15. **Labour force, employment and unemployment**

Millions

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Labour force																			
Major seven countries	322.6	324.4	325.4	327.8	329.5	332.4	336.5	339.2	342.1	346.7	348.8	350.5	353.1	354.9	357.6	360.8	362.9	364.5	366.3
Total of smaller countries[1]	138.1	140.1	167.4	173.5	176.1	178.5	181.4	183.7	185.7	187.6	189.9	192.9	194.2	198.0	200.5	203.6	206.9	210.0	213.0
Euro area	131.6	131.4	131.2	131.9	132.5	133.5	134.7	136.6	138.3	140.3	141.9	143.5	144.9	146.6	147.8	149.2	150.0	151.0	152.2
Total OECD[1]	460.7	464.4	492.7	501.3	505.6	510.9	517.9	522.9	527.8	534.3	538.6	543.4	547.2	552.9	558.1	564.4	569.8	574.5	579.3
Employment																			
Major seven countries	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	332.7	336.2	340.7	344.2	345.6	347.5
Total of smaller countries[1]	129.9	131.0	153.8	159.2	161.3	164.8	168.4	170.4	172.5	175.3	176.9	178.7	179.6	183.0	186.0	190.4	194.7	198.1	201.2
Euro area	122.0	120.9	118.7	118.5	119.2	119.9	121.1	123.5	126.1	129.2	131.3	132.1	132.6	134.0	135.4	137.6	139.8	141.3	142.5
Total OECD[1]	432.5	433.4	456.5	464.9	469.7	475.7	483.7	489.0	494.6	503.0	505.7	507.2	509.6	515.7	522.2	531.1	538.9	543.8	548.7
Unemployment																			
Major seven countries	20.0	22.0	22.6	22.1	21.2	21.5	21.1	20.6	20.0	18.9	19.9	22.1	23.1	22.2	21.3	20.0	18.7	18.9	18.8
Total of smaller countries[1]	8.2	9.1	13.6	14.3	14.8	13.7	13.0	13.3	13.2	12.4	13.0	14.1	14.5	15.0	14.6	13.2	12.2	11.9	11.8
Euro area	9.5	10.5	12.4	13.5	13.3	13.6	13.7	13.1	12.2	11.1	10.6	11.4	12.3	12.7	12.4	11.5	10.2	9.7	9.7
Total OECD[1]	28.2	31.0	36.2	36.4	36.0	35.2	34.1	33.9	33.2	31.3	32.9	36.3	37.6	37.2	35.9	33.3	30.8	30.7	30.6

1. There is a potential bias in the aggregates because of the limited coverage of the Mexican National Survey of Urban Employment.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162760486131

Annex Table 16. **GDP deflators**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter		
																		2007	2008	2009
Australia	5.2	0.8	1.5	2.2	1.5	0.2	0.5	4.3	3.8	2.9	2.8	3.9	4.4	4.9	3.7	3.0	2.8	2.7	3.0	2.8
Austria	3.1	2.5	1.9	1.0	0.0	0.2	0.6	1.9	1.7	1.6	1.3	2.0	1.7	1.9	2.2	2.3	1.9	2.2	2.4	1.7
Belgium	3.5	2.1	1.2	0.6	1.0	2.1	0.3	1.9	2.0	1.9	1.6	2.4	2.4	2.0	2.0	2.5	2.0	2.7	2.2	1.9
Canada	3.2	1.1	2.3	1.6	1.2	-0.4	1.7	4.1	1.1	1.1	3.3	3.2	3.4	2.4	3.6	2.6	2.0	4.7	1.9	2.0
Czech Republic	..	11.0	10.2	10.2	8.4	11.1	2.8	1.6	4.9	2.8	0.9	4.5	-0.2	1.1	3.5	3.8	2.7	3.2	4.3	2.4
Denmark	3.4	1.5	1.3	2.0	2.0	1.2	1.7	3.0	2.5	2.3	1.6	2.0	3.2	2.2	2.0	3.0	2.9	3.0	3.1	2.8
Finland	4.7	1.5	5.0	-0.3	2.3	3.3	0.8	2.8	2.9	1.3	-0.5	0.5	0.5	1.5	1.4	1.9	1.5	1.3	1.8	1.5
France	3.5	1.3	1.3	1.6	1.0	0.9	0.0	1.4	2.0	2.4	1.9	1.6	1.7	2.3	2.2	2.2	2.1	2.2	2.1	2.2
Germany	2.8	2.4	1.9	0.5	0.3	0.6	0.3	-0.7	1.2	1.4	1.2	1.1	0.7	0.6	1.8	1.7	1.9	2.1	1.9	1.9
Greece	17.6	11.2	9.8	7.4	6.8	5.2	3.0	3.4	2.7	3.7	3.6	3.3	3.4	3.3	2.9	3.0	3.2	2.6	1.2	4.3
Hungary	..	19.5	26.7	21.2	18.5	12.6	8.4	9.9	8.5	7.8	5.8	4.4	2.2	3.7	5.9	3.8	2.9	4.7	5.1	1.7
Iceland	17.4	2.6	3.0	2.5	3.0	5.1	3.3	3.6	8.6	5.6	0.6	2.5	2.9	9.0	6.1	4.0	3.3	4.5	3.7	3.1
Ireland	3.8	1.7	3.0	2.2	3.6	6.4	3.8	5.7	5.5	4.6	2.6	2.2	2.7	2.5	2.1	2.5	2.1	4.4	2.1	2.1
Italy	7.0	3.6	5.0	5.2	2.5	2.6	1.3	2.0	3.0	3.4	3.1	2.9	2.2	1.8	2.7	2.3	2.4	2.9	2.2	2.5
Japan	1.8	-0.6	-0.5	-0.6	0.6	0.0	-1.3	-1.7	-1.2	-1.5	-1.6	-1.1	-1.3	-0.9	-0.5	-0.3	0.3	-0.8	0.1	0.4
Korea	7.0	7.8	7.4	5.1	4.6	5.8	-0.1	0.7	3.5	2.8	2.7	2.7	-0.2	-0.4	0.9	1.2	1.4	0.4	2.4	0.7
Luxembourg	2.8	3.5	2.3	3.0	-1.9	-0.6	5.2	2.4	0.0	2.1	5.0	1.6	4.3	6.3	3.0	3.4	5.4	..	..	..
Mexico	48.7	8.5	37.9	30.7	17.7	15.4	15.1	12.1	5.9	7.0	8.6	7.4	5.5	4.5	2.7	3.9	3.3	5.8	3.4	3.3
Netherlands	1.4	2.1	2.1	1.3	2.6	1.9	1.8	4.1	5.1	3.8	2.2	0.7	2.1	1.9	1.4	1.9	2.5	1.4	2.0	2.7
New Zealand	7.0	1.1	2.3	2.5	0.4	0.8	0.4	2.6	4.3	1.0	1.5	3.6	2.1	2.3	3.9	3.9	2.4	4.5	3.1	2.2
Norway	3.6	-0.2	3.0	4.2	2.8	-0.8	6.6	15.7	1.7	-1.8	3.0	5.3	8.5	7.7	1.6	6.0	3.0	3.3	6.4	2.2
Poland	..	37.2	28.0	17.9	13.9	11.1	6.0	7.3	3.5	2.2	0.4	4.1	2.6	1.5	3.5	4.7	5.0	..	..	..
Portugal	13.9	7.3	3.4	2.6	3.8	3.7	3.3	3.0	3.7	3.9	3.1	2.4	2.8	2.9	2.8	2.4	2.1	2.3	2.3	2.0
Slovak Republic	..	13.4	9.9	4.6	4.6	5.1	7.5	9.7	5.0	4.6	4.7	6.0	2.4	2.7	1.4	1.8	2.5	1.3	2.0	2.7
Spain	7.4	3.9	4.9	3.5	2.4	2.5	2.6	3.5	4.2	4.3	4.1	4.0	4.2	4.0	3.2	3.3	2.9	3.1	3.4	2.6
Sweden	6.1	2.8	3.4	1.0	1.6	0.7	1.1	1.3	2.0	1.6	1.9	0.6	1.2	1.5	3.1	2.6	2.5	3.4	2.5	2.4
Switzerland	3.2	1.3	0.7	0.2	-0.1	0.3	0.6	1.1	0.8	0.5	1.0	0.6	0.3	1.6	0.8	0.7	1.4	0.5	1.2	1.4
Turkey	55.9	106.5	87.2	77.8	81.5	75.7	55.6	49.9	54.8	44.1	22.5	9.9	5.4	11.5	9.2	8.7	6.5	..	..	..
United Kingdom	5.4	1.6	2.7	3.5	2.9	2.7	2.2	1.3	2.2	3.1	3.1	2.6	2.3	2.6	3.2	2.5	2.1	3.3	2.1	2.2
United States	3.1	2.1	2.0	1.9	1.7	1.1	1.4	2.2	2.4	1.7	2.1	2.9	3.2	3.2	2.6	2.1	2.0	2.5	2.1	2.0
Euro area	4.6	2.7	2.7	2.0	1.4	1.5	0.9	1.4	2.4	2.6	2.1	2.0	1.9	1.9	2.2	2.2	2.3	2.4	2.2	2.3
Total OECD	6.4	4.6	5.3	4.4	3.8	3.2	2.5	2.8	3.0	2.6	2.3	2.4	2.3	2.3	2.3	2.1	2.1	2.4	2.1	2.1

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence there are breaks in many national series. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162764437003

Annex Table 17. **Private consumption deflators**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009
Australia	6.0	0.8	2.2	2.1	1.7	1.3	0.5	2.9	3.7	2.7	2.2	1.3	1.8	2.7	2.5	2.9	2.5	3.0	2.6	2.5
Austria	2.9	2.7	2.1	1.9	1.4	0.4	0.8	2.4	1.8	1.3	1.5	1.6	1.6	1.9	1.9	2.3	2.0	2.2	2.2	1.9
Belgium	3.2	2.8	2.1	1.0	1.6	1.2	0.1	3.3	2.4	1.3	1.7	2.4	2.9	2.5	1.8	2.4	2.0	2.3	2.2	1.9
Canada	3.8	1.1	1.3	1.6	1.6	1.2	1.7	2.2	1.8	2.0	1.6	1.5	1.7	1.4	1.6	1.4	1.7	2.2	1.3	1.8
Czech Republic	..	10.7	9.2	7.7	9.0	8.9	1.9	3.2	3.9	1.2	-0.4	3.3	0.9	1.6	1.7	4.4	3.1	2.2	5.1	2.6
Denmark	3.2	2.7	1.8	1.6	2.0	1.4	1.9	2.7	2.3	1.7	1.3	1.5	2.2	2.1	1.8	2.2	2.7	1.1	2.7	2.7
Finland	4.8	0.3	0.9	1.0	1.7	2.3	1.5	4.3	2.5	2.1	-0.2	1.0	0.0	1.3	1.6	2.2	2.1	1.4	2.5	2.0
France	3.7	1.4	1.0	1.6	0.9	0.2	-0.5	2.3	1.7	1.0	1.9	1.9	1.8	1.9	1.5	2.3	1.9	2.0	2.2	1.9
Germany	2.2	2.5	1.3	0.9	1.4	0.5	0.3	0.9	1.7	1.2	1.5	1.6	1.5	1.4	1.9	2.1	1.9	2.4	1.7	1.9
Greece	17.6	11.1	9.0	8.2	5.6	4.5	2.3	3.1	2.8	2.7	3.0	2.6	3.7	3.4	3.0	3.2	3.1	..	..	..
Hungary	..	19.5	28.3	22.9	18.0	13.6	10.2	11.0	8.2	3.9	4.1	4.6	3.8	3.3	6.6	5.0	3.4	6.0	4.2	3.1
Iceland	17.5	1.6	2.2	2.5	0.8	1.5	2.8	5.0	7.8	4.8	1.3	3.0	1.9	7.5	4.3	3.7	2.8	2.8	3.2	2.6
Ireland	3.7	2.7	2.8	2.5	2.5	4.0	3.2	6.7	4.1	5.1	3.9	1.5	1.4	2.5	2.8	2.5	2.1	3.1	2.2	2.0
Italy	6.8	5.1	6.0	4.1	2.3	1.8	1.8	3.4	2.6	2.9	2.8	2.6	2.4	2.7	1.8	2.2	2.0	2.1	2.2	1.9
Japan	1.7	-1.5	-0.2	0.0	1.3	0.2	-0.5	-1.1	-1.1	-1.4	-0.9	-0.7	-0.8	-0.3	-0.5	0.1	0.3	-0.2	0.2	0.5
Korea	6.1	9.6	6.6	6.2	6.0	6.7	3.3	4.8	4.8	2.8	3.4	3.5	2.6	2.1	2.4	2.8	3.0	2.7	2.9	3.0
Luxembourg	3.3	2.6	2.0	1.4	1.3	1.7	2.4	4.1	1.9	0.6	2.1	2.6	2.8	2.9	1.6	2.8	3.2	..	..	..
Mexico	49.4	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	3.7	3.7	3.4	3.6	3.4	3.3
Netherlands	1.9	2.6	2.1	2.0	2.3	2.0	1.9	3.8	4.5	3.0	2.4	1.0	2.1	2.3	1.7	1.8	2.4	1.9	1.9	2.4
New Zealand	7.2	1.3	2.4	2.5	1.7	1.9	0.6	2.3	2.3	1.7	0.4	1.2	1.8	2.7	1.6	2.2	2.0	1.6	2.5	1.5
Norway	5.1	1.0	2.3	1.3	2.4	2.5	2.0	2.9	2.2	1.4	3.0	0.7	1.0	2.0	0.5	2.5	2.1	0.8	2.5	1.9
Poland	..	37.9	27.2	18.7	14.6	10.6	6.1	10.0	3.8	3.3	0.4	3.0	2.1	1.2	2.1	3.5	4.1	..	..	..
Portugal	13.4	5.6	4.3	2.9	2.9	2.3	2.2	3.4	3.4	3.0	2.9	2.5	2.5	3.3	2.7	2.5	2.2	2.7	2.2	2.1
Slovak Republic	..	13.4	9.2	4.7	4.4	6.1	9.9	8.9	5.6	3.3	6.6	7.4	2.6	5.1	2.9	3.1	2.8	2.8	2.2	3.0
Spain	7.0	4.9	4.8	3.2	2.7	1.9	2.3	3.7	3.4	2.8	3.1	3.6	3.4	3.4	2.7	3.2	2.5	2.8	3.1	2.2
Sweden	6.5	2.8	3.0	1.0	1.6	0.6	1.4	1.2	2.1	1.7	1.8	0.8	1.3	1.3	1.8	2.8	2.6	2.4	2.8	2.5
Switzerland	3.1	0.3	1.4	1.3	0.8	-0.1	0.4	0.8	0.7	0.9	0.4	0.8	0.8	1.4	0.9	1.5	1.4	1.2	1.4	1.5
Turkey	56.8	108.9	92.4	67.8	82.1	83.0	59.0	50.0	58.8	40.6	21.8	7.9	6.1	10.7	8.3	7.4	5.9	..	..	..
United Kingdom	5.3	2.1	3.3	3.3	2.5	2.6	1.7	1.1	2.3	1.6	1.9	1.7	2.5	2.4	2.4	2.5	2.4	2.4	2.6	2.3
United States	3.5	2.1	2.1	2.2	1.7	0.9	1.7	2.5	2.1	1.4	2.0	2.6	2.9	2.8	2.5	2.4	1.7	3.2	1.9	1.7
Euro area	4.5	3.1	2.6	2.1	1.8	1.1	0.8	2.4	2.4	1.9	2.1	2.1	2.1	2.2	1.9	2.4	2.1	2.3	2.2	2.0
Total OECD	6.6	4.8	5.3	4.4	4.0	3.4	2.7	3.2	3.1	2.1	2.2	2.2	2.2	2.3	2.1	2.3	1.9	2.5	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 82 database.

StatLink http://dx.doi.org/10.1787/162818748010

Annex Table 18. **Consumer price indices**

Percentage change from previous year

	Average 1983-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009
Australia	5.6	1.9	4.6	2.6	0.3	0.9	1.5	4.5	4.4	3.0	2.8	2.3	2.7	3.5	2.3	3.2	2.7	2.9	3.0	2.6
Austria	..	2.7	1.6	1.8	1.2	0.8	0.5	2.0	2.3	1.7	1.3	2.0	2.1	1.7	2.1	2.4	2.0	2.8	2.0	1.9
Belgium	..	2.4	1.3	1.8	1.5	0.9	1.1	2.7	2.4	1.6	1.5	1.9	2.5	2.3	1.7	2.3	2.0	2.2	2.0	1.9
Canada	4.0	0.2	2.1	1.6	1.6	1.0	1.7	2.7	2.5	2.3	2.8	1.9	2.2	2.0	2.4	1.7	1.8	3.3	1.3	2.0
Czech Republic	..	10.0	9.1	8.8	8.5	10.7	2.1	3.9	4.7	1.8	0.1	2.8	1.9	2.6	2.7	4.6	3.1	3.9	5.1	2.6
Denmark	3.6	2.0	2.1	2.1	2.2	1.8	2.5	2.9	2.4	2.4	2.1	1.2	1.8	1.9	1.6	2.4	2.7	1.9	2.8	2.7
Finland	..	1.6	0.4	1.1	1.2	1.3	1.3	2.9	2.7	2.0	1.3	0.1	0.8	1.3	1.5	2.3	2.4	1.8	2.6	2.4
France	..	1.7	1.8	2.1	1.3	0.7	0.6	1.8	1.8	1.9	2.2	2.3	1.9	1.9	1.5	2.2	1.9	2.1	2.0	1.8
Germany	..	..	..	1.2	1.5	0.6	0.6	1.4	1.9	1.4	1.0	1.8	1.9	1.8	2.2	2.3	1.8	2.8	1.9	1.8
Greece	17.4	10.9	8.9	7.9	5.4	4.5	2.1	2.9	3.7	3.9	3.4	3.0	3.5	3.3	2.9	3.3	3.1	3.1	3.2	3.1
Hungary	..	18.9	28.3	23.5	18.3	14.2	10.0	9.8	9.1	5.3	4.7	6.7	3.6	3.9	7.8	4.7	3.4	6.7	4.3	2.8
Iceland[1]	17.6	1.6	1.7	2.3	1.8	1.7	3.2	5.1	6.4	5.2	2.1	3.2	4.0	6.7	4.9	4.4	2.8	4.7	3.3	2.6
Ireland	..	..	..	2.2	1.3	2.1	2.5	5.3	4.0	4.7	4.0	2.3	2.2	2.7	2.8	2.5	2.0	3.0	2.2	2.0
Italy	..	4.2	5.4	4.0	1.9	2.0	1.7	2.6	2.3	2.6	2.8	2.3	2.2	2.2	2.0	2.4	1.9	2.4	2.1	1.7
Japan	1.7	0.7	-0.1	0.0	1.7	0.7	-0.3	-0.5	-0.8	-0.9	-0.2	0.0	-0.6	0.2	0.0	0.3	0.4	0.2	0.3	0.5
Korea	5.2	6.3	4.5	4.9	4.4	7.5	0.8	2.3	4.1	2.7	3.6	3.6	2.8	2.2	2.5	2.8	3.0	3.1	2.4	3.1
Luxembourg	..	..	..	1.2	1.4	1.0	1.0	3.8	2.4	2.1	2.5	3.2	3.8	3.0	2.6	3.3	3.0	3.6	3.2	2.9
Mexico	49.8	7.0	35.0	34.4	20.6	15.9	16.6	9.5	6.4	5.0	4.5	4.7	4.0	3.6	3.8	3.7	3.6	3.2	3.9	3.4
Netherlands	..	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	1.6	2.0	2.4	1.7	2.1	2.3
New Zealand	7.2	1.7	3.8	2.3	1.2	1.3	-0.1	2.6	2.6	2.7	1.8	2.3	3.0	3.4	2.3	3.2	2.8	2.9	3.1	2.7
Norway	5.1	1.4	2.4	1.2	2.6	2.3	2.3	3.1	3.0	1.3	2.5	0.5	1.5	2.3	0.5	2.7	2.4	0.4	3.0	2.2
Poland	..	33.0	28.0	19.8	14.9	11.6	7.2	9.9	5.4	1.9	0.7	3.4	2.2	1.3	2.3	3.6	4.2	2.9	4.2	4.3
Portugal	13.0	5.0	4.0	2.9	1.9	2.2	2.2	2.8	4.4	3.7	3.3	2.5	2.1	3.0	2.4	2.6	2.2	2.6	2.6	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	4.5	2.7	3.2	2.8	2.8	2.2	3.0
Spain	6.9	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	2.8	3.6	2.5	3.7	3.2	2.1
Sweden	6.3	2.2	2.5	0.5	0.7	-0.3	0.5	0.9	2.4	2.2	1.9	0.4	0.5	1.4	1.9	2.5	2.6	2.0	2.7	2.4
Switzerland	3.2	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	0.6	1.5	1.4	1.0	1.4	1.5
Turkey	55.6	105.2	89.1	80.4	85.7	84.6	64.9	54.9	54.4	45.0	21.6	8.6	8.2	9.6	8.6	6.8	5.5	7.4	6.2	5.3
United Kingdom[2]	4.9	2.0	2.7	2.5	1.8	1.6	1.3	0.8	1.2	1.3	1.4	1.3	2.0	2.3	2.3	2.2	2.0	2.0	2.2	1.9
United States[3]	3.8	2.6	2.8	2.9	2.3	1.5	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.8	2.7	1.9	3.8	2.1	1.9
Euro area	..	3.2	3.0	2.3	1.7	1.2	1.1	2.1	2.4	2.3	2.1	2.2	2.2	2.2	2.1	2.5	2.0	2.6	2.2	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. Known as the CPI in the United Kingdom.
3. The methodology for calculating the Consumer Price Index has changed considerably over the past years, lowering measured inflation substantially.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162837330165

Annex Table 19. **Oil and other primary commodity markets**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Oil market conditions[1]	Million barrels per day																	
Demand																		
OECD[2]	42.9	43.3	44.4	44.9	46.0	46.7	46.9	47.8	47.9	47.9	47.9	48.6	49.4	49.7	49.3	49.2	49.8	..
of which: North America	20.8	21.1	21.7	21.6	22.2	22.7	23.1	23.8	24.1	24.0	24.1	24.5	25.4	25.5	25.3	25.5	25.7	..
Europe[3]	14.3	14.3	14.4	14.7	15.0	15.1	15.4	15.3	15.2	15.4	15.3	15.4	15.5	15.6	15.6	15.4	15.6	..
Pacific	7.8	8.0	8.4	8.6	8.8	8.9	8.4	8.7	8.6	8.5	8.5	8.6	8.5	8.6	8.4	8.4	8.5	..
Non-OECD[4]	24.7	24.6	24.2	25.2	26.0	26.9	27.3	28.0	28.6	29.2	29.8	30.7	33.0	34.1	35.4	36.5	37.9	..
Total	67.6	67.9	68.6	70.1	72.0	73.6	74.2	75.8	76.5	77.1	77.7	79.3	82.3	83.7	84.7	85.7	87.7	..
Supply																		
OECD[2]	19.8	20.0	20.8	21.1	21.7	22.1	21.9	21.5	21.9	21.8	21.9	21.6	21.2	20.3	20.0	19.9	19.5	..
OPEC total	26.7	27.2	27.6	27.9	28.7	30.2	31.0	29.6	31.0	30.5	28.9	30.8	33.1	34.2	34.3	..	..	..
Former USSR	8.9	7.9	7.3	7.1	7.1	7.2	7.3	7.5	7.9	8.6	9.4	10.3	11.2	11.6	12.2	12.7	13.3	..
Other non-OECD[4]	12.1	12.6	13.4	14.5	15.0	15.4	15.7	16.0	16.2	16.4	16.9	17.1	17.7	18.2	18.7	..	..	..
Total	67.5	67.7	69.1	70.6	72.5	74.8	75.9	74.5	77.1	77.3	77.0	79.8	83.2	84.4	85.3	..	..	..
Trade																		
OECD net imports[2]	23.2	23.5	23.8	23.5	24.3	25.0	25.4	25.6	26.1	26.4	25.8	27.3	28.3	29.5	29.6	29.3	30.3	..
Former USSR net exports	2.0	2.0	2.7	2.8	3.1	3.4	3.6	3.9	4.3	4.9	5.9	6.7	7.5	7.8	8.1	8.8	9.2	..
Other non-OECD net exports[4]	21.2	21.5	21.1	20.7	21.1	21.5	21.8	21.7	21.8	21.5	19.9	20.5	20.8	21.7	21.5	20.5	21.1	..
Prices[5]	cif, $ per bl																	
Brent crude oil import price	19.3	17.0	15.8	17.0	20.7	19.1	12.7	17.9	28.4	24.5	25.0	28.8	38.2	54.4	65.1	72.3	90.0	90.0
Prices of other primary commodities[5]	$ indices																	
Food and tropical beverages	109	113	146	151	156	159	133	108	100	93	104	112	125	126	139	169	188	192
Agricultural raw materials	114	99	120	141	118	113	97	94	100	86	85	104	114	115	129	156	169	174
Minerals, ores and metals	99	87	103	122	108	110	93	89	100	91	89	102	140	172	248	283	283	283
Total[6]	111	109	128	139	143	139	116	100	100	92	99	111	128	127	148	183	199	203

1. Based on data published in in varoius issues of International Energy Agency, *Oil Market Report* and Annual Statistical Supplement, August 2007.
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 2007 and 2008.
6. OECD calculations. The total price index for non-energy primary commodities is a weighted average of the individual HWWA non-oil commodities indices with the weights drawn from the commodities' share in total non-energy commodities world trade.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/162871750085

Annex Table 20. **Employment rates, participation rates and labour force**

	Employment rates						Labour force participation rates						Labour force					
	Average 1986-88	Average 1996-98	2006	2007	2008	2009	Average 1986-88	Average 1996-98	2006	2007	2008	2009	Average 1986-95	Average 1996-05	2006	2007	2008	2009
	Per cent						*Per cent*						*Percentage change*					
Australia	66.6	69.0	73.5	74.4	74.6	74.3	72.0	75.0	77.2	77.8	78.0	78.0	1.9	1.6	1.8	2.3	1.9	1.6
Austria	73.1	74.2	74.8	74.9	74.9	74.7	76.2	78.6	79.1	79.1	79.1	79.1	0.7	0.6	0.7	0.5	0.7	0.8
Belgium	56.5	59.1	62.2	62.8	63.1	63.3	62.5	65.2	67.8	68.0	68.0	68.0	0.5	0.8	0.9	0.9	0.6	0.4
Canada	69.6	69.1	74.4	75.1	75.3	75.3	76.2	75.9	79.4	79.9	79.9	79.9	1.1	1.7	1.4	1.9	1.1	1.1
Czech Republic	..	68.7	66.0	67.1	67.6	67.9	..	72.4	71.1	70.9	71.1	71.2	..	0.1	0.4	0.0	0.4	0.3
Denmark	78.1	75.8	78.6	80.1	80.0	79.7	82.4	80.2	81.7	83.0	82.8	82.6	0.0	0.3	1.0	2.0	-0.2	-0.5
Finland	72.3	62.8	69.4	70.4	70.9	71.1	76.1	72.5	75.2	75.4	75.6	75.7	-0.4	0.6	1.0	0.8	0.5	0.2
France	59.0	59.5	62.7	63.1	63.1	63.2	64.8	66.4	68.8	68.5	68.3	68.2	0.5	1.0	0.9	0.1	0.2	0.5
Germany	66.6	67.2	71.4	72.9	73.5	73.9	70.7	73.2	77.7	77.8	78.0	78.3	0.9	0.6	-0.5	-0.2	0.0	0.3
Greece	55.6	55.1	59.3	59.9	60.5	61.1	60.1	61.4	65.4	65.6	66.1	66.7	0.9	1.0	1.2	1.0	1.3	1.3
Hungary	..	51.4	56.1	56.2	56.5	57.0	..	56.5	60.7	60.6	60.9	61.4	..	0.6	1.0	-0.2	0.4	0.6
Iceland	88.2	82.1	83.2	84.9	84.1	84.1	89.4	85.0	85.7	87.0	86.9	86.9	0.9	1.3	5.4	4.6	1.7	1.0
Ireland	52.8	59.4	70.3	70.7	70.3	70.6	63.6	66.1	73.5	74.3	74.5	74.6	1.0	3.2	4.5	3.8	2.3	2.2
Italy	54.3	51.7	58.9	59.3	60.0	60.5	60.5	58.3	63.2	63.1	63.7	64.2	-0.3	0.8	1.2	-0.3	0.8	0.7
Japan	70.4	74.9	76.2	77.2	77.5	77.8	72.3	77.7	79.5	80.3	80.5	80.7	1.1	-0.1	0.1	0.1	-0.5	-0.7
Korea	58.0	63.1	66.7	67.1	67.5	67.9	59.9	65.7	69.1	69.4	69.8	70.1	2.9	1.2	1.0	1.1	1.1	0.7
Luxembourg	60.1	60.5	64.5	65.0	66.0	67.1	61.0	62.6	67.5	68.0	68.9	69.8	1.1	2.2	1.8	2.0	2.1	2.2
Mexico	..	61.8	62.3	..	..	..	..	64.5	64.4	..	..	..	..	1.9	3.1	2.5	2.4	2.4
Netherlands	61.4	70.6	75.9	77.1	77.9	78.5	66.5	74.5	79.1	79.8	80.3	80.7	1.6	1.2	0.9	1.0	0.7	0.6
New Zealand	74.4	71.0	76.9	..	..	..	78.0	76.1	79.9	..	..	..	0.8	1.6	2.2	1.5	0.9	0.5
Norway	77.9	77.0	77.0	78.5	79.0	79.1	79.9	80.2	79.7	80.5	81.0	81.1	0.3	0.8	2.0	2.1	1.5	1.0
Poland	..	58.7	54.2	56.4	57.3	58.0	..	66.2	62.9	62.4	62.6	62.8	..	0.1	-1.3	-0.3	0.6	0.7
Portugal	64.3	68.8	72.1	72.0	72.5	73.2	69.4	73.4	78.1	78.2	78.5	78.9	1.0	1.2	0.7	0.2	0.5	0.5
Slovak Republic	..	60.8	59.5	61.0	61.7	62.3	..	69.1	68.7	68.5	68.6	68.8	..	0.6	0.4	0.1	0.5	0.5
Spain	48.1	51.1	66.2	67.3	67.8	68.2	57.3	60.9	72.4	73.2	73.8	74.3	1.4	3.2	3.3	2.8	2.4	2.1
Sweden	81.5	71.3	74.5	75.9	76.6	76.7	83.3	77.1	78.7	79.5	79.7	79.6	-0.2	0.5	1.5	1.7	0.7	0.0
Switzerland	81.1	83.0	84.3	85.3	85.5	85.7	81.6	86.3	87.6	88.2	88.3	88.3	1.5	0.7	1.8	1.5	1.0	0.8
Turkey	57.7	53.4	47.5	47.5	47.8	48.1	62.7	57.2	52.5	52.6	52.7	52.9	2.0	0.9	0.8	1.8	1.9	2.1
United Kingdom	68.1	70.0	72.2	72.0	71.9	72.2	75.7	75.4	76.4	76.2	76.3	76.4	0.1	0.7	1.5	0.5	0.8	0.8
United States	69.9	72.1	71.7	..	..	..	74.5	75.9	75.2	..	..	..	1.3	1.2	1.4	1.1	0.8	0.9
Euro area	59.0	60.2	66.2	67.0	67.5	67.8	64.8	66.9	71.8	71.9	72.2	72.5	0.6	1.1	0.9	0.5	0.7	0.8
Total OECD	60.7	66.0	67.7	67.5	67.8	68.1	65.1	70.7	71.9	71.8	72.0	72.2	1.2	1.0	1.1	1.0	0.8	0.8

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 64 years for Spain and Sweden). This definition does not correspond to the commonly-used working age population concepts for Mexico (15 years and above), the United States and New Zealand (16 years and above). 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 82 database.

StatLink http://dx.doi.org/10.1787/162881862284

Annex Table 21. **Potential GDP, employment and capital stock**

Percentage change from previous period

	Potential GDP						Employment						Capital stock[1]					
	Average 1986-95	Average 1996-05	2006	2007	2008	2009	Average 1986-95	Average 1996-05	2006	2007	2008	2009	Average 1986-95	Average 1996-05	2006	2007	2008	2009
Australia	3.2	3.4	3.3	3.3	3.3	3.2	1.9	1.9	2.1	2.8	1.9	1.1	3.2	3.9	3.8	3.7	3.7	3.7
Austria	2.3	2.4	2.2	2.3	2.5	2.1	0.5	0.6	1.0	0.6	0.6	0.6	3.3	3.0	2.7	2.7	2.7	0.0
Belgium	2.1	2.1	2.2	2.1	2.0	2.0	0.6	0.9	1.1	1.5	1.1	0.7	3.2	2.6	1.9	1.9	2.0	2.0
Canada	2.4	3.1	2.8	2.9	2.8	2.7	1.2	2.1	2.0	2.3	1.3	1.2	4.8	4.6	4.3	4.3	4.3	4.3
Czech Republic	..	..	5.3	5.3	5.3	5.2	..	-0.4	1.3	2.0	0.8	0.5	..	..	..	..	..	..
Denmark	2.0	2.0	1.9	1.9	1.7	1.4	-0.2	0.5	2.0	2.4	0.0	-0.7	3.3	4.3	4.0	3.9	3.9	3.9
Finland	2.2	2.9	3.1	3.4	3.2	2.9	-1.8	1.5	1.8	2.0	0.9	0.4	2.4	0.7	0.2	0.1	0.0	0.0
France	2.0	2.3	1.9	1.8	1.8	1.8	0.4	1.2	0.9	1.1	0.7	0.6	3.4	3.3	3.1	3.1	3.0	3.0
Germany	2.3	1.5	1.5	1.6	1.6	1.6	0.9	0.4	0.6	1.7	0.7	0.4	3.0	2.1	1.6	1.6	1.6	1.7
Greece	1.7	3.5	4.1	4.2	4.0	4.0	0.7	1.0	2.4	1.7	1.5	1.6	2.4	4.9	5.3	5.3	5.3	5.3
Hungary	..	4.4	4.8	4.1	3.7	3.1	..	0.9	0.8	0.1	0.5	0.7	..	..	..	..	..	..
Iceland	2.0	3.3	5.9	4.4	3.1	2.3	0.5	1.4	5.1	5.1	1.0	0.9	..	..	..	..	..	..
Ireland	5.1	7.0	5.9	5.4	4.8	4.8	1.7	4.1	4.4	3.3	1.5	2.3	2.4	6.9	5.8	5.7	5.6	5.6
Italy	2.0	1.4	1.2	1.2	1.2	1.2	-0.5	1.2	2.2	0.6	0.9	0.7	3.5	3.2	3.6	3.6	3.4	3.4
Japan	2.8	1.3	1.4	1.5	1.5	1.5	1.1	-0.2	0.4	0.4	-0.4	-0.5	4.6	2.7	2.6	2.6	2.7	2.6
Korea	..	..	..	..	..	..	3.1	1.0	1.3	1.3	1.1	0.7	..	..	..	..	..	..
Luxembourg	5.5	5.0	5.5	4.8	4.2	3.9	0.9	2.0	2.1	2.0	2.3	2.5	..	..	..	..	..	..
Mexico	..	..	..	..	..	..	..	2.1	3.4	2.4	2.5	2.5	..	..	..	..	..	..
Netherlands	2.9	2.6	1.9	1.8	1.7	1.7	1.8	1.3	1.9	1.8	1.1	0.9	2.9	2.8	2.0	2.0	2.0	2.0
New Zealand	1.9	3.2	3.1	2.9	2.4	2.0	0.5	1.9	2.1	1.7	0.5	0.4	2.7	3.9	3.7	3.7	3.7	3.7
Norway	2.0	2.8	3.2	3.2	3.5	3.2	0.0	0.8	3.2	3.0	1.6	1.0	..	..	..	..	..	..
Poland	..	4.1	4.5	5.3	5.3	5.4	..	-0.6	3.4	4.6	2.1	1.5	..	..	..	..	..	..
Portugal	2.9	2.4	1.6	1.6	1.5	1.5	1.2	1.1	0.7	0.0	0.8	0.9	3.3	4.4	3.9	3.9	3.9	4.0
Slovak Republic	..	..	..	..	..	..	..	0.0	3.8	2.8	1.5	1.3	..	..	..	..	..	..
Spain	2.9	3.5	3.5	3.5	2.9	2.7	1.2	4.3	4.1	3.3	2.4	1.9	5.0	5.7	5.1	5.1	5.1	5.1
Sweden	1.9	2.6	3.2	3.3	3.3	2.9	-0.8	0.8	2.0	2.6	1.5	0.3	3.7	3.7	3.2	3.0	2.9	2.9
Switzerland	1.9	1.6	1.8	1.9	2.0	1.9	1.2	0.7	2.3	2.0	1.2	1.0	..	..	..	..	..	..
Turkey	..	..	..	..	..	..	2.0	0.5	1.2	1.8	2.2	2.4	..	..	..	..	..	..
United Kingdom	2.3	2.7	2.7	2.7	2.7	2.6	0.5	1.1	0.9	0.5	0.5	1.1	4.0	3.7	2.9	2.8	2.7	2.7
United States	3.1	2.9	2.6	2.5	2.5	2.4	1.5	1.3	1.9	1.1	0.4	0.8	4.3	4.7	3.9	3.6	3.6	3.5
Euro area	2.3	2.1	2.0	2.0	2.0	1.9	0.6	1.4	1.7	1.6	1.1	0.8	..	..	..	..	..	..
Total OECD	2.7	2.4	2.3	2.3	2.3	2.2	1.2	1.0	1.7	1.5	0.9	0.9	2.3	2.4	0.0	0.0	0.0	0.0

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 82 database.

