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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

	2008	2009	2010	2008		2009				2010				Q4 / Q4		
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009	2010
								Per cent								
Real GDP growth																
United States	1.1	-2.8	0.9	-0.5	-6.3	-5.7	-1.4	0.0	0.5	1.3	1.4	1.5	1.6	-0.8	-1.7	1.5
Japan	-0.7	-6.8	0.7	-2.8	-13.5	-14.2	-1.0	0.9	0.8	0.8	0.8	0.8	1.0	-4.4	-3.6	0.8
Euro area	0.5	-4.8	0.0	-1.5	-6.9	-9.5	-3.1	-1.1	-0.5	0.2	0.7	1.2	1.4	-1.7	-3.6	0.9
Total OECD	0.8	-4.1	0.7	-1.1	-7.8	-8.3	-1.7	-0.4	0.3	0.9	1.4	1.7	2.0	-1.7	-2.6	1.5
Inflation[1]								year-on-year								
United States	3.3	0.2	0.8	4.3	1.9	0.8	0.1	-0.8	0.7	1.1	0.9	0.7	0.5			
Japan	1.4	-1.4	-1.4	2.1	1.0	-0.1	-1.1	-2.3	-2.0	-1.5	-1.3	-1.2	-1.3			
Euro area	3.3	0.5	0.7	3.8	2.3	0.9	0.4	0.1	0.5	1.0	0.8	0.6	0.4			
Total OECD	3.2	0.6	0.8	3.8	2.4	1.2	0.6	0.0	0.7	1.1	0.9	0.7	0.6			
Unemployment rate[2]																
United States	5.8	9.3	10.1	6.0	6.9	8.1	9.3	9.8	10.0	10.1	10.1	10.1	10.1			
Japan	4.0	5.2	5.7	4.0	4.0	4.5	5.2	5.5	5.6	5.7	5.7	5.8	5.8			
Euro area	7.5	10.0	12.0	7.5	7.9	8.8	9.6	10.4	11.1	11.6	12.0	12.2	12.3			
Total OECD	5.9	8.5	9.8	6.0	6.4	7.4	8.3	8.9	9.4	9.6	9.8	9.9	9.9			
World trade growth	2.5	-16.0	2.1	1.5	-26.0	-32.1	-9.2	-3.9	1.1	3.7	4.8	6.2	7.4	-5.6	-12.0	5.5
Current account balance[3]																
United States	-4.7	-2.3	-2.4													
Japan	3.2	1.4	1.9													
Euro area	-0.4	-1.1	-1.0													
Total OECD	-1.4	-0.9	-0.9													
Fiscal balance[3]																
United States	-5.9	-10.2	-11.2													
Japan	-2.7	-7.8	-8.7													
Euro area	-1.9	-5.6	-7.0													
Total OECD	-3.2	-7.7	-8.8													
Short-term interest rate																
United States	3.2	1.0	0.5	3.2	3.4	1.5	0.9	0.8	0.8	0.7	0.6	0.4	0.4			
Japan	0.7	0.6	0.3	0.7	0.8	0.6	0.7	0.5	0.5	0.5	0.3	0.2	0.2			
Euro area	4.7	1.2	0.5	5.0	4.6	2.0	1.2	0.8	0.8	0.7	0.6	0.4	0.4			

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

The cut-off date for other information used in the compilation of the projections is 11 June 2009.

1. USA; price index for personal consumption expenditure, Japan; consumer price index and the euro area; harmonised index of consumer prices.
2. Per cent of the labour force.
3. Per cent of GDP.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/658436723784

EDITORIAL
NEARING THE BOTTOM?

OECD activity now looks to be approaching its nadir, following the deepest decline in post-war history. The ensuing recovery is likely to be both weak and fragile for some time. And the negative economic and social consequences of the crisis will be long-lasting. Yet, it could have been worse. Thanks to a strong economic policy effort an even darker scenario seems to have been avoided. But this is no reason for complacency; the need for determined policy action remains across a wide field of policies.

The downturn has been global in scope, even though its financial epicentre was in the OECD area. Indeed, trade and financial linkages prompted a synchronised collapse in activity and trade after financial markets froze in the second half of 2008. De-coupling turned out to be a mirage on the way into the recession. But on the way out it looks as if recovery will take hold in a staggered manner across countries reflecting, not least, the extent of policy stimulus and the force of headwinds coming from the need for balance-sheet repair. More specifically:

- A recovery already appears to be in motion in most large non-OECD countries. This is particularly so in China, against the background of substantial monetary and especially fiscal stimuli. At the same time, these countries do not suffer from the kind of balance-sheet damage that afflicts many OECD countries.
- Signs have multiplied that US activity could bottom out in the course of the second half of this year. Such a recovery would reflect tremendous policy effort. However, as the growth impulse from fiscal stimulus fades and the need for balance-sheet repairs continues to hold back growth the recovery could be uncharacteristically weak and insufficient to bear down on unemployment at around 10% of the labour force.
- Japan's economy is also showing signs that the trade-induced contraction is close to the end, thanks not least to fiscal stimulus. Again, however, the recovery is likely to be slow and huge economic slack is likely to further entrench deflation.
- Signs of impending recovery in the euro area are not yet as clearly visible, reflecting country-specific combinations of bursting housing bubbles, export set-backs and damage to financial sectors. The eventual recovery may also be slow in this region, including because rising unemployment makes consumers more reluctant to spend.

Overall, this *Economic Outlook* is the first in two years to revise up the growth projections compared with the previous version – most clearly for the non-OECD and the United States but also to some extent for Japan. But more significant than the upward revision to growth is the change in the distribution of risks around the projections. These are now more balanced than before. Indeed, the projections are built on the assumption that conditions in financial markets stay broadly unchanged for the remainder of this year before normalising in the course of 2010 and this assumption could prove too conservative. But new tremors in the financial area cannot be excluded either, and adverse bond market reactions to the sharp increase in government indebtedness also represent a downside risk.

The recession has already led to a substantial rise in unemployment, with more to come before recovery is sufficiently strong to reverse the trend. The weakness in product and labour markets is likely to put downward pressure on inflation over the projection. But, as in other periods of sustained large slack, its disinflationary impact may be limited and most countries are projected to stay clear of sustained deflation.

Concern has been expressed about potential inflationary impacts of central bank injections of liquidity. As long as slack is large, this risk is likely to be modest. Moreover, many of the instruments for liquidity injection are expected to be self-correcting as financial conditions improve. Nonetheless, discretionary action will at some point have to be taken to withdraw liquidity as financial markets normalise. The timing and calibration of such action will be tricky, requiring central banks not only to exercise good judgement but also to have at their disposal flexible instruments to perform these operations.

With a nascent recovery hopefully in sight it would be tempting to relax the extraordinary policy effort of the past nine months. Tempting, but wrong. Not only because post-crisis policy strategies need preparing but also because there is still more policy can do to ensure a faster and more robust recovery. Some countries have taken action to remove the uncertainty associated with impaired assets on bank balance sheets but others may have to follow. Likewise, and especially in conditions where the picture of bank balance sheets provided by existing accounting rules is hazy, stress testing has a role to play in providing confidence. Getting the full benefit out of stress testing requires that the tests be seen as challenging, be made public, and be associated with demands for recapitalisation where needed.

Eventually, however, the panoply of government interventions to stabilise the financial system should be rolled back. This will likely call for some degree of co-ordination across countries to avoid fear of competitive disadvantage blocking progress. Crucial for the future, regulatory and supervisory changes will have to be brought in to limit the risk of new financial crises. Some of these changes are likely to hurt profitability and be unpopular with regulated firms. And some may face resistance because they alter existing bureaucratic structures. Hence, such reforms need to be undertaken before the memory of the crisis has faded too much.

Government budgets also provide a very important cushion for economic activity in the downturn, principally through the workings of automatic stabilisers and discretionary fiscal easing. The result has been a dramatic, but unavoidable, run-up in government deficits. Indeed, with the incipient recovery likely to be weak, it is important that decided fiscal stimulus actually be implemented in a timely manner and that the fiscal impulse not be withdrawn at a pace that jeopardizes recovery.

But very substantial fiscal consolidation will eventually be required in many countries. Some governments have already announced medium-term consolidation plans and others will have to follow. Early announcement of such plans, even if their implementation is conditional on actual economic developments, will help to anchor medium-term expectations of savers and investors and thereby keep down the cost of financing much higher debt levels. Consolidation requirements clearly differ across countries, but analysis in the special chapter of this *Outlook* on "Beyond the crisis: Medium-term challenges relating to potential output, unemployment and fiscal positions" shows that even countries with large deficits in the near term can reach fiscal balance over the medium term, or at least get a good part of the way, provided that consolidation measures are taken which are strong but not without historical precedent.

Consolidation, when recovery is sufficiently firm, should aim to avoid collateral damage to economies' long-term growth prospects. That means relying as far as possible on rolling back public expenditure that is not growth-enhancing, and when tax hikes are necessary to concentrate on broad-based taxes that involve minimal distortion to economic decisions of producers, consumers and investors.

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Avoiding negative impacts from consolidation on long-term prospects is particularly important because the crisis itself is likely to have such effects. Some of the increase in unemployment is likely to turn structural and the capital stock could be durably lower as a result of the crisis. It is to be hoped that past reforms in labour markets will limit the extent to which unemployment turns structural. But even so, further labour market reforms aimed at keeping the unemployed in contact with the labour market and prepared to take emerging new jobs will be crucial. At the same time, it is essential to guard against crisis-driven intervention in product and financial markets undermining the long-run health of the economy. And the pressures for protectionist measures, which can take many forms, must be withstood. Indeed, moves towards liberalisation such as through the Doha Development Agenda would not only benefit long-term growth but would also provide a very helpful boost to confidence in the current situation.

More generally, as the acute crisis abates, it may be time to reflect on the overall economic policy paradigm. One ingredient that will be crucial is structural reforms to foster long-term growth and make economies more resilient in the face of shocks. But the role of macroeconomic policies in the run-up to the crisis will also need to be analysed and appropriate changes to macroeconomic policy frameworks made. In particular, it will need to be understood whether and, if so, how monetary policy can contribute to avoiding the build-up of financial and asset price vulnerabilities; what role macro-prudential policies can play in this regard; and how fiscal policy can best be set in ways that allow margin for response when crisis hits.

In summary, it looks as if the worst scenario has been avoided and that OECD economies are now nearing the bottom. Even if the subsequent recovery may be slow such an outcome is a major achievement of economic policy. But this is no time to relax – ensuring that the recovery stays on track and leads towards a long-term sustainable growth path will call for major policy efforts going forward.

17 June 2009

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Acting Head, Economics Department

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Chapter 1

GENERAL ASSESSMENT OF THE MACROECONOMIC SITUATION

Overview

The contraction of the OECD economy is slowing, but the ensuing recovery will be weak

For the first time since June 2007, the projections in this *Economic Outlook* have been revised up for the OECD area as a whole compared with the previous issue. The contraction of output is now moderating from the exceptional drop in the six months to March. The slowdown in the fall of activity is driven by inventory adjustment contributing positively to growth, non-OECD countries recovering, some return of business confidence and policy stimulus providing greater support. However, financial conditions remain tight in spite of some recent easing and the bottom of the recession is likely to be reached only in the second half of the current year, after which a weak recovery is projected (Table 1.1). The OECD economy will at the end of 2010 therefore be faced with an exceptional degree of slack, with unemployment rates of 10% in the United States and more than 12% in the euro area. This will push down inflation rates to low levels in several countries, and a few will experience falling price levels.

Risks have become more balanced

Thanks to massive policy stimulus and progress in stabilising financial institutions and markets, the risks to this projection are more balanced compared with recent ones and the risk of catastrophic events

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

OECD area, unless noted otherwise

	Average 1996-2005	2006	2007	2008	2009	2010	2008 q4	2009 q4	2010 q4
	Per cent								
Real GDP growth[1]	2.8	3.1	2.7	0.8	-4.1	0.7	-1.7	-2.6	1.5
United States	3.2	2.8	2.0	1.1	-2.8	0.9	-0.8	-1.7	1.5
Euro area	2.1	3.0	2.6	0.5	-4.8	0.0	-1.7	-3.6	0.9
Japan	1.1	2.0	2.3	-0.7	-6.8	0.7	-4.4	-3.6	0.8
Output gap[2]	-0.2	1.3	1.7	0.3	-5.3	-5.8			
Unemployment rate[3]	6.6	6.0	5.6	5.9	8.5	9.8	6.4	9.4	9.9
Inflation[4]	3.3	2.3	2.3	3.2	0.6	0.8	2.4	0.7	0.6
Fiscal balance[5]	-2.2	-1.3	-1.4	-3.2	-7.7	-8.8			
Memorandum Items									
World real trade growth	6.9	9.5	7.1	2.5	-16.0	2.1			
World real GDP growth[6]	3.7	4.7	4.5	2.4	-2.2	2.3			

1. Year-on-year increase; last three columns show the increase over a year earlier.
2. Per cent of potential GDP.
3. Per cent of labour force.
4. Private consumption deflator. Year-on-year increase; last 3 columns show the increase over a year earlier.
5. Per cent of GDP.
6. OECD countries plus Brazil, Russia, India and China only, representing 81% of world GDP at 2005 purchasing power parities. Fixed weights based on 2005 GDP and purchasing power parities.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/658445738860

has become more remote. Nonetheless, the financial system may be more vulnerable to weaknesses in the real economy than assumed in the projection which in turn would have negative repercussions on growth. This risk of a negative spiral would be amplified if households and businesses were to expect that a sustained period of deflation was imminent, in contrast with assumptions behind the Secretariat's medium-term reference scenario (see Chapter 4). Other downside risks include a faster increase in bond yields due to sharply deteriorating public finances and a stronger response of household spending to higher unemployment. Stacked against these negative risks is the possibility that problems in financial markets will be resolved earlier than assumed, with financial conditions continuing to improve in the current year rather than stabilising at their current level as assumed, or that the unprecedented policy stimulus will prove more effective than expected. In addition, a general reduction in uncertainty could stimulate spending of households and businesses beyond what is projected.

Policy requirements at present are:

Against the background of these projections and the associated risks, the policy requirements at present are as follows:

… swift recognition of losses in banks and accompanying capital injections…

- *Financial policy.* Earlier actions that have contributed to ease financial market conditions need to be followed up by additional measures to put banking systems on a solid footing. These should ensure the recognition of likely losses associated with current and future impaired bank assets, swift treatment of impaired assets and re-capitalisation of systemically-important banks so that their solvency is not in doubt. Loss recognition and re-capitalisation can be achieved in different ways, and countries may adopt different approaches to deal with impaired assets. However, it is critical for governments to be seen to have a clear, effective and comprehensive strategy to deal with these issues, and ensure up-front that they have the financial means to accomplish the task.

… very easy monetary policy…

- *Monetary policy.* Policy interest rates should be maintained close to zero throughout 2009 and 2010 in the economies that have already fully exploited the use of traditional monetary policy, and elsewhere rates should be set as conditions permit. To strengthen the impact of close-to-zero interest rates, the monetary authorities could signal their intention of maintaining this stance until particular conditions are fulfilled. In view of the exceptional slack throughout the OECD area, non-conventional measures, such as purchases of longer dated government bonds and selected private securities, should be maintained until a recovery is underway and financial market conditions normalise.

... avoiding premature withdrawal of fiscal stimulus where the scope exists...

- *Fiscal policy.* The dramatic deterioration of fiscal positions and the rapid build-up of public debt in many countries constrain the further use of fiscal policy to support the economy. However, it is necessary to balance concerns about fiscal sustainability with the need to avoid an overly rapid phase-out of fiscal support. Although underlying fiscal positions are set to deteriorate in 2010, the growth impulse from fiscal policy is scheduled to fall, though implementation problems, notably with respect to increasing infrastructure spending, may delay this element of stimulus. Countries with relatively low debt (including Germany, Canada, some Nordic countries and Switzerland) have scope for further discretionary policy easing in 2010 to offset any programmed tightening, augment a timid fiscal impulse or respond to unexpected economic weakness By contrast, the state of government finances in some other countries (Japan, Italy, Greece, Iceland and Ireland) does not permit any further extension of the current level of support or an introduction of support without risking strong adverse reaction in financial markets.