StatLink http://dx.doi.org/10.1787/163020181768

Annex Table 22. **Structural unemployment and unit labor costs**

	Structural unemployment rate									Unit labour costs[1]								
	Average 1983-85	Average 1993-95	2003	2004	2005	2006	2007	2008	2009	Average 1983-92	Average 1993-02	2003	2004	2005	2006	2007	2008	2009
	Per cent									*Percentage change*								
Australia	5.6	6.8	5.6	5.4	5.2	5.0	5.0	5.0	5.0	4.9	1.8	2.3	3.7	4.4	4.5	3.9	3.2	2.9
Austria	3.0	4.8	4.9	4.9	4.9	4.9	4.9	4.9	4.9	3.5	0.4	1.0	-0.3	1.3	1.1	1.0	1.2	1.1
Belgium	7.4	7.3	7.2	7.2	7.2	7.2	7.2	7.2	7.2	3.1	1.6	0.8	0.0	1.2	1.5	1.7	1.7	1.6
Canada	8.1	8.4	7.2	7.0	6.9	6.8	6.7	6.5	6.3	3.8	0.9	2.7	2.3	2.8	3.4	4.4	4.0	3.3
Czech Republic	..	..	..	..	..	..	..	..	..	..	6.7	2.4	1.8	0.2	1.3	2.7	2.9	2.4
Denmark	5.7	6.8	4.8	4.7	4.6	4.5	4.4	4.4	4.3	3.8	2.0	2.2	0.8	1.0	2.0	3.8	2.7	3.7
Finland	3.9	8.7	8.6	8.6	8.4	8.2	7.9	7.7	7.5	5.6	1.1	0.8	0.3	2.3	-0.4	0.5	2.8	2.5
France	8.1	10.2	8.7	8.5	8.3	8.1	7.9	7.8	7.7	2.9	1.3	1.8	1.2	1.7	1.6	2.3	1.9	1.8
Germany	5.0	6.0	7.4	7.4	7.3	7.2	7.0	6.8	6.8	2.5	0.3	0.5	-0.2	-1.6	-1.4	0.3	1.1	1.4
Greece	6.3	8.8	10.5	10.5	10.5	10.3	10.1	10.0	10.0	16.8	7.3	3.0	5.6	2.3	1.6	3.7	4.1	4.2
Hungary	..	..	..	..	..	..	..	..	..	..	12.0	7.0	4.7	3.6	3.5	6.2	4.0	3.1
Iceland	1.5	3.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	21.2	5.4	2.4	0.7	7.0	10.6	11.8	5.9	4.3
Ireland	12.5	12.4	5.7	5.5	5.4	5.2	5.0	5.0	5.0	2.6	1.7	3.0	5.5	4.6	4.8	2.3	3.5	2.3
Italy	6.9	9.4	8.3	7.8	7.3	6.9	6.7	6.5	6.5	6.6	2.0	3.8	2.5	4.4	2.6	1.8	2.9	2.2
Japan	2.4	3.0	3.9	3.9	3.9	3.9	3.9	3.9	3.9	1.5	-0.8	-2.8	-3.5	-1.0	-0.4	-1.0	-0.9	-0.2
Korea	..	..	..	..	..	..	..	..	..	8.7	3.3	5.4	2.8	1.7	0.4	3.2	2.0	1.7
Luxembourg	..	..	..	..	..	..	..	..	..	2.3	2.3	2.0	1.4	1.9	2.5	2.0	1.4	2.7
Mexico	..	..	..	..	..	..	..	..	..	53.2	15.4	5.7	2.9	4.0	4.0	3.4	2.4	1.9
Netherlands	6.9	5.8	3.3	3.2	3.2	3.2	3.2	3.2	3.2	1.0	2.3	2.6	-0.1	-0.6	0.8	1.1	2.6	4.0
New Zealand	3.7	7.5	5.4	5.0	4.7	4.5	4.4	4.4	4.4	2.0	1.6	3.5	2.9	4.2	6.7	4.2	3.6	3.0
Norway	2.5	4.5	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	3.1	1.2	0.9	2.5	4.4	5.4	3.6	4.9
Poland	..	13.0	17.6	18.1	18.0	16.9	15.1	13.1	11.1	..	10.8	-2.1	-1.4	1.6	2.3	5.9	5.3	5.3
Portugal	5.9	4.4	4.1	4.6	4.8	4.8	4.8	4.8	4.8	14.3	3.5	3.4	2.2	2.6	2.5	0.5	1.5	1.5
Slovak Republic	..	..	..	..	..	..	..	..	..	..	5.2	4.4	0.7	-0.3	1.2	-0.1	1.1	1.6
Spain	10.8	14.1	10.6	10.2	9.7	9.1	8.8	8.5	8.3	7.9	3.0	3.4	2.6	2.8	2.7	3.1	3.2	2.7
Sweden	2.4	4.4	4.7	4.7	5.0	5.1	4.9	4.8	4.6	6.2	2.1	1.1	-0.6	0.7	-0.7	3.8	2.6	1.8
Switzerland	0.3	2.4	2.2	2.2	2.2	2.2	2.2	2.2	2.2	3.7	0.9	0.3	-2.4	1.0	2.1	1.2	1.0	1.1
Turkey	..	..	..	..	..	..	..	..	..	61.5	66.3	21.8	10.6	6.7	9.9	10.2	8.7	7.3
United Kingdom	7.5	7.4	5.4	5.3	5.3	5.3	5.3	5.3	5.3	5.8	2.5	2.2	1.8	3.9	2.3	1.1	0.7	2.3
United States	6.2	5.4	4.8	4.7	4.6	4.6	4.6	4.6	4.6	3.1	2.1	1.1	2.0	2.2	3.0	3.9	2.2	2.2
Euro area	6.9	8.4	7.9	7.7	7.5	7.3	7.1	7.0	6.9	2.4	1.3	1.9	1.1	1.1	1.0	1.5	2.1	2.0
Total OECD	5.9	6.3	6.0	5.9	5.8	5.7	5.6	5.5	5.4	6.6	3.4	1.6	1.2	1.7	2.0	2.6	2.0	2.1

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 82 database.

StatLink http://dx.doi.org/10.1787/163037022685

Annex Table 23. **Household saving rates**

Per cent of disposable household income

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net savings																				
Australia	8.4	4.9	5.0	5.4	6.9	6.4	7.0	4.5	1.8	1.5	2.5	1.6	-1.2	-3.2	-2.2	-0.8	-0.5	0.3	0.5	0.6
Austria	10.3	12.2	10.9	11.2	11.2	10.9	8.6	7.3	8.2	8.8	8.4	7.5	7.6	8.7	8.9	9.3	9.7	10.6	10.3	10.0
Canada	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	2.6	2.9	1.6	2.3	2.4	3.0	3.5
Czech Republic	..	..	..	9.4	6.4	10.0	6.1	6.0	4.1	3.4	3.3	2.2	3.0	2.4	-0.5	0.6	0.0	1.2	1.1	0.6
Finland	2.0	7.4	10.2	7.9	1.4	4.2	0.3	1.5	0.4	1.6	-1.8	-0.9	0.0	1.1	2.1	0.0	-2.5	-3.6	-3.4	-2.9
France	9.4	10.5	11.5	12.3	11.6	12.8	11.8	12.8	12.4	12.1	11.9	12.7	13.9	12.7	12.6	12.1	12.1	13.1	12.8	12.4
Germany	13.7	12.9	12.7	12.1	11.4	11.0	10.5	10.1	10.1	9.5	9.2	9.4	9.9	10.3	10.4	10.5	10.5	11.1	10.4	10.0
Italy	24.8	23.7	22.1	21.3	19.8	18.8	19.7	16.2	13.0	10.4	8.5	10.5	11.4	10.4	10.4	10.0	8.7	6.8	7.3	6.7
Japan	13.9	15.0	14.2	13.7	12.6	11.9	10.6	10.3	11.3	10.0	8.6	5.0	4.9	3.9	3.5	3.0	3.7	3.2	3.0	3.0
Korea	22.5	24.6	23.4	21.8	20.7	17.5	17.5	16.1	24.9	17.5	10.7	6.4	2.2	3.9	6.3	4.7	3.9	3.9	4.0	4.0
Netherlands	18.2	14.5	16.6	14.1	14.4	14.3	12.7	13.3	12.2	9.0	6.9	9.7	8.7	7.6	7.4	6.3	6.4	6.1	7.0	8.5
Norway	2.9	3.5	5.6	6.5	5.1	4.8	2.6	3.0	5.7	4.7	4.3	3.1	8.2	8.9	7.2	8.8	1.3	0.8	0.7	2.2
Sweden	3.4	5.6	9.7	11.4	10.0	9.8	7.6	5.2	4.3	4.1	5.1	9.8	10.6	10.5	9.6	8.7	8.3	9.9	6.8	4.4
Switzerland	9.6	10.0	10.7	11.2	11.1	11.6	11.3	10.5	10.7	10.0	11.8	11.9	9.1	9.1	8.5	8.4	9.3	10.1	9.6	9.6
United States	7.0	7.3	7.7	5.8	4.8	4.6	4.0	3.6	4.3	2.4	2.3	1.8	2.4	2.1	2.1	0.5	0.4	0.7	0.7	1.2
Gross savings																				
Belgium	13.5	13.6	14.8	16.0	16.0	19.2	17.8	16.7	15.9	16.2	14.3	15.1	14.5	13.1	11.6	10.1	10.3	10.0	9.3	9.0
Denmark	1.9	1.8	1.5	2.6	-1.6	1.3	0.9	-1.6	0.0	-3.3	-1.9	3.7	4.1	4.3	1.1	-2.5	-0.2	3.2	3.9	4.4
Poland	..	..	..	15.2	15.0	16.9	14.2	14.1	14.4	12.9	10.7	12.1	8.4	7.8	7.2	7.2	6.8	7.4	8.8	8.1
Portugal	..	..	..	..	..	14.7	12.5	10.2	9.4	7.5	10.0	10.9	10.5	10.9	10.4	9.0	8.4	7.5	7.5	7.5
Spain	12.3	13.4	11.9	14.4	11.9	16.4	16.6	15.9	14.0	12.4	11.2	11.1	11.4	11.8	11.2	10.7	10.3	10.3	10.6	10.8
United Kingdom	8.0	10.3	11.7	10.7	9.3	10.2	9.4	9.5	7.0	5.3	5.1	6.4	5.0	4.9	3.7	5.6	5.0	3.3	2.7	2.3

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. 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 82 database.

StatLink http://dx.doi.org/10.1787/163055413346

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	2006
Australia	22.7	23.8	22.8	18.6	16.2	18.0	19.6	18.5	18.7	19.9	20.1	19.4	20.3	19.7	20.4	20.1	20.7	20.1	21.0	..
Austria	21.9	23.0	23.4	23.6	23.2	22.0	21.3	20.8	20.8	20.6	21.3	22.2	22.2	22.4	22.2	23.3	23.2	23.7	23.8	24.4
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	24.1	23.9	25.2
Canada	19.7	20.5	19.8	17.3	14.7	13.4	14.0	16.2	18.3	18.8	19.6	19.1	20.7	23.6	22.2	21.2	21.3	22.8	23.6	..
Czech Republic	..	..	..	..	..	28.6	28.7	28.4	29.0	27.0	24.4	26.3	24.6	24.8	24.2	22.4	20.7	22.0	23.5	23.8
Denmark	18.2	18.7	19.1	20.3	19.5	20.0	19.1	19.3	20.4	20.5	21.4	20.7	21.7	22.6	23.5	22.9	23.1	23.0	24.4	25.6
Finland	23.8	26.0	25.7	24.0	16.5	13.9	14.9	18.1	21.7	20.8	24.1	25.4	26.7	28.5	29.1	28.3	24.4	26.5	25.5	26.3
France	18.5	19.8	20.7	20.8	20.2	19.6	18.3	18.7	19.1	18.7	19.9	21.0	21.8	21.6	21.3	19.8	19.1	19.0	18.6	18.9
Germany	23.6	24.7	25.7	25.3	22.6	22.3	21.2	20.9	21.0	20.5	20.7	20.9	20.3	20.2	19.5	19.4	19.5	21.5	21.8	23.0
Greece	17.4	18.8	17.3	17.2	18.3	17.9	16.9	17.5	16.8	16.4	16.7	16.6	15.9	15.2	15.0	14.4	15.5	15.7	15.2	16.1
Iceland	17.4	17.4	17.5	16.9	16.0	15.7	17.6	17.9	17.1	17.2	17.9	17.4	15.1	13.1	17.0	19.6	15.0	13.6	12.0	6.4
Ireland	14.3	14.5	14.8	17.7	17.4	15.4	17.4	17.8	20.4	21.8	23.5	25.1	24.0	24.4	22.5	21.3	23.6	23.4	22.7	23.6
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	19.4	19.2
Japan	31.8	32.9	33.1	33.3	34.0	33.3	32.0	30.2	29.5	29.7	29.8	28.8	27.2	27.5	25.8	25.2	25.4	25.8	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	32.7	31.2
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	24.5	25.8	27.1	26.0	25.6	24.8	25.0	26.1	27.2	26.7	28.1	25.2	27.1	28.4	26.7	25.8	25.4	27.6	26.1	27.4
New Zealand	18.7	19.1	18.3	16.8	13.8	14.6	17.2	18.0	17.9	16.9	16.5	16.1	15.9	17.1	19.2	18.7	18.6	17.2	15.1	..
Norway	25.1	24.5	25.6	25.2	24.0	23.1	23.3	24.2	25.9	27.9	29.6	26.3	28.5	35.4	35.1	31.5	30.5	32.7	37.4	39.0
Poland	..	..	..	..	4.0	4.0	4.2	5.6	6.0	5.7	6.4	7.7	6.6	5.7	4.4	2.5	2.9	2.6	3.8	..
Portugal	26.8	26.5	26.8	25.4	22.5	21.5	19.0	18.2	20.2	19.5	19.3	19.8	18.9	17.0	16.7	16.7	16.4	15.3	12.9	12.3
Slovak Republic	..	..	..	..	..	..	23.6	26.2	26.6	24.3	24.9	24.1	24.0	23.7	22.5	21.7	22.5	23.5	21.3	21.2
Spain	21.9	22.7	22.2	22.2	21.6	20.0	20.0	19.5	21.7	21.5	22.2	22.4	22.4	22.3	22.0	22.9	23.4	22.4	22.0	21.8
Sweden	24.5	25.3	26.2	24.2	20.3	16.6	14.3	17.8	20.9	20.4	20.7	21.5	21.8	22.8	22.6	22.3	23.4	23.1	23.4	25.4
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	33.2	33.8	36.1	..
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	19.3	20.4
United Kingdom	17.5	17.5	17.4	16.5	15.6	14.5	14.3	15.9	16.2	16.3	17.4	18.3	16.0	15.4	15.6	15.8	15.7	15.9	15.1	14.9
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	12.9	13.4	13.5	13.7

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/10.1787/163056383747

Annex Table 25. **General government total outlays**

Per cent of nominal GDP

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	35.7	37.7	38.3	37.8	38.2	38.2	37.2	36.3	35.2	34.8	35.2	36.0	35.4	34.6	35.2	34.8	34.0	34.0	34.0	34.2
Austria	51.5	52.4	53.1	55.9	55.5	56.0	55.5	53.0	53.5	53.1	51.5	50.8	50.7	51.1	50.3	49.9	49.3	48.2	48.0	47.6
Belgium	52.2	53.3	53.6	54.6	52.4	51.9	52.2	51.0	50.2	50.1	49.0	49.1	49.9	51.2	49.3	49.3	48.4	48.3	48.2	47.9
Canada	48.8	52.3	53.3	52.2	49.7	48.5	46.6	44.3	44.8	42.7	41.1	42.0	41.2	41.1	39.9	39.2	39.3	38.6	38.5	38.5
Czech Republic	..	..	..	..	..	54.0	42.4	43.2	43.1	42.2	41.7	44.2	46.2	47.1	44.7	44.5	43.1	43.3	42.8	41.9
Denmark	55.9	56.5	57.5	60.6	60.4	59.5	59.1	57.1	56.8	55.8	53.9	54.5	54.9	55.3	55.1	52.8	51.2	50.7	50.6	50.9
Finland	48.0	56.7	62.2	64.8	63.9	61.5	60.1	56.2	52.6	51.5	48.3	47.8	48.8	50.0	50.3	50.5	48.7	48.1	47.8	47.9
France	49.4	50.6	52.0	54.9	54.2	54.4	54.5	54.1	52.7	52.6	51.6	51.6	52.6	53.3	53.3	53.7	53.3	53.0	52.7	52.3
Germany	43.6	46.1	47.3	48.3	47.9	48.3	49.3	48.3	48.1	48.2	45.1	47.5	48.0	48.4	47.3	47.0	45.4	44.3	43.7	43.2
Greece	44.9	41.8	44.3	46.6	44.8	45.8	44.1	45.0	44.4	44.4	46.7	45.3	44.8	45.0	45.4	43.2	42.3	43.2	42.4	42.6
Hungary	..	55.8	59.7	59.3	62.8	55.3	52.1	50.0	51.5	48.6	46.5	47.2	51.2	49.1	48.8	49.9	51.9	51.0	48.9	47.7
Iceland	41.5	42.9	43.8	43.6	43.4	42.7	42.2	40.7	41.3	42.0	41.9	42.6	44.3	45.6	44.0	42.3	41.8	43.1	44.5	45.7
Ireland	42.9	44.5	44.9	44.7	44.0	41.2	39.2	36.7	34.5	34.1	31.5	33.3	33.6	33.4	33.8	34.2	34.1	34.7	35.6	36.0
Italy	52.9	54.0	55.4	56.4	53.5	52.5	52.5	50.2	49.3	48.2	46.1	48.0	47.4	48.3	47.8	48.3	50.1	48.4	48.1	47.5
Japan	31.8	31.6	32.6	34.3	35.6	36.5	36.8	35.7	37.1	38.6	39.1	38.5	38.8	38.4	37.0	38.2	36.6	36.5	36.5	36.5
Korea	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	28.9	30.5	31.7	32.1	32.4
Luxembourg	37.7	38.4	40.0	39.8	38.9	39.7	41.1	40.6	41.0	39.2	37.6	38.1	41.5	41.9	42.5	41.8	39.0	37.8	37.6	36.1
Netherlands	54.9	54.9	55.7	55.7	53.5	51.6	49.4	47.5	46.7	46.0	44.2	45.4	46.2	47.1	46.1	45.2	46.1	45.7	46.0	45.7
New Zealand	53.2	50.3	49.4	45.7	42.9	42.0	41.0	41.7	41.4	41.0	39.6	38.5	38.4	38.8	38.9	40.5	41.4	42.3	42.4	43.0
Norway	53.3	54.5	55.7	54.6	53.7	50.9	48.5	46.9	49.2	47.7	42.3	44.2	47.1	48.3	45.6	42.3	40.8	41.0	39.5	39.5
Poland	..	..	..	..	..	47.7	51.0	46.4	44.3	42.7	41.1	43.8	44.2	44.6	42.6	43.3	43.8	43.2	42.7	42.1
Portugal	40.3	43.2	44.3	45.8	44.0	43.1	44.0	42.9	42.2	43.2	43.1	44.4	44.3	45.5	46.5	47.7	46.4	45.9	45.0	44.0
Slovak Republic	..	..	..	..	54.5	48.0	52.9	48.3	45.5	47.3	50.5	44.3	44.8	40.5	38.0	38.4	37.7	36.5	35.7	34.9
Spain	42.8	44.3	45.4	49.0	46.7	44.4	43.2	41.6	41.1	39.9	39.1	38.6	38.9	38.4	38.9	38.5	38.6	38.8	38.8	38.7
Sweden	61.3	62.7	71.1	72.4	70.3	67.1	64.9	62.6	60.4	60.0	57.1	56.7	58.1	58.3	56.9	56.6	55.6	53.8	53.2	52.4
Switzerland	29.7	31.5	33.6	34.5	34.6	34.4	35.0	35.2	35.6	34.2	33.4	34.1	35.4	36.4	35.9	34.9	34.3	34.0	34.0	33.8
United Kingdom	41.9	43.6	45.6	45.7	45.0	44.5	42.7	41.2	40.0	39.4	37.1	40.4	41.4	42.8	43.2	44.6	44.7	44.6	44.8	44.6
United States[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	36.8	36.4	36.7	36.7	37.4	37.6	37.7
Euro area	50.4	49.3	50.5	52.2	51.0	50.6	50.7	49.4	48.5	48.1	46.2	47.3	47.6	48.1	47.6	47.5	47.1	46.4	46.1	45.7
Total OECD	40.9	41.3	42.4	42.9	42.2	42.2	41.8	40.6	40.2	39.9	39.1	40.1	40.7	41.2	40.6	40.8	40.6	40.6	40.6	40.4

Note: Data refer to the general government sector, which is a consolidation of accounts for the central, state and local governments plus social security. Total outlays are defined as current outlays plus capital outlays. One-off revenues from the sale of mobile telephone licenses are recorded as negative capital outlays for countries listed in the note to Annex Table 27. Some other important one-offs have been accounted for prior to 2000 and are reported in *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)*.

1. These data include outlays net of operating surpluses of public enterprises.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163164262325

Annex Table 26. **General government total tax and non-tax receipts**

Per cent of nominal GDP

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	33.6	33.1	32.8	33.3	33.7	34.4	34.9	35.6	36.8	37.1	35.7	36.0	36.0	36.3	36.1	36.0	35.3	35.4	35.3	35.2
Austria	48.9	49.5	51.1	51.5	50.7	50.3	51.5	51.1	51.1	50.9	49.8	50.7	50.0	49.3	49.0	48.2	47.8	47.4	47.3	47.3
Belgium	45.5	46.0	45.6	47.4	47.4	47.5	48.4	49.0	49.4	49.6	49.1	49.6	49.8	51.1	49.2	49.3	48.6	48.1	47.8	47.7
Canada	43.0	43.9	44.2	43.5	43.0	43.2	43.8	44.5	44.9	44.3	44.1	42.6	41.1	41.0	40.7	40.8	40.3	39.9	39.2	39.1
Czech Republic	..	..	..	..	..	40.5	39.1	39.4	38.1	38.5	37.9	38.5	39.4	40.5	41.8	40.9	40.2	39.6	39.7	39.4
Denmark	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	55.2	57.0	57.5	55.9	55.5	54.4	53.9
Finland	53.3	55.8	56.8	56.5	57.1	55.3	56.6	55.0	54.2	53.2	55.2	52.7	52.9	52.4	52.4	53.0	52.4	52.1	52.2	52.1
France	47.0	47.6	47.4	48.5	48.7	48.9	50.4	50.8	50.0	50.8	50.1	50.0	49.4	49.2	49.6	50.7	50.8	50.5	50.1	49.7
Germany	41.7	43.3	44.8	45.3	45.6	45.1	46.0	45.7	45.9	46.7	46.4	44.7	44.4	44.4	43.5	43.6	43.8	44.3	43.8	43.5
Greece	30.9	31.9	33.3	34.6	36.5	36.7	37.5	39.1	40.5	41.3	43.0	40.9	40.0	39.3	38.2	38.0	39.5	40.3	40.4	40.6
Hungary	..	52.7	52.4	52.6	51.5	47.6	46.0	42.6	43.1	43.4	43.6	43.1	42.3	41.9	42.4	42.1	42.6	44.6	44.6	44.2
Iceland	38.3	40.0	41.0	39.1	38.7	39.8	40.6	40.7	40.9	43.2	43.6	41.9	41.7	42.8	44.1	47.2	48.2	47.4	45.3	44.4
Ireland	40.1	41.6	42.0	42.0	42.0	39.1	39.0	38.1	36.8	36.7	36.3	34.3	33.2	33.8	35.2	35.4	37.0	37.0	36.5	36.2
Italy	41.5	42.6	45.0	46.3	44.4	45.1	45.5	47.6	46.2	46.5	45.3	44.9	44.4	44.7	44.3	44.0	45.6	46.2	45.8	45.6
Japan	33.9	33.4	33.3	32.0	31.4	31.4	31.7	31.7	31.3	31.2	31.4	32.2	30.8	30.5	30.9	31.7	33.7	33.1	32.8	33.0
Korea	23.1	22.7	23.4	23.9	23.8	24.6	25.1	25.6	26.4	26.6	29.3	29.6	30.2	31.3	30.6	31.9	33.5	34.6	35.1	35.3
Luxembourg	42.0	39.1	39.8	41.2	41.4	42.1	42.3	44.3	44.4	42.6	43.6	44.2	43.7	42.4	41.4	41.7	39.7	39.0	38.6	37.9
Netherlands	49.6	52.3	51.5	52.9	50.0	47.2	47.5	46.3	45.8	46.4	46.1	45.1	44.2	43.9	44.3	44.9	46.7	45.7	46.5	46.8
New Zealand	48.7	46.8	46.4	45.3	46.0	45.0	43.9	43.3	41.5	40.8	41.2	40.6	41.6	42.6	43.1	45.0	45.2	45.5	45.0	44.8
Norway	55.5	54.6	53.9	53.2	54.0	54.2	54.8	54.5	52.5	53.7	57.7	57.5	56.3	55.5	56.7	57.5	58.8	58.1	56.2	55.8
Poland	..	..	..	..	..	43.3	46.1	41.8	40.1	40.4	38.1	38.6	39.2	38.4	36.9	39.0	40.0	40.4	39.6	39.1
Portugal	34.0	36.0	39.8	38.1	36.6	37.9	39.4	39.5	39.2	40.5	40.2	40.1	41.4	42.5	43.1	41.7	42.5	42.9	42.6	42.5
Slovak Republic	..	..	..	..	45.8	44.6	43.1	42.1	40.2	40.3	38.3	37.8	36.6	37.7	35.6	35.6	33.9	33.9	33.4	33.1
Spain	38.7	39.5	41.4	41.7	40.0	38.0	38.4	38.2	37.8	38.4	38.1	38.0	38.4	38.2	38.5	39.4	40.4	40.6	40.3	40.0
Sweden	64.7	62.6	62.1	61.1	61.1	59.7	61.5	60.9	61.6	61.3	60.9	58.3	56.6	57.2	57.5	58.7	57.9	56.7	56.2	55.6
Switzerland	30.3	30.4	31.2	31.8	32.6	33.2	33.6	32.9	34.2	34.2	35.7	35.0	35.5	35.2	34.8	35.3	35.4	35.2	35.2	34.8
United Kingdom	40.1	40.4	39.2	37.8	38.2	38.8	38.6	39.1	40.0	40.5	41.0	41.3	39.7	39.5	39.9	41.1	41.9	41.7	41.5	41.9
United States[1]	32.8	32.9	32.8	33.0	33.4	33.8	34.3	34.6	35.1	35.2	35.8	34.9	32.5	31.9	32.1	33.1	34.0	34.6	34.2	34.1
Euro area	46.1	44.7	45.8	46.5	46.0	45.6	46.4	46.7	46.3	46.8	46.2	45.4	45.0	45.0	44.7	45.0	45.6	45.7	45.3	45.1
Total OECD	38.0	37.7	37.9	38.0	38.0	38.1	38.7	38.8	38.9	39.1	39.3	38.8	37.4	37.2	37.2	37.9	38.8	38.9	38.6	38.5

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. Some other important one-offs have been accounted for prior to 2000 and are reported in *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Excludes the operating surpluses of public enterprises.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163166260835

Annex Table 27. **General government financial balances**

Surplus (+) or deficit (-) as a per cent of nominal GDP

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	-2.2	-4.6	-5.4	-4.4	-4.5	-3.7	-2.4	-0.7	1.6	2.3	0.5	0.1	0.6	1.7	0.9	1.2	1.2	1.3	1.2	1.0
Austria	-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	-1.8	-1.3	-1.7	-1.5	-0.8	-0.6	-0.2
Belgium[1]	-6.7	-7.3	-8.0	-7.3	-5.0	-4.4	-3.8	-2.1	-0.8	-0.5	0.1	0.5	0.0	0.0	-0.1	-0.1	0.2	-0.2	-0.4	-0.2
Canada	-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	-0.1	0.8	1.6	1.0	1.3	0.7	0.6
Czech Republic	..	..	..	..	..	-13.4	-3.3	-3.8	-5.0	-3.7	-3.7	-5.7	-6.8	-6.6	-2.9	-3.5	-2.9	-3.7	-3.1	-2.5
Denmark	-1.3	-2.9	-2.6	-3.8	-3.3	-2.9	-1.9	-0.5	0.0	1.4	2.3	1.2	0.2	-0.1	1.9	4.6	4.7	4.8	3.8	3.0
Finland	5.4	-1.0	-5.5	-8.3	-6.7	-6.2	-3.5	-1.2	1.7	1.6	6.9	5.0	4.1	2.3	2.1	2.5	3.7	4.0	4.4	4.2
France	-2.4	-2.9	-4.5	-6.4	-5.4	-5.5	-4.0	-3.3	-2.6	-1.8	-1.5	-1.6	-3.2	-4.1	-3.6	-3.0	-2.6	-2.5	-2.6	-2.6
Germany	-1.9	-2.8	-2.5	-3.0	-2.3	-3.2	-3.3	-2.6	-2.2	-1.5	1.3	-2.8	-3.6	-4.0	-3.8	-3.4	-1.6	0.0	0.1	0.3
Greece	-14.0	-9.9	-10.9	-11.9	-8.3	-9.1	-6.6	-5.9	-3.8	-3.1	-3.7	-4.4	-4.8	-5.7	-7.2	-5.2	-2.8	-2.9	-2.0	-2.0
Hungary	..	-3.1	-7.3	-6.8	-11.4	-7.7	-6.0	-7.4	-8.5	-5.3	-3.0	-4.1	-8.9	-7.2	-6.4	-7.8	-9.3	-6.4	-4.3	-3.5
Iceland	-3.3	-2.9	-2.8	-4.5	-4.7	-3.0	-1.6	0.0	-0.4	1.1	1.7	-0.7	-2.6	-2.8	0.0	4.9	6.3	4.2	0.8	-1.3
Ireland	-2.8	-2.8	-2.9	-2.7	-2.0	-2.1	-0.1	1.4	2.3	2.6	4.7	1.0	-0.4	0.4	1.4	1.2	2.9	2.2	1.0	0.2
Italy	-11.4	-11.4	-10.4	-10.1	-9.1	-7.4	-7.0	-2.7	-3.1	-1.8	-0.9	-3.1	-3.0	-3.5	-3.5	-4.3	-4.5	-2.2	-2.3	-2.0
Japan	2.1	1.8	0.8	-2.4	-4.2	-5.1	-5.1	-4.0	-5.8	-7.4	-7.6	-6.3	-8.0	-7.9	-6.2	-6.4	-2.9	-3.4	-3.8	-3.4
Korea	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	3.0	3.0	3.0	3.0	3.0
Luxembourg	4.3	0.7	-0.2	1.5	2.5	2.4	1.2	3.7	3.4	3.4	6.0	6.1	2.1	0.5	-1.2	-0.1	0.7	1.2	1.0	1.7
Netherlands	-5.3	-2.7	-4.2	-2.8	-3.5	-4.3	-1.9	-1.2	-0.9	0.4	2.0	-0.3	-2.0	-3.1	-1.8	-0.3	0.5	-0.1	0.6	1.1
New Zealand	-4.6	-3.5	-3.0	-0.4	3.1	2.9	2.9	1.7	0.1	-0.2	1.6	2.1	3.2	3.8	4.3	4.5	3.8	3.3	2.6	1.8
Norway	2.2	0.1	-1.9	-1.4	0.3	3.2	6.3	7.6	3.3	6.0	15.4	13.3	9.2	7.3	11.1	15.2	18.0	17.1	16.6	16.3
Poland	..	..	..	..	..	-4.4	-4.9	-4.6	-4.3	-2.3	-3.0	-5.1	-5.0	-6.3	-5.7	-4.3	-3.8	-2.8	-3.2	-3.0
Portugal	-6.3	-7.2	-4.5	-7.7	-7.4	-5.2	-4.5	-3.4	-3.0	-2.7	-3.0	-4.3	-2.9	-3.0	-3.4	-6.1	-3.9	-3.0	-2.4	-1.5
Slovak Republic	..	..	..	..	-8.7	-3.4	-9.8	-6.2	-5.3	-7.1	-12.2	-6.5	-8.2	-2.8	-2.4	-2.8	-3.7	-2.6	-2.3	-1.8
Spain	-4.1	-4.8	-4.0	-7.3	-6.8	-6.5	-4.9	-3.4	-3.2	-1.4	-1.0	-0.7	-0.5	-0.2	-0.4	1.0	1.8	1.9	1.5	1.3
Sweden	3.4	-0.1	-9.0	-11.3	-9.2	-7.4	-3.4	-1.7	1.2	1.2	3.8	1.7	-1.5	-1.1	0.6	2.1	2.3	2.9	3.1	3.1
Switzerland	0.6	-1.1	-2.4	-2.7	-1.9	-1.2	-1.4	-2.4	-1.5	0.0	2.3	0.9	0.1	-1.2	-1.1	0.4	1.1	1.2	1.2	1.0
United Kingdom	-1.8	-3.2	-6.4	-7.9	-6.7	-5.8	-4.1	-2.1	0.1	1.1	4.0	0.9	-1.7	-3.3	-3.3	-3.5	-2.8	-2.9	-3.4	-2.7
United States	-4.2	-4.9	-5.8	-4.9	-3.6	-3.1	-2.2	-0.8	0.4	0.9	1.6	-0.4	-3.8	-4.8	-4.4	-3.6	-2.6	-2.8	-3.4	-3.5
Euro area	-4.3	-4.6	-4.7	-5.7	-4.9	-5.0	-4.2	-2.7	-2.3	-1.4	0.0	-1.8	-2.6	-3.1	-2.9	-2.5	-1.6	-0.7	-0.7	-0.6
Total OECD	-2.9	-3.6	-4.5	-4.9	-4.2	-4.0	-3.1	-1.8	-1.3	-0.8	0.2	-1.3	-3.2	-4.0	-3.4	-2.9	-1.8	-1.6	-2.0	-1.9
Memorandum items																				
General government financial balances excluding social security																				
United States	-5.3	-5.8	-6.6	-5.6	-4.4	-3.9	-3.1	-1.9	-0.8	-0.6	0.1	-2.0	-5.4	-6.2	-5.7	-5.0	-4.0	-4.2	-4.9	-5.0
Japan[2]	-1.4	-0.9	-1.7	-4.6	-6.2	-7.0	-7.2	-5.9	-7.3	-8.5	-7.8	-6.7	-8.8	-8.3	-6.2	-6.4	-2.5	-2.8	-3.2	-3.2

Note: Financial balances include one-off revenues from the sale of the mobile telephone licenses. These revenues are substantial in a number of countries including Australia (2000-2001), Austria (2000), Belgium (2001), Denmark (2001), France (2001-2002), Germany (2000), Greece (2001), Ireland (2002), Italy (2000), Netherlands (2000), New Zealand (2000), Portugal (2000), Spain (2000) and the United Kingdom (2000). As data are on a national account basis, the government financial balance may differ from the numbers reported to the European Commission under the Excessive Deficit Procedure for some EU countries. For more details see footnotes to Annex Tables 25 and 26 and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. The data for 2005 do not include the assumption by the government of the debt of the railway company SNCB amounting to 2.5 percentage points of GDP.
2. Prior to 1991, when SNA93 was adopted, these data included private pension funds.