... and structural policy settings to limit increases in structural unemployment

- *Structural policy.* An important task for structural policy is to counter the tendency for cyclical unemployment to become structural. Although measures have already been taken in many countries that are suitable in that respect, more needs to be done, notably to strengthen re-employment measures. So far, only a small proportion of overall fiscal support packages have increased appropriations for re-employment services and incentives. It is also important that the necessary process of structural adjustment not be delayed by targeted support to sectors and firms that are not viable. In particular, being mindful of historical experiences, governments should avoid taking measures that discriminate against foreign producers of goods and services (including financial services).

Recent developments

News on activity are no longer all bad

Over the three quarters to mid-2009, most OECD countries will have experienced the steepest consecutive fall in GDP in their post-war history, with area-wide GDP falling by 4¼ per cent. There are, however, signs that the severity of the downturn is moderating. Successive mechanical projections from the OECD's indicator models[1] confirm that GDP estimates based on incoming information on high frequency indicators of activity have deteriorated at a slower pace or even ceased to deteriorate in the United States, whereas the evidence is less clear for the euro area (Figure 1.1).

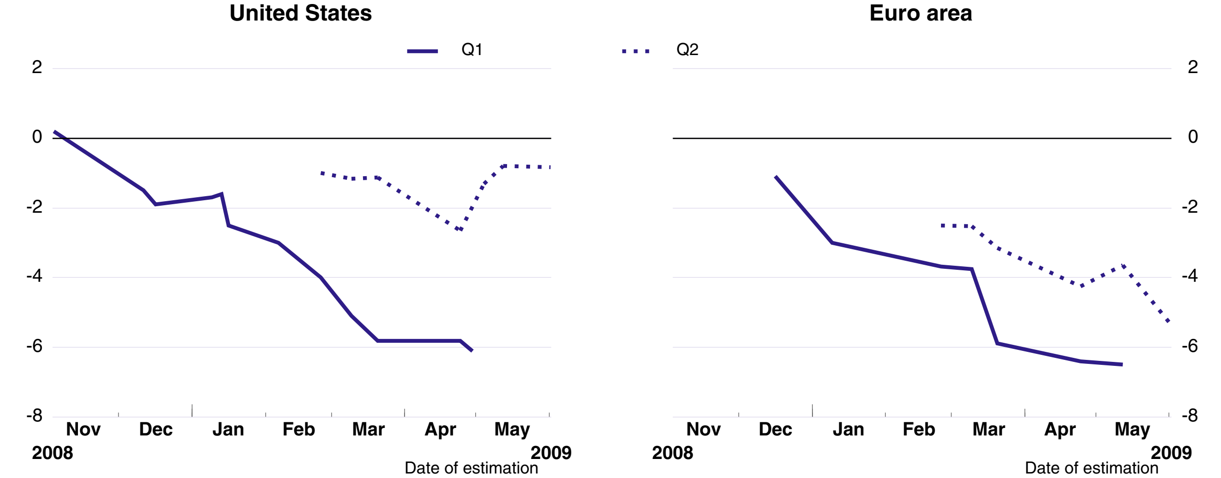
Adjustment may be most rapid in manufacturing

A feature of the recent slump in activity was the precipitate fall in industrial production (Figure 1.2) and in world trade. Indeed, among the major countries, the fall in GDP was most pronounced in those which previously relied most on export growth and where manufacturing accounts for a larger share of output (notably Japan and Germany) than in

1. The OECD indicator models give an estimate of GDP growth based on high frequency data, see Pain and Sédillot (2005).

Figure 1.1. **High frequency data have deteriorated less**

Successive OECD indicator-based growth estimates – first and second quarters 2009



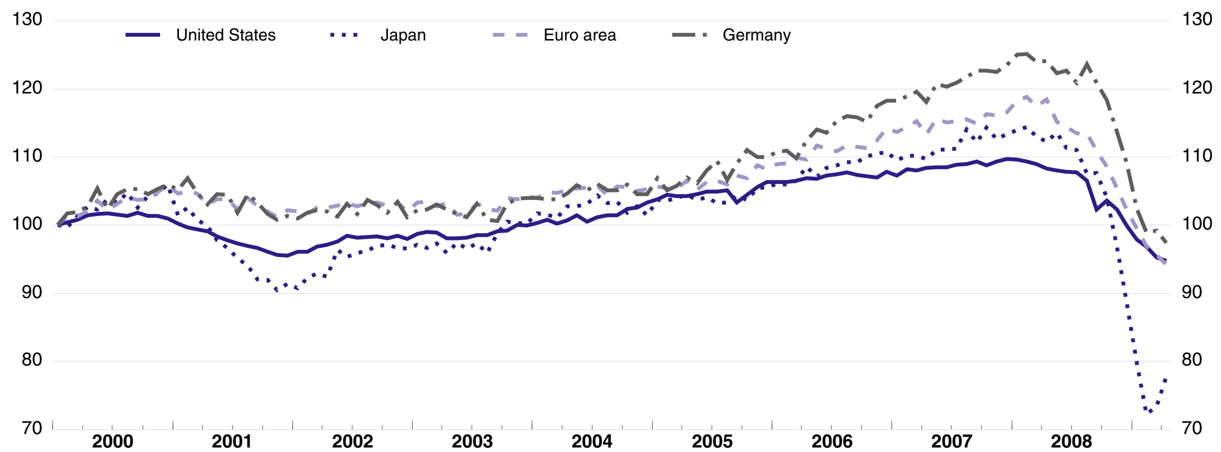
Note: Estimates based on models that translate high-frequency economic indicators into estimates of GDP growth in current and following quarters.

Source: Datastream; and OECD calculations.

StatLink http://dx.doi.org/10.1787/656137228112

Figure 1.2. **Industrial production has plunged**

Index, January 2000 = 100



Source: Datastream.

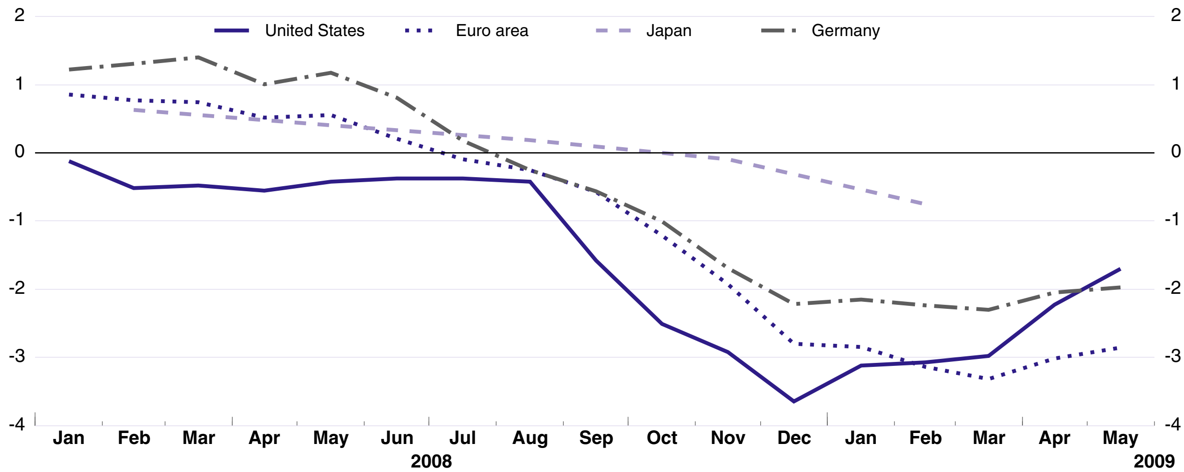
StatLink http://dx.doi.org/10.1787/656187707782

those more closely associated with the financial crisis (United States and United Kingdom).[2] In some countries, notably Japan and Korea, monthly data suggest that industrial output may be stabilising or even registering

2. Among OECD countries, with Iceland as a glaring outlier, there is a significant positive correlation between the size of recent GDP falls and the share of manufacturing in total value added. Apart from Iceland, three of the four countries – namely Japan, Germany and Ireland – experiencing the largest GDP losses over this period have a share of manufacturing output in GDP well above the average for the OECD.

modest increases (albeit from very low levels). While for most OECD economies the manufacturing sector accounts for less than one-quarter of value added, implying that an upturn in industrial production will not necessarily coincide with an upturn in total GDP, business survey indicators related to future prospects for the economy as a whole have levelled off or have turned up (Figure 1.3).

Figure 1.3. **Business confidence shows signs of turning**



Note: Series have been normalised at the average for the period starting in 1985 and are presented in units of standard deviation. Monthly data for United States, euro area and Germany. Quarterly data for Japan.

Source: Datastream; and OECD, Main Economic Indicator database.

StatLink http://dx.doi.org/10.1787/656221478408

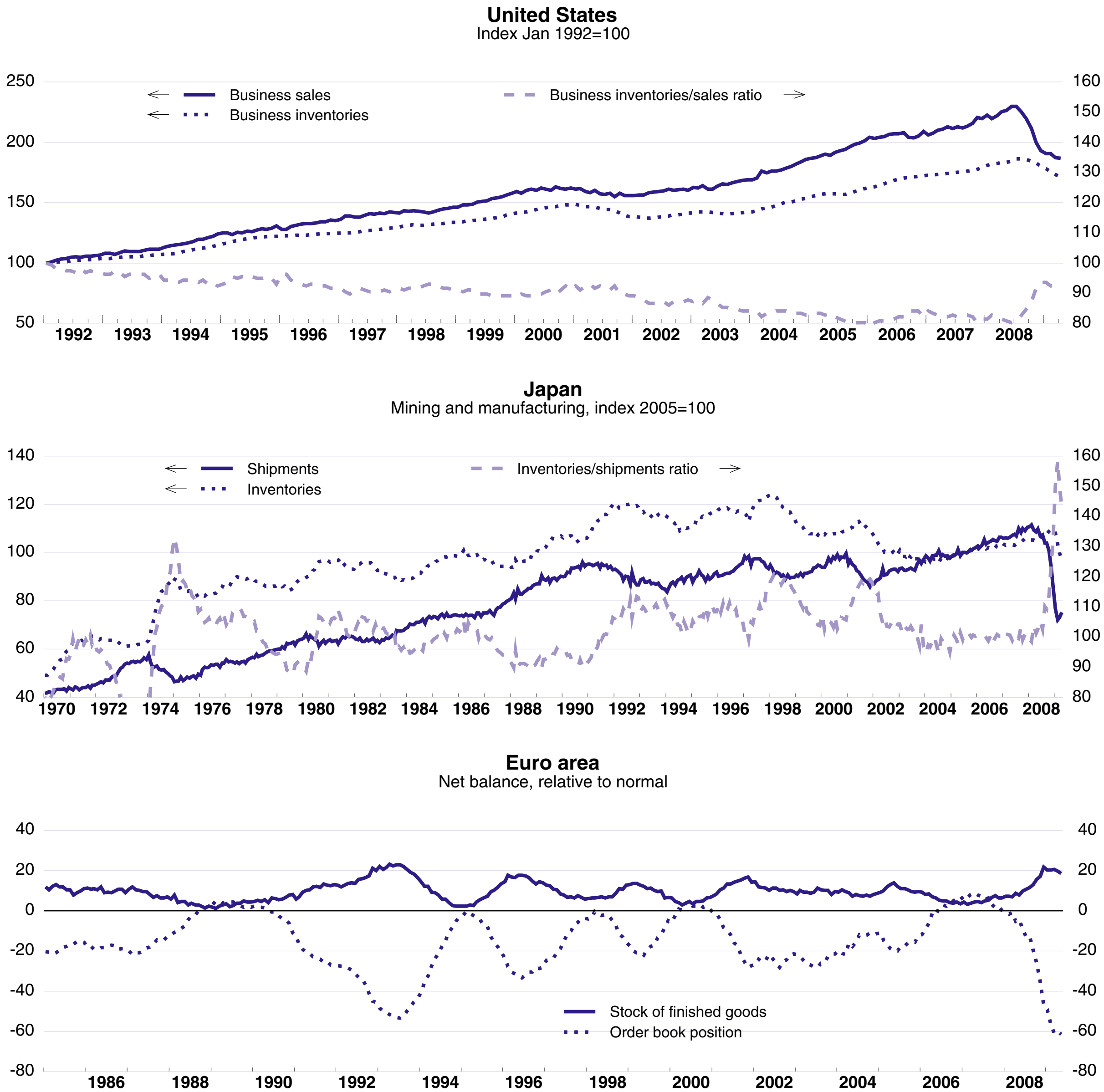
The inventory cycle has played an important role

The inventory cycle has had strong impact on demand developments. In the initial phase of the recession, stockbuilding moderated the downturn in many countries as cut-backs in production failed to keep up with declines in sales (Figure 1.4). As the recession continued, producers attempted to bring stock levels better into line with sales, which implied destocking in most countries imparting a negative effect on growth. This dragged down growth significantly in the first quarter in most countries. However, with this adjustment likely to moderate, the growth contribution should turn mildly positive.

Housing is a continuing brake on growth

The drag on activity coming from the downturn in housing intensified going into 2009 and should reach a maximum this year. Housing investment is likely to be falling at an annualised rate of more than 10% in about half of OECD countries in the first half of 2009, with particularly large falls in the United States, Japan, New Zealand, Iceland, Ireland and Spain (Figure 1.5). Substantial drops in housing permits suggest that weakness will continue in the near term. Nonetheless, recent indicators for the United States show house sales and permits starting to flatten out, albeit at very low levels, and the stock of unsold new houses

Figure 1.4. **Inventories have risen steeply**



Source: Datastream; and OECD calculations.

StatLink http://dx.doi.org/10.1787/656265836768

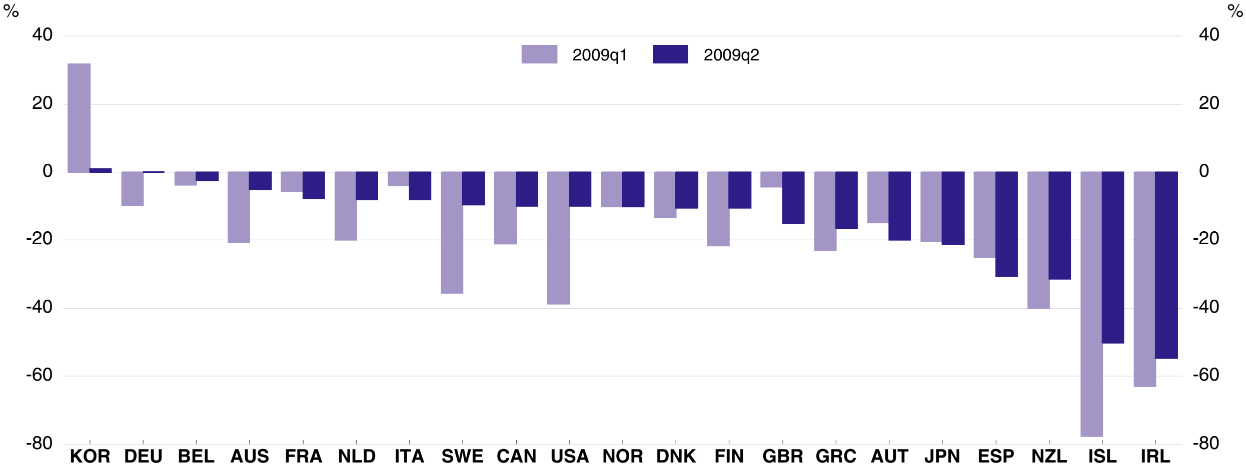
continuing to fall significantly (Figure 1.6). Affordability has also improved with a notable fall in mortgage rates but this is tempered by very tight credit conditions and by the recent back-up in long bond yields.

Real house prices are falling in nearly all countries

Year-on-year real house prices are now falling in all OECD countries for which data are readily available except in Switzerland (Table 1.2). In the United States, data for early 2009 is mixed, with the two major price indices moving in opposite directions. Despite recent falls, on simple benchmarks, such as relative to per capita incomes or rents, house prices

Figure 1.5. **Housing investment is falling in almost all countries**

Quarter-on-quarter growth rate, seasonally adjusted at annual rate

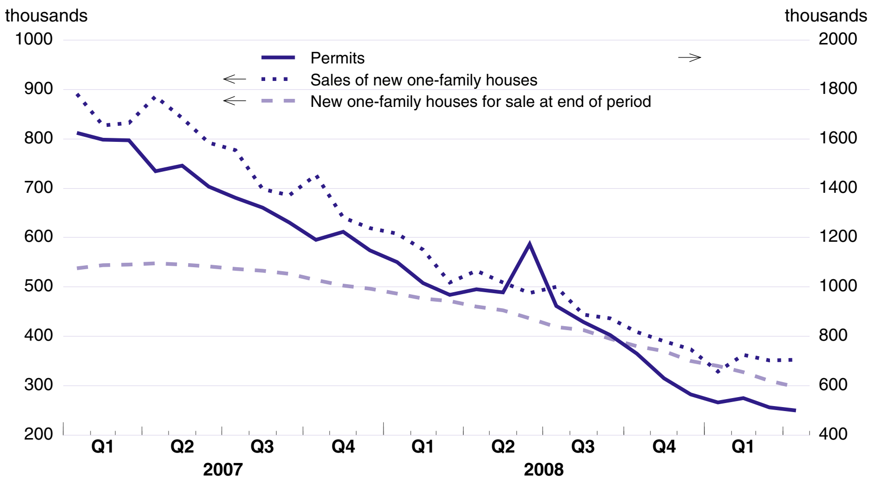


Note: 2009q1 and 2009q2 are forecasted for most countries.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/656286026227

Figure 1.6. **US housing construction may be nearing a bottom**



Source: Datastream.

StatLink http://dx.doi.org/10.1787/656324104160

remain elevated in many OECD countries. Moreover, historical experience across the OECD indicates that the contraction phase of the real house price cycle is typically around five years.[3] Negative effects of falling house prices on consumption are likely to be larger among those countries where mortgage markets have in the past facilitated housing equity

3. The main characteristics of real house price cycles from 1970 to the mid-1990s can be summarised as follows: the average cycle lasted about ten years; during the expansion phase of about six years, real house prices increased on average by close to 40%; and in the subsequent contraction phase, which lasted around five years, the average fall in prices was of the order of 25% (Girouard *et al.*, 2006).

Table 1.2. **Real house prices are falling almost everywhere**

	Per cent annual rate of change				Level relative to long-term average[1]		
	2000-2006	2007	2008[2]	Latest quarter[3]	Price-to-rent ratio	Price-to-income ratio	Lastest available quarter
United States	5.3	-0.6	-6.1	-3.2	117	99	Q1 2009
Japan	-4.3	-1.1	-2.9	-3.3	67	66	Q1 2009
Germany	-2.9	-1.2	-2.7	-1.8	71	64	Q4 2008
France	9.5	4.9	-1.8	-7.3	146	127	Q1 2009
Italy	6.1	3.1	-1.1	-2.9	123	112	Q3 2008
United Kingdom	8.8	8.4	-4.3	-15.0	134	126	Q1 2009
Canada	6.7	8.5	-3.4	-11.0	161	116	Q1 2009
Australia	7.1	8.8	0.2	-9.0	154	120	Q1 2009
Denmark	7.9	2.9	-7.9	-13.1	144	132	Q4 2008
Finland	4.7	5.6	-2.4	-8.8	140	97	Q1 2009
Ireland	8.3	-1.8	-11.6	-13.5	154	121	Q4 2008
Netherlands	2.9	2.6	0.7	-2.1	152	145	Q1 2009
Norway	5.5	11.4	-5.2	-10.7	149	117	Q4 2008
New Zealand	9.2	8.3	-8.0	-11.9	140	135	Q4 2008
Spain	11.2	2.6	-3.7	-7.3	172	138	Q1 2009
Sweden	6.7	8.6	0.0	-4.4	155	119	Q4 2008
Switzerland	1.7	1.3	0.2	5.3	86	77	Q1 2009
Euro area[4,5]	4.6	2.0	-2.3	-4.5	122	106	
Total of above countries[5]	4.2	1.5	-4.1	-4.9	116	100	

Note: House prices deflated by the Consumer Price Index.
1. Long-term average = 100, latest quarter available.
2. Average of available quarters where full year is not yet complete.
3. Increase over a year earlier to the latest available quarter.
4. Germany, France, Italy, Spain. Finland, Ireland and the Netherlands.
5. Using 2005 GDP weights.

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

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withdrawal[4] and the ratio of housing wealth to disposable income is relatively high. Data for the G7 countries suggest that there could be a particularly large hit to consumption in the United Kingdom, where the ratio of housing wealth to disposable income is more than 400%, compared with around 200% in the United States and 300% in Canada.

There are signs that the severity of the downturn is moderating in the United States...

Under the influence of the factors above, and after continuing to decline rapidly in the first quarter of 2009, activity in the United States has fallen at a more moderate pace in the second quarter. The downturn in business investment has become less steep, reflecting somewhat easier credit conditions and less downbeat business confidence. The fall in housing investment has also moderated markedly, but the effect on GDP is

4. This has been the case, for example, in the United States, United Kingdom, Canada, Australia, New Zealand and some Nordic countries. These also tend to be the countries where consumption is most strongly correlated with house prices (Catte *et al.*, 2004).

limited by the fact that the share of residential investment in GDP is now lower than it has ever been in 50 years. Inventories adjustment accounted for nearly half of the fall in GDP in the first quarter as businesses reduced their stocks to bring them more in line with lower sales; in the second quarter, this negative drag on growth is likely to have disappeared. Offsetting to some degree the relatively favourable developments in investment and stockbuilding, private consumption has shown some renewed weakness after a modest growth in the first quarter. Consumption has received a boost from tax cuts in April, but the positive effects from higher disposable income seem to have been more than outweighed by higher saving due to the deteriorating labour market and lower wealth.

… Japan…

The severe contraction in Japanese activity appears to be moderating in the second quarter. The above-mentioned signs of a modest pick-up in industrial production are consistent with a slowing in the rapid rate of decline in export volumes – down by more than 30% between the third quarter of 2008 and the first quarter of 2009 – as well as evidence that the adjustment of inventories is advancing though their level remains high relative to shipments. Business investment has fallen massively, but may decline less precipitately as industrial production and exports begin to recover and business confidence stabilises. Increases in government investment could add a percentage point to annualised growth in the second quarter. Consumption is likely to have risen in the second quarter, boosted by government one-off payments to households, after contracting sharply in the first quarter. However, residential investment is likely to remain a drag on growth in the second quarter.

… and the euro area

The decline in euro area activity is likely to have become less steep compared with the contraction earlier in the year. The inflection looks set to be notable in exports and business investment, which has responded to some improvement in financial market conditions and some regain in confidence as uncertainty has diminished. The likely decline in the drag to growth from inventory adjustment will also contribute to a less strong decline in GDP. However, there have been few signs of moderation in the slide of consumption, as it is weighed down by low consumer confidence and the deteriorating labour market. Also, the construction sector has continued to suffer as a number of countries – including Spain, Ireland, the Netherlands, Greece, Finland and Austria – experience very severe declines in housing investment. Recent business surveys suggest some improvement in the economic outlook: monthly surveys of Purchasing Managers (PMI) indicate moves towards stabilisation, and the European Commission's survey of confidence in the industrial and services sector has inched up.

The recovery is more rapid in the non-OECD area, especially in China…

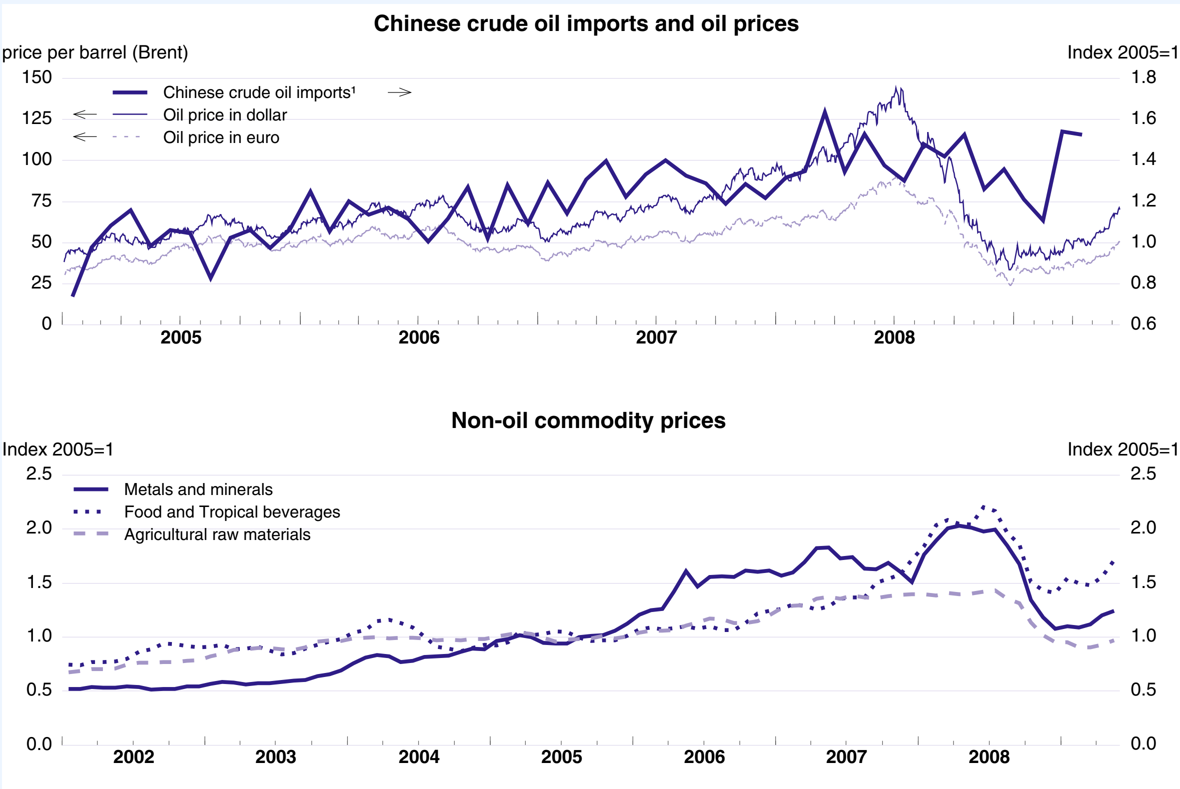
While there was a high degree of synchronicity in the fall in growth rates between the OECD and non-OECD regions around the turn of the year, the simultaneity now appears to diminish with, in particular, China and, to a lesser extent, dynamic Asia recovering more rapidly. In China, although exports have not yet started to grow again, monthly industrial production was picking up early in the year and this has been matched by optimistic readings from business surveys. Underlying this pick-up is massive government stimulus, in terms of a substantial increase in government outlays, including investments both by general government as well as by the non-commercial state enterprise sector. Further support has been provided by a rapid increase in bank lending, increasing since the turn of the year at annual rates of about 50%. Overall, demand in China, especially in the infrastructure sector, has picked up and has also contributed to the significant recent rebound in oil and other commodity prices (Box 1.1).

Box 1.1. **Commodity prices have rebounded**

Oil prices have rebounded but are unlikely to return to pre-crisis peak levels

While oil prices stand about 50% below their July 2008 peak they significantly rebounded in recent months, with the price of Brent having risen by 75% between December 2008 and mid-June 2009 (Figure below, upper panel). Falling oil supply was a major factor behind this development, with OPEC crude oil production in the first quarter 2009 having recorded the largest fall in 20 years. More recently, market sentiment that the slump in economic activity might bottom out soon and stronger Chinese crude oil imports, which increased by almost 40%, not seasonally adjusted, between February and March 2009, might also have played a role. While this may largely reflect restocking of strategic reserves at a period of relatively low crude oil prices, it also hints at some firming in Chinese economic activity in the near term.

Commodity prices have rebounded



1. Chinese imports in volume terms, not seasonally adjusted.

Source: OECD, Main Economic Indicators database; and Datastream.

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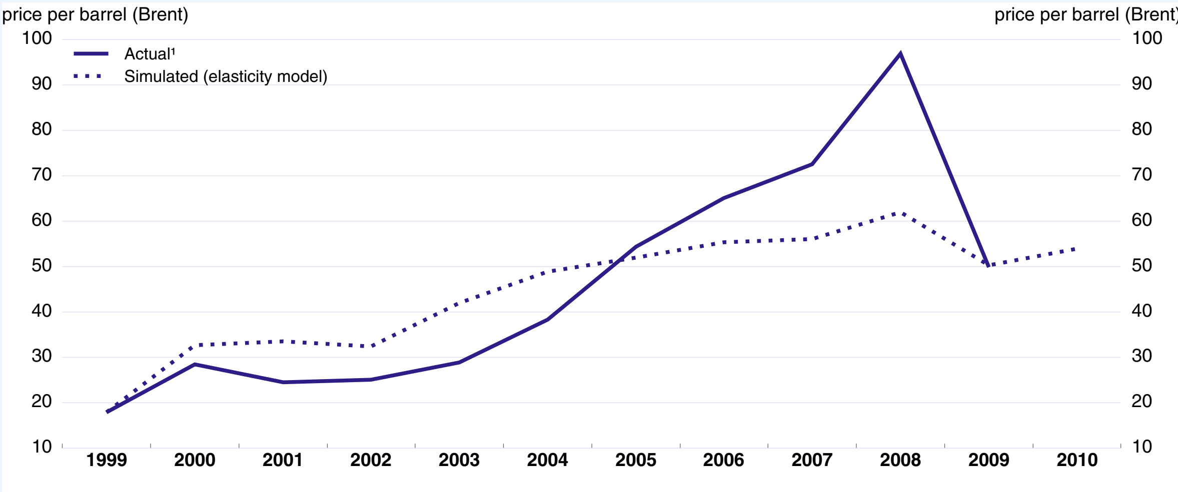
Box 1.1. **Commodity prices have rebounded** *(cont.)*

The projections presented here are based on the usual technical assumption that the Brent price stays close to its level before the cut-off date for information, in this case $65 per barrel. But there are also some substantive arguments backing this assumption. Thus, relatively high spare capacity and crude oil inventories as well as subdued oil demand on account of weak macro-economic activity will contribute to keeping oil prices significantly below the elevated levels witnessed in the recent past. Moreover, conditional on the economic growth projections in this *Economic Outlook*, a simple model of demand and supply for oil, calibrated with reasonable values for price and income elasticities, suggests a price of around $50 and $55 per barrel Brent for this year and next, respectively (Figure below).[1] However, with high oil price volatility and considerable uncertainty about supply and demand actual oil price developments are subject to a large degree of uncertainty. In particular, there is a considerable risk that rising oil demand outside the OECD area, notably from China, in combination with OPEC supply restraint could put further upward pressure on prices.[2] Indeed, the oil futures curve suggests further price increases over the next two years. However, the predictive power of oil futures for spot prices is notoriously low.

Oil price: Actual and simulated



2. The value for 2009 corresponds to the average between January and mid-June 2009.

Source: Datastream; and OECD calculations.

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Non-oil commodity prices have also increased

The downturn in world economic growth and more favourable seasonal conditions for agricultural production have also led to large falls in prices for minerals, ores and metals and for agricultural raw materials and food, respectively, from their peak levels in spring and summer 2008 (first Figure, lower panel). However, prices for all important industrial metals have bottomed out and most of them have posted strong gains over recent months. Again, this recovery is in part attributable to rising Chinese imports, which for some metals reached record levels in March. Food prices have rebounded as well, reflecting strong Chinese import demand for grains, weather concerns and planting delays. Prices for non-oil commodities are assumed to stabilise around current levels. However the risk distribution appears to be skewed to the upside.