Source: OECD Economic Outlook 82 database.

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Annex Table 28. **Cyclically-adjusted general government balances**

Surplus (+) or deficit (-) as a per cent of potential GDP

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	-1.7	-2.7	-3.1	-2.4	-3.2	-2.8	-1.5	0.1	1.9	2.2	0.0	0.0	0.6	1.7	0.8	1.1	1.4	1.2	1.0	0.9
Austria	-2.9	-3.6	-2.6	-4.2	-4.5	-5.4	-3.7	-1.6	-2.5	-2.9	-3.1	-0.8	-0.4	-0.7	0.0	-0.4	-0.6	-0.4	-0.3	0.0
Belgium	-7.4	-7.7	-8.1	-5.6	-3.6	-3.2	-2.2	-1.2	0.3	0.0	-0.6	0.2	0.4	1.0	0.7	0.8	0.7	-0.1	-0.4	-0.3
Canada	-6.5	-7.1	-7.1	-6.6	-5.5	-4.4	-1.4	1.3	0.8	1.5	2.1	0.1	-0.5	-0.2	0.6	1.4	0.8	1.1	0.7	0.6
Czech Republic	..	..	..	..	..	..	..	..	..	-3.9	-4.1	-5.9	-6.2	-5.7	-2.1	-3.3	-3.1	-4.2	-3.4	-2.7
Denmark	-0.7	-2.0	-1.6	-1.9	-2.4	-2.7	-1.9	-0.9	-0.5	1.0	1.2	0.2	0.2	0.7	2.8	4.9	4.0	3.8	2.7	2.2
Finland	4.0	1.1	-0.4	-1.6	-0.7	-1.2	0.4	0.7	2.4	1.7	6.3	4.5	4.2	2.8	2.3	2.8	3.3	3.0	3.5	3.5
France	-4.1	-4.3	-5.5	-6.3	-5.1	-5.4	-3.6	-2.8	-2.6	-2.3	-2.7	-3.0	-3.9	-4.1	-3.4	-2.6	-2.2	-2.3	-2.5	-2.6
Germany	-3.8	-3.6	-3.2	-2.2	-1.6	-2.8	-2.6	-1.9	-1.7	-1.3	-2.0	-3.8	-3.9	-3.3	-2.6	-2.0	-0.9	-0.1	-0.2	0.0
Greece	-14.2	-10.4	-11.0	-10.5	-6.9	-7.7	-5.3	-4.9	-3.0	-2.2	-3.2	-4.7	-4.6	-5.9	-7.7	-5.7	-3.4	-3.5	-2.4	-2.4
Hungary	..	..	..	-9.6	-13.8	-9.0	-6.3	-8.0	-9.6	-6.6	-4.5	-5.5	-10.3	-8.2	-7.3	-8.3	-9.3	-5.5	-2.9	-2.3
Iceland	-2.6	-1.7	-0.1	-1.6	-2.7	-0.9	-0.3	0.5	-0.7	0.6	1.1	-1.6	-3.0	-3.1	-1.4	2.6	4.4	3.2	0.5	-1.2
Ireland	-3.9	-3.2	-2.2	-0.8	0.4	-0.4	1.2	1.8	2.1	1.5	3.0	-0.7	-2.0	-0.5	0.8	0.7	2.4	1.9	1.2	0.8
Italy	-12.2	-11.9	-10.3	-8.5	-7.5	-6.5	-5.9	-1.8	-2.3	-1.2	-2.4	-3.9	-3.3	-3.1	-2.8	-3.1	-3.5	-1.6	-1.8	-1.5
Japan	1.0	0.7	-0.2	-2.8	-4.3	-5.2	-5.6	-4.6	-5.5	-6.5	-7.2	-5.6	-7.0	-6.9	-5.6	-6.0	-2.8	-3.4	-3.9	-3.6
Luxembourg	2.6	-1.7	-1.7	0.6	2.0	3.0	3.1	5.6	4.7	3.6	5.0	5.5	1.9	1.3	0.0	1.3	1.8	2.2	1.7	2.2
Netherlands	-6.4	-4.0	-4.9	-2.4	-2.3	-3.2	-1.0	-1.0	-1.3	-0.6	-0.4	-2.2	-2.8	-2.5	-0.6	1.0	1.4	0.1	0.2	0.4
New Zealand	-3.7	-1.3	-0.5	0.9	3.3	2.5	2.2	1.4	0.9	0.1	1.4	2.0	2.7	3.3	3.4	3.7	3.6	3.0	2.6	1.7
Norway[1]	-0.9	-3.2	-5.2	-5.5	-4.2	-1.1	-0.9	-0.5	-2.0	-0.9	1.1	0.0	-2.4	-4.2	-2.2	-1.1	0.0	-0.3	0.0	0.0
Poland	..	..	..	..	..	..	-4.9	-5.2	-4.6	-2.3	-3.0	-4.2	-3.6	-5.1	-5.3	-4.1	-4.2	-3.9	-4.4	-4.0
Portugal	-7.4	-8.8	-5.4	-6.5	-5.4	-3.7	-3.3	-2.6	-3.1	-3.3	-4.6	-5.4	-3.1	-1.9	-2.3	-4.4	-2.2	-1.3	-1.0	-0.4
Spain	-6.1	-6.8	-5.1	-6.4	-5.1	-4.8	-3.0	-1.8	-2.3	-1.3	-1.9	-1.4	-0.7	0.0	0.0	1.2	2.0	1.8	1.6	1.6
Sweden	2.7	0.8	-6.3	-6.5	-5.6	-5.1	-1.0	0.2	2.1	1.1	2.9	1.3	-1.4	-0.4	1.1	2.6	2.2	2.7	2.7	2.9
Switzerland	-1.3	-1.4	-1.9	-1.5	-1.0	-0.3	-0.2	-1.5	-1.2	0.4	2.1	0.8	0.5	0.0	0.0	1.3	1.5	1.3	1.1	0.9
United Kingdom	-2.8	-2.8	-4.8	-6.1	-5.7	-5.0	-3.5	-1.7	0.3	1.3	1.4	0.6	-1.8	-3.4	-3.6	-3.6	-2.8	-3.1	-3.3	-2.4
United States	-4.6	-4.3	-5.0	-4.1	-2.9	-2.4	-1.5	-0.4	0.5	0.5	1.0	-0.6	-3.5	-4.4	-4.2	-3.6	-2.8	-3.0	-3.4	-3.4
Euro area	-5.9	-5.6	-5.2	-4.6	-4.1	-4.5	-3.4	-2.1	-2.0	-1.5	-2.1	-2.7	-2.7	-2.6	-2.2	-1.7	-1.1	-0.6	-0.6	-0.4
Total OECD	-4.0	-3.9	-4.4	-4.3	-3.8	-3.7	-2.8	-1.6	-1.2	-1.0	-1.0	-1.8	-3.4	-3.7	-3.3	-2.9	-2.0	-2.0	-2.2	-2.1

Note: Cyclically-adjusted balances exclude one-off revenues from the sale of mobile telephone licenses for those countries listed in the note to Annex Table 27. Some other important one-offs have been accounted for prior to 2000 and are reported in *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)* where details on the methodology used for estimating the cyclical component of government balances can also be found.

1. As a percentage of mainland potential GDP. The financial balances shown are adjusted to exclude net revenues from petroleum activities. These adjustments differ from national calculations.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163244077416

Annex Table 29. **General government primary balances**

Surplus (+) or deficit (-) as a per cent of nominal GDP

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	1.4	-1.6	-2.3	-2.0	-0.9	0.0	0.7	1.8	3.6	4.2	2.2	1.7	2.1	3.1	2.2	2.3	2.2	2.1	1.8	1.5
Austria	0.1	-0.1	0.9	-1.2	-1.8	-2.6	-0.7	1.3	0.6	0.6	1.2	2.7	1.8	0.6	0.9	0.5	0.6	1.2	1.3	1.6
Belgium	4.4	3.3	2.4	3.0	3.8	4.1	4.3	5.3	6.3	6.1	6.4	6.7	5.4	5.1	4.5	4.0	4.0	3.4	3.1	3.1
Canada	-0.7	-3.1	-3.8	-3.4	-1.5	0.4	2.5	5.0	4.9	5.9	6.0	3.6	2.5	1.8	2.4	2.6	2.0	2.2	1.5	1.2
Czech Republic	..	..	..	..	..	-13.5	-2.9	-3.5	-4.6	-3.3	-3.7	-5.8	-6.7	-6.4	-2.6	-3.1	-2.6	-3.3	-2.6	-2.0
Denmark	3.3	1.8	1.5	0.6	0.8	1.1	1.8	3.1	3.4	4.6	5.0	3.6	2.5	2.0	3.7	6.0	5.7	5.7	4.5	3.5
Finland	3.4	-3.0	-7.5	-8.7	-5.7	-5.4	-2.1	0.6	3.3	3.1	7.9	5.6	4.2	2.4	2.1	2.5	3.6	3.8	4.1	3.9
France	-0.3	-0.6	-2.1	-3.7	-2.6	-2.5	-0.9	-0.3	0.3	0.9	1.1	1.1	-0.5	-1.6	-1.1	-0.6	-0.2	-0.2	-0.4	-0.4
Germany	0.3	-0.9	-0.1	-0.5	0.2	-0.3	-0.4	0.2	0.8	1.3	4.0	-0.3	-1.2	-1.5	-1.3	-1.0	0.8	2.4	2.5	2.7
Greece	-5.2	-1.4	-0.9	-1.0	3.8	1.8	3.7	2.4	3.8	3.7	3.0	1.5	0.4	-1.0	-2.6	-0.9	1.4	1.0	1.7	1.4
Iceland	-2.2	-1.9	-1.9	-3.3	-3.5	-1.5	-0.2	1.1	0.6	2.0	2.4	-0.1	-2.2	-2.2	0.3	4.6	5.6	3.6	0.4	-1.6
Ireland	3.3	2.8	2.2	2.1	2.5	1.9	3.0	4.0	4.6	4.0	5.5	1.1	-0.3	0.6	1.5	1.3	2.9	2.2	0.9	0.2
Italy	-2.0	-0.6	1.2	2.0	1.4	3.1	3.6	5.8	4.5	4.1	4.9	2.6	2.0	1.0	0.7	-0.3	-0.5	1.9	2.0	2.3
Japan	3.3	2.9	1.9	-1.2	-3.0	-3.8	-3.8	-2.7	-4.4	-5.9	-6.2	-4.9	-6.6	-6.6	-5.0	-5.6	-2.1	-2.5	-2.9	-2.3
Korea	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	2.1	2.0	1.9	2.0	1.9
Luxembourg	2.5	-1.0	-1.7	0.2	1.5	1.5	0.5	2.9	2.5	2.7	5.2	4.9	1.1	-0.3	-2.0	-0.9	0.0	0.5	0.3	1.1
Netherlands	-1.2	1.6	0.2	1.6	0.6	0.1	2.5	2.9	3.1	4.0	4.9	2.1	0.2	-1.1	0.1	1.6	2.2	1.7	2.3	2.8
New Zealand	-0.5	-0.7	-0.2	1.9	4.3	4.3	3.6	2.4	0.8	0.0	2.1	2.1	3.2	3.7	3.9	3.9	3.1	2.3	1.6	0.6
Norway	-1.3	-3.5	-5.2	-4.2	-1.9	-0.2	1.5	2.0	-0.7	0.8	6.2	4.9	1.5	-0.6	2.6	5.9	7.3	6.5	6.4	6.3
Poland	..	..	..	..	..	0.7	-0.7	-0.8	-0.6	0.1	-0.7	-2.5	-3.1	-4.0	-3.8	-2.6	-2.1	-1.1	-1.5	-1.3
Portugal	1.8	1.1	3.6	-0.4	-1.2	0.7	0.6	0.6	0.3	0.3	0.1	-1.3	0.0	-0.2	-0.7	-3.5	-1.1	-0.2	0.2	1.0
Slovak Republic	..	..	..	..	-7.6	-2.8	-9.1	-5.0	-3.8	-5.6	-10.3	-4.3	-5.4	-1.5	-1.9	-3.0	-3.8	-2.4	-2.0	-1.4
Spain	-1.4	-1.8	-0.5	-2.8	-2.4	-1.8	-0.1	0.8	0.6	1.8	1.9	1.9	1.9	1.8	1.4	2.4	3.1	3.0	2.7	2.4
Sweden	2.6	-0.8	-10.0	-11.8	-8.5	-6.0	-1.8	0.3	2.6	2.6	4.8	2.4	-0.3	-0.9	0.5	1.6	1.9	2.5	2.6	2.6
Switzerland	1.0	-0.7	-1.8	-2.1	-1.3	-0.5	-0.6	-1.6	-0.7	0.9	2.9	1.5	0.9	-0.6	-0.5	0.9	1.6	1.7	1.7	1.6
United Kingdom	0.9	-0.9	-4.1	-5.4	-4.1	-2.7	-1.1	1.0	3.1	3.6	6.3	2.9	0.0	-1.6	-1.5	-1.6	-1.0	-0.9	-1.4	-0.7
United States	-0.8	-1.3	-2.2	-1.5	-0.2	0.4	1.2	2.4	3.5	3.6	4.1	1.9	-1.7	-2.9	-2.5	-1.6	-0.6	-0.7	-1.3	-1.4
Euro area	-0.1	-0.4	-0.1	-0.8	-0.3	-0.2	0.6	1.7	1.8	2.2	3.4	1.4	0.4	-0.2	-0.1	0.1	0.9	1.7	1.7	1.8
Total OECD	0.2	-0.5	-1.2	-1.6	-0.9	-0.5	0.3	1.4	1.7	1.8	2.6	1.0	-1.2	-2.1	-1.6	-1.2	0.0	0.1	-0.2	-0.1

Note: The primary balance excludes the impact of net interest payments on the financial balance. For more details see footnotes to Annex Tables 27 and 31 and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)* .

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163264501384

Annex Table 30. **Cyclically-adjusted general government primary balances**

Surplus (+) or deficit (-) as a per cent of potential GDP

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	1.8	0.2	-0.2	-0.1	0.4	0.8	1.5	2.5	3.9	4.1	1.8	1.7	2.1	3.1	2.1	2.3	2.3	1.9	1.6	1.4
Austria	-0.2	-0.8	0.4	-1.0	-1.4	-2.3	-0.4	1.5	0.6	0.0	-0.2	2.0	2.1	1.6	2.1	1.7	1.5	1.6	1.6	1.9
Belgium	3.7	3.0	2.3	4.4	5.1	5.2	5.7	6.2	7.3	6.6	5.9	6.4	5.9	6.1	5.2	4.8	4.4	3.5	3.1	3.0
Canada	-1.3	-2.0	-1.9	-1.5	-0.4	1.2	3.7	5.9	5.5	5.8	5.2	3.0	2.1	1.7	2.2	2.4	1.7	2.1	1.5	1.2
Czech Republic	..	..	..	..	..	..	..	..	..	-3.5	-4.1	-6.0	-6.2	-5.5	-1.8	-2.9	-2.8	-3.9	-2.9	-2.2
Denmark	3.8	2.6	2.4	2.3	1.6	1.2	1.8	2.7	2.9	4.2	4.0	2.7	2.4	2.7	4.6	6.3	5.0	4.6	3.5	2.7
Finland	2.0	-0.9	-2.2	-2.0	0.2	-0.5	1.7	2.5	4.0	3.2	7.3	5.1	4.3	2.8	2.4	2.8	3.2	2.8	3.2	3.2
France	-1.9	-2.0	-3.0	-3.6	-2.3	-2.4	-0.5	0.2	0.4	0.4	-0.1	-0.3	-1.3	-1.6	-0.9	-0.2	0.1	0.0	-0.3	-0.4
Germany	-1.5	-1.6	-0.8	0.2	0.9	0.1	0.2	0.9	1.2	1.4	0.7	-1.2	-1.4	-0.8	-0.2	0.3	1.4	2.3	2.2	2.4
Greece	-5.4	-1.8	-0.9	0.1	4.8	2.8	4.7	3.2	4.5	4.4	3.4	1.3	0.6	-1.2	-3.1	-1.3	0.9	0.5	1.3	1.0
Iceland	-1.5	-0.7	0.7	-0.5	-1.5	0.5	1.0	1.6	0.4	1.5	1.9	-1.0	-2.6	-2.5	-1.1	2.2	3.6	2.5	0.2	-1.4
Ireland	2.4	2.5	2.9	3.7	4.7	3.4	4.3	4.3	4.4	2.9	3.8	-0.6	-1.8	-0.3	0.9	0.7	2.4	1.9	1.2	0.8
Italy	-2.6	-1.0	1.2	3.2	2.7	3.8	4.4	6.5	5.2	4.7	3.4	1.9	1.7	1.4	1.4	0.8	0.5	2.5	2.4	2.7
Japan	2.3	1.9	0.9	-1.6	-3.1	-3.9	-4.2	-3.3	-4.1	-5.1	-5.7	-4.3	-5.7	-5.6	-4.4	-5.2	-1.9	-2.6	-3.0	-2.5
Luxembourg	0.7	-3.4	-3.3	-0.7	1.0	2.1	2.4	4.9	3.9	2.9	4.2	4.2	1.0	0.5	-0.8	0.5	1.1	1.5	1.0	1.6
Netherlands	-2.2	0.3	-0.5	1.9	1.7	1.2	3.3	3.2	2.7	3.1	2.6	0.3	-0.6	-0.5	1.3	2.8	3.1	1.9	1.9	2.1
New Zealand	0.3	1.4	2.2	3.2	4.5	3.9	2.9	2.1	1.5	0.2	1.9	2.0	2.7	3.2	3.0	3.1	2.8	2.0	1.6	0.6
Norway[1]	-4.7	-7.3	-9.0	-8.6	-6.7	-5.1	-6.7	-7.5	-6.6	-7.1	-11.4	-11.1	-12.0	-13.9	-13.3	-13.8	-15.2	-15.4	-15.0	-14.7
Poland	..	..	..	..	..	..	-0.7	-1.4	-0.9	0.1	-0.6	-1.6	-1.7	-3.0	-3.5	-2.3	-2.5	-2.2	-2.7	-2.3
Portugal	1.0	-0.2	2.8	0.6	0.6	2.0	1.7	1.3	0.2	-0.3	-1.4	-2.3	-0.2	0.8	0.3	-1.9	0.5	1.3	1.6	2.1
Spain	-3.2	-3.6	-1.6	-2.1	-0.9	-0.3	1.5	2.3	1.5	1.9	1.0	1.2	1.6	2.0	1.7	2.7	3.2	3.0	2.8	2.7
Sweden	1.9	0.1	-7.2	-6.9	-4.9	-3.8	0.5	2.1	3.5	2.5	3.9	2.1	-0.3	-0.2	1.1	2.2	1.8	2.3	2.2	2.3
Switzerland	-0.9	-1.0	-1.3	-1.0	-0.3	0.5	0.5	-0.7	-0.4	1.2	2.7	1.4	1.3	0.6	0.6	1.7	2.0	1.8	1.7	1.5
United Kingdom	0.0	-0.4	-2.6	-3.8	-3.1	-2.0	-0.5	1.5	3.3	3.8	3.8	2.6	-0.1	-1.6	-1.8	-1.7	-1.0	-1.1	-1.3	-0.5
United States	-1.2	-0.8	-1.6	-0.8	0.4	1.1	1.9	2.8	3.6	3.3	3.5	1.7	-1.4	-2.5	-2.4	-1.7	-0.8	-0.9	-1.3	-1.3
Euro area	-1.5	-1.3	-0.5	0.2	0.5	0.3	1.4	2.2	2.0	2.1	1.4	0.6	0.3	0.2	0.5	0.9	1.3	1.9	1.9	1.9
Total OECD	-0.7	-0.6	-1.0	-0.9	-0.4	-0.1	0.7	1.7	2.0	1.8	1.5	0.5	-1.2	-1.8	-1.5	-1.1	-0.2	-0.1	-0.4	-0.3

Note: The cyclically-adjusted primary balance excludes the impact of net interest payments on the cyclically adjusted balance. On the exclusion of the one-offs see the note to the Annex table 28. The *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)* provide details on the methodology used for estimating the cyclical component of government balances.

1. As a percentage of mainland potential GDP. The financial balances shown are adjusted to exclude net revenues from petroleum activities. These adjustments differ from national calculations.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163266274053

Annex Table 31. **General government net debt interest payments**

Per cent of nominal GDP

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	3.5	3.0	3.1	2.5	3.6	3.7	3.1	2.5	2.0	1.9	1.7	1.6	1.5	1.4	1.3	1.1	1.0	0.7	0.6	0.5
Austria	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	2.2	2.1	2.0	1.9	1.9
Belgium	11.0	10.6	10.4	10.3	8.8	8.5	8.1	7.4	7.1	6.6	6.4	6.1	5.5	5.1	4.6	4.1	3.8	3.6	3.5	3.3
Canada	5.2	5.3	5.3	5.3	5.2	5.7	5.3	4.8	4.8	4.3	3.1	2.9	2.6	1.8	1.6	1.0	0.9	1.0	0.8	0.6
Czech Republic	..	..	..	..	..	0.0	0.4	0.3	0.4	0.4	0.0	-0.1	0.0	0.2	0.3	0.4	0.3	0.4	0.4	0.5
Denmark	4.5	4.7	4.0	4.3	4.0	3.9	3.7	3.6	3.4	3.2	2.7	2.4	2.3	2.1	1.8	1.4	1.1	0.9	0.7	0.5
Finland	-1.9	-2.0	-2.0	-0.4	1.0	0.8	1.4	1.9	1.6	1.5	1.0	0.6	0.1	0.0	0.1	0.0	-0.2	-0.2	-0.3	-0.3
France	2.2	2.3	2.5	2.7	2.9	3.0	3.1	3.0	2.9	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.2	2.2
Germany	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	2.6	2.5	2.4	2.4	2.4	2.4	2.4
Greece	8.8	8.4	10.1	11.0	12.1	10.9	10.3	8.3	7.6	6.7	6.7	6.0	5.2	4.7	4.6	4.4	4.2	3.9	3.7	3.4
Iceland	1.1	1.0	0.9	1.1	1.2	1.5	1.4	1.1	1.0	0.9	0.7	0.5	0.3	0.6	0.3	-0.4	-0.7	-0.6	-0.4	-0.2
Ireland	6.1	5.6	5.1	4.8	4.5	3.9	3.1	2.6	2.3	1.4	0.8	0.1	0.1	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Italy	9.5	10.8	11.6	12.0	10.5	10.5	10.5	8.5	7.6	5.9	5.8	5.7	5.0	4.6	4.3	4.1	4.0	4.2	4.3	4.3
Japan	1.3	1.1	1.1	1.2	1.2	1.3	1.3	1.3	1.5	1.5	1.5	1.4	1.4	1.3	1.2	0.9	0.8	0.9	0.9	1.1
Korea	-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	-1.0	-1.0	-1.1	-1.1
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	-1.0	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7	-0.6
Netherlands	4.1	4.3	4.4	4.4	4.2	4.4	4.4	4.2	4.0	3.6	2.9	2.4	2.2	2.0	1.9	1.8	1.7	1.8	1.7	1.7
New Zealand	4.1	2.8	2.8	2.3	1.2	1.4	0.7	0.7	0.7	0.2	0.4	0.0	0.0	-0.1	-0.4	-0.6	-0.7	-0.9	-1.1	-1.1
Norway	-3.5	-3.6	-3.4	-2.8	-2.2	-3.5	-4.8	-5.7	-4.0	-5.2	-9.2	-8.4	-7.7	-7.9	-8.5	-9.4	-10.7	-10.7	-10.3	-10.0
Poland	..	..	..	..	..	5.1	4.2	3.8	3.7	2.4	2.4	2.7	1.9	2.2	1.9	1.8	1.7	1.7	1.7	1.7
Portugal	8.1	8.3	8.1	7.3	6.2	5.9	5.1	4.0	3.3	3.0	3.1	3.0	2.9	2.8	2.7	2.6	2.8	2.8	2.7	2.6
Slovak Republic	..	..	..	..	1.1	0.6	0.7	1.2	1.5	1.5	1.9	2.2	2.8	1.3	0.5	-0.2	-0.1	0.1	0.3	0.4
Spain	2.8	3.1	3.4	4.5	4.4	4.6	4.7	4.2	3.8	3.2	2.9	2.6	2.3	2.0	1.7	1.4	1.3	1.1	1.1	1.1
Sweden	-0.8	-0.8	-1.0	-0.4	0.7	1.4	1.6	1.9	1.4	1.4	1.0	0.7	1.1	0.2	-0.1	-0.5	-0.4	-0.4	-0.5	-0.6
Switzerland	0.4	0.4	0.6	0.5	0.7	0.8	0.7	0.8	0.8	0.9	0.5	0.6	0.8	0.7	0.6	0.5	0.5	0.5	0.5	0.6
United Kingdom	2.7	2.4	2.4	2.5	2.6	3.1	3.0	3.2	3.0	2.5	2.4	2.0	1.7	1.7	1.7	1.9	1.9	2.0	1.9	2.0
United States	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	2.0	2.0	2.1	2.1	2.1
Euro area	4.2	4.2	4.6	4.9	4.6	4.8	4.9	4.4	4.1	3.6	3.4	3.3	3.0	2.9	2.7	2.6	2.5	2.5	2.4	2.4
Total OECD	3.2	3.2	3.3	3.3	3.3	3.5	3.4	3.1	3.0	2.6	2.4	2.3	2.1	1.9	1.8	1.7	1.7	1.7	1.7	1.7

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).*

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163280262675

Annex Table 32. **General government gross financial liabilities**

Per cent of nominal GDP

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	21.9	23.2	27.4	30.6	40.1	41.9	39.1	37.4	32.3	28.0	25.0	22.2	20.1	18.8	17.1	16.8	16.1	15.5	14.1	13.2
Austria	57.2	57.2	57.0	61.5	64.7	69.2	69.6	66.0	67.4	69.9	69.4	70.2	71.7	69.7	69.2	69.5	65.5	64.2	63.2	61.8
Belgium[1]	125.8	127.3	136.6	140.7	137.8	135.3	133.2	128.1	122.9	119.6	113.4	111.8	108.3	103.5	98.5	94.2	90.1	87.3	84.9	82.7
Canada	75.2	82.3	90.2	96.3	98.0	101.6	101.7	96.3	95.2	91.4	82.1	82.7	80.6	76.6	72.4	70.3	68.1	64.2	62.2	60.7
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	..	33.1	34.9	34.7	34.8	34.7	35.4	35.1	35.3
Denmark	66.4	67.2	71.1	85.0	78.9	79.3	76.6	72.1	69.7	64.1	57.1	55.0	55.4	53.6	50.3	42.2	36.0	31.3	27.5	24.7
Finland	16.3	24.7	44.5	57.8	60.8	65.3	66.2	64.5	60.9	54.7	52.3	49.7	49.4	51.2	51.5	48.4	44.9	42.4	40.8	37.8
France	38.6	39.5	43.9	51.0	60.2	62.6	66.3	68.4	70.0	66.5	65.2	63.8	66.8	71.0	73.6	75.4	70.9	71.9	73.0	74.0
Germany[2]	40.4	37.8	40.9	46.3	46.6	55.7	58.9	60.4	62.2	61.5	60.4	59.7	62.1	65.3	68.7	71.1	69.3	66.2	64.6	62.7
Greece	..	..	..	..	..	101.2	103.1	100.0	97.6	101.1	114.9	117.9	116.3	112.5	114.4	112.3	106.0	103.8	100.8	98.1
Hungary	..	79.2	81.1	92.0	91.8	88.5	76.1	66.8	65.0	66.2	60.1	59.7	60.9	61.3	65.2	68.6	72.1	74.5	75.8	75.6
Iceland	36.2	38.4	46.2	53.1	55.7	58.9	56.3	53.1	47.9	43.4	41.0	45.9	42.1	40.8	34.4	25.5	30.3	27.6	26.6	27.7
Ireland	..	..	..	..	..	..	..	..	62.2	51.3	40.2	37.4	35.2	34.1	32.8	32.8	29.1	29.2	30.0	29.9
Italy	97.3	100.1	106.6	116.0	120.6	122.2	128.6	130.2	132.6	126.4	121.6	120.8	119.5	117.0	117.5	120.5	118.7	116.9	116.1	114.9
Japan[3]	68.6	64.8	68.6	74.7	80.2	87.6	95.0	101.6	114.3	128.3	136.7	145.1	153.6	159.5	167.1	177.3	179.7	180.3	181.6	183.3
Korea	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	24.7	27.7	30.4	30.3	29.2
Luxembourg	..	..	..	..	..	9.5	10.1	10.2	11.2	10.0	9.2	8.2	8.5	7.9	8.6	7.7	10.8	13.4	16.3	18.7
Netherlands	87.8	88.6	92.1	96.7	86.7	89.6	88.1	82.2	80.8	71.6	63.9	59.4	60.3	61.4	61.9	61.0	54.7	53.4	51.6	49.2
New Zealand	..	..	..	..	57.4	51.3	44.9	42.3	42.2	39.6	37.4	35.4	33.5	31.4	28.7	27.6	27.2	25.4	23.1	21.9
Norway	29.4	27.8	32.4	40.8	37.3	40.9	36.5	32.0	30.8	30.8	34.1	32.9	40.5	49.2	52.8	49.2	59.6	76.0	90.4	79.3
Poland	..	..	..	..	..	51.6	51.4	48.3	43.8	46.6	42.4	37.4	50.3	50.8	49.7	50.2	53.6	55.1	56.5	57.8
Portugal	..	..	..	..	..	68.8	68.4	67.4	65.2	61.9	60.9	61.8	65.3	65.8	67.9	71.9	71.6	72.2	72.5	72.2
Slovak Republic	..	..	..	..	..	38.0	37.2	38.6	41.0	53.1	57.4	57.1	50.1	48.6	47.6	39.1	35.2	38.8	40.7	41.5
Spain	47.7	49.6	52.1	65.5	64.1	68.8	75.6	74.6	74.4	68.5	66.5	61.9	60.3	55.1	53.2	50.6	46.7	42.8	39.9	37.4
Sweden	46.7	55.4	73.9	79.0	83.3	82.0	85.5	84.2	83.5	74.7	65.7	64.4	61.7	61.1	60.9	61.3	53.9	46.5	41.1	36.0
Switzerland	31.1	33.3	38.4	42.9	45.5	47.7	50.1	52.1	54.9	51.9	52.5	51.3	57.2	57.0	57.9	56.4	56.0	55.5	55.3	54.7
United Kingdom	32.9	33.3	39.3	49.0	47.3	52.2	52.0	52.9	53.3	48.3	45.6	40.8	41.3	41.7	43.8	46.5	46.6	47.2	48.8	49.6
United States	63.0	67.7	70.2	71.9	71.1	70.7	70.0	67.6	64.5	61.0	55.2	55.2	57.6	60.9	62.0	62.4	61.9	62.2	63.8	65.5
Euro area	57.0	59.2	60.6	65.9	69.0	| 72.3	77.4	79.5	80.1	78.3	75.1	73.7	74.0	75.0	75.8	76.9	74.8	72.4	71.2	70.0
Total OECD	57.3	59.8	62.7	66.9	68.3	| 70.2	72.2	72.4	73.0	72.4	69.6	69.9	71.9	74.1	75.8	77.6	77.1	76.6	77.1	77.4

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. Maastricht debt for European Union countries is shown in Annex Table 62. For more details see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Includes the debt of the Belgium National Railways Company (SNCB) from 2005 onwards.
2. Includes the debt of the Inherited Debt Fund from 1995 onwards.
3. Includes the debt of the Japan Railway Settlement Corporation and the National Forest Special Account from 1998 onwards.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163284047177