1. These price simulations are subject to large uncertainties due to difficulties in estimating price and income elasticities, shifts in economic structures and lacking information about relevant variables such as capacity utilisation. For detail about the model, see Wurzel *et al.* (2009).
2. In addition, analysis by the International Energy Agency (IEA, 2008)) suggests that project delays will remain a major factor restraining oil supply in the medium term. More recent information suggests that project cancellations and slippage in upstream spending levels for 2009 appear to be increasing due to relatively low oil prices.

... but elsewhere as well

Aided by supportive macroeconomic policies, recoveries also appear to be underway in many other non-OECD countries. In India, the slowdown in growth bottomed out in the fourth quarter of 2008 and a pick-up was already evident earlier this year. In Brazil, the global recession resulted in a decline in output but there are signs of a recovery in the second quarter. In the Russian Federation, after collapsing earlier in the year, output has bounched back as confidence has been revived by back-up in oil prices. In Indonesia, growth rates seem to have turned up in the second quarter after declining in the previous two quarters. However, there are no signs as yet of recovery in a number of other non-OECD countries, including Estonia, Slovenia, and South Africa.

World trade is still contracting

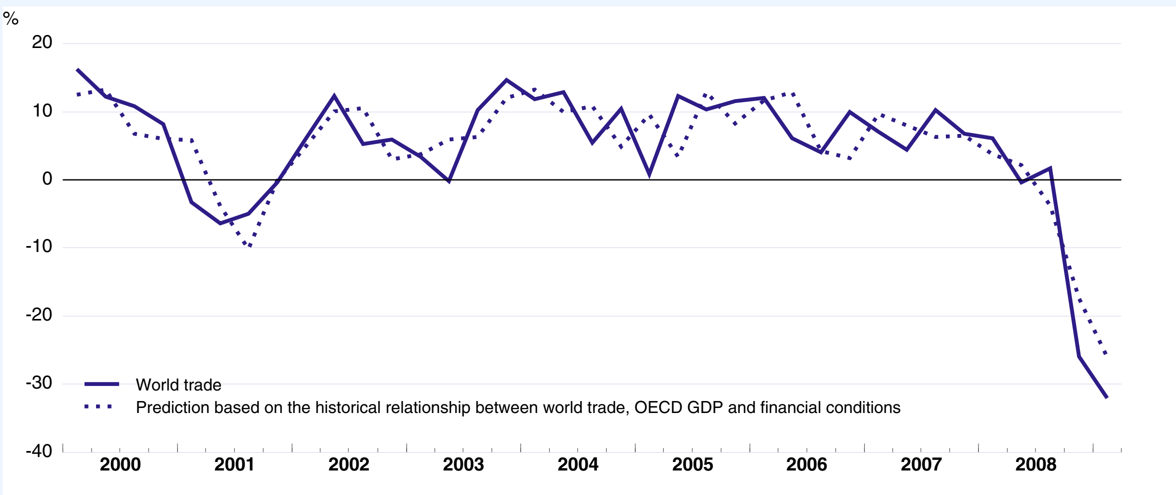
In line with growth developments in individual countries and regions, the fall in world trade seems to have moderated after the collapse in the fourth quarter of 2008 and first quarter of 2009. Nonetheless, OECD exports and imports have most likely been falling at double-digit rates in the second quarter, the decline being less pronounced for the non-OECD area. A feature of the downturn in trade is that it seems to have been directly affected by the tightening of financial conditions as they affected trade-intensive activities and limited the availability of trade credit (Box 1.2).

Box 1.2. **The role of financial conditions in driving trade**

The collapse in world trade observed in the last quarter of 2008 intensified in the first quarter of 2009, but the trough in growth rates has likely been reached; positive quarterly growth rates are expected by the end of 2009. The deep fall in world trade is partly linked to the nature of the recession: the sectors most affected (*i.e.* manufacturing and capital goods) account for a larger share of world trade than world output, in part due to vertical supply chains. In addition, the availability of trade finance is reported to have contracted sharply in late 2008. Indeed, introducing a proxy for global finance availability improves the fit of the OECD model of world trade over the recent past, accounting for close to a third of the fall in world trade in the fourth quarter of 2008 and first quarter of 2009. However, the collapse cannot be fully explained by the extended model (see Figure below).[1]

World trade growth has collapsed

Quarterly growth rates annualized



Source: OECD Economic Outlook 85 database.

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Box 1.2. **The role of financial conditions in driving trade** *(cont.)*

The trade projections in this *Economic Outlook* are in line with this global model, under the following assumptions: i) that the unexplained part of the trade contraction is a one-off shift in the trade level for which the main reasons still need to be identified, and ii) that credit conditions will remain at the levels observed in the second quarter of 2009 for the rest of the year and then improve gradually in 2010 to get back to their 1995-2008 average. In a scenario where credit conditions begin to improve already in the course of 2009 (see Box 1.4), world trade would be slightly less depressed in 2009 and then would pick up faster in 2010 (table below). This comes from two effects: first, GDP growth in the OECD is stronger (see Box 1.4);[2] second, there is a direct positive impact of the earlier improvement in financing conditions.

World trade growth in different scenarios

	2009	2010
Economic Outlook	-16.0%	2.1%
Model forecast (1)	-16.3%	2.5%
Model forecast with financial conditions improving faster (2)	-15.6%	4.9%
Difference in trade growth (2) - (1)	0.7%	2.5%
of which - due to higher GDP growth	0.2%	1.2%
- due to direct impact of financing conditions on trade	0.5%	1.2%

Note: The model is applied only after 2009Q1.
Source: OECD calculations.

StatLink http://dx.doi.org/10.1787/658475513452

1. The model is based on the historical relationship between world trade growth and OECD GDP growth. To account for the possibility that credit conditions may have a larger effect on trade flows when financial conditions are constrained, the proxy used is the product of US credit standards and the US high-yield spread. This amplifies the role of credit availability during times of tight financial conditions. Using this variable instead of the US credit standards alone or no proxy for trade finance at all reduces the forecast error over the recent past.
2. The assumption made here is that the impact of better financial condition on the OECD GDP level is a weighted average of the calculated impact for the United States, Japan and the euro area reported in Box 1.4.

Current-account imbalances have narrowed significantly during the crisis period, reflecting differential demand developments and terms-of-trade changes. Thus, the US deficit and the Japanese surplus have been more than halved, while the small euro area deficit has widened somewhat. The Chinese surplus has remained elevated, however.

Labour market conditions are rapidly deteriorating

Following the slump in activity, employment has declined sharply in almost all OECD countries. The rate of decline in employment during the first quarter was at a post-war high in the United States, the euro area and for the OECD as a whole; in the course of the second quarter, it has moderated significantly in the United States, continued at the same pace in the euro area but steepened sharply in Japan (Table 1.3). Unemployment has correspondingly increased sharply, with the area-wide unemployment rate exceeding 8% in the second quarter, greater than the high point experienced during the recession in the early 1980s. In the United States, the unemployment rate has already surpassed 9% in the second quarter, a level last experienced in the early 1980s. In the euro

Table 1.3. **Labour markets conditions are sharply deteriorating**

	2005	2006	2007	2008 q3	2008 q4	2009 q1	2009 q2
	Percentage change from previous period, seasonally adjusted at annual rates						
Employment							
United States	1.8	1.9	1.1	-1.9	-3.4	-6.7	-2.8
Japan	0.4	0.4	0.5	-2.0	0.4	-0.6	-4.4
Euro area	1.1	1.6	1.8	-0.4	-1.1	-3.6	-3.6
OECD	1.3	1.7	1.5	-0.6	-1.0	-4.2	-3.3
Labour force							
United States	1.3	1.4	1.1	1.0	0.0	-1.7	2.7
Japan	0.1	0.1	0.2	-1.9	0.2	1.4	-1.7
Euro area	1.1	0.9	0.9	0.3	0.8	0.3	-0.4
OECD	1.0	1.1	1.0	0.5	0.9	-0.1	0.5
Unemployment rate	Per cent of labour force						
United States	5.1	4.6	4.6	6.0	6.9	8.1	9.3
Japan	4.4	4.1	3.9	4.0	4.0	4.5	5.2
Euro area	8.8	8.2	7.4	7.5	7.9	8.8	9.6
OECD	6.6	6.0	5.6	6.0	6.4	7.4	8.3

For 2009 q1 and q2, partly estimates and projections.
Source: OECD Economic Outlook 85 database.

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area, unemployment hikes may have been delayed by temporary work-sharing schemes (see below) but the rate is approaching double digits and a decade-high. The rise in the unemployment rate is less dramatic in Japan. The weakening of the labour market in the OECD area has been accompanied by signs of moderating wage pressures.

Headline and core inflation are falling

Headline inflation has fallen sharply since mid-2008 mainly as a consequence of the collapse in commodity prices, to annual rates of around ½ per cent in the United States and euro area (Figure 1.7). The fall in commodity prices also has had some impact on measures of underlying inflation. Overall, it appears that some notion of "true" underlying inflation has declined, but not nearly to the same extent as headline inflation and in many countries it may still be in the 1½ to 2% range. Survey measures (from consumers and professional forecasters) of longer-term inflation expectations over the next five to ten years for most large OECD economies have held up during the period of disinflation and do not provide any evidence of expected deflation, but the risk of deflation should not be discounted (see Box 1.3). For Japan, both headline and core inflation (excluding food and energy) are below zero. Consumer prices are also falling in China.

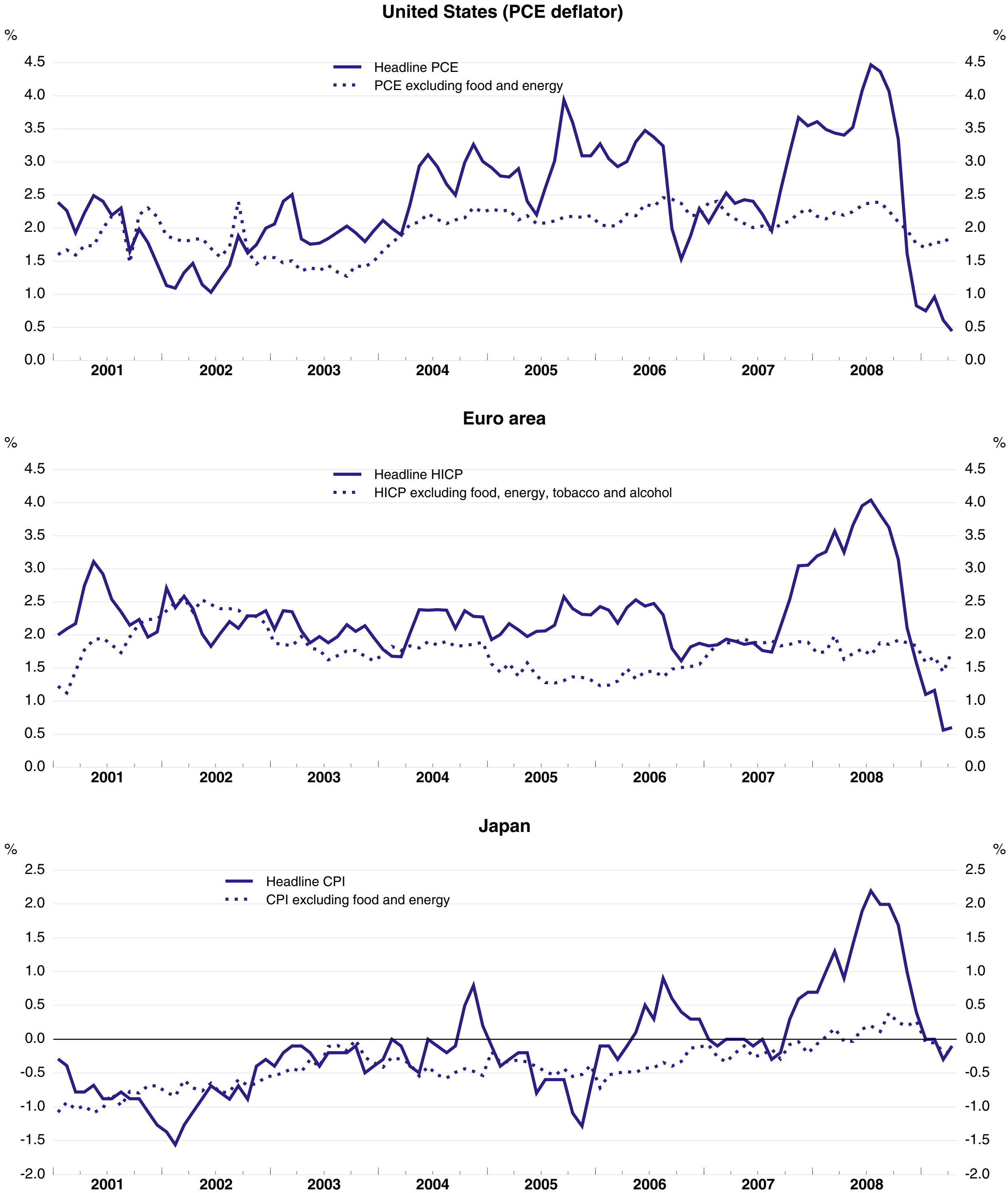
Financial markets remain tight in spite of recent improvements

The financial crisis has eased…

Financial conditions have eased in the course of the first half of 2009. An increase in risk appetite has led to a rally in stock prices and a compression in corporate bond spreads. Money market interest rates have

Figure 1.7. **Inflation is falling**

12-month percentage change



Note: PCE refers to personal consumption expenditures, HICP to harmonised index of consumer prices and CPI to consumer price index.

Source: OECD, Main Economic Indicators database.

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Box 1.3. **The risk of deflation**

Deflation is an on-going process of fall in the general price level, as measured by indicators, such as the consumer price inflation (CPI) or the core CPI. Periods of deflation, as distinct from short periods of declining prices triggered, for example, by falling oil prices, can have negative effects on macroeconomic performance but are rare among OECD economies in recent history, with the exception of Japan.

As nominal interest rates cannot be reduced below zero, deflation may make it harder for central banks to react to a downturn. Deflation may also result in excessively high real interest rates, raising the real burden of debt and so redistributing wealth from debtors to creditors. The rise in real debt burden (as well as possible losses in the value of collateral due to falling prices) may make it harder for households and companies to service debt and remain solvent, increasing the extent of any economic downturn. Also, to the extent debtors have a higher marginal propensity to consume out of wealth than creditors and there has been a redistribution of wealth to creditors, this would lower consumption. Deflation can also increase real wage costs, if workers are unwilling to accept nominal pay cuts. This may cause the shedding of labour, increasing any falls in employment and amplifying the downturn. More generally, to the extent there are downward price and wage rigidities, allocation of resources in the economy will be less efficient.