Annex Table 33. **General government net financial liabilities**

Per cent of nominal GDP

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	10.4	11.3	15.7	21.4	25.8	26.5	21.1	21.2	16.1	15.0	8.8	6.4	4.4	2.7	0.6	-0.9	-4.1	-4.7	-6.1	-7.1
Austria	33.7	33.5	34.7	39.0	41.1	45.5	47.2	43.0	41.3	41.6	39.3	40.1	41.6	40.4	41.9	41.7	37.8	36.6	35.6	34.3
Belgium[1]	107.0	108.1	113.2	115.1	114.4	114.6	115.3	111.0	106.9	102.5	96.8	94.4	92.7	90.0	83.7	79.5	74.9	71.8	69.1	66.6
Canada	43.7	50.5	59.1	64.2	67.9	70.7	70.0	64.7	60.8	55.8	46.2	44.3	42.6	38.7	34.5	29.9	26.5	22.8	21.0	19.5
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	..	-15.9	-7.2	-9.4	-10.6	-9.9	-5.3	-1.8	0.8
Denmark	22.5	25.7	28.1	31.1	31.5	36.0	36.2	33.8	36.3	30.6	25.7	21.9	20.4	17.7	12.3	9.2	2.7	-2.2	-5.9	-8.6
Finland[2]	-34.9	-33.5	-24.6	-16.0	-16.3	| -4.0	-6.7	-7.5	-14.5	-50.1	-31.1	-31.5	-31.4	-39.5	-45.9	-57.8	-66.4	-70.8	-75.6	-80.5
France	17.1	18.5	20.0	26.8	29.7	37.5	41.8	42.3	40.5	33.5	35.1	36.7	41.8	44.2	45.3	43.5	38.2	39.2	40.3	41.3
Germany[3]	20.5	8.6	15.0	18.4	19.1	30.8	33.7	33.5	37.1	35.7	34.9	37.2	41.3	44.0	48.0	50.0	48.8	46.7	45.0	43.1
Greece	..	..	..	..	..	81.4	81.8	77.1	72.8	70.4	88.9	93.2	94.1	87.8	88.0	83.8	76.6	74.4	71.7	68.8
Hungary	..	-59.2	-47.4	-19.3	3.3	24.4	25.3	24.9	31.8	33.6	31.9	32.0	36.7	37.3	41.7	46.1	51.8	54.5	55.5	55.4
Iceland	19.0	19.7	26.5	34.6	37.6	39.5	39.3	37.3	31.3	24.4	24.3	25.3	22.0	23.2	20.8	9.5	7.8	5.6	4.6	5.7
Ireland	..	..	..	..	..	..	..	..	42.5	27.6	16.9	13.2	14.3	11.7	9.2	7.0	1.7	-0.6	-1.6	-1.7
Italy	82.2	85.9	92.9	100.2	104.1	98.7	104.3	104.6	107.2	101.4	96.4	96.5	96.0	93.1	92.8	94.5	92.4	90.6	89.8	88.5
Japan[4]	26.1	13.3	14.7	18.1	20.8	25.0	29.3	34.8	46.2	53.8	60.4	66.3	72.6	76.5	82.7	84.0	85.9	88.1	90.8	92.4
Korea	-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	-34.3	-35.2	-36.3	-37.1	-37.8
Luxembourg	..	..	..	..	..	-37.7	-41.0	-41.6	-46.8	-47.8	-50.7	-58.2	-55.6	-57.0	-52.3	-49.0	-44.1	-41.9	-39.6	-37.8
Netherlands	33.4	34.5	40.3	44.8	44.6	54.1	52.8	49.7	48.2	36.7	34.9	33.0	34.9	36.2	37.6	35.3	31.9	30.6	28.8	26.3
New Zealand	..	..	..	..	44.4	38.0	32.8	30.1	28.1	25.8	23.7	21.4	17.1	11.1	4.9	-1.6	-7.7	-11.7	-13.7	-14.8
Norway	-41.0	-37.4	-35.1	-32.0	-30.6	-36.1	-41.5	-49.1	-52.3	-58.8	-68.8	-86.6	-82.7	-97.9	-106.6	-125.1	-141.1	-151.4	-154.5	-162.8
Poland	..	..	..	..	..	-15.0	-5.7	0.3	6.3	13.4	12.7	12.2	16.2	16.2	14.0	12.6	15.5	16.9	18.4	19.6
Portugal	..	..	..	..	..	25.1	27.3	28.8	32.1	29.6	29.6	29.8	34.1	36.6	40.6	43.5	42.6	43.7	44.3	44.0
Slovak Republic	..	..	..	..	..	-30.5	-18.0	-12.1	-3.9	0.9	12.7	10.5	1.7	1.7	5.7	1.7	4.0	7.8	9.4	10.3
Spain	33.7	35.7	37.0	45.4	46.1	50.7	54.7	53.4	52.4	46.4	44.2	41.6	40.3	36.6	34.4	30.2	24.9	21.2	18.3	15.9
Sweden	-8.0	-5.1	4.6	10.6	20.9	25.9	27.0	25.0	22.4	12.7	5.6	1.3	6.7	3.4	0.7	-4.0	-15.7	-17.7	-19.7	-21.9
Switzerland	..	..	..	..	..	..	..	..	..	12.6	11.4	10.9	15.7	15.9	17.7	16.7	14.7	12.9	11.2	9.7
United Kingdom	14.5	15.2	22.1	31.9	32.5	38.3	40.4	42.6	44.0	39.4	36.2	32.9	33.6	34.0	36.2	39.3	38.7	39.3	40.9	41.8
United States	45.2	48.9	52.4	54.9	54.5	53.7	52.9	49.8	45.9	41.1	36.4	35.3	38.2	41.1	43.0	44.0	43.9	44.2	45.9	47.6
Euro area	35.6	36.6	37.1	40.8	43.0	| 46.6	51.9	53.3	53.6	50.4	47.6	48.0	49.8	50.8	51.3	51.2	48.5	46.1	44.8	43.5
Total OECD	34.0	34.1	36.8	40.4	41.7	| 42.5	44.4	44.2	44.2	41.6	38.9	38.7	40.9	42.6	44.0	44.2	43.1	42.6	43.2	43.5

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. Includes the debt of the Belgium National Railways Company (SNCB) from 2005 onwards.
2. From 1995 onwards housing corporation shares are no longer classified as financial assets.
3. Includes the debt of the Inherited Debt Fund from 1995 onwards.
4. Includes the debt of the Japan Railway Settlement Corporation and the National Forest Special Account from 1998 onwards.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163300740280

Annex Table 34. **Short-term interest rates**

Per cent, per annum

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009
Australia	5.2	5.7	7.7	7.2	5.4	5.0	5.0	6.2	4.9	4.7	4.9	5.5	5.6	6.0	6.6	7.2	6.7	6.9	7.1	6.5
Austria	7.0	5.1	4.6	3.4	3.5	3.6	3.0													
Belgium	8.2	5.7	4.8	3.2	3.4	3.6	3.0													
Canada	5.0	5.5	7.1	4.5	3.6	5.1	4.9	5.7	4.0	2.6	3.0	2.3	2.8	4.2	4.6	4.8	4.8	4.9	4.8	4.8
Czech Republic	13.1	9.1	10.9	12.0	16.0	14.3	6.9	5.4	5.2	3.5	2.3	2.4	2.0	2.3	3.0	4.0	4.0	3.5	4.0	4.0
Denmark	10.4	6.1	6.1	3.9	3.7	4.1	3.3	4.9	4.6	3.5	2.4	2.1	2.2	3.1	4.3	4.3	4.2	4.7	4.2	4.2
Finland	7.8	5.4	5.8	3.6	3.2	3.6	3.0													
France	8.6	5.8	6.6	3.9	3.5	3.6	3.0													
Germany	7.3	5.4	4.5	3.3	3.3	3.5	3.0													
Greece	21.3	19.3	15.5	12.8	10.4	11.6	8.9	4.4	4.3											
Hungary	17.2	26.9	32.0	24.0	20.1	18.0	14.7	11.0	10.8	8.9	8.2	11.3	7.0	6.9	7.5	6.3	5.9	6.9	6.1	5.7
Iceland	8.8	4.9	7.0	7.0	7.1	7.5	9.3	11.2	12.0	9.0	5.3	6.3	9.4	12.4	14.3	13.6	9.9	14.2	12.5	8.2
Ireland	9.1	5.9	6.2	5.4	6.1	5.4	3.0													
Italy	10.2	8.5	10.5	8.8	6.9	5.0	3.0													
Japan	3.0	2.2	1.2	0.6	0.6	0.7	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.2	0.7	0.6	0.9	0.8	0.6	1.2
Korea	13.0	13.3	14.1	12.6	13.4	15.2	6.8	7.1	5.3	4.8	4.3	3.8	3.6	4.5	5.1	5.5	6.2	5.3	5.8	6.2
Luxembourg	8.2	5.7	4.8	3.2	3.4	3.6	3.0													
Mexico	15.5	14.6	48.2	32.9	21.3	26.2	22.4	16.2	12.2	7.5	6.5	7.1	9.3	7.3	7.3	7.3	6.8	7.5	7.0	6.8
Netherlands	6.9	5.2	4.4	3.0	3.3	3.5	3.0													
New Zealand	6.3	6.7	9.0	9.3	7.7	7.3	4.8	6.5	5.7	5.7	5.4	6.1	7.1	7.5	8.3	8.7	8.0	8.7	8.7	7.7
Norway	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	4.9	5.8	5.7	5.4	5.9	5.7
Poland	34.9	31.8	27.7	21.3	23.1	19.9	14.7	18.9	15.7	8.8	5.7	6.2	5.2	4.2	4.7	6.5	6.7	5.5	6.7	6.7
Portugal	12.5	11.1	9.8	7.4	5.7	4.3	3.0													
Slovak Republic	..	..	7.6	11.5	20.2	18.1	14.8	8.2	7.5	7.5	5.9	4.4	2.6	4.1	4.1	4.1	4.1	4.2	4.1	4.1
Spain	11.7	8.0	9.4	7.5	5.4	4.2	3.0													
Sweden	8.4	7.4	8.7	5.8	4.1	4.2	3.1	4.0	4.0	4.1	3.0	2.1	1.7	2.3	3.6	4.3	4.6	4.0	4.6	4.6
Switzerland	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	2.6	2.9	3.0	2.8	3.0	3.0
Turkey	..	..	..	..	..	..	..	38.9	92.4	59.5	38.5	23.8	15.6	17.9	18.2	14.1	11.8	16.4	12.9	11.4
United Kingdom	5.9	5.5	6.7	6.0	6.8	7.3	5.4	6.1	5.0	4.0	3.7	4.6	4.7	4.8	5.9	5.2	5.1	6.0	5.1	5.1
United States	3.2	4.7	6.0	5.4	5.7	5.5	5.4	6.5	3.7	1.8	1.2	1.6	3.5	5.2	5.3	4.6	4.7	5.0	4.6	4.8
Euro area	8.6	6.3	6.5	4.8	4.3	3.9	3.0	4.4	4.3	3.3	2.3	2.1	2.2	3.1	4.3	4.2	4.1	4.7	4.1	4.1

Note: Three-month money market rates where available, or rates on proximately similar financial instruments. See *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Individual euro area countries are not shown after 1998 (2000 for Greece) since their short term interest rates are equal to the euro area rate.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163313487726

Annex Table 35. **Long-term interest rates**

Per cent, per annum

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009
Australia	7.4	8.9	9.2	8.2	7.0	5.5	6.0	6.3	5.6	5.8	5.4	5.6	5.3	5.6	6.0	6.2	6.1	6.2	6.2	6.1
Austria	6.7	7.0	7.1	6.3	5.7	4.7	4.7	5.6	5.1	5.0	4.2	4.2	3.4	3.8	4.3	4.3	4.5	4.3	4.4	4.5
Belgium	7.2	7.7	7.4	6.3	5.6	4.7	4.7	5.6	5.1	4.9	4.1	4.1	3.4	3.8	4.3	4.3	4.5	4.3	4.4	4.5
Canada	7.2	8.4	8.2	7.2	6.1	5.3	5.5	5.9	5.5	5.3	4.8	4.6	4.1	4.2	4.3	4.4	4.6	4.3	4.5	4.7
Czech Republic	..	..	..	..	..	..	..	6.9	6.3	4.9	4.1	4.8	3.5	3.8	4.3	5.2	5.3	4.8	5.3	5.3
Denmark	7.3	7.8	8.3	7.2	6.3	5.0	4.9	5.7	5.1	5.1	4.3	4.3	3.4	3.8	4.3	4.3	4.4	4.2	4.4	4.5
Finland	8.8	9.0	8.8	7.1	6.0	4.8	4.7	5.5	5.0	5.0	4.1	4.1	3.4	3.8	4.3	4.4	4.5	4.3	4.4	4.5
France	6.8	7.2	7.5	6.3	5.6	4.6	4.6	5.4	4.9	4.9	4.1	4.1	3.4	3.8	4.3	4.3	4.4	4.2	4.3	4.4
Germany	6.5	6.9	6.9	6.2	5.7	4.6	4.5	5.3	4.8	4.8	4.1	4.0	3.4	3.8	4.2	4.2	4.4	4.2	4.3	4.4
Greece	..	..	..	..	9.8	8.5	6.3	6.1	5.3	5.1	4.3	4.3	3.6	4.1	4.5	4.4	4.6	4.4	4.5	4.6
Hungary	..	..	..	..	..	..	10.0	8.6	7.9	7.1	6.8	8.3	6.6	7.1	6.6	6.0	5.6	6.2	5.8	5.4
Iceland	13.4	7.0	9.7	9.2	8.7	7.7	8.5	11.2	10.4	8.0	6.7	7.5	7.7	9.3	9.7	9.0	7.8	9.7	8.4	7.7
Ireland	7.6	8.0	8.2	7.2	6.3	4.7	4.8	5.5	5.0	5.0	4.1	4.1	3.3	3.8	4.3	4.3	4.5	4.3	4.4	4.5
Italy	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	4.0	4.5	4.5	4.7	4.5	4.6	4.7
Japan	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	1.7	1.7	1.9	2.4	1.6	2.1	2.6
Korea	12.1	12.3	12.4	10.9	11.7	12.8	8.7	8.5	6.7	6.5	4.9	4.5	4.7	5.1	5.4	6.0	6.3	5.7	6.2	6.3
Luxembourg	6.5	7.2	7.2	6.3	5.6	4.7	4.7	5.5	4.9	4.7	3.3	2.8	2.4	3.3	3.8	3.8	4.0	3.8	3.9	4.0
Mexico	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	7.5	7.6	7.6	7.0	7.7	7.2	7.0
Netherlands	6.4	6.9	6.9	6.2	5.6	4.6	4.6	5.4	5.0	4.9	4.1	4.1	3.4	3.8	4.3	4.3	4.4	4.2	4.4	4.5
New Zealand	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	6.3	6.5	6.7	6.5	6.6	6.8
Norway	6.9	7.4	7.4	6.8	5.9	5.4	5.5	6.2	6.2	6.4	5.0	4.4	3.7	4.1	4.8	5.1	5.1	4.9	5.2	5.0
Portugal	..	10.5	11.5	8.6	6.4	4.9	4.8	5.6	5.2	5.0	4.2	4.1	3.4	3.9	4.4	4.4	4.6	4.4	4.5	4.6
Slovak Republic	..	..	10.1	9.7	9.4	21.7	16.2	9.8	8.1	6.9	5.0	5.0	3.5	4.4	4.5	4.6	4.7	4.6	4.7	4.8
Spain	10.2	10.0	11.3	8.7	6.4	4.8	4.7	5.5	5.1	5.0	4.1	4.1	3.4	3.8	4.3	4.2	4.4	4.2	4.3	4.4
Sweden	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	3.7	4.2	4.9	5.1	4.5	5.0	5.1
Switzerland	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	2.5	3.0	3.2	3.4	3.1	3.3	3.4
Turkey	..	..	..	..	..	..	..	37.7	99.6	63.5	44.1	24.9	16.2	18.0	18.4	14.8	12.5	17.1	13.6	12.1
United Kingdom	7.5	8.1	8.2	7.8	7.1	5.6	5.1	5.3	4.9	4.9	4.5	4.9	4.4	4.5	5.0	4.9	5.1	4.9	5.0	5.2
United States	5.9	7.1	6.6	6.4	6.4	5.3	5.6	6.0	5.0	4.6	4.0	4.3	4.3	4.8	4.7	4.5	4.8	4.4	4.6	4.9
Euro area	7.8	8.0	8.4	7.1	6.0	4.8	4.7	5.4	5.0	4.9	4.1	4.1	3.4	3.8	4.3	4.3	4.5	4.2	4.4	4.5

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 82 database.

StatLink http://dx.doi.org/10.1787/163328034364

Annex Table 36. **Nominal exchange rates (*vis-à-vis* the US dollar)**

Average of daily rates

	Monetary unit	1997	1998	1999	1999	1999	2001	2002	2003	2004	2005	2006	Estimates and assumptions[1]		
													2007	2008	2009
Australia	*Dollar*	1.348	1.592	1.550	1.550	1.727	1.935	1.841	1.542	1.359	1.313	1.328	1.194	1.129	1.129
Austria	*Schilling*	12.20	12.38	12.91											
Belgium	*Franc*	35.76	36.30	37.86											
Canada	*Dollar*	1.385	1.483	1.486	1.486	1.485	1.548	1.570	1.400	1.301	1.212	1.134	1.071	0.970	0.970
Czech Republic	*Koruny*	31.70	32.28	34.59	34.59	38.64	38.02	32.73	28.13	25.69	23.95	22.59	20.33	18.33	18.326
Denmark	*Krone*	6.604	6.699	6.980	6.980	8.088	8.321	7.884	6.577	5.988	5.996	5.943	5.447	5.126	5.126
Finland	*Markka*	5.187	5.345	5.580											
France	*Franc*	5.837	5.899	6.157											
Germany	*Deutschemark*	1.734	1.759	1.836											
Greece	*Drachma*	272.9	295.3	319.8											
Hungary	*Forint*	186.6	214.3	237.1	237.1	282.3	286.5	257.9	224.3	202.6	199.5	210.4	183.8	174.7	174.7
Iceland	*Krona*	70.97	71.17	72.43	72.43	78.84	97.67	91.59	76.69	70.19	62.88	69.90	63.87	60.61	60.61
Ireland	*Pound*	0.660	0.703	0.739											
Italy	*Lira*	1703	1736	1817											
Japan	*Yen*	121.0	130.9	113.9	113.9	107.8	121.5	125.3	115.9	108.1	110.1	116.4	117.5	109.4	109.4
Korea	*Won*	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	951.8	927.4	914.0	914.0
Luxembourg	*Franc*	35.76	36.30	37.86											
Mexico	*Peso*	7.924	9.153	9.553	9.553	9.453	9.344	9.660	10.790	11.281	10.890	10.903	10.949	10.931	10.931
Netherlands	*Guilder*	1.951	1.983	2.068											
New Zealand	*Dollar*	1.513	1.869	1.892	1.892	2.205	2.382	2.163	1.724	1.509	1.421	1.542	1.364	1.331	1.331
Norway	*Krone*	7.072	7.545	7.797	7.797	8.797	8.993	7.986	7.078	6.739	6.441	6.415	5.853	5.436	5.436
Poland	*Zloty*	3.277	3.492	3.964	3.964	4.346	4.097	4.082	3.888	3.651	3.234	3.103	2.769	2.504	2.504
Portugal	*Escudo*	175.2	180.1	188.2											
Slovak Republic	*Koruna*	33.6	35.23	41.36	41.36	46.23	48.35	45.30	36.76	32.23	31.04	29.65	24.66	22.67	22.666
Spain	*Peseta*	146.4	149.4	156.2											
Sweden	*Krona*	7.635	7.947	8.262	8.262	9.161	10.338	9.721	8.078	7.346	7.472	7.373	6.754	6.382	6.382
Switzerland	*Franc*	1.450	1.450	1.503	1.503	1.688	1.687	1.557	1.345	1.243	1.246	1.253	1.200	1.129	1.129
Turkey	*Lira*	0.152	0.260	0.419	0.419	0.624	1.228	1.512	1.503	1.426	1.341	1.430	1.305	1.239	1.285
United Kingdom	*Pound*	0.611	0.604	0.618	0.618	0.661	0.694	0.667	0.612	0.546	0.550	0.543	0.499	0.486	0.486
United States	*Dollar*	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Euro area	*Euro*	..	..	..	0.939	1.085	1.117	1.061	0.885	0.805	0.805	0.797	0.731	0.688	0.688
	SDR	0.726	0.737	0.731	0.731	0.758	0.785	0.773	0.714	0.675	0.677	0.680	0.653	0.631	0.631

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 12 November 2007.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163354585681

Annex Table 37. **Effective exchange rates**

Indices 2000 = 100, average of daily rates

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Estimates and assumptions[1]		
														2007	2008	2009
Australia	107.2	103.9	113.9	115.4	107.4	107.6	100.0	93.7	97.2	108.6	117.1	120.0	118.3	125.9	128.3	128.4
Austria	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	105.4	106.2	106.4
Belgium	102.2	107.9	106.2	102.0	104.4	104.1	100.0	101.2	103.0	108.3	110.2	109.7	109.8	111.3	112.7	112.8
Canada	102.8	102.0	103.9	104.3	99.4	99.1	100.0	97.0	95.5	105.5	112.0	119.8	127.7	134.1	145.8	145.8
Czech Republic	98.1	98.8	100.4	97.4	99.1	98.7	100.0	105.0	117.0	116.7	117.0	124.3	130.5	133.2	139.7	139.8
Denmark	100.5	105.7	104.7	102.3	104.9	104.2	100.0	101.8	103.3	108.1	109.5	108.6	108.4	109.7	110.4	110.5
Finland	90.1	103.6	101.1	98.9	101.7	104.7	100.0	102.1	104.2	110.3	112.4	111.5	111.3	112.9	114.1	114.2
France	100.4	104.5	104.9	102.1	104.5	103.8	100.0	100.9	102.5	107.4	109.0	108.4	108.5	109.9	111.3	111.4
Germany	98.5	106.0	104.5	100.9	104.6	104.5	100.0	101.2	103.1	109.4	111.6	110.3	110.3	111.9	113.3	113.5
Greece	115.1	113.8	111.9	109.9	106.6	107.0	100.0	101.0	102.8	107.8	109.5	108.5	108.6	110.1	111.3	111.4
Hungary	192.8	153.0	130.3	120.7	109.3	105.4	100.0	101.9	108.9	108.3	110.4	111.1	104.0	110.0	109.6	109.7
Iceland	92.9	93.3	92.8	94.8	97.4	99.0	100.0	85.2	87.9	92.0	93.1	103.5	92.7	94.1	94.2	94.2
Ireland	109.2	111.2	114.1	113.9	110.5	107.3	100.0	101.2	103.6	112.6	115.1	114.9	115.1	118.0	120.7	120.8
Italy	99.1	91.3	100.5	101.8	104.0	103.8	100.0	101.3	103.2	108.3	110.1	109.2	109.3	110.7	112.0	112.1
Japan	86.4	92.5	80.6	77.1	80.0	91.9	100.0	92.3	88.4	91.5	95.3	92.4	85.4	80.8	84.7	84.7
Korea	119.1	119.5	121.4	112.4	81.3	93.3	100.0	92.4	95.4	94.8	94.8	105.6	113.9	113.4	110.9	111.0
Luxembourg	102.0	105.4	104.3	102.0	103.0	102.8	100.0	100.4	101.5	104.9	106.1	105.5	105.5	106.6	107.6	107.6
Mexico	263.8	138.6	117.7	115.5	102.6	97.9	100.0	102.8	99.7	87.1	81.9	84.3	83.8	82.2	81.6	81.7
Netherlands	101.8	108.8	107.3	102.1	105.7	105.4	100.0	101.4	103.7	110.8	113.4	112.7	112.6	114.6	116.1	116.1
New Zealand	109.4	116.9	124.3	127.3	114.3	110.3	100.0	98.7	106.8	121.5	129.7	135.8	125.4	133.5	130.9	131.0
Norway	100.8	104.5	104.6	105.6	102.4	102.2	100.0	103.3	112.1	109.7	106.0	110.6	109.9	111.7	113.7	113.7
Poland	139.2	122.7	114.4	106.3	104.0	97.0	100.0	110.2	105.4	94.8	92.7	103.6	106.8	110.3	115.2	115.3
Portugal	101.7	104.9	104.5	103.1	103.0	102.4	100.0	100.9	102.0	104.8	105.5	104.9	105.0	105.7	106.6	106.7
Slovak Republic	97.1	100.4	101.3	106.0	105.9	98.3	100.0	97.6	98.0	103.6	108.0	110.1	113.4	125.2	127.9	127.9
Spain	105.7	106.0	107.1	102.8	104.0	103.1	100.0	101.1	102.5	106.3	107.5	106.9	107.0	108.0	108.9	109.0
Sweden	93.6	94.0	103.5	100.2	99.9	99.7	100.0	91.9	94.1	99.5	101.3	98.7	99.1	100.3	100.8	100.9
Switzerland	95.6	104.0	102.7	96.9	101.0	101.8	100.0	104.0	109.3	111.1	111.5	110.6	108.9	106.1	107.3	107.3
Turkey	1719.1	990.8	581.1	345.5	207.8	137.2	100.0	56.3	41.8	36.8	35.9	37.7	35.1	35.7	35.9	34.6
United Kingdom	79.0	76.4	78.1	91.1	97.0	97.4	100.0	99.0	100.2	96.3	100.8	99.3	99.8	101.6	99.4	99.5
United States	76.9	78.5	82.9	88.8	98.0	97.6	100.0	105.3	105.8	99.6	95.1	92.6	91.0	86.9	82.5	82.6
Euro area	100.8	109.5	111.7	104.6	110.8	109.9	100.0	102.5	106.4	119.3	123.8	121.8	121.9	125.5	128.5	128.8

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 12 November 2007.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163404128235

Annex Table 38. **Export volumes of goods and services**

National accounts basis, percentage changes from previous year

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	8.4	13.1	5.5	8.4	9.3	5.0	10.7	12.0	0.1	4.4	10.2	2.2	0.2	-1.6	4.6	2.4	3.3	3.4	4.9	7.3
Austria	7.5	4.4	1.3	-1.5	5.4	6.8	4.7	11.7	8.1	6.4	10.7	6.8	3.8	2.8	7.9	6.7	7.5	6.3	5.4	6.2
Belgium	4.6	3.1	3.7	-0.4	8.3	5.0	2.9	6.0	5.9	5.2	8.7	0.9	0.8	2.9	6.3	4.1	2.6	5.2	4.7	5.0
Canada	4.7	1.8	7.2	10.8	12.7	8.5	5.6	8.3	9.1	10.7	8.9	-3.0	1.2	-2.3	4.8	2.2	0.7	1.3	1.2	2.6
Czech Republic	..	..	..	..	0.2	16.7	5.7	8.2	10.5	4.8	18.1	10.9	1.9	7.2	20.1	12.0	16.6	12.6	10.9	11.4
Denmark	6.7	6.5	0.5	1.0	8.4	3.2	4.2	4.9	4.1	11.6	12.7	3.1	4.1	-0.9	2.2	7.2	10.1	3.2	4.7	3.9
Finland	1.8	-7.3	9.5	16.4	13.5	8.5	5.7	14.0	9.4	11.1	17.3	2.2	2.8	-1.7	8.5	7.1	10.5	9.0	6.4	4.2
France[1]	4.9	5.8	5.7	0.3	8.3	8.6	3.4	12.9	8.3	4.3	13.1	2.6	1.3	-1.2	3.3	3.2	6.3	3.6	5.0	5.2
Germany	12.4	11.1	-2.0	-4.8	8.1	6.6	6.2	11.8	7.5	5.6	14.1	6.8	4.3	2.4	9.2	7.4	12.9	8.4	7.2	6.2
Greece	-3.5	4.1	10.0	-2.6	7.4	3.0	3.5	20.0	5.3	18.1	14.1	-3.0	-7.7	4.1	7.4	3.7	5.4	5.8	6.6	7.2
Hungary	..	..	..	..	13.7	36.4	12.1	22.3	17.6	12.2	22.0	8.1	3.9	6.2	15.6	11.5	18.9	15.5	13.1	12.1
Iceland	0.0	-5.9	-2.0	6.5	9.3	-2.3	9.9	5.6	2.5	4.0	4.2	7.4	3.8	1.6	8.4	7.2	-5.1	8.2	9.9	6.9
Ireland	8.7	5.7	13.9	9.7	15.1	20.0	12.5	17.6	23.1	15.5	20.2	8.8	5.2	0.5	7.3	5.2	4.5	7.4	5.4	5.3
Italy	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	2.7	0.0	5.5	2.2	2.3	2.5
Japan	6.7	4.1	3.9	-0.1	3.6	4.3	5.9	11.1	-2.7	1.9	12.7	-6.9	7.5	9.2	13.9	7.0	9.6	8.1	7.8	7.2
Korea	4.5	11.1	12.2	12.2	16.3	24.4	12.2	21.6	12.7	14.6	19.1	-2.7	13.3	15.6	19.6	8.5	12.4	10.3	10.6	11.0
Luxembourg	5.6	9.2	2.7	4.8	7.7	4.6	2.2	11.3	10.9	14.2	13.1	4.3	2.1	5.0	9.5	6.4	9.7	5.4	6.2	6.2
Mexico	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	7.1	11.1	3.2	4.5	5.6
Netherlands	5.7	6.6	2.9	4.0	8.7	9.2	4.4	10.9	6.7	8.7	13.5	1.9	0.9	1.5	7.9	5.9	7.0	6.4	5.7	6.0
New Zealand	4.8	10.6	3.8	4.8	9.9	3.8	3.8	3.9	1.5	7.9	7.0	3.3	6.4	2.2	5.9	-0.4	1.8	2.7	2.9	4.9
Norway	8.6	6.1	4.8	3.1	8.4	5.0	10.0	7.8	0.7	2.8	3.2	4.3	-0.3	-0.2	1.1	0.7	1.6	2.9	4.4	2.7
Poland	..	..	..	..	13.1	22.9	12.8	12.2	14.4	-2.4	23.1	3.1	4.8	14.2	14.0	7.9	14.6	8.9	8.3	8.6
Portugal	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	3.9	4.0	1.2	8.9	6.2	5.6	6.1
Slovak Republic	..	..	..	..	14.8	4.5	-1.4	10.0	16.4	12.2	8.9	6.8	4.7	15.9	7.9	13.8	20.7	17.5	15.0	10.6
Spain	4.7	8.3	7.5	7.8	16.7	9.4	10.3	15.0	8.0	7.5	10.2	4.2	2.0	3.7	4.2	2.6	5.1	4.7	6.5	6.5
Sweden	1.8	-1.9	2.2	8.3	13.9	11.3	4.5	13.2	8.5	7.7	11.4	0.8	0.9	4.4	11.1	7.0	8.4	5.1	5.7	6.5
Switzerland	3.2	-1.1	3.3	1.4	1.9	0.6	3.7	11.2	4.3	6.5	12.5	0.5	-0.1	-0.5	7.9	7.3	9.9	7.9	4.0	5.0
Turkey	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	8.5	11.3	8.7	9.9
United Kingdom	5.5	-0.1	4.4	4.4	9.2	9.5	8.9	8.2	3.0	3.8	9.1	2.9	1.0	1.7	4.9	8.2	10.3	-4.2	5.8	5.5
United States[1]	9.0	6.6	6.9	3.2	8.7	10.1	8.4	11.9	2.4	4.3	8.7	-5.4	-2.3	1.3	9.7	6.9	8.4	8.1	8.6	6.5
Total OECD	7.0	4.9	4.5	2.9	8.9	9.2	6.7	10.9	5.1	5.5	11.7	0.0	1.9	2.7	8.6	6.0	8.6	6.0	6.6	6.3

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 82 database.

StatLink http://dx.doi.org/10.1787/163417437028

Annex Table 39. **Import volumes of goods and services**

National accounts basis, percentage changes from previous year

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	-4.0	-2.5	7.1	4.4	14.3	8.0	8.1	10.4	6.5	8.9	7.4	-4.2	10.9	10.7	15.3	8.5	7.7	10.4	7.9	8.2
Austria	7.0	5.1	2.0	-5.1	9.9	6.5	4.5	7.8	5.6	5.5	9.7	5.1	0.7	4.3	7.4	6.1	4.6	4.6	4.9	5.4
Belgium	4.9	2.9	4.1	-0.4	7.3	4.7	2.4	5.3	7.1	4.4	8.7	0.2	0.2	2.8	6.5	4.9	2.5	5.9	5.1	5.2
Canada	2.0	2.5	4.7	7.4	8.1	5.7	5.1	14.2	5.1	7.8	8.1	-5.1	1.7	4.1	8.3	7.5	5.0	3.6	4.6	3.6
Czech Republic	..	..	..	..	7.8	21.2	12.2	6.7	8.4	4.4	17.5	12.6	4.8	8.0	17.5	5.1	15.8	13.2	10.6	10.8
Denmark	2.3	3.6	0.1	-1.1	12.8	7.4	3.3	9.5	8.5	3.5	13.0	1.9	7.5	-1.6	6.9	10.7	14.4	4.7	5.4	5.1
Finland	-0.7	-13.4	0.6	1.4	12.9	7.6	6.6	11.4	8.2	3.6	16.5	0.9	2.5	3.3	7.9	12.1	8.2	3.8	4.9	3.6
France[1]	5.6	2.7	1.5	-3.2	8.7	7.1	2.2	8.2	11.5	6.3	15.5	2.3	1.6	1.5	6.2	5.4	7.1	4.5	5.6	5.3
Germany	11.8	10.9	1.7	-4.6	8.3	6.8	3.7	8.3	9.0	8.3	10.7	1.5	-1.4	5.3	6.5	6.9	11.5	6.4	7.8	7.2
Greece	8.4	5.8	1.1	0.6	1.5	8.9	7.0	14.2	9.2	15.0	15.1	-3.3	-1.7	4.9	5.5	-2.1	9.8	6.2	5.7	6.0
Hungary	..	..	..	..	8.8	15.1	9.4	23.1	23.8	13.3	19.9	5.3	6.8	9.3	13.4	6.8	14.5	13.0	11.3	11.6
Iceland	1.0	5.3	-6.0	-7.5	3.8	3.6	16.5	8.0	23.4	4.4	8.6	-9.1	-2.5	10.7	14.4	29.4	10.1	-8.7	-2.6	0.9
Ireland	5.1	2.4	8.2	7.5	15.5	16.4	12.5	16.7	27.6	12.4	21.8	7.1	2.7	-1.7	8.5	7.7	4.4	5.4	5.2	5.3
Italy	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	2.0	1.0	4.5	1.8	2.9	2.9
Japan	7.8	-1.1	-0.7	-1.4	7.9	13.3	13.4	0.5	-6.8	3.6	9.2	0.6	0.9	3.9	8.1	5.8	4.5	2.0	4.5	5.5
Korea	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	7.3	11.3	10.5	10.2	10.5
Luxembourg	5.0	9.1	-3.1	5.2	6.7	4.2	5.0	13.2	12.1	14.9	9.2	6.8	0.8	6.2	9.5	6.3	6.9	4.6	6.3	7.0
Mexico	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	8.6	12.2	7.2	7.7	7.4
Netherlands	4.0	6.3	2.9	0.4	9.0	10.2	5.3	11.9	9.0	9.3	12.2	2.5	0.3	1.8	5.7	5.5	8.1	6.1	6.2	6.5
New Zealand	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	8.4	15.9	5.4	-2.6	7.6	5.0	5.6
Norway	2.5	0.4	1.7	4.8	5.8	5.8	8.8	12.5	8.8	-1.6	2.0	1.7	1.0	1.4	8.8	8.6	8.2	8.7	5.7	3.7
Poland	..	..	..	..	11.3	24.2	27.2	21.1	18.7	1.6	15.5	-5.3	2.7	9.3	15.0	4.6	17.4	13.4	12.3	11.5
Portugal	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	-0.8	6.7	1.9	4.3	3.3	3.5	4.6
Slovak Republic	..	..	..	..	-4.7	11.6	17.3	10.2	16.5	0.4	8.2	13.5	4.6	7.6	8.8	16.6	17.8	13.5	13.0	9.8
Spain	9.6	10.3	6.8	-5.2	11.4	11.1	8.8	13.3	14.8	13.7	10.8	4.5	3.7	6.2	9.6	7.7	8.3	6.3	5.6	5.5
Sweden	0.7	-4.9	1.5	-2.2	12.3	7.4	3.9	11.9	11.3	4.9	11.5	-2.7	-1.9	5.1	7.5	6.2	7.9	7.3	6.9	6.8
Switzerland	3.7	-1.3	-3.3	-0.1	7.7	4.0	4.0	8.1	7.4	4.1	10.3	2.3	-1.1	1.3	7.3	6.7	6.9	3.5	4.3	4.7
Turkey	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	7.1	9.0	9.6	10.5
United Kingdom	0.5	-4.5	6.8	3.3	5.8	5.6	9.8	9.8	9.2	7.9	9.0	4.8	4.8	2.0	6.6	7.1	9.8	-2.0	5.1	5.0
United States[1]	3.6	-0.6	6.9	8.7	11.9	8.0	8.7	13.6	11.6	11.5	13.1	-2.7	3.4	4.1	11.3	5.9	5.9	2.1	3.4	4.3
Total OECD	5.9	2.5	4.2	1.2	9.6	8.3	7.5	10.1	7.5	8.5	11.9	-0.2	2.5	4.0	8.9	6.3	7.6	4.3	5.6	5.8

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 82 database.