With the rate of price increases recently falling dramatically in many OECD countries in response to a fall in the level of commodity prices (until recently), the prospect of substantial economic slack over a long period has raised concerns about possible future sustained deflation. One useful framework for assessing the risk of deflation is the Phillips curve which characterises inflation as being driven by expected inflation adjusted for the amount of slack in the economy. If inflation expectations are "unanchored" (*i.e.* equal to past inflation rather than anchored to an inflation target, for example), deflationary spirals are possible as a severe recession can push inflation into negative territory. However, historical experience suggests that it is possible to have major recessions, with large and sustained negative output gaps, and yet not have deflation (*e.g.* Finland in the early 1990s – see Figure). There have also been other episodes of significant slack in the economy but where inflation has been fairly stable (*e.g.* Canada over much of the 1990s). Even when deflation has occurred during a period of extremely poor growth (*e.g.* in Japan over the recent past and the United States during the depression), a deflationary spiral did not develop.[1]

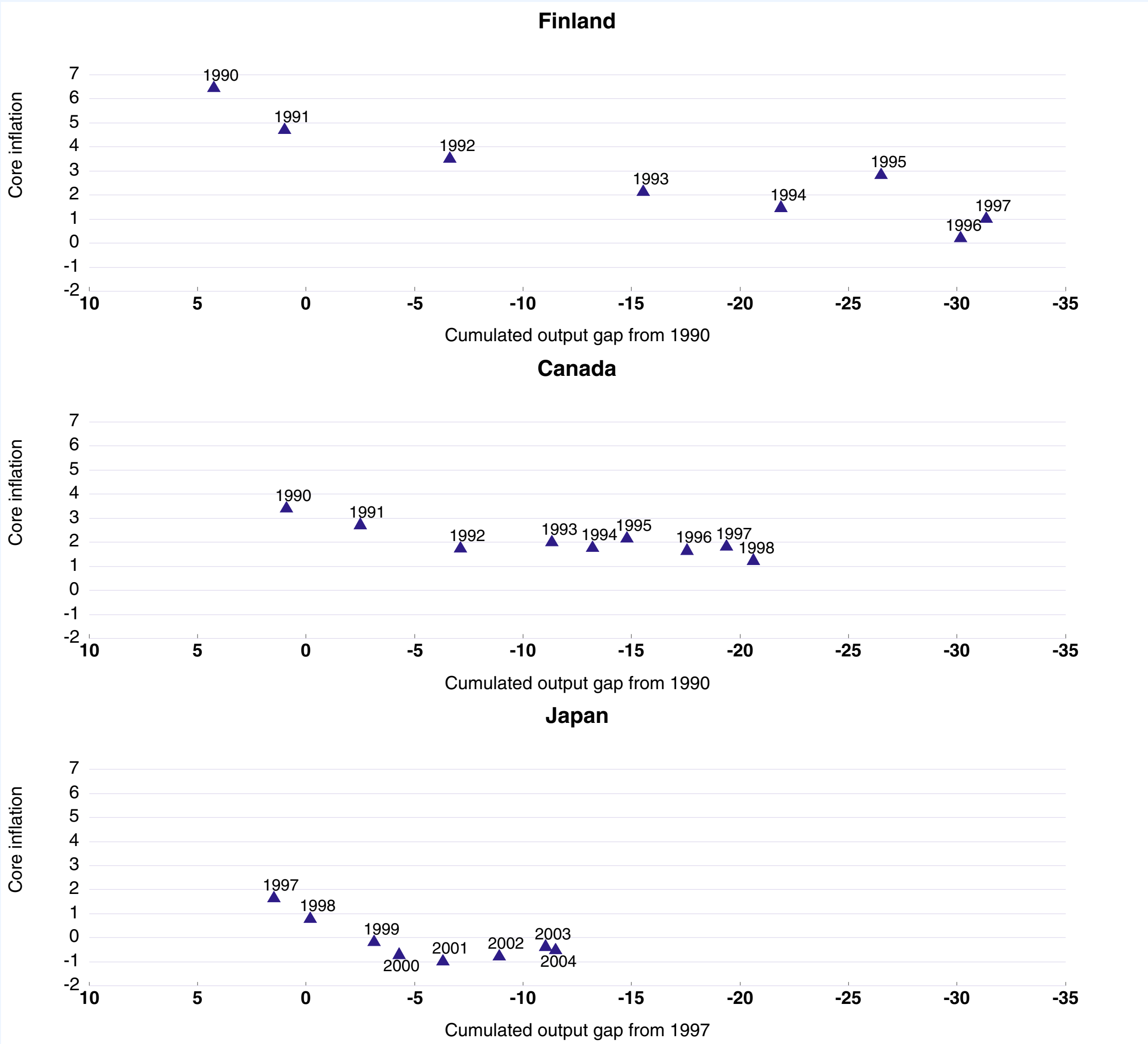
With spare capacity seeming to have a limited effect on inflation beyond some point, these experiences suggest that inflationary expectations remained well anchored (though factors like an exchange rate depreciation in Finland also played a role). Expectations are likely to have been well anchored in Canada and Finland as they had inflation targets during much of the 1990s and the presence of a gold standard at the onset of the depression in the United States is likely to have led to an expectation of inflation after a period of deflation. This suggests policy makers can avoid large and sustained periods of deflation by having a well communicated and credible commitment to low positive rates of inflation so that even in a severe recession it is expected that the authorities will take actions to achieve this target.[2]

There are a number of indications to suggest that inflation and inflation expectations remain well anchored in the current situation for most major countries and so deflation is unlikely. First, survey measures of long term inflation expectations have remained relatively stable in the United States and the euro area. For these economies and the United Kingdom, expectations are also still relatively high (at least 2%). Second, studies suggest that inflation is less responsive to slack than previously, a result which has been attributed to the forces of globalisation and may also reflect the greater credibility attached to central bank commitments to maintain stable inflation.[3]

In the current conjuncture Japan would appear to be the large country most clearly at risk, and a fall in prices is forecast over the projection horizon. However, recent Japanese experience suggests that nominal wage and price rigidities result in price movements being even less sensitive to slack when there is deflation or very low inflation (Mourougane and Ibaragi, 2004) and so even with falling prices in Japan over the next couple of years, a deflationary spiral is unlikely.

Box 1.3. **The risk of deflation** *(cont.)*

Core inflation during periods of economic slack



Note: Core inflation relates to consumer price inflation.

Source: OECD Economic Outlook 85 database.

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1. Yellen and Akerlof (2004) and Williams (2009) provide a more detailed account of the historical inflation experience of a number of countries undergoing downturns.
2. Other evidence also suggests that well anchored expectations can help mitigate the risk of deflation. Based on output gaps projected in this *Economic Outlook* and assuming an inflation target of 2% and an inflation output elasticity of 0.2 (see Table 3.1 of IMF, 2006), simple calculations predict underlying inflation would be 1% in the United States and ¾ per cent in the euro area in 2010 if expectations are perfectly anchored. With unanchored expectations, underlying inflation would be 0% in the United States and –½ per cent in the euro area.
3. See for example Pain *et al.* (2006) and Chapter 3 of IMF (2006).

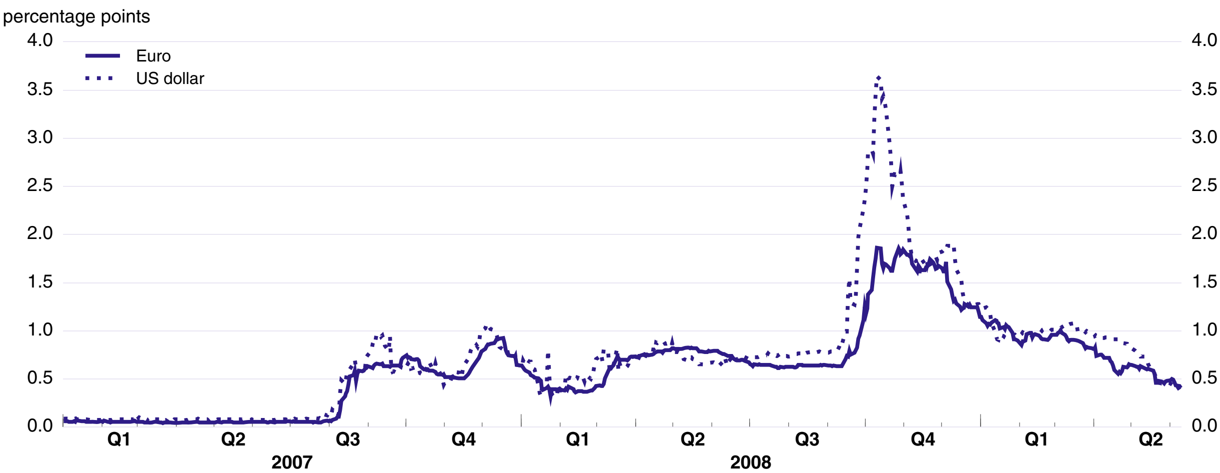
also fallen and securities markets have posted some signs of vitality. Nevertheless, confidence in the banking system remains depressed, and bank lending continued losing impetus in the course of the second quarter of 2009. It will take some more time for the unprecedented measures implemented so far to bear fruit and translate into a durable normalisation of financial markets.

... with many segments of financial markets improving markedly...

Money markets have shown signs of further normalisation in the course of the second quarter of 2009. Spreads between unsecured interbank and expected overnight rates have fallen substantially and are now lower than before the bankruptcy of Lehman Brothers (Figure 1.8). The earlier stress in commercial paper rates has also subsided considerably. And, credit spreads across various segments of the market generally seem to have eased to some extent. Outright purchase of assets by central banks appears to have had some effects on long-term interest rates as well. In the United States, mortgage rates have responded particularly strongly to the Federal Reserve's purchase of mortgage-backed securities, with mortgage refinancing activities increasing apace. Both in the United States and in the United Kingdom, long-term yields on government bonds fell immediately following the announcements from central banks. However, long-term interest rates have since then increased as the outlook for fiscal deficits deteriorated and extreme risk aversion abated. The fact that this increase in yields has been relatively modest even as expected public deficits soared is consistent with some dampening effect from central bank purchases.

Figure 1.8. **Money market conditions have improved significantly**

Three-month spreads, last observation: 9 June 2009



Note: Spread between three-month EURIBOR and EONIA swap index for euro area; spread between three-month LIBOR and overnight indexed swap for the United States.

Source: Datastream.

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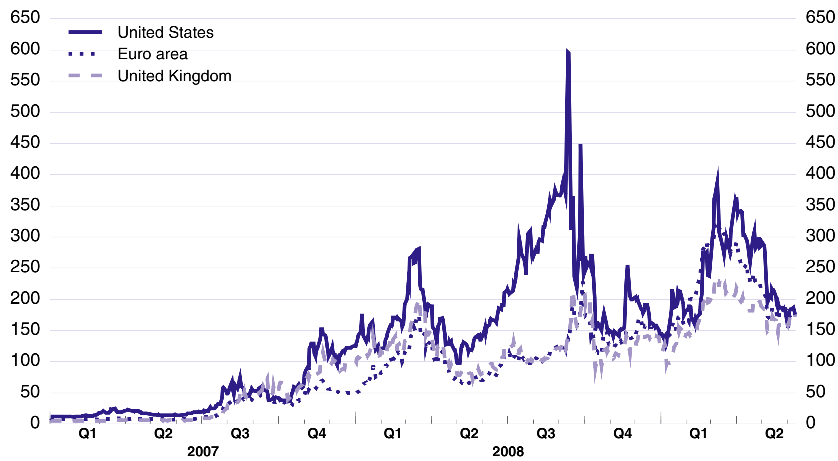
... even though concerns about banks remain...

Nevertheless, confidence in the health of the banking system remains fragile in spite of recent improvements, with the cost of insuring bank debt against default remaining high despite some recent easing (Figure 1.9). As an encouraging sign, concerns reflected in bank credit default swap rates have become less systemic and more institution-specific with the standard deviation among individual contracts underlying the US index rising from 50 basis points in January to above 120 basis points in May.

Figure 1.9. **Bank credit default swap rates are falling but remain high**

Basis points; last observation: 10 June 2009



Note: Bank credit default swap rates are the percentage (with 1 basis point equal to 0.01%) of a notional amount to be insured the buyer pays annually over the agreed length of the contract in order to protect the notional amount against default.

Source: Datastream.

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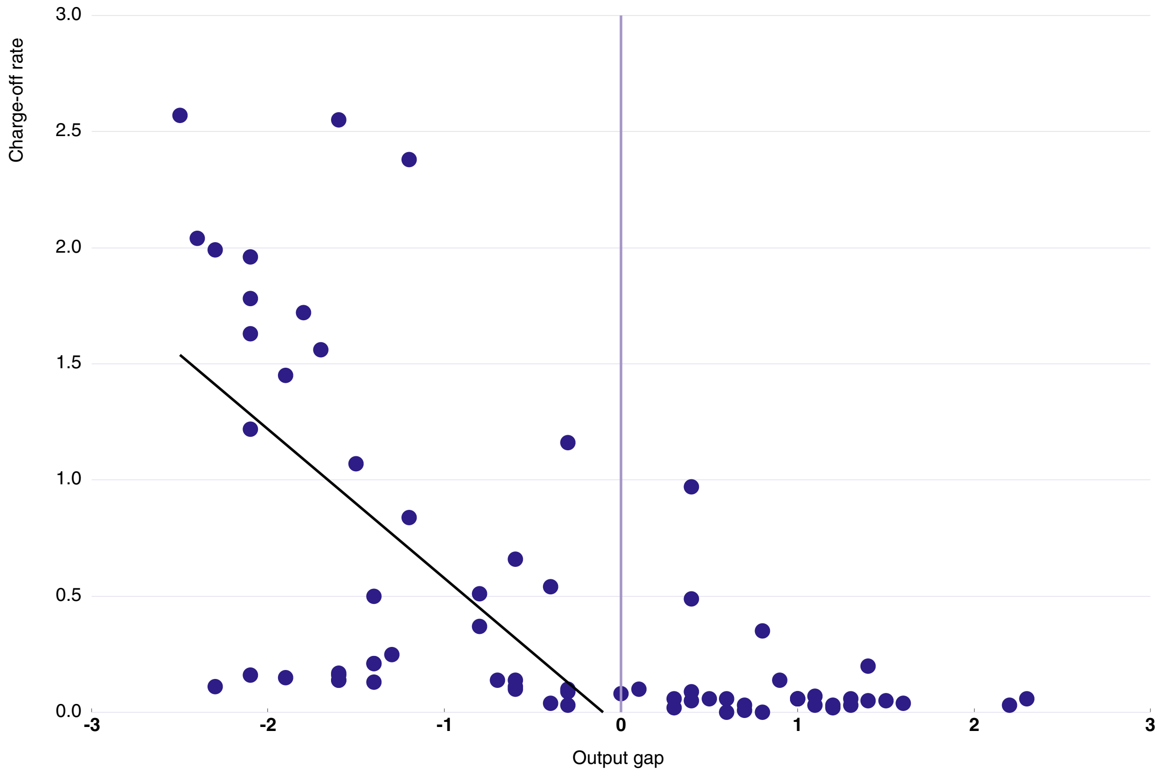
... and coming capitalisation needs are substantial

There are still substantial banking capitalisation needs going forward.[5] Capital injections in banks have helped compensating for losses and write-downs that have been realised so far.[6] But banks will still need to absorb accumulating credit losses, especially as a result of the economic downturn that is putting upward pressure on default rates across the various types of loans, in particular real estate. Indeed, commercial property loans might pose a clear risk of bank losses in the near term since bank charge-off rates on commercial mortgages in the United States have been strongly correlated with negative output gaps in the past (Figure 1.10).[7] Moreover, bank capital will also have to be raised to levels that help rebuild confidence in the sector and are consistent with

5. See the IMF (2009) for an estimation of potential write-downs in the United States, Europe and Japan.
6. Since mid-2007, the 70 largest banks globally have raised $835 billion in capital, which exceeds the near $800 billion in losses and write-downs over the same period.
7. If charge-off rates increased in line with past correlations, they would rise from 3.2% in 2009 to 3.6% in 2010. Such developments would entail $120 billion in additional charge-offs for commercial banks in addition to what has already been recognised.

Figure 1.10. **Charge-off rates on commercial mortgages rise with growing economic slack**

Quarterly observations, 1991-2008, per cent



Note: Regression line is calculated only for observations with a negative output gap.

Source: Datastream and OECD.

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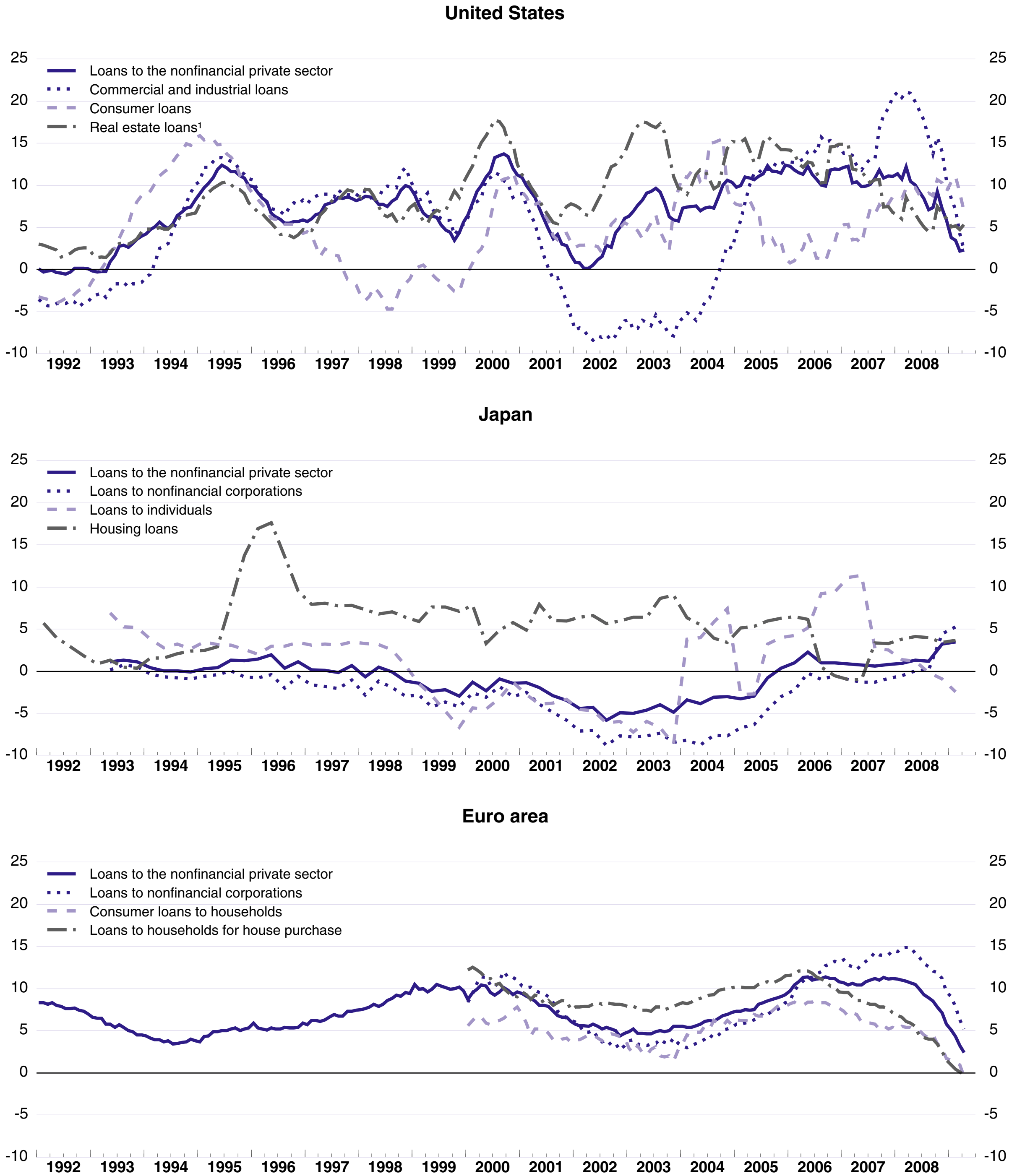
emerging regulatory changes. However, ongoing spreads between relatively elevated lending rates and near zero short-term rates translate into large operating surpluses which will be a strong source of additional capital for banks in 2009-10. Furthermore, where it is planned, and possibly also when it is not currently planned, the conversion of government preferred shares and other quasi-debt instruments into common equity will contribute to repairing the core capital position of banks (albeit at the cost of diluting existing shareholders).

Bank lending keeps weakening...

Bank lending has continued to lose steam up to the second quarter of this year. Indeed, credit to the private sector has weakened further across all segments of borrowers in the United States and the euro area, including consumer loans in the United States, a category that had been very resilient until very recently (Figure 1.11). In Japan, loans to nonfinancial corporations have trended up recently as firms started relying more heavily on previously committed credit lines and the Bank of Japan implemented a programme to provide liquidity to banks against the collateral of corporate debt at the current policy rate. Monthly information shows that loan growth have turned negative in both the United States and the euro area (Figure 1.12). Credit is likely to remain subdued until

Figure 1.11. **Bank lending is slowing down**

Year-on-year growth rate



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

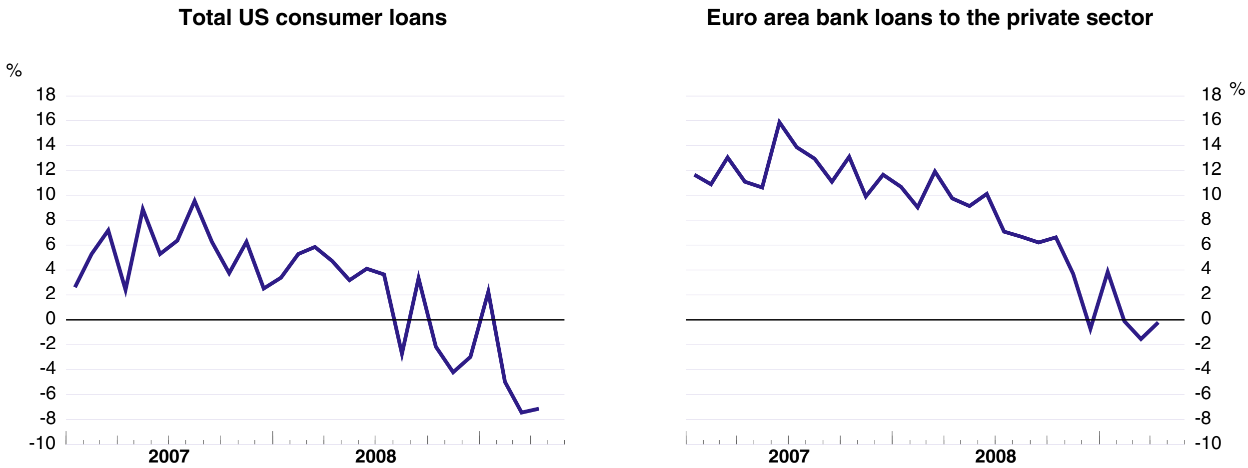
1. The definition of real estate loans for the United States is broader than housing loans as it includes also loans related to commercial real estate. Moreover, both for the United States and for Japan real estate/housing loans can include also loans to the corporate sector.

Source: Datastream.

StatLink http://dx.doi.org/10.1787/656451542047

Figure 1.12. **Credit is contracting**

Annualised monthly rate of change of seasonally adjusted stocks, per cent



Note: Euro area data are adjusted for the impact of securitisation.

Source: Datastream and ECB.

StatLink http://dx.doi.org/10.1787/656454465561

economic activity starts gathering momentum, house prices reach a bottom, and bank lending standards become less constraining.[8]

... but long-term capital market funding has increased

Long-term securities markets have shown positive signs since the start of the year, especially in countries where aggressive policy measures have been taken. Market-based credit is beginning to flow again to non-financial firms in the United States, where since the trough in September 2008, bond issuance by non-financial US corporations increased threefold to reach in March 2009 a monthly level equal to almost twice its ten-year average. Similarly, UK non-financial corporate bond issuance nearly tripled between the last quarter of 2008 and the first quarter of 2009 to a quarterly level more than twice as large as its five-year average.[9] In the case of the euro area, the annual growth rate of outstanding debt securities accelerated at the beginning of the year both for financial and nonfinancial corporations. Short-term debt markets have been less dynamic with the amounts of commercial paper contracting in the United States in the first half of 2009. In the euro area, the total amount of short-term debt instruments rose markedly in the first few months of the year but has been stable since then. The relative sluggishness of short-term debt markets can be interpreted at least partly as a correction of the shift towards short-term funding that had

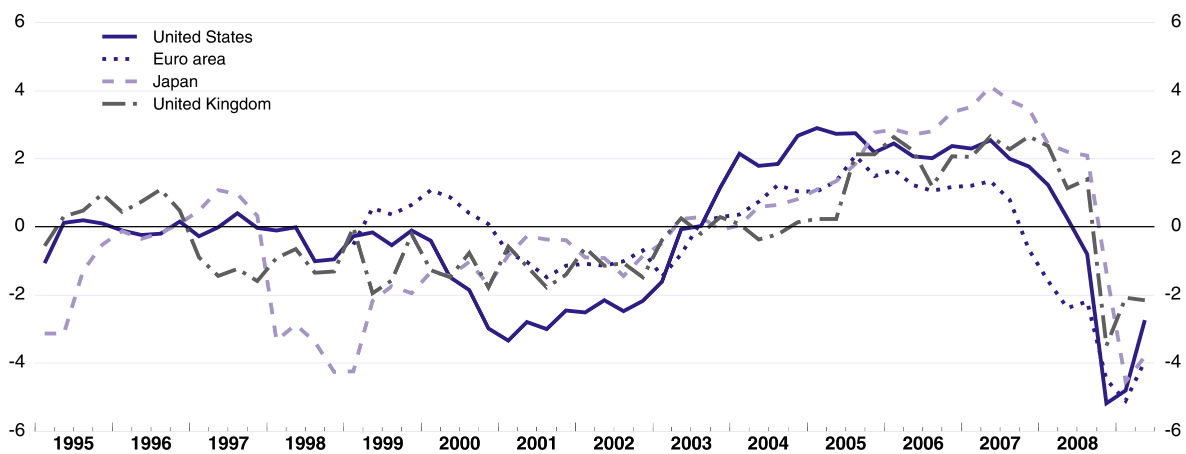
8. Evidence for the euro area indicates that the share of banks tightening lending standards decreased in the first quarter of 2009 for both enterprises and households. In the case of the United States, the share of banks tightening lending policies also edged down for almost all credit types during the first quarter of this year, the exception being residential mortgages. In Japan, credit conditions have remained broadly stable, with a slight improvement for medium-sized firms.
9. These ratios have been calculated after adjusting Federal Reserve and Bank of England statistics for seasonality.

occurred at the peak of the crisis in the fourth quarter of 2008 when issuing long-term bonds was very difficult.

Financial conditions have eased or stabilised but remain very tight…

All in all, financial conditions have improved somewhat or stabilised in the key OECD areas. As gauged by the OECD indicator of financial conditions that is designed to capture the impact of a range of financial and asset price influences on economic activity, conditions have improved the most in the United States (Figure 1.13).[10] In the euro area, after having deteriorated in the first quarter of this year, financial conditions posted the first significant increase in April. Less restrictive bank credit conditions and lower corporate bond spreads have positively contributed to this outcome. In Japan, a slight increase in household equity wealth has resulted in a negligible improvement in financial conditions, while in the United Kingdom, after the improvement in the first quarter, conditions stabilised as the appreciation of the currency offset the improvements in credit conditions and lower interest rate spreads. Overall financial conditions for main countries in the OECD area are now ahead of the assumptions underlying the *OECD Interim Economic Outlook* from March 2009. Even so, conditions remain tight and the tightening in financial conditions during 2008 will continue to act as a drag on economic activity in the course of 2009 and into 2010 since there is a lag of four to six quarters before the full effect of changes is felt on GDP and because the most severe tightening occurred in the third quarter

Figure 1.13. **Financial conditions have turned up**



Note: A unit decline in the index implies a tightening in financial conditions sufficient to produce an average reduction in the level of GDP by ½ to 1% after four-six quarters. See details in Guichard *et al.*(2009).

Source: Datastream; and OECD calculations.

StatLink http://dx.doi.org/10.1787/656466875388

10. The index captures the impact of corporate bond spreads, bank lending standards, house prices, equity prices, policy interest rates, government bond yields and exchange rates.

of 2008.[11] Going forward, the assumed stabilisation of financial conditions in 2009 and their gradual normalisation in 2010 will contribute positively to economic activity in the second half of 2009 and through 2010 (Box 1.4).

... and pressures on emerging markets have abated though they are still high

Pressures on emerging market bonds and currencies have eased recently as increases in risk appetite and support from international organisations have led to a significant reduction in spreads. Although remaining high compared with the 2005 to mid-2007 period, the spreads are below the highs observed in previous crisis episodes (Figure 1.14). Similarly, emerging market currencies have bounced back since March, reversing part of the depreciation they suffered as a result of the intensification of the crisis. An exception is the Latvian currency board

Box 1.4. **The impact of financial conditions on economic activity**

This box presents the results for economic activity of different assumptions regarding financial market conditions. The OECD financial conditions indicator (FCI) summarises the effects of a wide range of financial variables and asset prices on economic activity, including corporate bond spreads, bank lending standards, housing and financial wealth, policy interest rates, government bond yields and exchange rates. An advantage of the indicator is that it provides a measure of the net effect of these often opposing influences on overall financial conditions. Changes in the FCIs can be used to compare the impact of financial conditions on future GDP growth across countries.[1] Moreover, estimated relationships between FCIs and activity can be used to illustrate the effect of different assumptions concerning financial conditions. Indeed, based on such estimated relationships the effects on activity of three different sets of assumptions concerning financial conditions can be quantified.

More specifically, under the baseline scenario, interest rates follow the path assumed in this *Economic Outlook* (see Box 1.5) and exchange rates and wealth are assumed constant.[2] Credit conditions and spreads also stabilise at the latest observed (mid-June) level throughout 2009 and then improve linearly to reach a zero influence on growth late in 2010. The impact on activity of the financial conditions in the baseline scenario can then be compared with the impact on activity that would arise from the assumptions made in the March 2009 *OECD Interim Economic Outlook* in which credit conditions, spreads and wealth were maintained at their first quarter value through the rest of 2009. The improvement in financial conditions since the March *Interim Economic Outlook* imply a positive ¾ percentage point contribution to annual growth in both 2009 and 2010 in the United States (⅓ percentage point in both years in the euro area, and ⅓ and ¾ percentage point in Japan in 2009 and 2010, respectively).

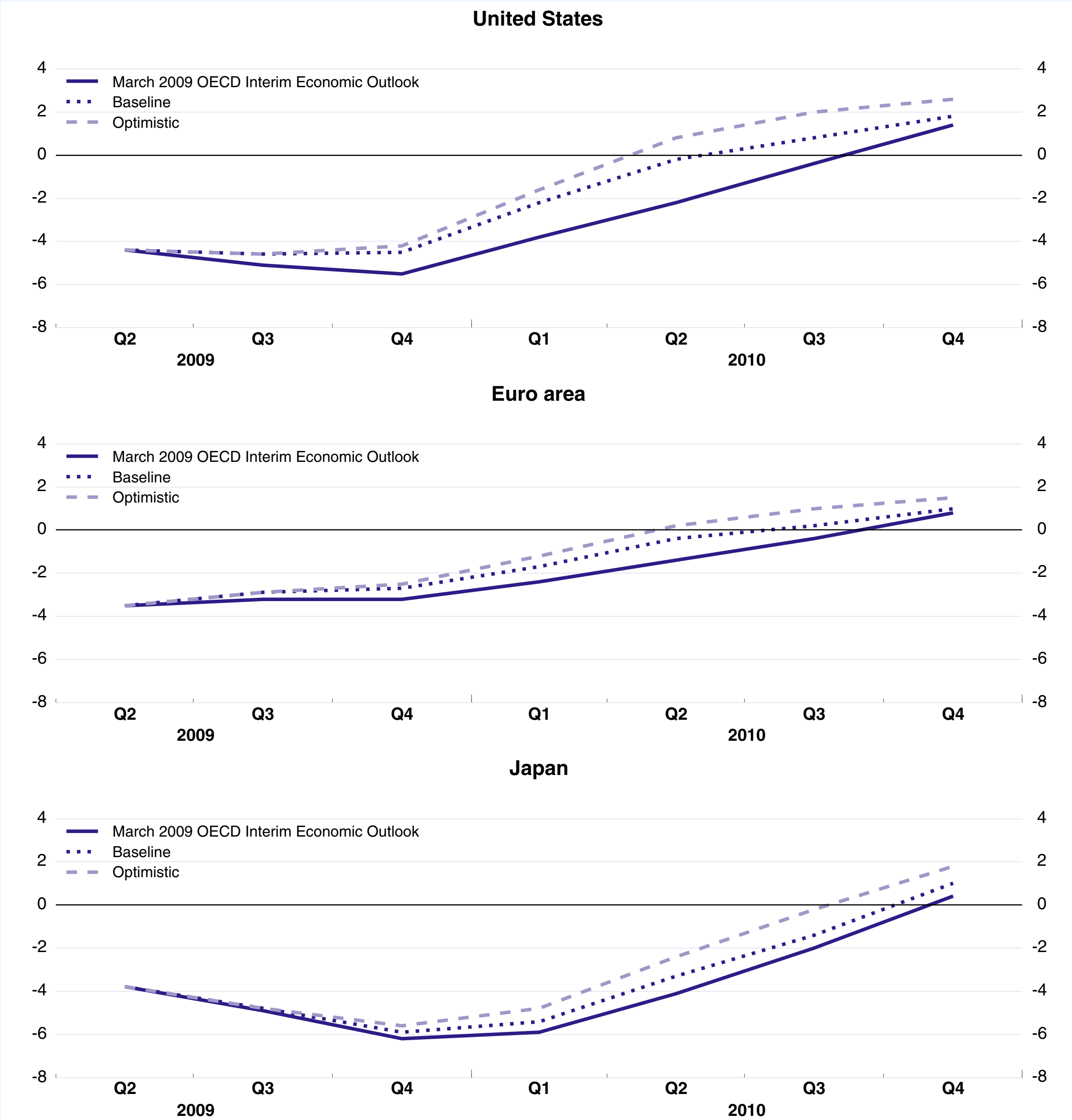
An upside risk to the projection is that financial conditions improve faster than assumed under the baseline case. In a more optimistic scenario credit conditions and spreads improve already in 2009, prolonging the increase observed through the second quarter until the end of 2009 at the same rate and then converging linearly to zero towards the end of 2010. For Japan, as there has been almost no improvement since the start of the year, credit conditions and spreads are assumed to improve linearly from the latest observation in the second quarter of 2009 reaching a zero level at the end of 2010. The remaining components of the index maintain the levels assumed in the baseline scenario. This more optimistic scenario would boost annual growth by around ¼ percentage point in 2009 and ¾ percentage point in 2010 in both the United States and Japan, compared to the baseline case (Figure). Growth would be raised by ¼ and ½ percentage points in the euro area in 2009 and 2010, respectively.