StatLink http://dx.doi.org/10.1787/163426476763

Annex Table 40. **Export prices of goods and services**

National accounts basis, percentage changes from previous year, national currency terms

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	1.1	-5.2	2.0	0.9	-4.0	5.9	-2.5	-0.2	2.4	-4.2	13.2	6.7	-1.8	-5.4	3.9	12.4	12.2	1.5	1.6	0.9
Austria	0.9	0.6	0.6	-0.2	1.0	1.8	1.1	1.2	0.4	0.6	1.4	0.7	0.2	-0.5	1.5	2.4	2.8	1.6	1.2	1.0
Belgium	-1.7	-0.6	-1.1	-1.3	1.3	1.6	2.0	4.3	-1.0	-0.3	9.4	2.3	-0.5	-2.3	2.7	3.8	3.2	3.1	2.2	1.4
Canada	-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	-1.3	2.2	2.8	0.1	1.0	-1.4	1.6
Czech Republic	..	..	..	..	5.2	6.4	4.9	5.6	4.0	1.1	3.2	-0.3	-5.5	0.1	2.7	-2.4	-2.0	0.2	0.7	2.0
Denmark	0.5	1.3	1.3	-1.7	-0.3	0.9	1.5	2.7	-2.1	-0.5	8.2	1.6	-1.3	-1.1	2.7	5.8	2.3	0.5	1.6	1.3
Finland	-0.1	0.3	4.4	6.6	1.4	4.9	-0.2	-0.8	-1.3	-4.9	3.3	-1.7	-2.6	-1.0	-0.7	1.1	2.4	1.1	0.3	0.1
France[1]	-1.8	-0.9	-2.2	-2.2	-0.4	-0.5	0.9	1.4	-1.5	-1.6	2.4	-0.2	-1.7	-1.7	0.6	1.9	1.7	0.4	1.3	1.5
Germany	0.1	1.4	1.0	0.1	0.8	1.2	-0.5	0.9	-0.9	-0.9	2.5	0.4	-0.2	-1.7	-0.1	1.1	1.3	0.2	0.7	0.9
Greece	15.9	14.0	10.1	9.1	8.6	8.7	5.6	3.6	4.1	1.9	8.0	6.4	2.5	2.4	3.0	4.0	3.4	1.3	1.9	0.7
Hungary	..	..	..	..	18.5	45.5	19.0	15.2	12.8	4.5	9.9	3.0	-4.0	0.1	-1.1	-0.3	6.5	-3.2	2.8	2.3
Iceland	16.9	6.9	-1.3	4.8	6.2	4.8	-0.2	2.1	4.5	0.0	3.8	21.5	-1.7	-7.1	1.3	-4.5	21.4	1.7	0.2	2.2
Ireland	-8.1	-0.3	-2.0	6.8	0.2	1.9	-0.3	1.2	2.7	2.3	6.1	4.6	-0.4	-5.0	-0.6	0.6	1.3	-0.2	-0.2	0.2
Italy	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	5.6	5.2	6.3	2.8	2.4
Japan	1.7	-2.3	-2.5	-6.6	-3.1	-2.1	3.5	1.8	0.9	-8.8	-4.1	2.2	-1.2	-3.4	-1.2	1.4	3.7	2.7	0.0	0.9
Korea	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	-4.8	-1.5	-0.4	-1.3
Luxembourg	0.1	1.2	1.8	5.7	3.1	1.5	6.4	2.1	0.8	5.3	9.0	-3.5	-0.1	-1.9	6.4	8.6	9.4	6.8	5.9	4.1
Mexico	26.7	5.0	2.3	0.9	5.9	79.6	22.8	7.1	9.4	6.6	3.4	-2.3	3.5	11.0	6.6	2.7	4.8	2.2	3.0	2.1
Netherlands	-1.0	0.3	-1.9	-2.5	0.6	0.7	0.8	2.5	-2.0	-1.2	6.0	0.9	-1.8	-0.8	0.6	2.9	2.9	0.7	0.3	0.5
New Zealand	-0.3	-2.8	5.5	2.1	-2.6	-0.5	-2.5	-2.4	4.9	-0.1	14.3	7.2	-7.2	-7.3	0.0	1.1	6.9	0.7	5.0	1.1
Norway	3.0	-1.2	-7.0	2.1	-2.8	1.8	6.9	2.0	-7.9	10.7	36.7	-2.2	-10.2	2.1	12.9	17.3	14.0	2.8	8.6	1.5
Poland	..	..	..	..	31.7	19.6	6.8	14.1	13.1	5.7	1.9	1.3	4.7	6.2	8.3	-2.5	2.3	3.7	4.9	4.6
Portugal	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	-1.4	1.5	2.3	4.4	3.0	1.6	1.3
Slovak Republic	..	..	..	..	10.7	8.4	4.3	6.5	-1.0	-1.1	17.3	4.9	1.6	1.5	1.8	-1.9	2.2	0.1	0.2	1.0
Spain	0.8	1.5	2.9	5.0	4.6	5.9	1.4	3.0	0.5	0.0	7.3	1.8	0.7	-0.2	1.6	4.3	4.0	1.9	1.9	2.0
Sweden	1.8	1.6	-2.8	8.9	3.6	6.8	-5.2	0.5	-1.6	-1.9	2.7	2.2	-1.4	-1.7	-0.4	2.7	2.9	1.2	0.2	0.9
Switzerland	0.0	2.6	0.8	2.0	-0.4	-0.3	-1.1	0.7	-0.3	-0.8	2.9	0.3	-2.4	0.5	0.5	0.9	2.5	2.3	0.8	0.8
Turkey	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	12.2	3.8	7.9	8.2
United Kingdom	4.4	1.6	1.6	8.8	1.0	3.2	1.3	-4.0	-3.7	-0.4	2.3	-0.8	0.2	1.5	-0.2	1.1	2.4	1.2	0.4	0.1
United States[1]	0.7	1.3	-0.4	0.0	1.1	2.3	-1.3	-1.7	-2.3	-0.6	1.7	-0.4	-0.4	2.2	3.5	3.6	3.4	3.5	3.1	1.8
Total OECD	1.8	1.1	0.5	1.7	2.3	5.0	1.6	1.5	0.8	-1.2	3.6	1.4	-0.8	-0.1	1.9	2.4	2.9	1.9	1.5	1.3

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 82 database.

StatLink http://dx.doi.org/10.1787/163435873687

Annex Table 41. **Import prices of goods and services**

National accounts basis, percentage changes from previous year, national currency terms

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	4.1	1.3	4.2	5.7	-4.3	3.5	-6.5	-1.6	6.8	-4.6	7.5	5.6	-4.0	-8.5	-5.0	0.7	3.9	-3.1	0.5	0.6
Austria	0.5	1.1	0.6	0.7	1.2	1.0	2.3	1.8	0.3	0.6	2.8	0.6	-0.8	-0.1	1.0	2.8	3.4	1.1	1.2	1.0
Belgium	-1.4	-0.7	-2.8	-2.8	1.8	1.7	2.5	5.5	-1.7	0.3	11.3	2.4	-1.2	-2.1	2.9	4.3	3.9	1.8	1.8	1.5
Canada	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	-6.5	-2.4	-1.2	-0.8	-2.9	-4.7	1.5
Czech Republic	..	..	..	..	2.6	5.8	1.9	5.2	-1.7	1.6	6.2	-2.6	-8.4	-0.4	1.3	-0.5	-1.2	-2.0	0.8	2.0
Denmark	-0.9	2.1	-1.1	-1.3	0.5	0.5	-0.1	2.4	-2.1	-0.5	7.2	1.5	-2.5	-2.0	1.6	3.8	2.9	1.6	0.7	1.0
Finland	1.4	3.4	7.4	8.2	-0.2	0.1	-0.2	0.9	-2.7	-2.0	6.9	-2.6	-3.4	0.0	2.2	4.5	6.4	3.7	2.4	1.5
France[1]	-1.8	0.7	-3.8	-2.2	-0.4	-0.5	0.8	0.6	-2.8	-1.7	5.5	-0.9	-4.2	-1.6	1.3	3.7	2.5	0.7	2.5	1.3
Germany	-1.3	2.8	-2.1	-1.8	-0.1	-0.3	0.2	3.1	-2.4	-1.4	7.7	0.5	-2.2	-2.6	0.3	2.4	2.8	0.2	0.6	0.4
Greece	13.7	12.3	12.3	7.4	5.6	7.5	5.0	2.8	3.8	1.7	9.3	5.8	-0.3	0.4	1.0	3.3	3.6	2.2	2.4	0.7
Hungary	..	..	..	..	15.6	41.1	20.7	13.4	11.7	5.5	12.7	2.4	-5.4	0.3	-1.0	1.2	8.0	-3.6	3.2	2.2
Iceland	19.3	3.4	-0.7	8.7	5.9	3.7	3.1	0.0	-0.7	0.6	6.3	21.1	-2.3	-3.1	2.6	-5.4	17.4	2.9	0.4	1.5
Ireland	-3.7	2.4	-1.2	4.5	2.4	3.8	-0.5	0.8	2.5	2.6	7.1	3.9	-1.3	-4.0	0.1	1.7	3.3	1.2	0.6	0.6
Italy	-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	7.9	9.1	4.1	2.1	1.5
Japan	7.3	-5.1	-5.1	-8.3	-4.5	-1.8	8.4	6.5	-2.7	-8.5	1.5	2.4	-0.9	-0.8	2.9	8.3	11.0	6.4	3.0	1.3
Korea	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	-2.6	-0.8	0.4	1.4	-0.5
Luxembourg	1.6	2.5	2.7	3.2	2.1	1.3	6.1	4.7	1.2	2.8	14.2	-4.1	-1.1	-5.1	7.9	8.6	8.4	5.6	6.2	6.4
Mexico	18.4	10.0	4.9	-0.3	5.3	95.2	21.2	3.6	12.2	3.3	0.1	-2.8	2.2	12.3	7.6	-0.4	2.7	1.7	2.1	2.3
Netherlands	-1.0	0.1	-1.4	-2.4	0.3	0.3	0.7	1.5	-2.4	-0.9	5.8	-0.4	-2.9	-0.9	1.4	3.0	3.3	0.9	0.5	0.6
New Zealand	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	-11.4	-4.3	0.9	9.8	-4.4	1.1	1.3
Norway	1.2	-0.4	-1.8	1.6	0.7	0.6	0.8	0.3	1.2	-1.1	7.5	-0.1	-5.0	1.1	4.8	1.2	3.2	3.2	0.0	1.8
Poland	..	..	..	..	27.0	18.0	11.0	16.0	10.8	6.5	7.9	1.3	5.4	6.8	4.9	-3.6	2.4	2.9	2.8	3.2
Portugal	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	-1.8	2.2	4.0	4.6	0.6	1.9	1.2
Slovak Republic	..	..	..	..	12.3	7.3	9.4	3.6	-0.2	0.3	14.1	6.0	0.7	1.7	2.1	-1.6	3.6	-1.1	0.8	1.0
Spain	-2.8	-1.5	1.2	6.1	5.8	4.4	0.4	3.4	-1.5	0.3	10.6	-0.2	-2.0	-1.5	2.2	3.8	3.5	1.6	2.5	2.2
Sweden	3.3	0.3	-2.4	13.5	3.4	4.8	-4.6	0.7	-1.2	1.0	4.6	4.2	0.1	-2.2	0.4	5.4	3.5	-0.4	0.3	0.8
Switzerland	-1.6	0.5	1.9	-1.4	-4.5	-2.6	-0.4	3.8	-1.6	-0.1	5.8	0.5	-5.9	-1.4	1.2	3.3	4.1	5.4	1.9	0.4
Turkey	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	16.6	3.6	4.0	5.4
United Kingdom	3.3	0.3	0.0	8.6	3.0	5.9	0.1	-7.1	-5.7	-1.1	3.1	-0.2	-2.2	0.4	-0.6	3.8	2.5	-0.3	1.6	1.8
United States[1]	2.8	-0.4	0.1	-0.9	0.9	2.7	-1.8	-3.6	-5.4	0.6	4.2	-2.5	-1.2	3.5	4.9	6.3	4.0	3.2	4.4	1.6
Total OECD	2.4	0.9	0.3	1.5	2.5	5.6	1.8	1.4	-0.6	-0.8	6.1	0.9	-1.5	0.1	2.4	3.9	4.1	1.8	2.1	1.3

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 82 database.

StatLink http://dx.doi.org/10.1787/163436841607

Annex Table 42. **Competitive positions: relative consumer prices**

Indices, 2000 = 100

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Australia	124.7	122.0	110.1	101.6	106.7	104.9	114.8	113.8	104.1	104.7	100.0	96.2	101.5	114.8	124.3	128.1	127.8	135.9
Austria	105.3	103.6	105.0	106.3	106.4	109.4	107.0	103.4	103.7	102.6	100.0	100.2	100.5	103.3	104.2	103.5	102.9	103.1
Belgium	107.9	106.6	107.2	107.1	108.8	112.5	109.8	104.5	105.5	104.0	100.0	100.9	102.1	106.8	108.7	108.8	108.4	109.0
Canada	133.9	137.9	127.4	118.7	109.1	106.8	106.8	106.1	100.1	99.4	100.0	96.9	96.0	106.7	112.6	119.5	126.1	131.8
Czech Republic	..	..	..	77.0	80.9	83.6	89.1	90.7	99.4	98.0	100.0	106.7	118.5	115.9	116.7	123.6	130.3	133.6
Denmark	104.6	100.6	101.2	102.0	101.7	105.4	103.8	101.2	103.5	103.6	100.0	101.5	103.4	108.4	109.1	107.9	107.6	108.1
Finland	148.6	141.6	122.3	102.2	106.1	113.9	107.3	103.3	104.6	104.4	100.0	101.4	102.4	106.8	106.6	103.9	102.9	104.2
France	110.0	106.4	107.8	108.9	108.8	111.0	110.3	106.0	106.9	104.6	100.0	99.8	101.1	106.0	107.6	106.4	105.9	106.3
Germany	106.1	104.6	109.1	112.8	113.5	117.8	113.1	107.7	108.9	106.4	100.0	99.9	100.6	105.5	106.9	105.3	104.6	105.6
Greece	95.5	96.7	99.3	99.9	100.8	104.0	106.9	107.7	106.3	106.8	100.0	101.0	103.7	109.8	112.2	112.6	113.6	115.6
Hungary	..	..	..	95.7	93.4	88.7	89.6	95.1	95.8	98.6	100.0	108.2	119.2	121.8	129.7	132.2	126.0	140.5
Iceland	102.1	104.1	103.9	97.7	91.6	90.3	89.6	91.2	93.6	96.2	100.0	88.8	94.8	99.6	102.3	116.1	108.5	113.3
Ireland	118.2	113.6	116.9	108.1	108.0	109.2	111.0	109.9	107.1	103.8	100.0	103.8	109.4	120.8	123.7	123.6	125.9	132.3
Italy	123.5	124.1	121.9	102.9	100.0	92.9	102.8	103.4	104.9	103.9	100.0	101.2	103.2	108.9	110.6	109.4	109.2	109.9
Japan	74.8	80.6	82.9	96.1	103.8	105.5	88.2	83.4	84.2	94.5	100.0	89.5	83.9	85.0	86.3	81.3	73.4	67.4
Korea	117.6	117.0	110.0	106.9	108.1	109.4	113.3	106.9	81.5	92.8	100.0	94.6	99.5	101.2	102.8	115.6	125.2	124.9
Luxembourg	104.7	103.6	104.6	104.5	105.7	108.3	105.7	102.6	102.9	102.1	100.0	100.7	101.9	105.7	107.0	106.7	107.4	108.7
Mexico	77.7	86.0	93.2	99.6	95.2	64.5	72.0	83.4	84.2	92.1	100.0	106.5	106.7	95.3	91.6	95.0	95.1	94.2
Netherlands	108.0	105.6	107.4	107.8	107.9	112.0	109.0	103.3	106.3	105.6	100.0	102.9	106.7	114.2	115.9	114.3	113.0	114.2
New Zealand	120.8	114.5	103.7	106.1	111.8	119.8	127.0	129.5	115.7	110.1	100.0	98.9	108.2	123.0	131.7	139.0	129.4	137.0
Norway	111.4	107.5	107.3	103.2	100.6	103.0	101.8	103.1	100.6	101.1	100.0	103.9	112.0	110.2	105.2	109.5	109.3	109.2
Poland	..	..	..	73.3	74.0	79.1	84.8	87.8	93.3	90.7	100.0	112.9	107.7	95.6	94.6	105.7	107.9	111.4
Portugal	89.5	95.1	103.6	100.4	98.9	102.4	102.3	101.1	101.9	102.0	100.0	102.5	104.8	108.6	109.5	108.6	109.3	110.1
Slovak Republic	..	..	..	85.1	84.2	86.1	85.9	90.8	91.8	90.7	100.0	101.2	102.5	115.6	126.6	129.5	136.4	150.6
Spain	119.6	120.9	120.4	107.2	102.4	104.0	105.6	101.1	102.1	102.0	100.0	102.1	104.4	109.4	111.6	112.3	113.9	115.3
Sweden	123.5	129.2	129.2	106.1	104.6	103.8	111.7	106.3	103.3	101.4	100.0	91.7	94.0	99.4	99.5	95.4	94.9	96.0
Switzerland	103.9	103.6	101.7	103.5	108.3	114.8	110.7	102.3	104.1	102.9	100.0	102.2	105.8	106.2	105.2	103.2	100.4	96.1
Turkey	85.7	87.2	83.7	89.8	66.0	71.5	72.3	77.3	85.0	89.3	100.0	81.5	88.7	93.4	96.4	107.2	106.6	115.2
United Kingdom	93.0	96.4	93.4	84.0	83.9	80.3	81.6	94.3	99.6	99.2	100.0	97.4	97.6	93.2	96.7	95.1	95.5	97.1
United States	87.1	85.4	83.6	84.8	84.9	83.7	86.3	90.8	98.1	96.8	100.0	105.7	105.8	99.7	95.6	94.1	93.4	89.5
Euro area	127.2	122.9	127.4	119.5	119.1	123.5	122.3	111.8	114.9	110.9	100.0	101.8	105.7	118.4	122.5	120.3	119.9	122.5

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 82 database.

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Annex Table 43. **Competitive positions: relative unit labour costs**

Indices, 2000 = 100

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Australia	106.8	103.4	98.1	88.9	92.9	97.7	108.9	110.0	101.1	106.7	100.0	92.5	97.5	111.8	124.8	133.1	133.6	145.5
Austria	118.3	118.7	120.2	121.6	122.2	120.6	112.8	109.2	109.4	106.3	100.0	97.8	97.0	101.0	102.9	103.2	100.5	100.8
Belgium	105.7	108.0	109.6	111.1	114.1	116.4	111.8	103.7	104.7	106.0	100.0	102.6	104.4	110.4	110.7	111.6	112.1	113.0
Canada	127.7	132.4	122.1	110.3	102.8	105.6	109.9	109.7	104.7	104.2	100.0	101.1	103.8	118.5	131.8	142.6	156.1	169.2
Czech Republic	..	..	..	88.7	86.3	86.1	94.2	96.3	108.3	100.5	100.0	111.2	124.8	129.1	126.7	127.1	124.2	123.5
Denmark	95.0	95.3	97.1	99.7	95.3	99.9	103.2	98.9	103.6	104.2	100.0	102.8	107.5	115.2	115.5	114.6	116.6	121.4
Finland	175.8	171.0	135.8	103.0	108.0	124.0	118.1	111.6	111.5	111.4	100.0	98.9	96.8	99.0	99.2	97.6	92.3	89.1
France	122.6	117.2	115.4	115.2	115.2	116.0	114.9	109.5	106.6	104.9	100.0	99.0	101.2	103.8	105.7	102.3	103.1	107.2
Germany	94.8	92.3	100.6	104.4	104.5	114.4	112.7	104.0	106.8	106.5	100.0	98.6	100.7	105.3	104.9	100.0	96.9	94.2
Greece	90.6	88.0	89.7	98.0	100.3	105.4	107.8	115.3	110.8	107.4	100.0	95.7	99.9	106.5	123.6	120.1	122.9	128.8
Hungary	..	..	..	141.9	126.6	114.9	106.4	105.0	99.1	95.7	100.0	108.1	112.0	111.2	119.9	121.7	113.0	124.1
Iceland	71.9	79.6	80.6	73.5	71.6	72.8	72.4	76.2	83.0	92.1	100.0	87.4	92.9	97.9	101.5	117.8	113.9	124.5
Ireland	145.3	151.0	151.5	143.3	141.1	133.6	133.2	126.1	114.1	105.3	100.0	97.8	90.8	99.3	103.4	104.2	104.5	107.9
Italy	120.8	123.9	119.5	98.5	93.7	85.5	97.6	101.0	102.7	103.9	100.0	102.1	107.4	118.9	126.8	129.9	131.5	134.3
Japan	73.0	76.7	79.2	92.2	104.8	103.8	85.6	81.7	85.4	97.6	100.0	91.7	86.4	81.1	79.6	73.4	64.8	59.0
Korea	122.0	130.9	123.0	117.9	120.4	133.9	144.8	128.1	85.6	92.9	100.0	93.1	97.6	96.7	99.0	110.1	113.3	111.6
Luxembourg	118.0	117.1	115.7	110.5	111.0	115.0	111.7	107.7	103.8	101.9	100.0	103.5	104.2	109.4	109.4	113.8	117.2	116.2
Mexico	70.7	79.4	89.2	96.9	93.9	58.4	62.3	74.4	76.1	86.7	100.0	113.0	114.8	105.7	101.8	105.7	106.1	108.2
Netherlands	110.7	110.6	113.3	110.5	107.8	111.2	107.3	104.3	107.9	107.2	100.0	102.2	107.0	116.2	117.5	114.4	113.8	115.8
New Zealand	117.8	112.4	98.7	99.3	108.1	114.4	124.9	129.8	117.8	113.1	100.0	101.9	114.1	131.9	145.7	153.0	144.0	156.5
Norway	80.5	79.2	79.9	77.8	80.6	85.7	85.7	91.0	93.8	98.6	100.0	102.9	113.8	109.0	105.9	111.4	113.1	118.6
Poland	..	..	..	77.4	82.2	88.2	94.5	97.9	104.0	97.6	100.0	105.2	92.4	75.4	70.7	79.3	78.1	78.4
Portugal	82.7	93.9	104.3	100.5	100.4	102.5	99.2	97.6	99.7	102.2	100.0	100.1	101.8	103.3	104.3	102.6	100.5	98.4
Slovak Republic	..	..	..	78.3	94.1	98.8	98.2	101.9	97.9	91.2	100.0	96.2	101.4	105.8	108.2	100.7	100.1	106.6
Spain	101.1	104.1	107.0	98.4	94.0	94.7	96.9	96.2	99.1	100.0	100.0	100.8	103.8	110.8	115.2	117.6	119.0	121.4
Sweden	158.2	163.3	159.7	117.9	110.5	108.2	121.2	112.9	106.3	99.7	100.0	95.2	93.2	96.0	92.3	85.7	84.7	88.3
Turkey	93.5	112.3	99.2	98.4	65.7	57.5	56.9	66.6	72.8	89.0	100.0	77.9	75.5	74.4	77.7	87.3	86.0	91.8
United Kingdom	84.5	83.7	77.5	72.5	73.8	69.7	70.3	84.6	95.7	97.4	100.0	97.2	100.1	96.5	101.9	106.1	110.4	112.9
United States	94.8	94.2	92.0	91.7	89.9	85.5	86.7	89.8	96.1	95.2	100.0	101.3	97.6	91.4	83.0	79.6	77.1	72.4
Euro area	119.7	117.1	123.2	114.9	113.1	119.7	121.1	110.2	112.7	112.0	100.0	99.9	105.7	120.5	127.5	124.0	122.8	125.4

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 82 database.

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Annex Table 44. **Export performance for total goods and services**

Percentage changes from previous year

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	1.9	8.4	-0.6	2.9	-1.1	-6.6	2.1	5.2	3.1	-3.6	-1.8	3.7	-5.3	-8.3	-7.5	-4.9	-4.3	-3.1	-3.3	-1.8
Austria	1.8	2.8	2.4	-0.9	-2.3	-1.7	-0.6	1.9	0.3	0.3	-1.2	4.5	1.8	-2.7	-1.4	-0.7	-3.1	-1.2	-2.7	-1.9
Belgium	-0.9	-0.6	1.0	-0.1	0.1	-3.1	-2.3	-3.5	-2.3	-1.7	-2.8	-0.8	-1.2	-1.1	-2.1	-2.6	-6.0	-0.3	-2.1	-2.0
Canada	0.8	1.5	0.7	2.9	1.1	0.0	-2.8	-3.8	-0.6	0.2	-3.6	-0.9	-2.2	-6.4	-5.9	-3.9	-5.5	-1.7	-3.2	-2.6
Czech Republic	..	..	..	..	-6.5	7.1	-0.9	-1.5	1.6	-0.4	5.6	7.9	-0.1	1.1	9.7	3.3	4.2	3.6	1.6	2.5
Denmark	2.3	5.1	-1.3	0.6	-0.6	-4.6	-1.8	-5.0	-4.0	5.0	1.4	2.5	2.6	-5.1	-6.1	0.1	1.1	-2.4	-1.9	-2.7
Finland	-0.7	-6.9	13.5	14.3	4.8	-0.5	-0.4	3.7	3.1	5.8	4.2	0.4	-0.7	-7.6	-2.2	-1.2	-0.3	0.7	-2.5	-4.4
France	-0.4	2.0	2.4	0.2	0.5	0.3	-2.4	2.7	1.0	-2.1	2.2	1.3	-1.1	-5.5	-5.6	-3.8	-2.5	-2.3	-2.2	-2.1
Germany	7.9	10.4	-3.8	-6.0	-0.3	-2.2	-0.2	1.5	0.2	-0.4	1.7	5.3	1.2	-2.3	-0.7	0.2	3.5	1.9	-0.2	-1.3
Greece	-6.6	3.6	11.8	-4.5	-0.2	-4.8	-2.6	8.6	-2.0	11.5	2.0	-4.0	-10.5	-1.1	-2.8	-4.0	-3.9	-0.7	-1.0	-0.5
Hungary	..	..	..	..	5.2	25.9	6.7	12.1	9.4	6.0	8.9	5.4	2.2	0.7	6.1	3.7	7.7	7.5	4.6	3.8
Iceland	-4.8	-7.4	-4.4	6.2	0.7	-9.8	2.5	-3.0	-4.0	-2.6	-5.7	6.1	1.4	-1.9	0.1	0.4	-12.5	4.1	3.8	0.7
Ireland	3.6	3.4	9.5	8.6	6.2	10.8	5.6	7.3	15.2	7.5	8.0	7.9	2.5	-3.3	-1.3	-1.5	-3.7	3.3	-0.6	-1.1
Italy	1.5	-4.9	5.7	7.4	2.2	3.7	-6.4	-5.6	-6.0	-7.6	-2.5	-1.2	-6.6	-7.1	-6.9	-7.4	-4.1	-4.6	-5.3	-5.1
Japan	0.3	-2.7	-4.2	-7.3	-7.5	-6.8	-1.3	1.4	-2.4	-7.3	-1.4	-4.3	1.8	1.7	0.5	-0.6	0.8	1.6	-0.4	-1.7
Korea	-0.8	5.8	5.1	5.0	5.5	11.3	3.3	11.9	12.7	6.4	5.0	-1.5	7.2	6.7	5.2	0.1	2.8	3.0	1.2	0.7
Luxembourg	0.1	5.9	0.0	5.3	-0.8	-2.9	-2.7	1.7	2.0	7.0	1.4	2.7	0.8	1.6	1.6	-0.1	1.3	0.5	0.0	-0.1
Mexico	1.3	4.8	-1.9	-0.1	5.5	20.0	9.1	-2.4	1.2	1.8	3.2	-1.3	-1.4	-1.3	0.4	0.8	4.5	0.4	0.5	1.0
Netherlands	-0.4	2.8	0.4	4.8	0.5	1.4	-0.6	1.7	-0.9	2.1	2.0	0.7	-0.7	-2.6	-0.4	-0.9	-1.7	0.9	-1.0	-0.8
New Zealand	1.2	7.9	-2.3	-0.1	-1.4	-6.3	-4.1	-4.1	0.1	-0.3	-3.9	5.3	0.6	-4.5	-6.0	-7.5	-5.9	-3.6	-4.4	-3.1
Norway	4.7	5.0	1.4	2.0	-0.5	-2.7	3.5	-2.3	-7.1	-4.1	-7.5	3.3	-2.6	-3.5	-6.6	-6.0	-6.5	-1.0	-1.5	-3.3
Poland	..	..	..	..	5.0	12.9	7.5	3.0	7.4	-6.5	9.3	-0.7	2.1	7.5	3.2	-0.6	2.2	-0.5	-1.2	-0.5
Portugal	3.3	-3.4	-0.7	-2.0	-0.1	0.8	0.0	-3.8	-1.0	-4.3	-2.3	-0.3	-0.5	-0.1	-4.0	-5.5	0.0	1.0	-0.7	-0.3
Slovak Republic	..	..	..	..	6.1	-5.7	-7.2	0.6	7.7	7.1	-3.9	2.2	1.9	8.8	-3.1	6.3	7.5	6.9	5.0	1.2
Spain	-1.6	4.6	3.5	8.8	8.2	1.3	5.1	4.5	-0.6	1.7	-0.6	2.9	0.7	0.4	-3.7	-3.8	-3.5	-0.5	-0.2	-0.2
Sweden	-2.4	-3.8	0.1	6.6	4.9	2.7	-2.0	2.6	1.4	2.1	0.1	-0.3	-2.2	0.0	1.3	-1.0	-1.1	-1.1	-1.5	-0.7
Switzerland	-2.9	-5.2	0.1	1.3	-6.2	-7.7	-1.9	1.6	-1.7	-0.3	0.7	0.0	-2.3	-5.0	-1.4	0.2	0.8	1.8	-3.0	-2.3
Turkey	0.3	2.2	16.6	7.1	7.9	0.0	15.5	8.9	6.2	-11.1	6.4	4.3	7.2	9.6	1.1	-0.5	-2.6	1.9	-1.0	0.3
United Kingdom	0.3	-3.7	1.3	2.9	0.3	0.4	2.7	-1.8	-4.3	-3.0	-2.8	2.3	-1.4	-2.5	-4.6	0.8	1.7	-10.1	-1.2	-1.6
United States	2.6	1.1	0.3	-1.2	-1.6	1.9	0.2	1.0	-0.7	-2.1	-3.2	-4.4	-4.5	-3.2	-1.1	-1.3	-0.8	1.3	0.7	-1.0
Total OECD	1.6	1.4	0.3	0.0	-0.4	0.2	-0.2	0.6	-0.5	-1.5	-0.5	0.0	-1.1	-2.2	-1.8	-1.4	-0.3	-0.1	-0.7	-1.2
Memorandum items																				
China	5.0	3.1	12.8	5.7	17.9	-4.4	9.9	14.9	8.8	4.9	13.0	8.4	21.2	19.7	10.4	15.5	14.8	14.3	12.3	10.4
Dynamic Asia[1]	0.6	6.9	3.9	3.6	2.1	1.0	-3.6	-1.7	-1.3	-0.2	1.6	-5.1	0.3	1.4	1.1	0.6	0.6	0.4	-1.2	-2.7
Other Asia	10.7	8.9	7.1	5.6	5.7	7.8	-0.2	-3.6	6.2	4.5	4.3	5.7	9.0	1.6	4.7	-0.8	-2.1	3.0	1.8	2.1
Latin America	2.1	-1.8	2.0	6.2	-3.0	-4.2	-0.7	-3.4	0.2	-1.9	-5.0	4.1	2.1	2.7	0.3	1.0	-2.0	-0.2	-0.5	-1.0
Africa and Middle-East	-3.6	-4.7	3.4	3.2	-3.9	-6.6	-3.1	0.2	-0.3	-6.0	-0.3	1.9	-3.1	2.2	-2.2	-2.9	-1.5	-0.9	-1.9	-1.7
Central and Eastern Europe	..	..	..	..	..	..	-0.3	-3.4	-0.8	2.3	-1.9	2.2	3.8	0.6	-1.6	-1.5	-4.3	-2.6	-2.3	-0.3

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.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163473484554

Annex Table 45. **Shares in world exports and imports**

Percentage, values for goods and services, national accounts basis

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
A. Exports																	
Canada	3.6	3.6	3.5	3.5	3.6	3.7	4.0	4.2	4.1	3.8	3.5	3.4	3.4	3.1	3.0	2.8	2.7
France	5.7	5.6	5.7	5.5	5.3	5.7	5.3	4.8	4.9	4.9	4.9	4.7	4.3	4.1	4.0	4.0	3.9
Germany	9.4	9.3	9.5	9.1	8.6	9.2	8.8	8.0	8.7	9.0	9.4	9.3	8.9	8.9	9.2	9.1	8.9
Italy	4.6	4.5	4.6	4.7	4.3	4.5	4.1	3.8	4.0	3.9	4.0	3.9	3.6	3.5	3.6	3.5	3.4
Japan	8.4	8.1	7.6	6.8	6.7	6.2	6.3	6.5	5.7	5.6	5.5	5.4	5.1	4.8	4.6	4.6	4.5
United Kingdom	5.2	5.2	5.1	5.3	5.5	5.6	5.5	5.1	5.1	5.2	5.0	4.8	4.6	4.6	4.2	4.0	3.9
United States	13.9	13.5	12.8	13.0	13.8	14.0	14.0	13.9	13.5	12.5	11.1	10.5	10.2	9.9	9.7	9.4	9.3
Other OECD countries	24.3	24.6	25.6	25.5	25.0	26.2	26.2	25.5	26.2	26.5	27.1	27.1	26.4	26.0	26.5	26.3	26.0
Total OECD	75.0	74.5	74.4	73.4	72.9	75.0	74.4	71.8	72.2	71.4	70.5	69.0	66.5	65.0	64.7	63.7	62.6
Non-OECD Asia	13.7	14.6	14.9	15.3	15.8	14.9	15.2	16.3	16.1	16.9	17.2	17.8	18.6	19.3	19.5	19.8	20.9
Latin America	2.8	2.8	2.8	2.8	3.0	2.9	2.7	2.9	2.9	2.7	2.7	2.8	3.1	3.3	3.3	3.1	3.0
Other non-OECD countries	8.5	8.0	8.0	8.5	8.3	7.2	7.7	9.0	8.9	9.0	9.6	10.4	11.8	12.3	12.5	13.4	13.5
Total of non-OECD countries	24.8	25.4	25.6	26.6	27.1	25.0	25.6	28.2	27.8	28.6	29.5	31.0	33.5	35.0	35.3	36.3	37.4
B. Imports																	
Canada	3.6	3.5	3.2	3.2	3.5	3.6	3.7	3.7	3.5	3.4	3.2	3.0	3.0	3.0	2.8	2.6	2.5
France	5.5	5.5	5.4	5.2	4.8	5.2	4.9	4.6	4.7	4.6	4.8	4.7	4.5	4.4	4.4	4.4	4.3
Germany	9.5	9.4	9.5	8.9	8.3	8.8	8.6	7.9	8.1	7.9	8.4	8.1	7.8	7.9	8.1	8.1	7.9
Italy	4.0	3.9	4.0	3.8	3.7	4.0	3.8	3.6	3.7	3.8	3.9	3.8	3.6	3.7	3.7	3.6	3.4
Japan	6.4	6.4	6.5	6.6	6.1	5.2	5.4	5.6	5.3	4.9	4.7	4.7	4.6	4.4	4.2	4.2	4.1
United Kingdom	5.4	5.4	5.2	5.4	5.6	5.9	5.8	5.5	5.6	5.8	5.5	5.4	5.3	5.3	4.9	4.7	4.6
United States	15.4	15.5	14.5	14.7	15.5	16.5	17.7	18.7	18.2	17.8	16.6	16.0	15.9	15.3	14.1	13.3	12.8
Other OECD countries	23.8	24.1	24.6	25.0	24.5	25.3	25.4	24.8	24.9	25.4	26.1	26.2	25.8	25.7	26.4	26.3	26.0
Total OECD	73.7	73.8	73.0	72.7	72.1	74.4	75.5	74.5	74.2	73.6	73.3	71.8	70.6	69.6	68.5	67.2	65.6
Non-OECD Asia	14.3	15.0	15.6	15.7	15.8	13.8	14.2	15.4	15.0	15.6	16.0	16.9	17.4	17.6	17.6	18.1	19.1
Latin America	2.9	3.0	3.1	3.1	3.5	3.6	3.0	2.9	3.0	2.5	2.3	2.3	2.5	2.7	2.9	2.9	2.8
Other non-OECD countries	9.4	8.2	8.3	8.4	8.6	8.2	7.4	7.2	7.8	8.2	8.5	8.9	9.5	10.0	11.0	11.9	12.6
Total of non-OECD countries	26.3	26.2	27.0	27.3	27.9	25.6	24.5	25.5	25.8	26.4	26.7	28.2	29.4	30.4	31.5	32.8	34.4