11. For further explanation of how changes in the FCIs translate into effects on the GDP growth rate, see Guichard *et al.* (2009).

Box 1.4. **The impact of financial conditions on economic activity** *(cont.)*

Impact of financial conditions on economic growth

Year-on-year growth rates, in %



Note: The figures show the impact of different assumptions on financial conditions on economic growth. Other factors can have an impact on economic activity, making the final outturn for GDP growth differ from that presented here, even if financial conditions remain at the levels assumed in the simulations.

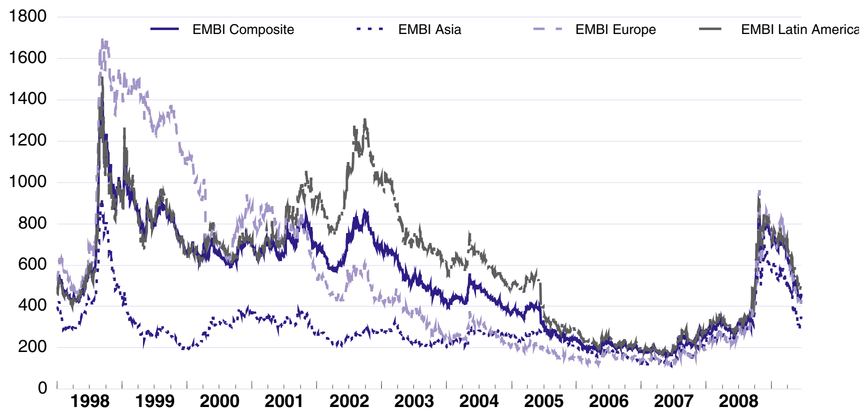
Source: OECD Economic Outlook 85 database; Datastream; and OECD calculations.

StatLink http://dx.doi.org/10.1787/656706703512

1. See Guichard *et al.* (2009).
2. Holding wealth constant is not fully consistent with the short-term projections as they incorporate changes in house prices.

Figure 1.14. **Emerging market bond spreads have eased**

Basis points; last observation: 10 June 2009



1. Spreads show yield difference in basis points over US Treasury bonds.

Source: JP Morgan.

StatLink http://dx.doi.org/10.1787/656475868373

arrangement which remains under some pressure but so far contagion effects for other currencies have been manageable.

Growth prospects

The recession will bottom out in late 2009 followed by a mild recovery

The recession in the OECD area is projected to bottom out in the second half of 2009, making it the longest and deepest for the area for decades (Figures 1.15 and 1.16). A slow recovery in activity is projected to start towards the end of 2009, with stimulatory policy settings (Box 1.5) together with a gradual normalisation of financial conditions and a pick-up in growth in the non-OECD area helping support consumption and investment growth which will gradually gather strength in 2010. Large rises in unemployment to 10% in the United States and more than 12% in the euro area (Figure 1.17) will imply significant slack, notwithstanding likely increases in structural unemployment rates due to the labour shake-out (see Chapter 4). The large slack will reduce inflation to very low levels this year and next (Figure 1.18).

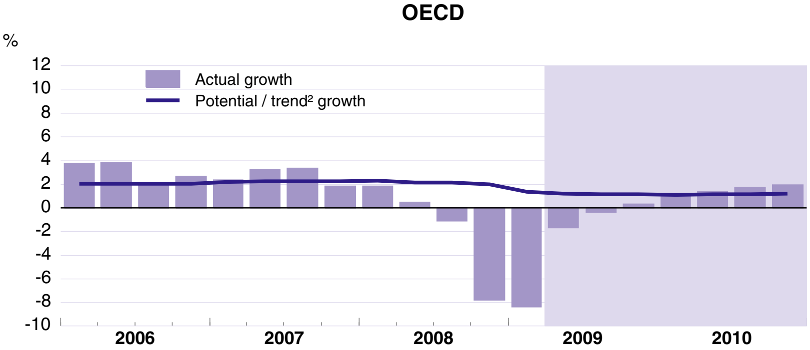
The recovery will be driven by policy in...

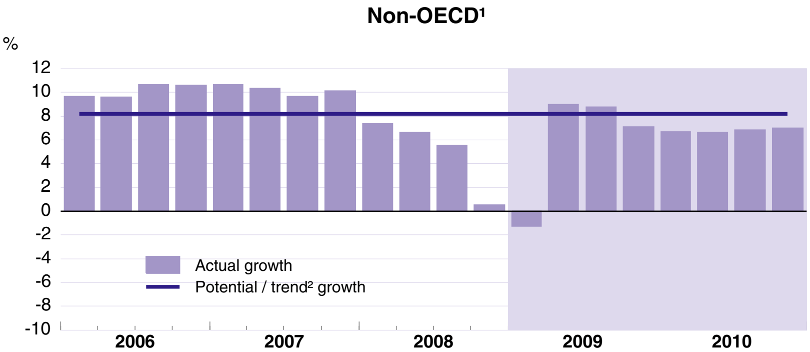
The salient features of the economic outlook for the major OECD economies are:

... the United States...

- US activity is expected to stabilise during the second half of this year, with policy stimulus helping to support the economy. As financial conditions improve in 2010, business and residential investment will strengthen. However, growth is projected to be very moderate, as a weak labour market and declines in equity and housing wealth weigh on consumer spending. Even so, with potential growth reduced by the slowdown in capital accumulation, the recovery should be sufficient to stabilise unemployment.

Figure 1.15. **The recovery in the non-OECD will be faster**





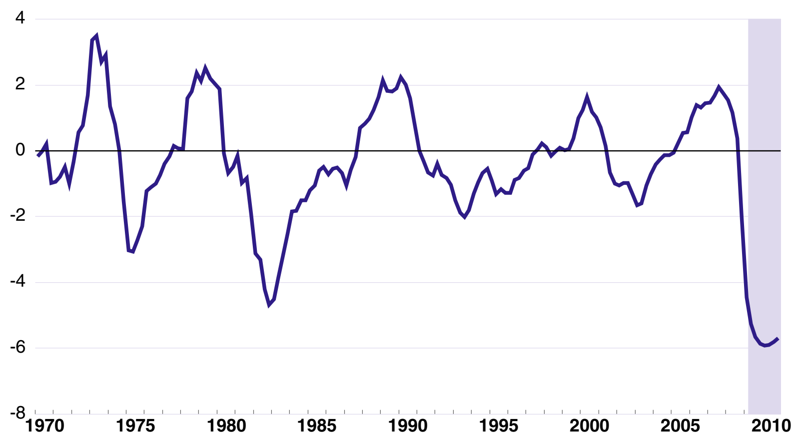
1. The non-OECD region is taken here to be a weighted average, using 2005 GDP weights and PPPs, of Brazil, China, India and the Russian Federation which together accounted for more than half of non-OECD output in 2005.
2. Trend growth for the non-OECD is the average over the period 2000-07.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/656508552316

Figure 1.16. **The OECD output gap will be the largest in four decades**

In percentage of potential output



Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/656510275068

Box 1.5. **Policy and other assumptions underlying the projections**

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

- For the United States, the American Recovery and Reinvestment Act of 2009 is estimated to add more than 2% of GDP to the federal government deficit over this year and next. It is also assumed that some Alternative Minimum Tax relief will be extended in 2010. In these projections the funds disbursed under the Housing and Economic Recovery Act and the Troubled Asset Relief Program (TARP) have some impact on the government financial balance. As the federal government purchased assets at prices that were higher than what would have been available in the private market, some of the purchases have been recorded as capital transfers following the methodology adopted by the BEA and the US Treasury.
- For Japan, the projections include the supplementary budgets in 2008 and 2009, the Fiscal Year (FY) 2009 budget plan and the medium-term fiscal reform plan. The pension contribution rate will continue to rise each year under the FY 2004 reform.
- For Germany, the two fiscal stimulus packages as well as additional measures, such as the lowering of unemployment insurance contributions, an increase in child benefits and allowances, a scheduled increase in the tax deductibility of health and long-term care contributions and the re-introduction of tax allowances for commuters have been built into the projections. For France, the combination of the economic stimulus package, subsequent measures (*e.g.* to boost youth employment and lower the VAT rate on restaurant meals), and the loss of exceptionally buoyant tax revenues associated with falling asset prices is assumed to induce a widening of the cyclically-adjusted general government deficit of around 1 percentage point of GDP between 2008 and 2010. For Italy, the projections incorporate the government's plans of a broadly unchanged structural deficit after some underlying fiscal tightening through reductions in current expenditure in 2009.

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

- In the United States, the target federal funds rate is assumed to remain constant at ¼ per cent until the end of 2010 as inflation falls and there is substantial slack in the economy.
- In the euro area, policy rates are assumed to be set to bring the overnight rate close to zero by the third quarter, amid a severe economic downturn. They will remain at this level until the end of 2010.
- In Japan, the short-term policy interest rate is assumed to remain at 10 basis points until the end of 2010 as the economy is likely to remain in deflation.

Unconventional monetary policy measures are generally assumed to remain at current or announced levels.

Financial market conditions are assumed to remain at their current level until the end of this year and then gradually normalise over 2010, with the spread of three-month interbank rates over policy rates as well as corporate bond spreads declining and bank lending standards normalising.

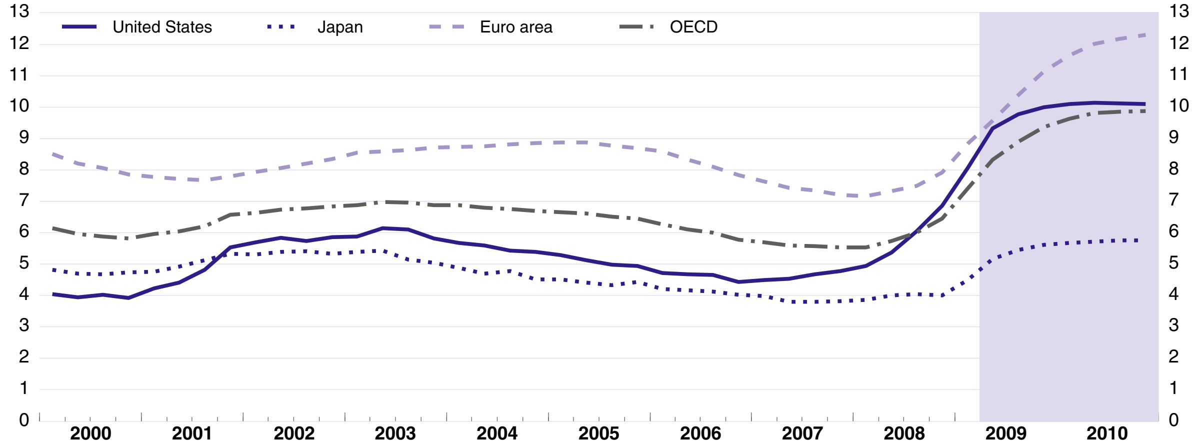
The projections assume generally unchanged exchange rates from those prevailing on 3 June 2009, at $1 equals to ¥ 95.78, € 0.71 (or equivalently, € 1 equals $1.42) and CNY 6.83.

Over the projection period the price for a barrel of Brent crude is assumed to be at a level close to $65. Non-oil commodity prices are assumed to stabilise around current levels.

The cut-off date for information used in the projections is 11 June 2009. Details of assumptions for individual countries are provided in Chapter 2, "Developments in individual OECD countries", and Chapter 3, "Developments in selected non-member economies".

Figure 1.17. **Unemployment will rise substantially**

In percentage of labour force



Source: OECD Economic Outlook 85 database.

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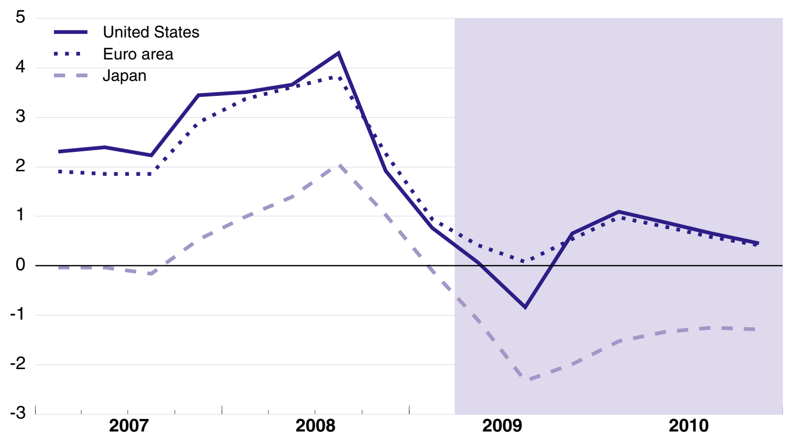
Figure 1.18. **Inflation will fall to very low levels**

Year-on-year growth rate, %



Note: Personal consumption expenditures deflator for the United States; Harmonised index of consumer prices for euro area; Consumer price index for Japan.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/656525174571

... Japan...

- Japanese output may start to grow in the second half of the year, primarily due to strong fiscal stimulus. In the short term, the external sector is unlikely to contribute to growth due to the weakness of trading partner growth and the high level of the yen. A resumption of moderate export growth in late-2009 should reverse the contraction in business investment and support a modest increase in consumption in 2010. Residential investment should recover towards the end of 2009. However GDP growth will be low, at around ¾ per cent in 2010. With unemployment expected to rise significantly, deflation is projected to persist.

… and the euro area where stronger external demand will also be important

- Activity in the euro area will continue to contract over the rest of 2009, with private investment and consumption continuing to fall amidst rising unemployment, tight financial conditions and on-going housing market corrections in some countries. However the pace of decline will be more moderate, as strong government demand will provide some support to activity. In 2010, strengthening growth in world trade will help support a turnaround in exports, and policy support and an easing of financial conditions will help boost business investment. The decline in residential investment will most likely be arrested in the course of 2010, when also the slide in property prices may cease in many euro area countries. However the recovery in the area will be relatively sluggish with consumption being muted due to negative wealth effects and rising unemployment, which is likely to raise structural unemployment and hence lower potential growth rates.