Note: Regional aggregates are calculated inclusive of intra-regional trade.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163478206408

Annex Table 46. **Geographical structure of world trade growth**

Average of export and import volumes

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
A. Trade growth by main regions	percentage changes from previous year																
NAFTA[1]	6.5	11.1	8.3	8.9	12.8	7.9	8.9	11.5	-3.8	1.1	2.4	10.1	6.2	6.7	4.3	5.2	5.1
OECD Europe	0.0	8.5	8.3	5.3	10.1	8.2	6.0	11.7	2.7	1.6	2.7	7.0	6.0	8.7	5.0	6.1	6.0
OECD Asia & Pacific[2]	1.6	8.6	11.0	10.2	7.4	-4.0	7.2	12.7	-3.0	7.1	8.2	12.8	6.8	8.4	7.2	7.7	8.0
Total OECD	2.1	9.2	8.7	7.1	10.5	6.3	7.0	11.8	-0.1	2.2	3.3	8.7	6.1	8.1	5.1	6.1	6.0
Non-OECD Asia	12.7	15.2	14.8	6.8	8.0	-4.9	10.2	17.8	-3.7	11.3	13.9	17.9	11.2	12.3	10.8	12.6	13.0
Latin America	15.4	10.0	11.9	5.9	13.7	7.2	-4.8	6.7	2.8	-4.5	4.5	14.0	12.2	12.1	10.6	9.2	6.6
Other non-OECD countries	2.6	2.6	5.9	5.3	8.2	0.8	0.3	12.1	5.0	5.7	8.8	13.0	9.8	11.8	11.7	11.5	11.4
Non-OECD	9.9	11.0	11.8	6.2	8.7	-1.7	5.1	14.7	-0.4	7.7	11.4	16.1	10.9	12.1	11.0	12.0	11.9
World	4.0	9.7	9.6	6.8	10.0	4.0	6.5	12.6	-0.2	3.7	5.6	10.9	7.6	9.4	7.0	8.1	8.1
B. Contribution to World Trade growth by main regions	percentage points																
NAFTA[1]	1.3	2.3	1.7	1.8	2.7	1.7	2.0	2.6	-0.8	0.2	0.5	2.1	1.3	1.4	0.8	1.0	0.9
OECD Europe	0.0	3.5	3.4	2.1	4.0	3.2	2.5	4.8	1.1	0.7	1.1	2.8	2.3	3.3	1.9	2.3	2.2
OECD Asia & Pacific[2]	0.2	0.9	1.2	1.1	0.8	-0.4	0.7	1.3	-0.3	0.7	0.8	1.3	0.7	0.9	0.7	0.8	0.8
Total OECD	1.5	6.7	6.3	5.0	7.5	4.5	5.1	8.7	-0.1	1.6	2.4	6.2	4.3	5.5	3.4	4.0	3.9
Non-OECD Asia	1.7	2.3	2.3	1.1	1.3	-0.8	1.5	2.7	-0.6	1.7	2.3	3.2	2.1	2.4	2.2	2.6	2.8
Latin America	0.4	0.3	0.4	0.2	0.4	0.2	-0.2	0.2	0.1	-0.1	0.1	0.4	0.3	0.4	0.3	0.3	0.2
Other non-OECD countries	0.3	0.3	0.6	0.5	0.7	0.1	0.0	1.0	0.4	0.5	0.8	1.2	0.9	1.1	1.1	1.1	1.2
Non-OECD	2.6	3.1	3.3	1.8	2.5	-0.5	1.4	3.9	-0.1	2.1	3.2	4.7	3.4	3.8	3.6	4.0	4.2
World	4.0	9.7	9.6	6.8	10.0	4.0	6.5	12.6	-0.2	3.7	5.6	10.9	7.6	9.4	7.0	8.1	8.1

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.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163484056001

Annex Table 47. **Trade balances for goods and services**

$ billion, national accounts basis

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	-3.2	1.1	-0.9	-1.4	-4.3	-5.1	-0.4	2.0	-6.2	-9.6	-3.9	2.5	-4.3	-13.5	-17.6	-12.8	-8.8	-14.1	-19.7	-22.6
Austria	0.7	0.1	-0.4	1.4	-1.5	-0.8	-1.7	0.7	3.0	3.9	3.3	5.0	9.3	9.3	12.3	13.6	19.0	26.3	30.7	34.8
Belgium	3.8	4.1	6.4	7.8	9.6	12.0	11.9	10.7	10.3	10.6	7.6	8.6	11.6	13.8	15.5	13.0	12.2	16.7	18.5	18.4
Canada	0.8	-3.4	-2.2	0.0	6.7	18.9	24.7	12.6	12.3	24.2	41.6	41.2	32.4	32.5	41.8	43.3	32.6	43.8	48.2	45.5
Czech Republic	..	..	..	0.0	-1.1	-2.4	-3.6	-3.1	-0.7	-0.7	-1.7	-1.5	-1.6	-2.1	0.0	3.9	4.6	8.0	10.2	12.5
Denmark	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	13.3	12.0	12.3	8.2	5.5	6.4	5.2
Finland	-2.0	-0.7	0.9	4.0	5.7	10.0	9.6	9.9	11.4	13.0	12.6	13.1	14.4	13.9	15.1	11.0	11.2	15.7	17.0	16.8
France	-16.9	-13.2	2.8	11.8	12.1	19.3	23.8	40.7	37.5	30.6	13.0	15.9	25.6	17.3	1.6	-19.9	-31.8	-44.9	-65.7	-69.5
Germany	60.2	-6.4	-9.3	-0.9	2.7	11.9	22.0	26.9	29.7	18.1	7.0	38.4	93.3	97.9	136.5	140.8	159.4	213.6	237.4	247.0
Greece	-9.5	-9.8	-9.6	-8.8	-7.6	-10.2	-11.6	-10.8	-12.1	-12.3	-14.0	-13.7	-15.1	-18.7	-20.3	-17.7	-22.5	-27.4	-31.3	-32.5
Hungary	..	..	..	-3.1	-2.7	-0.1	0.3	0.5	-0.6	-1.3	-1.7	-0.6	-1.4	-3.3	-2.9	-1.2	0.7	3.9	6.1	7.8
Iceland	0.1	-0.1	0.0	0.2	0.3	0.3	0.0	0.0	-0.4	-0.4	-0.6	-0.1	0.1	-0.3	-0.7	-2.0	-3.0	-2.2	-1.4	-0.9
Ireland	2.3	2.5	4.3	5.4	5.6	7.8	8.9	10.6	10.4	13.5	12.9	16.4	21.4	25.6	27.8	24.8	23.7	28.5	30.6	31.4
Italy	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	12.6	-1.2	-15.2	-2.1	-1.7	2.1
Japan	28.5	56.2	82.2	97.0	96.5	74.8	23.4	47.4	72.3	69.4	68.0	26.1	51.2	69.3	89.0	63.3	54.5	75.6	87.9	105.6
Korea	-2.8	-8.2	-3.9	1.4	-3.1	-5.7	-19.2	-4.5	44.2	29.8	16.2	11.1	7.5	14.6	28.9	18.7	9.9	1.9	-4.6	-7.4
Luxembourg	1.7	1.7	2.5	2.9	3.6	4.4	4.1	3.2	3.2	4.1	4.1	3.6	4.4	6.3	7.5	8.7	12.7	16.9	19.8	19.1
Mexico	-0.4	-8.4	-19.9	-15.8	-20.3	7.6	6.9	-0.4	-8.9	-7.8	-11.6	-13.8	-11.8	-10.5	-13.9	-11.8	-10.9	-21.5	-30.2	-39.4
Netherlands	11.3	12.6	12.7	17.7	19.8	23.8	22.1	21.9	18.9	17.4	21.3	23.2	28.8	33.9	45.1	50.4	49.9	59.1	62.4	63.7
New Zealand	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	0.7	-0.5	-2.3	-1.7	-1.8	-1.3	-1.7
Norway	7.7	9.4	8.7	7.6	7.6	9.2	14.3	13.0	2.8	11.6	28.6	29.0	25.9	29.2	35.1	49.4	61.2	64.7	88.1	90.1
Poland	..	..	..	0.8	2.1	3.0	-2.2	-6.1	-8.3	-9.9	-11.0	-7.0	-6.8	-5.5	-4.8	-1.0	-4.7	-12.1	-19.1	-25.1
Portugal	-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	-10.3	-14.0	-16.1	-15.2	-13.8	-14.0	-13.6
Slovak Republic	..	..	..	-0.6	0.8	0.4	-2.3	-2.1	-2.4	-0.9	-0.5	-1.7	-1.8	-0.6	-1.1	-2.4	-2.5	-0.5	0.4	1.1
Spain	-16.9	-17.2	-16.4	-3.2	0.1	0.0	3.3	5.0	-1.4	-11.3	-18.2	-15.4	-14.7	-21.1	-41.8	-59.7	-75.8	-93.6	-106.6	-111.6
Sweden	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	27.9	27.3	30.8	34.9	36.4	38.6
Switzerland	4.2	5.9	10.9	14.4	14.6	16.1	14.7	14.1	13.1	14.9	14.6	12.6	18.4	21.4	25.0	24.2	29.3	36.1	37.0	40.5
Turkey	-6.4	-4.1	-4.7	-10.2	0.5	-7.3	-11.4	-11.0	-7.4	-6.3	-14.9	3.1	-2.6	-8.0	-17.5	-23.8	-30.9	-35.1	-37.1	-37.5
United Kingdom	-25.2	-10.9	-13.1	-9.5	-7.1	-4.8	-3.8	2.9	-11.9	-25.0	-29.2	-38.6	-46.5	-48.3	-64.1	-80.2	-89.2	-100.7	-114.3	-131.7
United States	-78.0	-27.5	-33.3	-65.0	-93.6	-91.4	-96.3	-101.6	-160.0	-260.5	-379.5	-367.0	-424.4	-499.4	-615.4	-714.6	-762.0	-708.2	-701.2	-696.0
Euro area	31.8	-31.3	-15.0	63.0	79.0	113.5	143.1	155.9	137.7	97.5	47.9	98.9	180.0	176.3	197.9	147.9	127.6	195.1	197.2	206.2
Total OECD	-36.4	-9.3	22.5	96.0	94.4	151.4	114.6	144.0	95.0	-51.4	-213.6	-179.3	-158.4	-214.0	-280.9	-461.8	-554.4	-426.7	-410.9	-409.2

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163524740621

Annex Table 48. **Investment income, net**

$ billion

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	-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	-15.0	-21.0	-27.7	-32.1	-40.3	-46.0	-51.6
Austria	-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	-1.2	-1.5	-1.9	-2.7	-3.6	-3.6
Belgium[1]	4.8	5.7	6.4	6.9	7.4	7.3	6.8	6.3	6.9	6.7	6.3	4.6	4.5	6.5	5.7	5.3	7.7	6.0	7.4	7.7
Canada	-19.4	-17.4	-17.5	-20.8	-18.9	-22.7	-21.5	-20.9	-20.0	-22.6	-22.3	-25.4	-19.3	-21.3	-18.6	-18.6	-10.5	-15.3	-16.1	-15.3
Czech Republic	..	..	..	-0.1	0.0	-0.1	-0.7	-0.8	-1.1	-1.4	-1.4	-2.2	-3.5	-4.3	-6.1	-6.5	-8.2	-12.0	-13.8	-14.9
Denmark	-5.1	-5.1	-4.9	-3.8	-3.8	-3.8	-3.7	-3.4	-2.8	-2.6	-3.6	-3.6	-2.7	-2.6	-2.2	0.1	1.3	2.1	1.3	1.6
Finland	-3.7	-4.7	-5.4	-4.9	-4.4	-4.4	-3.7	-2.4	-3.1	-2.0	-1.7	-1.0	-0.6	-2.6	0.2	-0.4	0.7	-0.8	-0.5	0.0
France	-1.6	-3.3	-6.0	-6.6	-6.0	-8.4	-1.9	7.1	8.7	22.9	19.5	19.5	8.7	14.9	22.5	23.2	26.1	34.9	29.1	30.3
Germany	15.3	18.0	18.2	11.5	1.5	-2.8	0.7	-2.7	-10.8	-12.4	-8.9	-9.9	-17.5	-16.7	15.8	25.7	29.9	27.2	30.9	28.0
Greece	-2.0	-2.0	-2.4	-1.6	-1.4	-1.8	-2.1	-1.7	-1.6	-0.7	-0.9	-1.8	-2.0	-4.5	-5.4	-7.0	-8.9	-12.5	-15.0	-16.0
Hungary	..	..	..	-1.5	-1.6	-1.7	-2.0	-2.7	-3.0	-2.9	-2.6	-2.9	-3.6	-4.2	-6.1	-7.2	-8.3	-11.2	-13.1	-14.8
Iceland	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	0.0	-0.2	-0.6	-0.6	-1.3	-0.8	-1.3	-1.6
Ireland	-5.0	-4.6	-5.6	-5.3	-5.4	-7.3	-8.2	-9.6	-10.5	-13.7	-13.5	-16.4	-22.4	-24.9	-28.0	-31.0	-31.2	-35.6	-35.8	-36.5
Italy	-14.6	-17.5	-21.9	-17.5	-16.8	-15.8	-15.5	-10.2	-11.2	-11.1	-11.8	-10.5	-14.6	-20.2	-18.5	-17.4	-16.8	-26.2	-29.1	-36.4
Japan	22.7	26.0	35.5	41.0	40.5	44.1	53.3	58.1	54.7	58.4	60.4	69.3	66.0	71.6	86.2	102.9	117.6	139.6	159.1	167.1
Korea	-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	-1.6	-0.5	1.8	4.9	6.9
Luxembourg	..	..	..	..	..	1.6	1.3	0.5	0.2	-0.5	-1.3	-1.7	-3.1	-4.0	-4.3	-6.9	-10.4	-11.2	-12.6	-12.2
Mexico	-8.6	-8.6	-9.6	-11.4	-13.0	-13.3	-13.9	-12.8	-13.3	-12.9	-15.0	-13.9	-12.7	-12.3	-10.3	-13.1	-14.1	-12.6	-12.8	-13.6
Netherlands	-0.6	0.4	-1.0	0.8	3.6	7.2	3.5	7.0	-2.7	3.4	-2.3	-0.3	-0.1	1.0	15.2	6.2	16.1	7.5	7.8	8.0
New Zealand	-1.6	-2.5	-2.5	-2.9	-3.4	-4.0	-4.7	-4.9	-2.6	-3.1	-3.4	-3.1	-3.2	-4.2	-5.9	-7.4	-7.9	-8.6	-9.3	-9.7
Norway	-2.7	-2.7	-3.4	-3.3	-2.2	-1.9	-1.9	-1.7	-1.2	-1.3	-2.3	0.2	0.6	1.4	0.5	0.0	-2.7	-1.6	0.0	2.8
Poland	..	..	..	..	-2.6	-2.0	-1.1	-1.1	-1.2	-1.0	-1.5	-1.4	-1.9	-3.6	-11.5	-10.9	-14.5	-18.8	-22.8	-26.1
Portugal	-0.1	0.2	0.7	0.3	-0.5	0.1	-0.9	-1.3	-1.5	-1.6	-2.4	-3.5	-3.0	-2.6	-3.6	-4.8	-6.8	-9.1	-11.2	-11.8
Slovak Republic	..	..	..	0.0	-0.1	0.0	0.0	-0.1	-0.2	-0.3	-0.4	-0.3	-0.5	-0.1	-0.4	-2.0	-2.1	-2.9	-3.5	-3.7
Spain	-3.5	-4.3	-5.8	-3.6	-7.8	-5.4	-7.5	-7.4	-8.6	-9.5	-6.9	-11.3	-11.6	-11.7	-15.1	-21.3	-26.4	-44.6	-51.5	-55.4
Sweden	-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	4.0	-0.3	2.7	1.3	1.0	1.9	1.9
Switzerland	7.9	7.9	7.3	8.2	6.9	10.8	11.6	15.3	16.9	19.4	21.2	13.7	10.8	26.0	27.3	37.1	38.5	36.2	42.5	44.3
Turkey	-2.5	-2.7	-2.6	-2.7	-3.3	-3.2	-2.9	-3.0	-3.0	-3.5	-4.0	-5.0	-4.6	-5.6	-5.5	-5.8	-6.6	-7.6	-9.5	-11.2
United Kingdom	-5.1	-5.9	0.2	-0.3	5.1	3.4	0.8	5.4	20.4	2.1	6.9	16.8	35.5	40.3	48.9	47.2	33.6	41.8	45.3	47.2
United States	28.5	24.1	24.2	25.3	17.1	20.9	22.3	12.6	4.3	13.9	21.1	31.7	27.7	45.4	56.4	48.1	36.6	33.2	21.0	0.8
Euro area	-11.9	-13.4	-24.2	-21.4	-31.6	-32.1	-28.3	-16.2	-36.3	-21.5	-26.4	-35.2	-63.3	-66.1	-16.8	-29.7	-21.8	-67.2	-84.2	-97.8
Total OECD	-15.8	-19.3	-18.1	-11.3	-29.7	-26.6	-16.2	2.5	-8.7	1.6	11.9	25.9	12.3	49.6	114.9	107.1	98.6	56.7	43.4	12.2

Note: The classification of non-factor services and investment income is affected by the change in reporting system to the International Monetary Fund, Fifth Balance of Payments Manual.

1. Including Luxembourg until 1994.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163527785117

Annex Table 49. **Total transfers, net**

$ billion

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	0.4	0.1	-0.1	-0.1	-0.2	-0.1	0.1	0.0	-0.3	0.0	0.0	0.0	-0.1	-0.2	-0.3	-0.4	-0.3	-0.3	-0.4	-0.4
Austria	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	-1.4	-1.6	-1.4	-1.7	-2.5	-2.9
Belgium[1]	-2.1	-2.1	-2.5	-2.6	-3.3	-4.2	-4.1	-3.7	-4.3	-4.6	-3.9	-4.1	-4.4	-6.4	-6.5	-6.3	-6.6	-7.7	-8.6	-8.9
Canada	-0.8	-1.1	-0.9	-0.6	-0.3	-0.1	0.5	0.5	0.6	0.5	0.8	1.0	0.0	-0.2	-0.3	-0.7	-0.6	-0.5	-0.7	-0.7
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	0.5	-0.9	0.1	1.1	1.6
Denmark	-1.2	-1.6	-1.7	-1.7	-2.0	-2.4	-2.6	-1.8	-2.3	-2.9	-3.0	-2.6	-2.6	-3.7	-4.6	-4.1	-4.4	-5.0	-5.4	-5.5
Finland	-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	-1.7	-0.5	-0.7	-0.7
France	-9.8	-9.3	-11.1	-8.2	-11.5	-5.9	-7.4	-13.2	-12.0	-13.2	-14.0	-14.8	-14.2	-19.2	-21.8	-27.5	-27.3	-30.0	-33.0	-33.6
Germany	-14.8	-35.4	-32.5	-33.0	-36.5	-38.7	-34.0	-30.5	-30.3	-26.4	-25.7	-23.9	-25.9	-32.1	-35.0	-35.9	-33.7	-44.0	-51.6	-52.3
Greece[2]	4.7	6.2	6.5	6.5	6.9	8.0	8.0	8.3	7.9	3.9	3.3	3.4	3.6	4.3	4.5	3.9	4.3	4.3	4.8	4.5
Hungary	..	..	..	0.8	0.9	0.2	0.0	0.2	0.2	0.4	0.4	0.4	0.5	0.7	0.3	0.2	0.5	0.3	0.2	0.3
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	-0.1	-0.1	-0.1
Ireland	2.4	2.6	2.1	1.9	1.7	1.8	2.2	2.0	1.5	1.2	0.9	0.2	0.6	0.4	0.4	0.3	-0.6	-2.3	-2.7	-2.8
Italy	-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	-10.3	-12.0	-16.7	-12.3	-17.4	-18.9
Japan	-4.5	-11.1	-3.8	-5.2	-6.2	-7.8	-9.0	-8.8	-8.8	-12.1	-9.8	-7.9	-5.0	-7.5	-8.0	-8.4	-10.4	-9.4	-12.8	-12.8
Korea	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	-3.8	-4.1	-4.0	-4.0
Luxembourg	..	..	..	..	..	-0.6	-0.6	-0.5	-0.4	-0.6	-0.5	-0.5	-0.3	-0.6	-1.1	-1.1	-1.6	-2.5	-3.0	-3.0
Mexico	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	14.1	17.2	20.7	24.1	24.5	25.1	26.3
Netherlands	-2.9	-4.2	-4.4	-4.5	-5.3	-6.4	-6.8	-6.1	-7.1	-6.4	-6.3	-6.8	-6.6	-7.2	-9.4	-10.5	-12.0	-12.6	-15.4	-15.8
New Zealand	0.2	0.2	0.2	0.2	0.3	0.3	0.6	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.3	0.5	0.4	0.5	0.5
Norway	-1.5	-1.5	-1.8	-1.4	-1.7	-2.1	-1.5	-1.4	-1.5	-1.4	-1.3	-1.6	-2.2	-2.9	-2.6	-2.9	-3.4	-3.3	-4.4	-5.0
Poland	..	..	..	..	1.3	1.0	1.7	2.0	2.9	2.2	2.4	2.9	3.3	4.2	5.5	6.9	8.2	9.4	12.5	15.8
Portugal[2]	5.5	6.0	7.8	6.7	5.4	7.2	4.4	3.8	4.1	3.8	3.4	3.4	2.8	3.3	3.5	2.8	3.1	4.6	5.2	5.2
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	-0.1	0.2	0.4	0.7
Spain	2.7	2.7	2.1	1.3	1.2	4.8	3.2	3.0	3.2	3.0	1.6	1.3	2.4	-0.6	-0.1	-4.2	-7.3	-9.5	-10.8	-11.0
Sweden	-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	-2.2	-4.9	-4.4	-4.9	-4.8	-4.9	-4.7
Switzerland	-2.4	-2.6	-3.1	-3.0	-3.5	-4.4	-4.3	-4.0	-4.6	-5.3	-4.5	-5.5	-5.9	-5.5	-6.3	-11.9	-10.3	-8.0	-11.5	-13.3
Turkey	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	1.7	1.3	1.2	1.1
United Kingdom	-8.8	-2.1	-9.9	-7.9	-8.2	-11.9	-7.4	-9.7	-13.9	-12.2	-15.1	-9.7	-13.6	-16.5	-20.1	-21.9	-22.0	-21.0	-21.9	-24.5
United States	-26.7	9.9	-35.1	-39.8	-40.3	-38.1	-43.0	-45.1	-53.2	-50.4	-58.6	-51.3	-63.6	-70.6	-84.4	-88.5	-89.6	-97.2	-98.5	-102.5
Euro area	-19.2	-42.2	-41.6	-40.6	-50.0	-40.3	-44.4	-43.6	-47.8	-47.5	-47.5	-49.5	-50.0	-69.5	-78.2	-93.7	-101.5	-114.1	-135.8	-140.3
Total OECD	-55.3	-43.7	-90.8	-91.9	-102.9	-99.2	-102.1	-102.8	-115.1	-117.3	-125.7	-113.5	-129.8	-160.8	-187.7	-209.1	-217.3	-231.4	-259.4	-267.3

1. Including Luxembourg until 1994.
2. Breaks between 1998 and 1999 for Greece and between 1995 and 1996 for Portugal, reflecting change in methodology to the International Monetary Fund, Fifth Balance of Payments Manual (capital transfers from European Union are excluded from the current account).

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163530031537

Annex Table 50. **Current account balances**

$ billion

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	-15.9	-11.0	-11.1	-9.7	-17.1	-19.3	-15.5	-11.8	-17.8	-21.3	-14.7	-7.4	-15.8	-28.6	-38.8	-40.9	-41.2	-54.7	-66.0	-74.5
Austria	1.1	-0.1	-1.0	-1.6	-3.1	-5.9	-5.4	-6.6	-5.4	-6.7	-4.5	-3.5	0.7	-0.6	5.0	6.4	10.4	17.7	20.2	23.9
Belgium[1]	6.1	7.2	9.9	13.0	14.2	15.3	13.8	13.8	13.3	12.9	9.4	7.9	11.7	12.9	12.7	5.7	10.9	11.8	14.6	14.4
Canada	-19.8	-22.4	-21.1	-21.7	-13.0	-4.4	3.4	-8.2	-7.7	1.7	19.7	16.3	12.6	10.6	22.3	23.3	20.7	27.0	30.3	28.4
Czech Republic	..	..	..	0.5	-0.8	-1.4	-4.1	-3.6	-1.3	-1.5	-2.7	-3.3	-4.2	-5.8	-5.7	-2.0	-4.4	-5.0	-3.2	-1.4
Denmark	0.6	1.2	3.2	3.9	2.3	1.2	2.7	0.7	-1.5	3.4	2.5	4.2	5.0	7.3	5.7	9.7	6.6	3.8	3.5	2.5
Finland	-7.0	-6.8	-5.1	-1.1	1.0	5.4	5.1	6.8	7.3	8.1	10.6	12.1	13.8	10.7	14.7	9.6	10.6	14.7	16.5	16.2
France	-9.8	-5.7	4.8	9.7	7.4	11.0	20.8	37.2	38.9	45.7	22.3	26.3	19.2	15.6	9.0	-20.2	-28.9	-32.7	-63.4	-66.5
Germany	33.2	-23.9	-22.0	-19.5	-30.7	-29.4	-13.8	-10.2	-17.1	-27.9	-33.8	0.5	40.9	48.4	115.7	128.9	144.7	198.2	219.9	225.8
Greece[2]	-4.7	-2.6	-3.6	-1.9	-1.4	-4.5	-6.4	-5.3	-3.8	-7.4	-9.8	-9.5	-10.1	-12.7	-13.3	-17.8	-29.7	-37.2	-41.5	-44.0
Hungary	..	..	..	-3.1	-3.5	-1.6	-1.7	-2.0	-3.4	-3.8	-4.0	-3.2	-4.7	-6.7	-8.6	-7.5	-7.3	-6.3	-5.9	-5.8
Iceland	-0.1	-0.3	-0.2	0.0	0.1	0.1	-0.1	-0.1	-0.6	-0.6	-0.9	-0.4	0.1	-0.5	-1.3	-2.6	-4.3	-2.7	-2.4	-2.3
Ireland	-0.5	0.3	0.5	1.8	1.5	1.7	2.1	1.9	0.7	0.2	-0.3	-0.7	-1.2	0.0	-1.1	-7.0	-9.2	-10.3	-8.6	-8.5
Italy	-16.4	-23.5	-28.9	7.4	12.6	24.8	39.5	33.4	22.6	7.9	-5.9	-0.8	-9.8	-19.8	-16.6	-29.7	-47.7	-42.4	-48.3	-53.2
Japan	46.6	72.7	108.3	130.0	130.6	114.3	66.0	96.8	119.4	115.4	119.6	88.3	111.8	136.4	172.5	166.3	171.3	206.2	228.5	254.1
Korea	-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	15.0	6.1	4.5	-1.6	-2.5
Luxembourg	..	..	..	..	..	2.5	2.3	1.9	1.8	1.8	2.7	1.8	2.6	2.4	4.0	4.1	4.4	5.5	5.8	6.1
Mexico	-7.5	-14.6	-24.4	-23.4	-29.7	-1.6	-2.5	-7.7	-16.0	-13.9	-18.7	-17.7	-14.1	-8.6	-6.6	-4.7	-1.8	-9.2	-16.4	-25.1
Netherlands	8.1	7.4	6.9	13.2	17.3	25.8	21.5	25.0	13.0	15.7	7.2	9.8	11.0	29.8	52.0	48.9	57.8	52.5	54.7	55.9
New Zealand	-1.4	-1.2	-1.7	-1.7	-2.0	-3.0	-3.9	-4.3	-2.1	-3.5	-2.7	-1.4	-2.3	-3.4	-6.3	-9.3	-9.1	-10.0	-10.1	-10.9
Norway	4.0	5.0	3.0	2.2	3.8	5.2	10.9	10.0	0.0	8.9	25.1	27.5	24.2	27.7	32.9	46.6	55.1	59.8	83.6	88.0
Poland	..	..	..	..	1.0	0.9	-3.3	-5.7	-6.9	-12.5	-10.0	-5.4	-5.0	-4.6	-10.7	-4.8	-11.1	-20.9	-29.4	-35.5
Portugal[2]	-0.2	-0.7	-0.3	0.3	-2.3	-0.2	-4.9	-6.6	-8.4	-10.3	-11.6	-11.5	-10.3	-9.6	-13.8	-18.0	-18.3	-18.1	-20.2	-20.3
Slovak Republic	..	..	..	-0.6	0.8	0.5	-2.0	-1.8	-2.0	-1.0	-0.7	-1.7	-1.9	-0.3	-1.4	-4.1	-4.6	-3.0	-2.6	-1.7
Spain	-18.1	-19.9	-21.6	-5.6	-6.5	-1.7	-1.4	-0.6	-7.2	-17.9	-23.0	-24.0	-22.5	-31.1	-54.9	-83.1	-106.6	-141.3	-162.4	-171.6
Sweden	-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	25.0	27.2	31.1	33.4	35.8
Switzerland	8.2	10.0	14.7	18.9	16.9	20.4	21.4	24.6	25.0	29.0	29.9	19.7	23.7	42.0	47.1	50.3	58.6	66.0	69.8	73.3
Turkey	-2.6	0.2	-1.0	-6.4	2.6	-2.3	-2.4	-2.6	2.0	-1.3	-9.8	3.4	-1.5	-8.0	-15.5	-22.6	-32.7	-39.1	-45.5	-47.6
United Kingdom	-39.1	-19.0	-22.7	-17.7	-10.1	-13.4	-10.5	-1.4	-5.3	-35.2	-37.4	-31.5	-24.7	-24.5	-35.3	-56.4	-75.9	-79.8	-90.9	-109.0
United States	-79.0	2.9	-50.1	-84.8	-121.6	-113.6	-124.8	-140.7	-215.1	-301.6	-417.4	-384.7	-459.6	-522.1	-640.2	-754.8	-811.5	-768.7	-775.3	-794.3
Euro area	-8.0	-68.4	-60.3	15.7	10.1	44.9	73.2	90.8	55.7	22.1	-36.7	8.4	45.9	45.9	113.2	27.7	-1.6	18.3	-12.6	-21.7
Total OECD	-120.9	-56.3	-75.1	0.3	-31.2	26.7	-6.6	34.9	-27.5	-180.6	-337.3	-272.5	-295.3	-308.8	-324.5	-545.7	-659.9	-582.7	-612.9	-650.2

Note: The balance-of-payments data in this table are based on the concepts and definition of the International Monetary Fund, Fifth Balance of Payments Manual.

1. Including Luxembourg until 1994.
2. Breaks between 1998 and 1999 for Greece and between 1995 and 1996 for Portugal, reflecting change in methodology to the International Monetary Fund, Fifth Balance of Payments Manual (capital transfers from European Union are excluded from the current account).

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163531082157

Annex Table 51. **Current account balances as a percentage of GDP**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	-5.0	-3.4	-3.6	-3.2	-4.9	-5.2	-3.7	-2.9	-4.8	-5.3	-3.7	-2.0	-3.8	-5.4	-6.1	-5.7	-5.4	-6.0	-6.4	-6.9
Austria	0.6	-0.1	-0.5	-0.8	-1.5	-2.5	-2.3	-3.2	-2.5	-3.2	-2.3	-1.8	0.3	-0.2	1.7	2.1	3.2	4.7	4.9	5.5
Belgium[1]	3.0	3.5	4.2	5.8	5.9	5.4	5.0	5.5	5.2	5.1	4.0	3.4	4.6	4.1	3.5	1.5	2.7	2.6	2.9	2.7
Canada	-3.4	-3.7	-3.6	-3.9	-2.3	-0.8	0.5	-1.3	-1.2	0.3	2.7	2.3	1.7	1.2	2.3	2.0	1.6	1.9	1.8	1.6
Czech Republic	..	..	..	1.2	-1.8	-2.5	-6.6	-6.2	-2.0	-2.4	-4.8	-5.3	-5.5	-6.2	-5.2	-1.6	-3.1	-2.9	-1.5	-0.6
Denmark	0.4	0.9	2.1	2.8	1.5	0.7	1.4	0.4	-0.9	1.9	1.6	2.6	2.9	3.4	2.4	3.8	2.4	1.2	1.0	0.7
Finland	-5.0	-5.3	-4.6	-1.3	1.1	4.1	4.0	5.6	5.6	6.2	8.7	9.6	10.1	6.4	7.8	4.9	5.1	6.0	6.1	5.8
France	-0.8	-0.4	0.3	0.8	0.5	0.7	1.3	2.6	2.6	3.1	1.7	2.0	1.3	0.9	0.4	-1.0	-1.3	-1.3	-2.2	-2.3
Germany	3.0	-1.3	-1.1	-1.0	-1.4	-1.2	-0.6	-0.5	-0.8	-1.3	-1.8	0.0	2.0	1.9	4.2	4.6	4.9	6.0	6.0	6.0
Greece[2]	-5.0	-2.5	-3.2	-1.9	-1.2	-3.4	-4.6	-3.9	-2.8	-5.6	-7.8	-7.3	-6.8	-6.6	-5.8	-7.2	-11.1	-11.9	-11.7	-11.5
Hungary	..	..	..	-7.9	-8.2	-3.3	-3.8	-4.3	-7.0	-7.6	-8.4	-6.0	-6.9	-7.9	-8.4	-6.8	-6.5	-4.6	-3.8	-3.5
Iceland	-2.1	-4.0	-2.4	0.7	1.9	0.7	-1.8	-1.7	-6.7	-6.7	-10.2	-4.3	1.5	-4.8	-9.8	-16.2	-25.7	-13.9	-11.1	-9.9
Ireland	-0.8	0.7	1.0	3.7	2.7	2.6	2.8	2.4	0.8	0.2	-0.4	-0.7	-1.0	0.0	-0.6	-3.5	-4.2	-4.0	-3.0	-2.8
Italy	-1.4	-2.0	-2.3	0.8	1.2	2.2	3.1	2.8	1.9	0.7	-0.6	-0.1	-0.8	-1.3	-0.9	-1.7	-2.6	-2.0	-2.1	-2.2
Japan	1.5	2.1	2.8	3.0	2.8	2.2	1.4	2.3	3.1	2.6	2.6	2.2	2.9	3.2	3.7	3.7	3.9	4.7	4.8	5.2
Korea	-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	2.0	4.2	1.9	0.7	0.5	-0.2	-0.2
Luxembourg	..	..	..	..	..	12.1	11.2	10.4	9.2	8.4	13.2	8.8	11.7	8.0	11.6	10.9	10.3	11.0	10.1	9.6
Mexico	-2.9	-4.7	-6.7	-5.8	-7.1	-0.5	-0.8	-1.9	-3.8	-2.9	-3.2	-2.8	-2.2	-1.3	-1.0	-0.6	-0.2	-1.0	-1.7	-2.4
Netherlands	2.7	2.4	2.0	4.1	4.9	6.1	5.1	6.5	3.2	3.8	1.9	2.4	2.5	5.5	8.5	7.7	8.6	6.9	6.5	6.3
New Zealand	-3.2	-2.8	-4.2	-3.9	-3.9	-5.0	-5.8	-6.4	-3.9	-6.2	-5.1	-2.8	-3.9	-4.3	-6.4	-8.6	-8.7	-7.9	-7.4	-7.6
Norway	3.3	4.3	2.3	1.8	3.0	3.5	6.8	6.3	0.0	5.6	15.0	16.1	12.6	12.3	12.7	15.5	16.4	15.4	18.3	18.3
Poland	..	..	..	..	0.9	0.6	-2.1	-3.7	-4.0	-7.5	-5.8	-2.8	-2.5	-2.1	-4.3	-1.6	-3.2	-4.9	-5.7	-6.2
Portugal[2]	-0.2	-0.8	-0.2	0.4	-2.3	-0.1	-4.2	-5.9	-7.0	-8.5	-10.2	-9.9	-8.1	-6.1	-7.7	-9.7	-9.4	-8.1	-8.2	-7.9
Slovak Republic	..	..	..	-4.6	4.8	2.6	-9.2	-8.3	-8.8	-4.8	-3.6	-8.3	-7.9	-0.9	-3.5	-8.7	-8.3	-4.1	-3.0	-1.8
Spain	-3.5	-3.6	-3.5	-1.1	-1.2	-0.3	-0.2	-0.1	-1.2	-2.9	-4.0	-3.9	-3.3	-3.5	-5.3	-7.4	-8.6	-9.8	-10.0	-10.1
Sweden	-2.0	-1.2	-2.8	-1.3	1.1	3.3	3.6	4.1	3.9	4.2	3.9	3.8	4.1	7.4	6.9	7.0	7.1	7.0	6.7	6.8
Switzerland	3.4	4.2	5.8	7.8	6.3	6.4	7.0	9.3	9.2	10.8	12.0	7.7	8.4	12.9	13.0	13.5	15.1	15.8	15.2	15.5
Turkey	-1.7	0.1	-0.6	-3.6	2.7	-1.6	-1.3	-1.4	1.2	-1.0	-4.9	2.4	-0.9	-3.4	-5.1	-6.2	-8.1	-7.7	-7.4	-7.1
United Kingdom	-4.0	-1.8	-2.1	-1.8	-1.0	-1.2	-0.9	-0.1	-0.4	-2.4	-2.6	-2.2	-1.6	-1.3	-1.6	-2.5	-3.1	-2.9	-3.1	-3.5
United States	-1.4	0.0	-0.8	-1.3	-1.7	-1.5	-1.6	-1.7	-2.5	-3.3	-4.3	-3.8	-4.4	-4.8	-5.5	-6.1	-6.2	-5.6	-5.4	-5.3
Euro area	-0.2	-1.2	-0.9	0.3	0.2	0.6	1.0	1.4	0.8	0.3	-0.6	0.1	0.7	0.5	1.2	0.3	0.0	0.2	-0.1	-0.2
Total OECD	-0.7	-0.3	-0.4	0.0	-0.1	0.1	0.0	0.1	-0.1	-0.7	-1.3	-1.1	-1.1	-1.0	-1.0	-1.6	-1.8	-1.4	-1.4	-1.4

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 82 database.

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Annex Table 52. **Structure of current account balances of major world regions**

$ billion

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Goods and services trade balance[1]																	
OECD	96	94	151	115	144	95	-51	-214	-179	-158	-214	-281	-462	-554	-427	-411	-409
Non-OECD *of which:*	-59	-29	-64	-19	-19	-20	88	212	141	185	273	337	559	732	746	811	761
Non-OECD Asia *of which:*	-18	-11	-29	-13	19	83	79	72	77	104	122	106	174	286	382	407	455
China	-12	7	12	18	40	42	31	29	28	37	36	49	125	209	303	357	428
Dynamic Asia [2]	6	0	-15	-2	4	62	70	62	63	80	98	91	98	136	153	148	139
Other Asia	-12	-18	-25	-28	-25	-21	-22	-19	-15	-13	-13	-34	-49	-58	-74	-98	-112
Latin America	-6	-7	-19	-17	-31	-45	-16	-3	-10	22	42	58	75	88	75	60	53
Africa and Middle-East	-34	-11	-16	8	0	-52	4	96	48	36	79	122	231	264	223	277	198
Central and Eastern Europe	..	..	0	3	-7	-7	21	47	26	23	30	52	79	94	66	67	55
World [3]	37	65	88	96	125	75	37	-2	-39	27	59	56	97	177	319	400	352
Investment income, net																	
OECD	-11	-30	-27	-16	2	-9	2	12	26	12	50	115	107	99	57	43	12
Non-OECD *of which:*	-40	-41	-56	-66	-75	-81	-87	-97	-92	-100	-108	-128	-139	-164	-142	-124	-113
Non-OECD Asia *of which:*	-11	-9	-19	-24	-26	-28	-32	-36	-34	-35	-24	-25	-17	-20	-3	15	31
China	-1	-1	-12	-12	-16	-17	-14	-15	-19	-15	-8	-4	11	12	24	36	48
Dynamic Asia [2]	-4	-2	-2	-6	-4	-4	-11	-13	-7	-12	-7	-12	-17	-21	-13	-6	0
Other Asia	-6	-6	-6	-6	-7	-7	-6	-9	-8	-8	-9	-10	-11	-11	-13	-15	-17
Latin America	-23	-24	-28	-29	-36	-38	-38	-39	-40	-40	-46	-57	-63	-76	-70	-65	-65
Africa and Middle-East	-5	-8	-4	-6	-3	-1	-7	-12	-10	-16	-21	-24	-27	-19	-14	-12	-9
Central and Eastern Europe	..	..	-4	-7	-11	-14	-10	-11	-7	-9	-18	-22	-33	-49	-55	-63	-71
World [3]	-51	-71	-83	-82	-73	-89	-85	-85	-66	-88	-59	-13	-32	-66	-86	-81	-101
Net transfers, net																	
OECD	-92	-103	-99	-102	-103	-115	-117	-126	-114	-130	-161	-188	-209	-217	-231	-259	-267
Non-OECD *of which:*	25	25	29	36	39	37	47	50	60	75	96	113	132	160	178	195	210
Non-OECD Asia *of which:*	14	17	15	20	22	19	28	30	37	46	58	63	74	91	104	116	128
China	1	1	1	2	5	4	5	6	8	13	18	23	25	29	34	38	42
Dynamic Asia [2]	1	1	-2	-2	-4	-4	1	1	1	2	3	2	4	9	10	10	10
Other Asia	12	15	16	21	21	19	22	23	27	31	37	38	45	52	60	68	76
Latin America	8	9	11	10	10	11	13	14	16	18	21	24	28	38	37	39	41
Africa and Middle-East	3	-1	-1	1	2	1	0	-1	0	2	6	11	11	13	14	15	15
Central and Eastern Europe	..	..	4	4	4	5	6	7	8	9	12	15	17	19	23	25	26
World [3]	-67	-78	-70	-66	-64	-79	-70	-76	-53	-55	-65	-75	-77	-57	-53	-64	-57
Current balance																	
OECD	0	-31	27	-7	35	-27	-181	-337	-273	-295	-309	-324	-546	-660	-583	-613	-650
Non-OECD *of which:*	-73	-45	-90	-49	-56	-64	48	165	110	160	261	322	552	728	781	882	858
Non-OECD Asia *of which:*	-16	-2	-33	-17	15	74	75	67	79	115	156	144	231	357	483	538	614
China	-12	8	2	7	30	29	21	21	17	35	46	69	161	250	361	431	518
Dynamic Asia [2]	2	-2	-20	-10	-4	54	61	50	57	69	95	81	85	124	150	153	149
Other Asia	-6	-9	-15	-14	-11	-8	-6	-4	4	10	15	-6	-14	-17	-27	-46	-53
Latin America	-22	-22	-36	-36	-57	-72	-41	-28	-34	0	17	26	40	49	42	34	30
Africa and Middle-East	-36	-21	-21	4	-1	-52	-3	83	38	22	64	108	216	258	223	281	204
Central and Eastern Europe	..	..	-1	0	-13	-15	17	43	26	23	24	45	64	63	34	29	10
World [3]	-73	-76	-64	-56	-21	-92	-132	-173	-163	-136	-48	-2	6	68	199	269	208

Note: Historical data for the OECD area are aggregates of reported balance-of-payments data of each individual country. Because of various statistical problems as well as a large number of non-reporters among non-OECD countries, trade and current account balances estimated on the basis of these countries' own balance-of-payments records may differ from corresponding estimates shown in this table.

1. National accounts basis for OECD countries and balance-of-payments basis for the non-OECD regions.
2. Dynamic Asia includes Chinese Taipei; Hong Kong, China; Indonesia; Malaysia; Philippines; Singapore and Thailand.
3. Reflects statistical errors and asymmetries. Given the very large gross flows of world balance-of-payments transactions, statistical errors and asymmetries easily give rise to world totals (balances) that are significantly different from zero.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163600412427

Annex Table 53. **Export market growth in goods and services**

Percentage changes from previous year

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	6.3	4.4	6.1	5.3	10.5	12.5	8.4	6.5	-2.9	8.2	12.2	-1.4	5.8	7.3	13.1	7.7	8.0	6.6	8.5	9.3
Austria	5.6	1.6	-1.1	-0.7	8.0	8.7	5.3	9.6	7.8	6.1	12.0	2.2	2.0	5.6	9.4	7.5	11.0	7.6	8.3	8.3
Belgium	5.5	3.7	2.7	-0.4	8.2	8.3	5.3	9.9	8.4	7.0	11.8	1.7	2.0	4.0	8.6	6.9	9.1	5.5	7.0	7.1
Canada	3.9	0.3	6.4	7.7	11.5	8.5	8.6	12.6	9.8	10.5	13.0	-2.1	3.5	4.4	11.4	6.4	6.6	3.0	4.5	5.2
Czech Republic	..	..	..	..	7.2	8.9	6.7	9.9	8.7	5.2	11.9	2.8	2.0	6.0	9.5	8.4	11.8	8.6	9.1	8.6
Denmark	4.3	1.3	1.9	0.4	9.0	8.3	6.2	10.4	8.4	6.3	11.2	0.6	1.5	4.4	8.9	7.2	8.9	5.7	6.7	6.8
Finland	2.5	-0.4	-3.5	1.9	8.3	9.1	6.2	10.0	6.1	5.0	12.5	1.8	3.6	6.4	11.0	8.5	10.9	8.3	9.2	9.0
France	5.3	3.8	3.2	0.1	7.7	8.3	5.9	10.0	7.2	6.5	10.7	1.3	2.4	4.6	9.4	7.3	9.1	6.0	7.3	7.5
Germany	4.2	0.7	1.9	1.2	8.4	9.1	6.4	10.1	7.2	6.1	12.2	1.4	3.1	4.8	9.9	7.2	9.0	6.4	7.5	7.6
Greece	3.4	0.5	-1.6	2.0	7.6	8.2	6.2	10.5	7.4	5.9	11.9	1.1	3.1	5.2	10.5	7.9	9.6	6.5	7.7	7.7
Hungary	..	..	..	..	8.1	8.3	5.0	9.1	7.5	5.8	12.0	2.6	1.7	5.4	9.0	7.5	10.4	7.4	8.1	8.0
Iceland	5.0	1.6	2.5	0.3	8.6	8.3	7.2	8.9	6.7	6.8	10.5	1.3	2.3	3.6	8.3	6.8	8.5	3.9	5.8	6.2
Ireland	4.9	2.2	4.0	1.0	8.4	8.2	6.5	9.5	6.9	7.4	11.3	0.8	2.7	3.9	8.7	6.7	8.5	4.0	6.1	6.4
Italy	4.7	2.9	0.3	1.4	7.9	8.6	6.4	10.1	7.2	6.3	12.4	1.5	2.7	5.3	10.3	7.9	10.0	7.2	8.1	8.0
Japan	6.4	7.0	8.5	7.8	11.9	11.9	7.3	9.5	-0.3	9.9	14.3	-2.7	5.7	7.4	13.3	7.7	8.7	6.4	8.2	9.0
Korea	5.3	5.0	6.7	6.8	10.2	11.7	8.6	8.7	-0.1	7.7	13.5	-1.2	5.6	8.4	13.7	8.4	9.3	7.0	9.3	10.2
Luxembourg	5.5	3.1	2.7	-0.6	8.5	7.7	5.0	9.5	8.7	6.7	11.6	1.5	1.3	3.4	7.8	6.5	8.3	4.9	6.2	6.3
Mexico	3.9	0.3	7.0	8.2	11.7	8.5	8.3	13.4	10.8	10.3	12.7	-2.4	2.9	4.1	11.2	6.2	6.4	2.8	4.0	4.6
Netherlands	6.1	3.7	2.5	-0.8	8.1	7.7	5.0	9.0	7.7	6.5	11.2	1.2	1.6	4.2	8.3	6.8	8.9	5.4	6.8	6.9
New Zealand	3.6	2.5	6.2	4.9	11.4	10.7	8.3	8.4	1.5	8.2	11.4	-1.9	5.8	7.0	12.7	7.7	8.2	6.6	7.6	8.2
Norway	3.7	1.0	3.3	1.2	8.9	7.9	6.3	10.3	8.4	7.2	11.6	1.0	2.4	3.4	8.2	7.0	8.7	3.9	6.0	6.2
Poland	..	..	..	..	7.6	8.8	4.9	9.0	6.6	4.4	12.7	3.8	2.7	6.2	10.5	8.6	12.1	9.4	9.6	9.2
Portugal	6.0	4.7	4.0	-1.3	8.5	8.0	5.8	10.4	9.6	7.6	10.9	2.1	2.0	4.0	8.3	7.1	8.9	5.2	6.3	6.4
Slovak Republic	..	..	..	..	8.1	10.8	6.2	9.3	8.0	4.7	13.4	4.6	2.7	6.5	11.4	7.1	12.3	9.9	9.5	9.3
Spain	6.4	3.5	3.9	-0.8	7.9	8.0	5.0	10.1	8.7	5.6	10.9	1.2	1.2	3.3	8.2	6.6	8.9	5.2	6.7	6.7
Sweden	4.2	1.9	2.0	1.6	8.6	8.4	6.7	10.2	7.0	5.5	11.3	1.1	3.2	4.4	9.7	8.0	9.7	6.2	7.3	7.2
Switzerland	6.3	4.4	3.3	0.2	8.6	8.9	5.7	9.5	6.1	6.8	11.7	0.5	2.2	4.8	9.5	7.0	9.0	6.0	7.2	7.4
Turkey	2.3	1.5	-4.8	0.6	6.7	7.9	5.6	9.4	5.5	4.6	12.0	2.9	3.7	5.8	11.3	9.1	11.4	9.3	9.8	9.5
United Kingdom	5.2	3.7	3.0	1.5	9.0	9.0	6.0	10.2	7.6	7.0	12.2	0.6	2.5	4.3	9.9	7.3	8.4	6.5	7.1	7.3
United States	6.2	5.5	6.6	4.4	10.4	8.0	8.1	10.8	3.1	6.5	12.3	-1.1	2.4	4.6	11.0	8.2	9.2	6.7	7.8	7.6
Total OECD	5.3	3.5	4.1	2.9	9.4	9.0	6.8	10.2	5.6	7.2	12.3	0.0	3.0	5.0	10.5	7.5	8.9	6.1	7.4	7.6
Memorandum items																				
China	6.9	5.2	4.9	5.2	10.6	12.2	7.2	7.3	-2.3	7.4	13.1	-2.6	4.0	5.6	12.4	7.2	8.0	6.2	7.4	7.9
Dynamic Asia[1]	5.8	5.9	8.2	7.5	11.5	12.7	8.6	8.1	-1.7	9.4	14.2	-1.7	6.7	9.1	13.9	8.2	9.2	6.9	9.4	10.6
Other Asia	4.7	3.8	4.9	4.3	9.5	10.2	7.6	8.9	2.5	7.6	12.2	-0.7	4.7	6.3	12.1	7.9	8.8	6.4	8.1	8.7
Latin America	5.1	3.5	6.9	6.3	10.6	10.3	7.5	12.3	7.2	4.8	11.5	-0.4	0.8	4.3	11.5	8.2	9.2	6.3	7.1	6.7
Africa and Middle-East	5.8	5.0	4.9	2.6	9.1	11.0	7.6	8.2	1.2	7.6	12.1	-0.4	4.7	6.3	11.7	7.8	9.0	6.9	8.5	9.0
Central and Eastern Europe	0.1	-4.9	-13.4	3.0	6.3	10.4	6.5	9.6	3.9	2.1	14.8	4.2	6.0	9.3	13.7	10.4	13.4	11.9	12.0	11.3

Note: Regional aggregates are calculated inclusive of intra-regional trade. The calculation of export markets is based on a weighted average of import volumes in each exporting country's market, with weights based on goods and services trade flows in 2000.

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

Source: OECD Economic Outlook 82 database.

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Annex Table 54. **Import penetration**

Goods and services import volume as a percentage of total final expenditure, constant prices

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	10.9	10.6	11.1	11.2	12.1	12.5	12.9	13.6	13.7	14.2	14.7	14.0	14.7	15.6	17.1	17.8	18.5	19.3	20.0	20.8
Austria	25.6	25.9	25.9	24.7	26.1	26.9	27.3	28.4	28.8	29.2	30.6	31.5	31.4	32.0	33.1	33.9	34.1	34.5	35.0	35.6
Belgium	38.1	38.4	39.0	39.1	40.0	40.4	40.7	41.1	42.4	42.6	43.8	43.6	43.4	43.8	44.7	45.4	45.3	46.1	46.9	47.6
Canada	21.7	22.5	23.1	24.0	24.6	25.1	25.8	27.6	27.8	28.2	28.8	27.3	27.1	27.5	28.6	29.5	30.0	30.2	30.7	30.9
Czech Republic	..	..	..	27.7	28.6	31.3	32.8	34.3	36.3	37.0	40.0	42.3	43.0	44.1	47.3	46.9	49.3	51.2	52.8	54.5
Denmark	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	30.1	31.1	32.7	35.0	35.6	36.4	37.5
Finland	19.7	18.7	19.5	19.9	21.2	21.6	22.3	22.9	23.3	23.1	25.0	24.7	24.8	25.1	25.9	27.6	28.4	28.2	28.5	28.7
France	15.9	16.1	16.2	15.9	16.7	17.3	17.5	18.3	19.5	19.9	21.7	21.7	21.8	21.9	22.6	23.2	24.1	24.5	25.3	25.9
Germany	21.1	18.9	18.9	18.3	19.1	19.9	20.3	21.3	22.5	23.6	24.8	24.9	24.6	25.6	26.7	27.9	29.5	30.3	31.6	32.8
Greece	16.4	16.6	16.8	17.1	17.1	18.0	18.6	20.2	21.1	22.9	24.7	23.3	22.3	22.3	22.4	21.4	22.3	22.6	23.0	23.3
Hungary	..	..	..	25.3	26.5	29.4	30.8	34.3	38.0	39.9	43.1	43.4	43.9	45.2	47.4	48.1	50.9	54.0	56.4	58.7
Iceland	23.5	24.4	23.8	22.3	22.3	22.9	24.8	25.3	28.1	28.2	29.0	26.3	25.8	27.3	28.6	32.6	33.8	31.3	30.4	30.2
Ireland	29.2	29.2	29.9	30.7	32.4	33.5	34.3	35.3	38.9	39.1	41.6	41.8	40.9	39.4	40.5	41.0	40.7	40.7	41.2	41.4
Italy	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	20.7	21.1	21.1	21.4	21.6
Japan	7.0	6.7	6.6	6.5	7.0	7.7	8.4	8.3	8.0	8.2	8.7	8.7	8.8	9.0	9.4	9.7	9.9	9.9	10.2	10.5
Korea	19.5	20.8	20.7	20.7	22.6	24.8	26.0	25.8	22.6	25.4	27.4	25.8	27.2	28.6	30.3	30.9	32.2	33.3	34.4	35.5
Luxembourg	..	..	..	..	..	50.3	51.3	53.1	54.6	56.2	55.9	57.2	56.4	57.4	58.6	58.9	58.9	58.8	59.2	59.8
Mexico	13.1	14.2	16.1	16.1	18.2	16.8	19.1	21.3	23.1	24.8	27.4	27.1	27.2	27.1	28.4	29.6	31.0	31.9	32.7	33.4
Netherlands	30.0	30.7	30.9	30.8	32.0	33.4	33.8	35.3	36.4	37.4	39.2	39.3	39.4	39.8	40.6	41.6	42.8	43.6	44.6	45.6
New Zealand	19.5	18.8	20.2	20.1	21.2	21.9	22.6	22.4	22.5	23.8	23.0	23.0	23.8	24.5	26.6	27.2	26.2	27.1	27.8	28.5
Norway	19.8	19.4	19.1	19.4	19.5	19.8	20.3	21.3	22.2	21.6	21.4	21.4	21.3	21.4	22.2	23.2	24.1	25.1	25.5	25.7
Poland	..	..	..	14.2	15.0	16.9	19.5	21.6	23.7	23.2	25.1	23.9	24.1	25.0	26.7	26.9	28.9	30.1	31.4	32.7
Portugal	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	28.4	29.4	29.7	30.3	30.6	30.9	31.4
Slovak Republic	..	..	..	35.8	33.3	34.5	36.6	37.6	40.4	40.4	42.1	44.4	44.6	45.4	46.2	48.5	50.6	51.6	52.9	53.6
Spain	14.7	15.6	16.4	15.7	16.9	18.0	19.0	20.3	21.9	23.3	24.3	24.5	24.7	25.3	26.4	27.2	28.1	28.6	29.3	30.0
Sweden	21.9	21.3	21.8	21.7	23.1	23.7	24.1	25.8	27.2	27.3	28.6	27.8	27.1	27.7	28.4	29.0	29.7	30.5	31.3	32.2
Switzerland	23.3	23.3	22.7	22.7	23.8	24.4	25.1	26.2	27.1	27.6	28.9	29.1	28.8	29.1	30.1	31.0	31.7	31.9	32.4	32.9
Turkey	17.8	16.8	17.6	21.1	18.0	21.0	23.0	25.4	25.2	25.4	28.5	24.5	25.8	29.5	32.3	33.2	33.4	34.2	35.0	35.9
United Kingdom	15.9	15.4	16.2	16.4	16.6	17.0	18.0	18.9	19.7	20.5	21.3	21.7	22.1	22.0	22.5	23.4	24.6	23.7	24.2	24.7
United States	7.9	7.9	8.1	8.5	9.1	9.6	10.0	10.7	11.4	12.1	13.1	12.7	12.9	13.0	13.9	14.2	14.6	14.6	14.7	15.0
Total OECD	13.1	13.0	13.3	13.3	14.0	14.7	15.3	16.1	16.8	17.5	18.6	18.4	18.6	18.9	19.8	20.3	21.1	21.4	21.9	22.5

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 82 database.

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Annex Table 55. **Quarterly demand and output projections**

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2007	2008	2009	2007 Q4	2008 Q1	Q2	Q3	Q4	2009 Q1	Q2	Fourth quarter[1] 2007	2008	2009
Private consumption													
Canada	4.3	3.7	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	4.4	3.2	3.2
France	1.9	2.1	2.4	2.0	1.6	2.1	2.3	2.4	2.5	2.4	2.4	2.1	2.4
Germany	-0.2	1.8	1.7	1.6	1.5	1.6	1.7	1.7	1.7	1.7	-0.3	1.6	1.7
Italy	2.1	1.7	1.7	1.6	1.6	1.8	1.8	1.7	1.7	1.7	2.2	1.7	1.7
Japan	1.6	1.1	1.3	1.2	0.9	1.0	1.1	1.0	1.4	1.3	1.7	1.0	1.4
United Kingdom	3.1	1.7	2.2	1.5	0.9	1.1	1.2	1.8	2.3	2.7	2.8	1.3	2.6
United States	2.9	1.8	1.9	2.1	1.6	1.4	1.5	1.6	1.9	2.2	2.5	1.5	2.3
Euro area	1.6	2.1	2.1	1.9	1.8	2.0	2.1	2.1	2.1	2.1	1.8	2.0	2.1
Total OECD	2.6	2.2	2.3	2.2	2.0	1.9	2.0	2.1	2.3	2.4	2.6	2.0	2.4
Public consumption													
Canada	2.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.7	2.8	2.8
France	1.5	1.1	1.1	1.4	0.8	0.9	1.1	1.3	1.0	1.0	1.4	1.0	1.0
Germany	2.0	1.2	1.5	1.6	1.6	1.6	1.5	1.5	1.5	1.5	2.1	1.6	1.5
Italy	0.5	1.2	0.8	1.6	1.0	1.0	1.0	1.0	0.6	0.6	1.1	1.0	0.6
Japan	1.0	1.9	1.4	3.1	2.4	1.4	1.3	1.3	1.3	1.5	1.3	1.6	1.4
United Kingdom	1.7	2.0	2.0	3.2	2.4	1.3	1.4	1.8	2.0	2.3	2.0	1.8	2.3
United States	2.0	2.4	2.1	2.4	2.2	2.1	2.1	2.1	2.2	2.0	2.1	2.1	2.1
Euro area	2.1	1.6	1.5	2.0	1.5	1.5	1.5	1.6	1.5	1.5	2.2	1.5	1.5
Total OECD	2.0	2.1	1.9	2.7	1.9	1.8	1.8	1.8	1.9	1.9	2.3	1.8	1.9
Business investment													
Canada	4.3	4.9	5.2	4.9	4.9	4.9	5.1	5.1	5.1	5.3	3.3	5.0	5.3
France	5.0	3.6	3.5	3.5	3.6	3.7	3.9	3.6	3.6	3.2	3.7	3.7	3.3
Germany	6.9	3.4	3.0	5.0	1.8	3.3	3.3	3.2	3.0	2.6	5.3	2.9	2.8
Italy	2.1	2.0	1.8	1.5	2.0	2.0	2.0	2.0	1.7	1.7	1.5	2.0	1.7
Japan	2.2	2.4	2.8	3.0	2.0	2.5	3.0	3.0	2.0	3.1	0.0	2.6	2.9
United Kingdom	6.2	1.9	3.5	2.8	0.6	0.6	1.6	3.0	3.9	4.3	1.8	1.4	4.4
United States	4.7	3.7	2.6	3.8	2.0	1.3	1.7	2.0	2.7	3.1	6.7	1.8	3.2
Euro area	5.4	3.5	3.1	3.6	3.0	3.4	3.3	3.3	3.1	3.0	4.3	3.2	3.0
Total OECD	5.0	3.6	3.0	4.2	2.6	2.5	2.7	2.9	3.0	3.2	4.9	2.7	3.3
Total investment													
Canada	3.3	3.2	3.2	2.9	2.9	2.9	3.1	3.1	3.2	3.3	3.3	3.0	3.3
France	3.7	2.5	2.6	2.2	2.5	2.7	2.8	2.6	2.6	2.4	2.8	2.6	2.5
Germany	5.2	2.0	2.4	3.6	1.6	2.6	2.6	2.6	2.5	2.3	2.4	2.3	2.3
Italy	2.3	1.5	1.4	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.4	1.4
Japan	-0.8	-0.3	1.8	-0.7	0.4	1.3	1.7	2.4	1.2	2.0	-3.8	1.4	1.9
United Kingdom	5.7	1.8	3.5	3.5	0.7	0.3	1.3	3.0	4.0	4.5	2.7	1.3	4.6
United States	-2.1	-1.2	2.4	-5.6	-3.3	0.1	1.7	2.1	2.6	2.9	-1.2	0.1	3.0
Euro area	4.4	2.2	2.4	2.4	2.0	2.5	2.4	2.4	2.5	2.4	3.0	2.3	2.5
Total OECD	2.1	1.5	3.1	0.3	0.5	2.0	2.7	3.1	3.1	3.3	1.6	2.1	3.3

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).*

1. Year-on -year growth rates in per cent.

Source: OECD Economic Outlook 82 database.

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Annex Table 55. **Quarterly demand and output projections *(cont'd)***

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2007	2008	2009	2007 Q4	2008 Q1	Q2	Q3	Q4	2009 Q1	Q2	Fourth quarter[1] 2007	2008	2009
Total domestic demand													
Canada	3.4	3.5	3.1	3.1	3.1	3.0	3.1	3.1	3.1	3.1	4.3	3.1	3.1
France	2.2	2.0	2.1	1.9	1.6	1.9	2.1	2.2	2.2	2.1	2.2	1.9	2.1
Germany	1.5	1.6	1.8	1.7	1.6	1.8	1.8	1.8	1.8	1.8	2.2	1.8	1.8
Italy	1.7	1.4	1.5	1.4	1.4	1.2	1.6	1.5	1.4	1.4	1.1	1.4	1.4
Japan	0.9	0.9	1.4	1.1	1.0	1.1	1.3	1.4	1.3	1.5	0.3	1.2	1.5
United Kingdom	3.6	1.9	2.4	2.2	1.2	1.0	1.3	2.0	2.5	3.0	3.4	1.4	2.9
United States	1.6	1.5	2.0	0.9	0.8	1.3	1.6	1.8	2.1	2.3	1.8	1.4	2.4
Euro area	2.3	1.9	2.0	2.0	1.8	1.9	2.0	2.1	2.1	2.0	2.2	1.9	2.1
Total OECD	2.3	2.1	2.4	2.1	1.8	1.9	2.2	2.3	2.4	2.5	2.5	2.0	2.5
Export of goods and services													
Canada	1.3	1.2	2.6	1.0	1.2	1.6	2.0	2.2	2.8	2.8	0.8	1.8	2.9
France	3.6	5.0	5.2	4.5	4.8	4.9	4.9	5.3	5.3	5.3	5.1	5.0	5.3
Germany	8.4	7.2	6.2	7.0	6.8	6.6	6.6	6.2	6.1	6.1	5.3	6.6	6.1
Italy	2.2	2.3	2.5	2.8	2.8	2.8	2.6	2.6	2.4	2.4	0.3	2.7	2.4
Japan	8.1	7.8	7.2	6.9	7.5	7.8	7.7	7.4	7.2	7.0	9.1	7.6	6.9
United Kingdom	-4.2	5.8	5.5	5.1	5.5	5.5	5.5	5.5	5.5	5.5	4.4	5.5	5.6
United States	8.1	8.6	6.5	8.3	7.4	6.9	6.6	6.5	6.5	6.5	8.6	6.9	6.4
Total OECD[2]	6.5	7.0	6.3	6.6	6.6	6.5	6.4	6.3	6.3	6.3	6.8	6.5	6.3
Import of goods and services													
Canada	3.6	4.6	3.6	5.3	3.6	3.6	3.6	3.4	3.7	3.7	4.7	3.6	3.7
France	4.5	5.6	5.3	5.3	5.7	5.5	5.3	5.3	5.3	5.3	5.5	5.5	5.3
Germany	6.4	7.8	7.2	7.6	7.7	7.7	7.7	7.5	7.1	7.0	6.4	7.7	7.0
Italy	1.8	2.9	2.9	3.3	3.2	3.2	3.0	2.8	2.8	2.8	0.2	3.1	2.8
Japan	2.0	4.5	5.5	3.5	5.2	5.5	5.6	5.6	5.3	5.4	3.1	5.5	5.5
United Kingdom	-2.0	5.1	5.0	4.9	3.7	3.5	3.9	4.7	5.3	5.6	5.9	4.0	5.5
United States	2.1	3.4	4.3	3.7	3.9	3.9	4.1	4.2	4.3	4.3	2.1	4.0	4.4
Total OECD[2]	3.9	5.2	5.5	5.4	5.3	5.4	5.5	5.5	5.5	5.5	4.3	5.4	5.5
GDP													
Canada	2.6	2.4	2.7	1.7	2.3	2.4	2.5	2.7	2.8	2.8	2.9	2.5	2.9
France	1.9	1.8	2.0	1.6	1.3	1.7	1.9	2.1	2.1	2.0	2.1	1.7	2.0
Germany	2.6	1.8	1.6	1.8	1.5	1.7	1.7	1.6	1.6	1.6	2.0	1.6	1.7
Italy	1.8	1.3	1.3	1.3	1.3	1.1	1.4	1.4	1.3	1.3	1.1	1.3	1.3
Japan	1.9	1.6	1.8	1.7	1.5	1.6	1.7	1.8	1.8	1.9	1.3	1.7	1.9
United Kingdom	3.1	2.0	2.4	2.1	1.6	1.5	1.6	2.1	2.5	2.9	2.9	1.7	2.9
United States	2.2	2.0	2.2	1.3	1.1	1.5	1.8	1.9	2.2	2.5	2.6	1.6	2.5
Euro area	2.6	1.9	2.0	1.7	1.8	1.9	2.0	2.0	2.0	2.0	2.2	1.9	2.0
Total OECD	2.7	2.3	2.4	2.0	1.9	2.0	2.2	2.3	2.5	2.6	2.6	2.1	2.6

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Year-on -year growth rates in per cent.
2. Includes intra-regional trade.

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163643865405

Annex Table 56. **Quarterly price, cost and unemployment projections**

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2007	2008	2009	2007 Q4	2008 Q1	Q2	Q3	Q4	2009 Q1	Q2	Fourth quarter[1] 2007	2008	2009
Consumer price index[2]													
Canada	2.4	1.7	1.8	3.3	0.8	1.2	1.6	1.7	1.8	2.0	3.3	1.3	2.0
France	1.5	2.2	1.9	3.3	2.1	2.1	2.0	1.9	1.9	1.8	2.1	2.0	1.8
Germany	2.2	2.3	1.8	3.6	2.0	2.0	1.9	1.9	1.8	1.8	2.8	1.9	1.8
Italy	2.0	2.4	1.9	4.1	2.2	2.2	2.1	2.0	1.9	1.7	2.4	2.1	1.7
Japan	0.0	0.3	0.4	0.0	0.2	0.2	0.3	0.3	0.3	0.4	0.2	0.3	0.5
United Kingdom	2.3	2.2	2.0	3.2	2.0	2.4	2.4	2.0	1.6	2.0	2.0	2.2	1.9
United States	2.8	2.7	1.9	3.6	2.5	2.2	2.0	1.9	1.8	1.9	3.8	2.1	1.9
Euro area	2.1	2.5	2.0	3.9	2.3	2.3	2.2	2.1	2.0	1.9	2.6	2.2	1.9
GDP deflator													
Canada	3.6	2.6	2.0	4.5	1.8	1.8	2.1	1.9	2.0	2.1	4.7	1.9	2.0
France	2.2	2.2	2.1	2.2	2.3	2.2	2.1	1.9	2.1	2.2	2.2	2.1	2.2
Germany	1.8	1.7	1.9	1.5	1.8	1.9	1.9	1.9	1.9	1.9	2.1	1.9	1.9
Italy	2.7	2.3	2.4	2.4	2.2	2.2	2.2	2.3	2.5	2.5	2.9	2.2	2.5
Japan	-0.5	-0.3	0.3	-1.0	-0.2	0.1	0.1	0.3	0.3	0.4	-0.8	0.1	0.4
United Kingdom	3.2	2.5	2.1	2.7	2.3	2.1	2.1	2.0	2.1	2.3	3.3	2.1	2.2
United States	2.6	2.1	2.0	2.4	2.5	2.0	1.9	1.9	2.1	1.9	2.5	2.1	2.0
Euro area	2.2	2.2	2.3	2.3	2.3	2.2	2.2	2.2	2.3	2.3	2.4	2.2	2.3
Total OECD	2.3	2.1	2.1	2.3	2.3	2.1	2.1	2.0	2.1	2.0	2.4	2.1	2.1
Unit labour cost (total economy)													
Canada	4.4	4.0	3.3	6.0	3.2	3.1	3.3	3.1	3.3	3.3	5.0	3.2	3.3
France	2.3	1.9	1.8	2.2	2.5	2.1	1.6	1.4	1.7	1.9	2.0	1.9	2.0
Germany	0.3	1.1	1.4	1.0	1.5	1.5	1.4	1.8	1.3	1.2	1.2	1.6	1.3
Italy	1.8	2.9	2.2	2.5	2.8	3.0	2.4	2.2	2.1	2.0	4.2	2.6	2.1
Japan	-1.0	-0.9	-0.2	0.7	-1.5	-0.7	-0.8	0.3	-0.3	-0.4	0.0	-0.7	0.2
United Kingdom	1.1	0.7	2.3	1.2	-0.8	1.1	0.8	0.8	3.3	3.2	1.2	0.5	3.1
United States	3.9	2.2	2.2	2.7	3.1	2.5	2.2	2.2	2.2	2.1	3.0	2.5	2.2
Euro area	1.5	2.1	2.0	2.1	2.3	2.2	2.0	2.0	2.0	2.0	2.1	2.1	2.0
Total OECD	2.6	2.0	2.1	2.5	2.1	2.0	1.8	2.0	2.1	2.1	2.6	2.0	2.1
						Per cent of labour force							
Unemployment													
Canada	6.0	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
France	8.0	7.5	7.4	7.7	7.6	7.5	7.5	7.4	7.4	7.4	7.7	7.4	7.4
Germany	6.4	5.7	5.6	6.0	5.8	5.7	5.6	5.6	5.6	5.6	6.0	5.6	5.6
Italy	5.9	5.8	5.8	5.7	5.7	5.8	5.9	5.8	5.8	5.8	5.7	5.8	5.8
Japan	3.8	3.7	3.6	3.8	3.8	3.8	3.7	3.7	3.7	3.6	3.8	3.7	3.5
United Kingdom	5.5	5.7	5.5	5.5	5.7	5.7	5.7	5.7	5.6	5.5	5.5	5.7	5.3
United States	4.6	5.0	5.0	4.8	4.8	4.9	5.0	5.1	5.1	5.0	4.8	5.1	4.9
Euro area	6.8	6.4	6.4	6.5	6.5	6.5	6.4	6.4	6.4	6.4	6.5	6.4	6.4
Total OECD	5.4	5.4	5.3	5.4	5.4	5.4	5.3	5.3	5.3	5.3	5.4	5.3	5.2

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

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 82 database.

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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

	2006	2007	2008	2009		2006	2007	2008	2009
Australia					**Germany**[1]				
Final domestic demand	4.2	5.9	4.7	3.7	Final domestic demand	2.0	1.2	1.6	1.7
Stockbuilding	-0.7	0.5	-0.1	0.0	Stockbuilding	-0.1	0.2	-0.1	0.0
Net exports	-1.0	-1.6	-0.7	-0.3	Net exports	1.1	1.3	0.2	0.0
GDP	2.5	4.3	3.5	3.0	GDP	3.1	2.6	1.8	1.6
Austria[1]					**Greece**				
Final domestic demand	2.1	2.2	2.0	1.7	Final domestic demand	6.4	4.2	4.2	4.3
Stockbuilding	-0.1	-0.3	0.0	0.0	Stockbuilding	-0.3	0.7	0.0	0.0
Net exports	1.8	1.2	0.7	0.9	Net exports	-1.7	-0.7	-0.4	-0.4
GDP	3.1	3.3	2.5	2.5	GDP	4.3	4.1	3.7	3.9
Belgium[1]					**Hungary**				
Final domestic demand	1.9	3.0	2.3	2.1	Final domestic demand	1.6	-1.1	0.9	2.9
Stockbuilding	0.8	0.1	-0.1	0.0	Stockbuilding	-0.5	0.8	0.0	0.0
Net exports	0.2	-0.5	-0.2	0.0	Net exports	2.8	2.0	1.7	0.9
GDP	2.9	2.6	1.9	2.0	GDP	3.9	1.8	2.6	3.8
Canada[1]					**Iceland**[1]				
Final domestic demand	4.7	3.8	3.5	3.2	Final domestic demand	9.1	-4.5	-3.3	-0.4
Stockbuilding	-0.2	-0.3	0.1	0.0	Stockbuilding	1.1	0.0	0.6	0.0
Net exports	-1.4	-0.7	-1.1	-0.3	Net exports	-6.1	7.0	4.4	2.0
GDP	2.8	2.6	2.4	2.7	GDP	4.2	1.2	1.0	1.6
Czech Republic[1]					**Ireland**[1]				
Final domestic demand	4.5	4.5	3.9	4.1	Final domestic demand	4.2	4.8	2.5	3.5
Stockbuilding	1.1	1.6	0.1	0.0	Stockbuilding	0.7	-1.8	-0.2	0.0
Net exports	1.1	-0.1	0.7	1.0	Net exports	0.6	2.2	0.8	0.6
GDP	6.4	6.1	4.6	4.9	GDP	5.7	5.2	2.9	4.2
Denmark[1]					**Italy**[1]				
Final domestic demand	4.6	2.6	2.0	1.4	Final domestic demand	1.3	1.8	1.6	1.5
Stockbuilding	0.4	0.2	0.0	0.0	Stockbuilding	0.4	-0.2	-0.2	0.0
Net exports	-1.4	-0.6	-0.3	-0.5	Net exports	0.3	0.1	-0.2	-0.1
GDP	3.5	2.0	1.7	0.8	GDP	1.9	1.8	1.3	1.3
Finland					**Japan**[1]				
Final domestic demand	3.2	2.7	2.2	2.0	Final domestic demand	1.3	0.9	0.8	1.3
Stockbuilding	-0.3	-0.6	0.1	0.0	Stockbuilding	0.0	0.0	0.0	0.0
Net exports	1.4	2.5	1.0	0.5	Net exports	0.8	1.0	0.7	0.4
GDP	4.9	4.2	2.9	2.6	GDP	2.2	1.9	1.6	1.8
France					**Korea**				
Final domestic demand	2.4	2.2	2.0	2.1	Final domestic demand	3.7	4.2	4.0	3.6
Stockbuilding	0.1	0.0	0.1	0.0	Stockbuilding	-0.3	-0.3	-0.1	0.0
Net exports	-0.3	-0.3	-0.3	-0.1	Net exports	1.6	1.0	1.4	1.5
GDP	2.2	1.9	1.8	2.0	GDP	5.0	4.9	5.2	5.1

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).* 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 82 database.

StatLink http://dx.doi.org/10.1787/163700665605

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

	2006	2007	2008	2009		2006	2007	2008	2009
Luxembourg[1]					**Spain**[1]				
Final domestic demand	1.8	4.5	4.0	3.5	Final domestic demand	5.2	4.7	2.7	2.6
Stockbuilding	-1.1	-1.8	-0.8	-0.1	Stockbuilding	0.1	0.0	0.0	0.0
Net exports	6.1	2.6	1.9	1.0	Net exports	-1.2	-0.8	-0.2	-0.1
GDP	6.0	5.2	4.9	4.1	GDP	3.9	3.8	2.5	2.4
Mexico					**Sweden**[1]				
Final domestic demand	6.3	4.8	5.3	5.6	Final domestic demand	3.1	3.5	3.2	2.2
Stockbuilding	-0.7	0.1	0.1	0.0	Stockbuilding	0.0	0.2	0.0	0.0
Net exports	-0.8	-1.9	-1.8	-1.3	Net exports	0.8	-0.5	-0.1	0.3
GDP	4.8	3.0	3.6	4.3	GDP	4.5	3.4	3.2	2.6
Netherlands[1]					**Switzerland**				
Final domestic demand	3.2	2.6	2.2	2.2	Final domestic demand	1.6	2.1	1.7	1.4
Stockbuilding	-0.1	-0.2	0.0	0.0	Stockbuilding	-0.3	-2.0	0.2	0.0
Net exports	-0.1	0.7	0.1	0.1	Net exports	1.9	2.6	0.2	0.6
GDP	3.0	3.0	2.4	2.3	GDP	3.2	2.7	2.0	2.0
New Zealand[1]					**Turkey**				
Final domestic demand	1.5	4.1	2.4	2.4	Final domestic demand	7.9	4.6	6.3	7.1
Stockbuilding	-0.7	0.6	0.2	0.0	Stockbuilding	-2.1	-0.1	0.1	0.0
Net exports	1.3	-1.6	-0.7	-0.2	Net exports	0.3	0.7	-0.8	-0.7
GDP	1.8	3.4	1.9	2.1	GDP	6.1	5.1	5.8	6.3
Norway[1]					**United Kingdom**				
Final domestic demand	4.1	5.0	3.5	2.5	Final domestic demand	3.2	3.4	1.8	2.4
Stockbuilding	0.5	-0.1	0.1	0.0	Stockbuilding	-0.2	0.3	0.1	0.0
Net exports	-1.6	-1.1	0.3	0.2	Net exports	-0.2	-0.6	0.0	0.0
GDP	2.8	3.4	3.6	2.4	GDP	2.8	3.1	2.0	2.4
Poland[1]					**United States**[1]				
Final domestic demand	7.0	8.4	7.7	7.0	Final domestic demand	2.9	1.9	1.4	2.1
Stockbuilding	0.4	0.3	0.1	0.0	Stockbuilding	0.1	-0.3	0.1	0.0
Net exports	-1.1	-2.0	-2.0	-1.6	Net exports	-0.1	0.5	0.4	0.1
GDP	6.2	6.5	5.6	5.2	GDP	2.9	2.2	2.0	2.2
Portugal					**Euro area**				
Final domestic demand	0.2	1.3	1.6	1.9	Final domestic demand	2.5	2.3	2.0	2.0
Stockbuilding	0.0	-0.2	-0.1	0.0	Stockbuilding	0.1	-0.1	-0.1	0.0
Net exports	1.0	0.7	0.5	0.2	Net exports	0.2	0.4	0.0	0.0
GDP	1.3	1.8	2.0	2.2	GDP	2.9	2.6	1.9	2.0
Slovak Republic					**Total OECD**				
Final domestic demand	6.2	6.2	5.7	5.7	Final domestic demand	3.0	2.5	2.1	2.4
Stockbuilding	0.3	-0.5	-0.6	0.0	Stockbuilding	0.0	-0.1	0.0	0.0
Net exports	1.7	3.6	2.2	1.2	Net exports	0.1	0.3	0.1	0.0
GDP	8.3	9.3	7.3	6.9	GDP	3.1	2.7	2.3	2.4

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 82 database.

StatLink http://dx.doi.org/10.1787/163700665605

Annex Table 58. **Household wealth and indebtedness**[1]

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Canada												
Net wealth	476.5	493.3	501.2	498.4	507.0	502.2	503.2	513.1	514.3	513.8	518.1	525.4
Net financial wealth	219.0	232.4	237.3	233.7	239.1	240.1	235.5	231.9	224.0	216.9	214.8	215.2
Non-financial assets	257.6	260.9	263.9	264.7	267.9	262.0	267.7	281.3	290.3	296.9	303.4	310.3
Financial assets	322.4	339.3	346.9	345.6	353.2	352.7	349.6	348.9	344.4	339.3	340.3	341.6
of which: Equities	60.5	66.8	74.1	79.5	81.1	84.3	84.2	84.0	81.1	81.3	81.7	87.2
Liabilities	103.4	106.8	109.6	112.0	114.1	112.6	114.1	117.1	120.4	122.4	125.5	126.5
of which: Mortgages	68.8	70.8	71.6	71.8	71.8	69.6	69.6	71.2	73.2	74.2	76.0	76.6
France												
Net wealth	462.7	479.1	487.8	495.3	546.3	552.9	552.7	571.8	621.6	674.8	749.6	800.1
Net financial wealth	154.2	168.6	181.0	185.9	212.2	206.2	188.8	183.6	190.0	187.8	203.5	218.6
Non-financial assets	308.5	310.5	306.8	309.4	334.1	346.8	363.9	388.2	431.6	487.0	546.1	581.4
Financial assets	219.8	234.9	248.4	258.5	287.7	282.9	266.9	259.2	269.7	271.5	290.4	308.3
of which: Equities	53.3	58.8	61.0	67.7	87.0	84.0	70.2	63.5	70.1	71.1	81.2	90.7
Liabilities	65.6	66.3	67.4	72.5	75.4	76.8	78.0	75.6	79.7	83.7	86.9	89.6
of which: Long-term loans	49.6	50.1	50.8	51.5	53.8	53.4	53.6	54.6	57.1	60.2	64.9	69.5
Germany												
Net wealth	497.6	508.3	523.6	538.0	549.9	547.7	543.2	546.6	557.2	569.2	581.6	..
Net financial wealth	126.6	132.7	143.0	151.3	161.1	158.4	158.0	153.3	165.4	174.4	186.7	198.3
Non-financial assets	371.0	375.6	380.6	386.7	388.7	389.3	385.2	393.2	391.8	394.8	394.9	..
Financial assets	223.8	234.4	248.1	260.7	275.3	272.9	269.7	265.4	276.3	283.6	293.8	303.2
of which: Equities	41.2	45.4	54.7	61.8	74.3	74.3	70.4	56.6	62.2	63.4	68.9	..
Liabilities	97.2	101.7	105.1	109.3	114.1	114.5	111.7	112.0	110.9	109.2	107.1	104.8
of which: Mortgages	58.7	62.4	65.2	67.1	71.0	71.7	71.2	72.3	72.2	71.5	71.0	70.8
Italy												
Net wealth	703.2	703.6	742.9	767.6	801.1	819.5	814.6	851.2	895.5	945.8	..	..
Net financial wealth	213.9	220.6	243.2	269.5	303.2	309.4	286.4	276.7	275.9	279.8	288.8	..
Non-financial assets	488.5	482.0	498.5	497.1	495.8	508.7	525.2	572.7	614.5	652.9	..	..
Financial assets	245.5	253.1	277.9	307.7	346.1	354.4	331.6	323.9	325.8	333.5	346.5	..
of which: Equities	37.6	36.1	48.4	62.3	94.1	98.1	82.2	75.2	70.8	74.1	85.4	..
Liabilities	31.6	32.5	34.7	38.2	42.8	45.0	45.2	47.2	49.9	53.7	57.7	..
of which: Medium and long-term loans	18.7	18.9	20.0	22.0	25.3	27.1	27.5	29.6	32.3	36.2	40.4	..
Japan												
Net wealth	735.8	745.7	732.6	726.9	750.1	747.7	744.0	722.4	731.0	722.3	748.7	..
Net financial wealth	281.2	291.2	289.4	296.5	327.4	335.7	341.7	340.8	361.2	369.5	403.8	..
Non-financial assets	454.6	454.6	443.2	430.4	422.7	411.9	402.3	381.5	369.8	352.8	344.9	..
Financial assets	411.4	423.9	421.5	429.1	460.9	470.3	477.6	474.5	494.9	500.9	535.4	..
of which: Equities	45.9	40.1	28.8	27.0	45.6	41.5	31.8	29.8	42.1	49.0	77.7	..
Liabilities	130.2	132.8	132.1	132.6	133.5	134.6	136.0	133.7	133.7	131.4	131.6	..
of which: Mortgages	49.6	53.7	55.4	56.0	58.9	61.1	63.2	62.8	63.9	63.5	63.3	..
United Kingdom												
Net wealth	568.7	583.1	633.0	670.9	755.8	750.1	688.6	692.6	727.3	768.0	786.9	824.3
Net financial wealth	288.5	292.1	337.9	349.1	405.0	372.3	308.7	250.5	255.7	258.6	286.3	290.4
Non-financial assets	280.1	291.0	295.1	321.8	350.9	377.8	379.9	442.1	471.6	509.4	500.6	533.9
Financial assets	394.8	396.7	442.7	456.4	515.9	486.5	426.8	380.6	397.1	411.7	441.0	454.1
of which: Equities	78.3	78.0	93.5	93.3	123.0	112.6	79.3	58.0	61.9	66.1	69.2	65.1
Liabilities	106.3	104.5	104.8	107.3	110.9	114.2	118.1	130.2	141.4	153.1	154.6	163.8
of which: Mortgages	78.3	77.6	76.7	78.2	80.9	83.2	86.0	94.4	104.4	114.4	116.1	125.0
United States												
Net wealth	509.6	529.9	564.1	581.2	628.6	575.2	539.3	495.5	538.5	552.7	569.7	577.7
Net financial wealth	302.0	323.4	357.6	371.9	411.7	355.5	312.1	259.0	290.8	293.6	293.3	299.3
Non-financial assets	207.6	206.6	206.5	209.4	217.0	219.7	227.2	236.5	247.7	259.2	276.4	278.4
Financial assets	395.4	418.4	453.7	468.9	513.1	458.2	418.9	371.2	411.0	420.4	427.7	437.4
of which: Equities	105.1	119.5	146.2	157.1	190.9	151.4	121.7	88.8	106.6	107.4	105.6	108.5
Liabilities	93.4	95.0	96.1	97.1	101.4	102.7	106.8	112.1	120.2	126.8	134.4	138.1
of which: Mortgages	63.2	63.8	64.1	64.9	67.8	68.5	72.6	78.4	85.7	92.2	100.2	103.1

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 all countries except Italy, 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, Federal Statistical Office (Destatis); Italy: Banca d'Italia; Japan: Economic Plannin Agency; United Kingdom: Office for National Statistics; United States: Federal Reserve.

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Annex Table 59. **House prices**

Percentage change from previous year

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Nominal																	
United States	2.6	1.3	2.3	1.7	1.9	2.7	3.5	3.5	5.1	4.9	6.8	7.9	6.9	6.8	10.6	12.9	8.8
Japan	13.6	4.3	-3.9	-4.3	-2.4	-1.6	-1.9	-1.4	-1.6	-3.2	-3.7	-4.1	-4.6	-5.4	-6.1	-4.8	-3.0
Germany						1.0	-1.0	-2.0	-1.0	1.0	0.0	0.0	-2.0	-1.0	-2.1	-2.1	0.0
France							-0.6	0.1	1.9	7.1	8.8	7.9	8.3	11.7	15.2	15.3	12.1
Italy			6.2	0.2	-2.9	0.8	-3.3	-4.6	2.1	5.6	8.3	8.2	9.6	10.3	9.9	7.5	6.3
United Kingdom	-1.2	-1.4	-4.0	-1.7	2.6	0.7	3.7	8.8	11.5	10.9	14.9	8.1	16.1	15.7	11.9	5.5	6.3
Canada	-3.3	4.6	1.1	2.0	3.3	-4.5	0.1	2.5	-1.5	3.8	3.7	4.6	10.2	9.5	9.4	10.0	11.3
Australia	1.6	2.6	1.6	2.6	3.6	1.2	0.8	4.0	7.4	7.2	8.3	11.2	18.8	18.2	6.5	1.5	7.8
Denmark	-7.5	1.3	-1.6	-0.9	12.1	7.6	10.8	11.5	9.0	6.7	6.5	5.8	3.7	3.1	8.9	17.6	21.6
Spain	15.5	13.9	-0.7	-0.3	1.5	3.5	2.6	4.2	4.9	7.0	7.5	9.5	16.9	20.0	18.3	14.6	10.0
Finland											5.8	-0.9	10.5	5.9	6.1	5.9	9.8
Ireland	13.8	2.3	2.4	2.0	4.7	6.3	15.0	20.0	31.0	21.9	16.3	8.2	10.7	15.8	11.6	11.8	13.5
Korea	17.2	10.4	-6.5	-3.4	-1.6	-0.2	0.7	3.0	-9.3	-1.2	1.8	3.9	16.7	9.0	1.1	0.8	6.1
Netherlands	2.0	2.6	8.4	8.2	12.3	7.8	11.8	12.4	11.7	16.2	16.2	11.0	8.3	4.6	4.2	4.8	4.7
Norway			-5.1	1.0	13.3	7.2	9.3	11.8	11.1	11.2	15.7	7.0	4.9	1.7	10.1	8.2	13.3
New Zealand	5.5	-2.3	0.7	4.1	13.7	9.3	10.3	6.1	-1.7	2.1	-0.4	1.8	9.5	19.4	17.8	14.5	10.5
Sweden	11.8	6.9	-9.4	-11.0	4.6	0.3	0.8	6.6	9.5	9.4	11.2	7.9	6.3	6.6	9.3	9.0	12.2
Switzerland	-0.2	-1.7	-4.4	-5.2	-0.1	-3.9	-5.3	-3.5	-0.9	-0.1	0.9	1.9	4.6	3.0	2.4	1.1	2.5
Real																	
United States	-2.6	-2.9	-0.8	-1.2	-0.7	-0.1	0.6	1.1	3.5	2.7	3.4	5.0	5.2	4.5	7.7	9.2	5.4
Japan	10.5	1.0	-5.5	-5.5	-3.0	-1.5	-1.9	-3.0	-2.3	-2.8	-3.2	-3.4	-3.8	-5.2	-6.1	-4.3	-3.3
Germany						-0.7	-2.1	-3.4	-1.6	0.4	-1.4	-1.9	-3.3	-2.0	-3.8	-3.9	-1.8
France							-2.6	-1.2	1.3	6.5	6.8	6.0	6.2	9.4	12.6	13.2	10.0
Italy			1.2	-4.1	-6.8	-4.4	-7.0	-6.4	0.1	3.8	5.5	5.7	6.8	7.3	7.5	5.2	4.0
United Kingdom	-7.6	-8.3	-7.9	-4.2	0.7	-2.0	1.1	6.9	9.7	9.4	14.1	6.8	14.7	14.2	10.4	3.4	3.8
Canada	-7.7	-1.0	-0.4	0.1	3.1	-6.6	-1.5	0.9	-2.4	2.0	1.0	2.0	7.7	6.6	7.4	7.6	9.1
Australia	-5.3	-0.7	0.6	0.8	1.7	-3.3	-1.8	3.7	6.4	5.7	3.7	6.5	15.3	15.0	4.1	-1.1	4.1
Denmark	-9.9	-0.9	-3.5	-1.8	10.2	5.4	8.5	9.3	7.6	4.6	3.7	3.4	1.3	1.1	7.9	15.6	19.4
Spain	8.3	7.5	-6.2	-4.9	-2.9	-1.0	-0.9	2.3	3.1	4.7	3.9	6.5	12.9	16.4	14.8	10.9	6.3
Finland											2.8	-3.5	8.3	4.5	5.9	5.1	8.4
Ireland	10.2	-0.8	-0.7	0.6	2.3	3.6	12.6	18.5	28.2	19.0	10.5	4.1	5.6	11.4	9.1	9.4	10.5
Korea	7.9	1.1	-12.0	-7.9	-7.4	-4.5	-4.0	-1.4	-15.6	-2.0	-0.4	-0.2	13.6	5.2	-2.3	-1.9	3.8
Netherlands	-0.4	-0.6	5.4	6.5	10.0	6.4	10.2	10.4	9.8	13.9	13.6	5.6	4.2	2.3	2.8	3.3	3.0
Norway			-7.3	-1.3	11.7	4.6	7.9	9.0	8.7	8.7	12.3	3.9	3.6	-0.7	9.6	6.6	10.7
New Zealand	-0.6	-4.8	-0.3	2.8	11.7	5.4	7.8	4.9	-3.0	2.3	-2.9	-0.8	6.6	17.3	15.2	11.1	6.9
Sweden	1.4	-1.8	-10.6	-15.1	1.6	-2.3	0.0	4.7	8.4	8.8	9.8	5.1	4.3	4.2	8.2	8.1	10.6
Switzerland	-5.3	-7.1	-8.1	-8.2	-0.9	-5.6	-6.1	-4.0	-0.9	-0.9	-0.6	0.9	4.0	2.3	1.5	-0.1	1.4

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

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Annex Table 60. **House price ratios**

Long-term average = 100

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Price-to-rent ratio																	
United States	96.1	93.0	92.0	90.9	89.8	89.4	89.7	90.0	91.6	93.4	96.7	100.6	103.6	108.1	116.4	128.2	134.8
Japan	133.3	134.9	125.8	117.3	112.0	108.1	104.5	101.6	99.4	96.3	92.5	88.5	84.5	80.0	75.2	71.7	69.5
Germany						92.3	88.6	84.9	83.1	83.1	82.1	81.3	78.6	77.0	74.8	72.5	71.7
France							82.8	81.6	81.6	85.9	93.5	100.5	106.1	115.4	129.3	143.9	155.9
Italy							93.0	83.2	80.7	82.5	87.1	92.2	98.8	106.0	113.4	119.2	123.7
United Kingdom	106.9	95.5	87.1	83.8	82.2	79.7	80.1	85.6	94.3	102.3	116.0	122.6	138.8	157.7	170.1	168.9	164.3
Canada	100.7	100.1	102.0	106.2	112.1	104.5	104.8	109.8	109.1	112.4	113.3	115.6	127.4	138.1	150.1	163.6	179.1
Australia	91.8	91.1	91.8	93.7	96.4	96.0	93.9	94.8	98.8	103.2	108.4	116.8	135.5	157.2	163.4	162.2	169.3
Denmark	78.2	75.9	72.4	69.6	75.9	80.0	87.4	94.9	101.5	105.5	109.4	112.8	113.9	114.5	121.2	139.1	165.8
Spain	134.2	140.4	128.8	117.6	113.1	110.9	105.9	104.0	104.0	107.4	111.3	116.9	130.9	150.6	171.2	188.2	198.5
Finland											117.6	112.5	124.9	133.0	139.8	144.0	151.4
Ireland	45.7	44.7	42.6	46.0	51.2	51.6	59.4	68.1	86.6	120.5	127.8	118.7	132.3	158.4	171.9	179.3	172.9
Korea	133.6	132.2	115.1	105.0	99.0	94.6	91.9	91.6	81.3	83.3	85.0	85.0	94.3	99.2	98.1	98.8	103.9
Netherlands	71.1	70.1	72.1	74.0	79.2	81.3	87.3	94.6	102.1	115.1	130.2	140.4	147.8	149.9	151.5	154.9	158.4
Norway			69.0	67.7	75.7	79.3	85.2	93.0	100.9	108.7	120.8	124.1	124.7	122.2	131.6	139.3	154.4
New Zealand	91.7	87.3	88.1	88.5	94.0	96.5	101.6	104.5	100.4	103.1	100.8	103.3	109.6	124.2	137.5	149.2	156.9
Sweden	108.6	96.8	81.1	68.3	70.2	68.8	68.6	74.4	83.7	93.0	103.0	108.7	112.8	119.3	130.9	142.7	157.6
Switzerland	132.8	118.7	106.2	95.8	95.1	90.4	84.5	81.1	80.4	79.7	79.3	78.6	81.4	83.6	84.5	84.3	84.7
Price-to-income ratio																	
United States	94.6	93.0	90.6	90.3	88.8	87.9	87.6	87.1	86.8	88.0	88.5	92.8	95.8	99.2	103.8	112.7	116.6
Japan	118.1	115.5	107.9	101.8	97.6	95.9	95.0	92.2	90.7	88.8	87.2	86.5	82.7	79.6	74.2	70.5	67.5
Germany						90.5	88.1	85.1	82.8	81.6	79.5	76.6	74.6	72.4	69.6	67.0	65.7
France							85.5	83.9	82.9	86.8	89.7	92.5	96.1	105.2	116.5	130.2	140.4
Italy			104.2	103.3	96.5	91.2	82.8	78.2	78.9	82.1	85.9	88.2	93.0	99.7	106.1	111.1	114.6
United Kingdom	112.7	101.3	90.4	83.8	83.2	79.2	77.8	79.7	85.5	91.0	99.2	101.0	113.6	126.0	136.4	136.5	140.1
Canada	101.9	104.4	104.4	105.2	108.4	100.9	100.5	100.6	96.0	95.8	93.5	94.4	101.4	107.8	113.1	120.2	126.7
Australia	98.5	101.1	99.3	98.8	97.3	93.6	90.5	92.6	97.6	100.6	102.1	108.8	126.2	145.3	144.5	139.2	142.6
Denmark	81.5	78.8	75.4	74.7	81.2	80.8	87.4	95.8	100.4	108.7	112.5	112.6	113.5	113.3	118.0	134.6	154.4
Spain	120.3	123.8	115.2	108.4	107.2	99.4	96.6	96.0	96.5	98.4	99.1	102.7	114.6	131.2	144.4	154.3	158.8
Finland											94.0	87.4	92.1	92.7	93.8	97.9	104.3
Ireland	84.2	81.2	79.4	75.0	77.7	75.4	79.9	87.6	103.0	118.3	124.4	119.9	123.5	134.7	143.1	147.7	155.4
Korea	165.2	148.4	123.6	108.5	91.8	82.6	74.3	71.6	63.2	59.7	58.6	58.8	65.1	68.5	66.0	64.1	64.8
Netherlands	70.6	72.1	73.8	80.7	86.6	89.7	96.1	102.0	108.6	122.2	134.8	136.7	145.6	153.3	157.4	163.4	167.2
Norway			72.5	69.4	77.4	78.9	82.4	87.2	89.9	96.3	105.0	110.5	106.5	101.3	107.4	109.6	127.6
New Zealand	83.1	80.1	82.2	84.1	93.9	96.0	101.9	103.9	98.4	94.4	95.4	92.2	101.8	115.3	132.1	147.7	152.6
Sweden	100.9	95.1	82.2	71.9	74.2	72.9	73.5	77.5	82.8	87.2	91.9	91.6	92.9	96.5	103.5	109.9	119.3
Switzerland	123.5	113.9	104.8	97.4	96.2	90.0	84.8	81.6	79.3	77.6	74.9	73.2	77.9	79.7	80.5	79.1	78.2

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

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Annex Table 61. **Central government financial balances**

Surplus (+) or deficit (-) as a percentage of nominal GDP

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Canada	0.7	0.8	0.9	1.9	1.1	0.8	0.3	0.8	0.1	0.6	1.0	0.4	0.2
France	-2.8	-2.8	-2.3	-2.1	-2.1	-3.1	-3.6	-2.6	-2.6	-2.0	-2.1	-2.2	-2.1
Germany	-1.6	-1.8	-1.5	1.4	-1.3	-1.7	-1.8	-2.4	-2.1	-1.5	-0.3	-0.3	-0.3
Italy	-2.7	-2.5	-1.5	-1.2	-3.3	-3.2	-2.9	-2.8	-3.5	-4.0	-1.8	-1.9	-1.6
Japan[1]	-3.5	-5.3	-7.3	-6.4	-6.0	-6.8	-6.6	-5.2	-5.9	-2.0	-3.9	-3.7	-4.0
United Kingdom	-2.0	0.2	1.2	4.0	1.0	-1.8	-3.4	-3.1	-3.0	-2.7	-2.9	-3.4	-2.7
United States	-0.6	0.5	1.1	1.9	0.4	-2.6	-3.8	-3.6	-3.0	-2.0	-2.0	-2.5	-2.5
excluding social security	-1.6	-0.7	-0.4	0.4	-1.2	-4.2	-5.2	-4.9	-4.4	-3.4	-3.3	-3.9	-4.0
Total of above countries	-1.5	-1.1	-1.0	0.2	-1.2	-3.0	-3.8	-3.4	-3.2	-2.0	-2.1	-2.3	-2.3

Note: Central government financial balances include one-off revenues from the sale of mobile telephone licenses. Some other important one-offs have been accounted for prior to 2000 and are reported in *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Data are only available for fiscal years beginning April 1 of the year shown.

Source: OECD Economic Outlook 82 database.

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Annex Table 62. **Maastricht definition of general government gross public debt**

As a percentage of nominal GDP

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	63.7	64.3	66.4	65.9	66.2	65.8	64.6	63.8	63.3	61.7	60.4	59.4	58.0
Belgium[1]	122.6	117.3	113.8	107.3	106.0	103.3	98.7	94.4	92.2	88.1	85.3	82.9	80.7
Czech Republic	12.0	12.6	13.1	17.9	25.9	28.5	30.1	30.4	30.2	30.2	30.9	30.6	30.8
Denmark	65.2	60.8	57.4	51.7	47.4	46.8	45.8	44.0	36.3	30.3	25.6	21.8	19.0
Finland	53.8	48.3	46.0	43.8	42.3	41.3	44.3	44.2	41.4	39.1	36.8	35.2	32.2
France	58.5	58.7	57.9	55.9	56.1	58.2	62.9	65.0	66.7	64.1	65.1	66.2	67.2
Germany	59.5	59.9	60.3	59.2	58.7	60.2	63.7	65.9	67.9	67.5	64.5	62.8	60.9
Greece	96.6	94.5	94.0	101.8	103.0	100.8	97.9	98.6	98.0	95.3	93.2	90.3	87.5
Hungary	62.6	60.2	59.6	54.0	50.7	54.1	58.0	59.4	61.6	65.6	68.1	69.3	69.2
Ireland	63.8	53.1	48.2	37.8	35.4	32.2	31.1	29.5	27.4	25.0	24.9	25.7	25.6
Italy	117.9	114.8	113.7	108.8	108.2	105.6	104.2	103.9	106.2	106.7	105.0	104.2	102.9
Luxembourg	6.4	6.2	5.6	5.3	6.5	6.5	6.3	6.5	6.2	6.6	9.3	12.2	14.6
Netherlands	68.2	65.2	61.1	53.8	50.7	50.5	52.0	52.4	52.3	47.9	46.5	44.7	42.3
Poland	43.0	38.3	39.5	35.8	35.8	39.8	47.1	45.7	47.1	47.6	47.5	47.9	47.5
Portugal	56.1	52.2	51.4	50.4	52.9	55.5	56.9	58.3	63.7	64.8	65.5	65.8	65.5
Slovak Republic	32.6	33.6	46.7	49.5	48.9	43.3	42.7	41.6	34.5	30.9	34.6	36.4	37.2
Spain	65.3	63.2	61.6	59.2	55.6	52.5	48.7	46.2	43.0	39.7	35.8	32.9	30.4
Sweden	70.0	67.6	62.2	52.3	53.8	52.0	53.5	52.4	52.2	47.0	39.5	34.2	29.1
United Kingdom	50.5	47.3	44.6	41.7	38.4	37.9	39.4	41.2	42.9	44.0	44.7	46.3	47.1
Euro area	73.3	72.4	71.5	68.9	68.0	68.0	69.2	69.8	70.5	68.7	66.9	65.8	64.5

Note: For the period before 2007, 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 2007 to 2008 debt ratios are in line with the OECD projections for general government gross financial liabilities and GDP. See *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Includes the assumption of debt for the Railways Company SNCB by the government from 2005 onwards (representing respectively 1.8 and 1.6 percentage point of GDP in 2005 and 2006).

Source: OECD Economic Outlook 82 database.

StatLink http://dx.doi.org/10.1787/163837747744

Annex Table 63. **Monetary and credit aggregates: recent trends**

Annualised percentage change, seasonally adjusted

		Annual change (to 4th quarter)					Latest twelve months	
		2002	2003	2004	2005	2006		
Canada	M2	6.1	5.9	5.9	5.6	8.7	6.5	(Oct 2007)
	BL1	5.5	4.9	8.0	8.3	7.6	9.7	(Sep 2007)
Japan	M2+CD	2.9	1.5	2.0	2.0	0.7	1.6	(Sep 2007)
	BL1	-3.1	-0.5	1.4	1.0	-0.2	-0.8	(Sep 2007)
United Kingdom	M2	8.4	10.1	9.1	9.0	8.1	7.1	(Sep 2007)
	M4	5.9	6.4	9.3	11.8	13.5	13.3	(Sep 2007)
	BL1	9.3	8.7	11.3	9.4	13.4	13.6	(Oct 2007)
United States	M2	6.7	5.6	5.4	4.2	4.9	6.3	(Oct 2007)
	BL1	5.0	5.9	10.4	11.7	12.0	10.9	(Oct 2007)
Euro area	M2	6.5	6.8	6.3	8.8	8.7	11.2	(Oct 2007)
	M3	6.7	7.0	6.0	8.2	8.9	12.3	(Oct 2007)
	BL1	3.8	5.6	5.8	9.1	7.9	8.7	(Sep 2007)

1. Commercial bank lending.

Source: OECD Main Economic Indicators; US Federal Reserve Board; Bank of Japan; European Central Bank; Bank of England; Statistics Canada.

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