World trade and non-OECD activity growth will recover…

After the extreme contraction in world trade over the past few quarters, trade will gradually stabilise and then slowly pick up from around the end of this year (Table 1.4). The turnaround is supported by a pronounced and relatively quick recovery in growth outside the OECD area. The Chinese economy is already recovering from the slowdown of late last year (see above), with growth expected to rise to roughly 9¼ per cent in 2010. Indian activity will progressively gain greater momentum. Activity in Brazil is expected to strengthen in the second half of this year as domestic demand firms due to improving credit conditions and fiscal stimulus. After the rebound from the slump at the start of the year, Russian activity is projected to grow at moderate rates, supported by the rebound in commodity prices and policy stimulus.

… and imbalances remain smaller than previously

While some aspects of the crisis have aided the adjustment of global imbalances, with private saving increasing in the United States and lower oil prices reducing imbalances between oil importers and exporters, other developments, notably the deterioration in US public finances, have worked against rebalancing. Imbalances are not expected to narrow further by the end of 2010, when the US current account deficit will stand at about 2½ per cent of GDP. While there may be a fall in the Chinese current account surplus, it will remain large, and the Japanese current account surplus may increase to 2¼ per cent of GDP.

Risks are on both sides

The risks remain substantial but have become more balanced in recent months. Large fiscal and monetary policy stimulus, together with progress in dealing with problems in the financial sector, have lessened the likelihood of extremely negative outcomes. Financial market developments also suggest that there are some upside risks to the projections. Activity could recover more rapidly than projected if financial conditions improve more swiftly than assumed (see Box 1.4) or if policy

Table 1.4. **World trade will recover and imbalances remain lower than before**

	2006	2007	2008	2009	2010
Goods and services trade volume	Percentage change from previous period				
World trade[1]	9.5	7.1	2.5	-16.0	2.1
of which: OECD	8.3	5.3	1.2	-15.6	1.0
NAFTA	6.9	4.6	0.4	-15.3	1.5
OECD Asia-Pacific	7.9	7.6	3.2	-17.7	4.9
OECD Europe	9.0	5.1	1.2	-15.2	0.0
Non-OECD Asia	14.2	10.6	3.9	-16.4	5.9
Other non-OECD	9.3	11.1	6.7	-17.6	2.2
OECD exports	8.7	6.0	2.0	-16.5	1.0
OECD imports	7.9	4.6	0.5	-14.6	1.0
Trade prices[2]					
OECD exports	3.7	8.4	9.1	-8.6	2.5
OECD imports	4.8	7.9	10.8	-11.5	2.6
Non-OECD exports	8.0	8.3	14.2	-13.0	2.7
Non-OECD imports	4.0	7.7	12.6	-9.4	2.4
Current account balances	Per cent of GDP				
United States	-6.0	-5.3	-4.7	-2.3	-2.4
Japan	3.9	4.9	3.2	1.4	1.9
Euro area	0.6	0.5	-0.4	-1.1	-1.0
OECD	-1.5	-1.3	-1.4	-0.9	-0.9
	$ billion				
United States	-788	-731	-673	-318	-343
Japan	172	213	157	69	94
Euro area	59	55	-58	-132	-128
OECD	-574	-522	-602	-366	-378
China	250	372	426	450	398
Dynamic Asia[3]	122	165	136	182	207
Other Asia	-7	-9	-3	54	43
Latin America	49	22	-8	-36	-39
Africa and Middle East	276	245	240	-180	-79
Central and Eastern Europe	62	18	65	79	80
Non-OECD	752	813	857	548	610
World	178	291	255	182	232

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 85 database.

StatLink http://dx.doi.org/10.1787/658552631854

stimulus provides a bigger boost to demand than anticipated. In addition, a general reduction in uncertainty may, to a greater extent than expected, induce households and businesses to bring forward spending that was postponed in a more uncertain environment. However, significant downward risks remain. There could be an intensification of problems in the financial sector, for example associated with the weakness seen in the commercial property sector or resulting from a surge in default rates as the recession continues. Other negative risks include higher-than-assumed oil and non-oil commodity prices and the possibility that the pandemic influenza A (the "swine flu") has serious adverse consequences for growth beyond Mexico, where it has already proved to be costly.

Policy requirements

Economic policies need to support demand and limit cuts in productive potential

The depth of the recession and dysfunctional financial markets have overwhelmed the capacity of traditional counter-cyclical macroeconomic policy to inject a sufficient stimulus. Thus, after exhausting the scope to reduce interest rates, many countries have used discretionary fiscal policy and non-conventional monetary policy to stimulate aggregate demand. They have also sought to ease financial market conditions by addressing problems in the banking system. Given the very high degree of slack expected in coming years, policy stances will need to be as supportive of aggregate demand as feasible. At the same time, structural policies need to limit the extent to which cyclical increases in unemployment translate into higher structural unemployment rates and hence undermine the productive capacity of the economy with implications for fiscal and monetary policies.

Financial market policies

More is needed to stabilise financial markets

Stabilising the banking system is a priority so that banks can resume their normal lending activity. Substantial efforts to support financial institutions have been deployed so far by countries within and outside the OECD area, including bank recapitalisation using public funds, deposit guarantee extensions, debt guarantees and the provision of credit and liquidity to the financial system (Table 1.5). Going forward, policy initiatives have to ensure a steadfast cleansing of financial institutions' balance sheets coupled with the provision of sufficient capital to viable banks, when it is not available from the market.

Dealing with problem assets can unlock bank lending…

Dealing with banks' troubled assets is important to remove uncertainty surrounding banks' balance sheets that compromises their ability and willingness to lend and to attract additional capital, and exacerbates the negative feedback loop between economic activity and financial fragility. Steps have already been announced and in some cases implemented by a few governments across the OECD to remove or contain the risk of problem assets on financial institutions (Box 1.6).

… and may involve ring-fencing…

Two main approaches have been implemented by OECD governments so far. The United Kingdom has implemented a ring-fencing strategy, which has also been used by the United States in a few cases, which essentially provides a public guarantee to cover a share of the potential losses associated with a pre-specified pool of assets for a given institution. Under such a scheme, after banks have absorbed a lump sum amount, the government absorbs most of the remaining losses. An advantage of ring-fencing is that it does not require an upfront disbursement of public money, but it can prove highly costly over time in the event these losses materialise. This is because under the current design the thresholds above which governments start facing losses is relatively low. However, by limiting losses for banks, this approach may reduce the need for public capital injections in the future.

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

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

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

1. Capital has already been injected in banks, or funds have been allocated for future capital injections.
2. Nationalisation is defined as the government taking control of a substantial share of banking activities (defined in a broad sense). The cell for the United States is marked to acknowledge the actions taken by the authorities to take control of Fannie Mae and Freddie Mac and unwind Washington Mutual.

Source: OECD.

StatLink http://dx.doi.org/10.1787/658574657433

... or removing bad assets from banks' balance sheets

A number of countries (Germany, Ireland, Korea, Switzerland and the United States) have chosen an approach which consists of buying problem assets and parking them in asset management companies. While in most cases removing uncertainties surrounding the value of these assets from banks' balance sheets, the impact of this approach on their net worth depends on the price at which assets are transferred. If transferred at book

Box 1.6. **Dealing with impaired assets across the OECD**

Governments across the OECD have designed and implemented different initiatives to deal with troubled assets that weigh on banks' balance sheets and compromise their ability to lend even to creditworthy borrowers. The main characteristics of the programmes implemented so far are the following:

- In Germany, under a draft bill, banks would be allowed to remove toxic assets from their balance sheets, by parking them in several bank-specific special purpose vehicles (SPVs) for a period of up to 20 years. Problem assets would be transferred to the special purpose vehicles at 90% of the book value. In exchange, the vehicles provide banks with a bond guaranteed by the Special Fund Financial Market Stabilization (SoFFin) created in October 2008. In return for the guarantee, banks must pay a cash charge out of future profits to SoFFin. In particular, banks will have to pay an annual fee corresponding to the difference between the transfer price of the toxic asset and its intrinsic value, minus a risk deduction. If, at maturity, asset turns out to be worth less than the intrinsic value, the bank must make up the difference out of future profits or transfer equity stakes.
- In Ireland, a commercial semi-state entity (National Asset Management Agency) will buy real estate assets from banks. Assets covered are all loans in respect of the purchase of land for development and associated work in progress and certain property investment loans. Assets will be purchased at discount prices determined by the authorities depending on the risks involved. Though participation in the programme is optional, future legislation may provide for a mandatory power to purchase assets from banks. The agency will be capitalised by the government and is expected to hold €80-90 billion in assets (in book value terms). For some institutions, arising capitalisation needs are expected to be provided by the government in the form of ordinary shares. Legislation including further operational details is expected in mid-2009.
- In Korea, the authorities have established a new Restructuring Fund under the Korea Asset Management Corporation (KAMCO). The Corporation was founded in 1962 and was authorised by the authorities to function as a bad bank in 1999 to deal with troubled assets originated during the 1997 financial crisis. To finance the new Fund KAMCO will issue a government guaranteed bond of a maximum amount of KRW 40 trillion. The Fund will in turn purchase non-performing loans and troubled assets of financial institutions and companies under restructuring, respectively. Gains from the KAMCO will accrue to the government.
- In Switzerland, the central bank created a special purpose vehicle (SNB StabFund limited partnership for collective investments) to transfer illiquid securities and other assets (mainly debt instruments backed by US residential and commercial mortgages) away from UBS's balance sheet. The entity is funded by UBS with equity in the amount of 10% of the purchase price of the assets (which serves as a first protection against losses). The SNB finances the remaining 90% by granting the fund a non-recourse loan (for eight years but which can be extended to a maximum of 12 years) and obtains control over the entity. Since assets are primarily denominated in dollars, the loan was granted in that currency. The SNB will receive $1 billion in profits plus 50% of any remaining equity value, after the SNB loan has been repaid in full. As part of these measures, UBS has agreed to strengthen its capital base and to comply with best practices for compensation schemes and policies. The total volume of assets transferred to the fund's portfolio amounts to $38.7 billion and the transfer price was determined on the basis of valuations carried out by independent experts and is slightly below the book value of the assets as at 30 September 2008.
- In the United Kingdom, the authorities have adopted a ring-fencing strategy to deal with problem assets. The Asset Protection Scheme provides protection against future losses on risky assets for two of the largest UK banks (Lloyds TSB and Royal Bank of Scotland). Banks receive protection for a part of their balance sheets so that the healthier core of their commercial business can continue to lend to creditworthy businesses and households. The assets are ring-fenced on a bank's balance sheet, with separate management and governance arrangements. Under the scheme, the UK Treasury absorbs 90%

Box 1.6. **Dealing with impaired assets across the OECD** *(cont.)*

of the losses above a "first loss" amount to be borne by the institution. Banks were required to pay a fee and enter into legally binding agreements to increase the amount of lending they provide to homeowners and businesses. Banks have been asked to develop a sustainable long-term remuneration policy and to meet high standards of transparency. The immediate effect of the scheme was to reduce the banks' risk weighted assets, boosting the capital ratio. The assets guaranteed at Lloyds TSB and Royal Bank of Scotland amount to 38% of UK GDP.

- In the United States, the authorities have launched a Public-Private Investment Program (PPIP) to clean banks' balance sheets by buying both toxic loans and securities from banks to create a market for illiquid asset-backed securities. The public-private fund will receive $75 to $100 billion in capital from the TARP and capital from private investors. Together, this is expected to generate $500 billion in purchasing power with the potential to expand to $1 trillion over time. The PPIP has a loan and a securities component. Under the *loan component*, the steps to purchase assets are the following: *i*) Banks identify assets they wish to sell. The Federal Deposit Insurance Corporation (FDIC) determines the amount of funding to guarantee, with leverage capped at a 6-to-1 debt-to-equity ratio. *ii*) Pools of assets are auctioned off to the highest bidder. The US Treasury contributes with 50% of the equity. *iii*) If the seller accepts the purchase price, the buyer issues debt guaranteed by the FDIC up to the amount determined in the first step (collateralised by the purchased assets and receiving a fee in return). And *iv*) Private fund managers will control and manage the assets until final liquidation, subject to FDIC oversight. However, in early June, the US authorities postponed the implementation of the loan component of PPIP, reflecting the ease at which banks had raised capital. Regarding the *securities programme*, the Treasury and the Fed have created a lending programme under the Term Asset-Backed Securities Facility (TALF) to provide non-recourse loans to management funds with haircuts reflecting the riskiness of the assets provided as collateral. Moreover, a few asset managers will buy troubled assets using both private and public capital (matched one-for-one) and will be able to subscribe senior debt from the United States Treasury in the amount of 50% of total equity capital of the fund (up to 100% subject to further restrictions). Eligible assets are confined to AAA securities.

Source: OECD based on information from the Bank of England, the Department of Finance of Ireland, Financial Services Commission of Korea, the Swiss National Bank, and the US Federal Reserve.

value, no losses are recognised at the level of the bank and all losses are assumed by the asset management companies and eventually the government. This amounts to providing public subsidies to banks to strengthen their balance sheets and implies that less public capital injections may be needed in the future. On the other hand, transferring assets at market prices or prices well below book value forces banks to recognise losses, but the weakening of banks' balance sheets may force governments into providing public support in the form of new equity. While implementation details are still lacking about the Irish model to deal with troubled assets, the authorities have announced the intention to buy the assets at appropriate discounts based on an analysis of the risks involved. In Switzerland, assets from UBS have been transferred roughly at the depressed market values of September 2008. In Germany, assets will be transferred at a 10% discount from the book value with any remaining losses absorbed by bank shareholders over the following 20 years.[12]

12. While earnings uncertainty associated with the remaining losses is borne by existing shareholders, it should not prevent banks from raising equity capital, *e.g.* in the form of preference shares.

Private participation has been sought to value troubled assets…

Private participation can help to value troubled assets and hence facilitate their transfer from banks' balance sheets. This is the case of the Public-Private Investment Program (PPIP) launched by the US authorities. It aims at removing problem assets from banks' balance sheets by buying both problem loans and securities, relying on market price discovery mechanisms.[13] Private involvement is intended to make the process transparent. The public authorities encourage private participation by taking equity stakes alongside private investors and offering non-recourse loans so that the maximum possible losses to private investors are confined to their original capital investment.[14] A benefit of this scheme is that the public authorities can rely on prices determined by private investors for the assets they are purchasing alongside them. On the other hand, by choosing the amount of non-recourse leverage they offer, the public authorities can in effect influence the price at which investors are willing to purchase the assets.[15]

… though relaxation of mark-to-market rules reduces incentives to sell

Successful strategies to deal with troubled assets have to make sure that banks have the right incentives to participate in the programme. In the case of Ireland, while participation is in principle optional, current legal provisions include the possibility of future legislation giving the government authority to force banks to sell their assets to the scheme. In the case of the United States, banks may not have strong incentives to sell troubled assets at substantially discounted values. They may be particularly reluctant to do so when loans are held at a book value which considerably exceeds market values, which is possible due to recently relaxed mark-to-market accounting rules for certain illiquid assets.[16] In this regard, the stress tests performed by US authorities implied that many big banks were relatively healthy, even in a tougher economic environment, when the troubled assets could be kept on their balance sheets at book value.

Stress tests can clarify banks' capital needs

The US stress tests have aimed to measure in a transparent manner the amount of bank capital needed to ensure that banks will continue lending even under relatively adverse economic conditions. They appear to have helped rebuild confidence in the banking industry, putting banks

13. However, the US authorities decided in early June to postpone the implementation of the PPIP for problem loans.
14. Though in its initial phase, the Legacy Securities component of the PPIP (described in Box 1.6) has already attracted more than 100 applications from potential fund managers interested in participating in the programme.
15. Given a probability distribution of outcomes (and the resulting expected pay-off), the price at which a buyer makes an expected zero profit increases with the degree of non-recourse leverage. This is because non-recourse leverage increases the rewards if the asset does well without increasing the loss to the private investor if it does badly.
16. The Federal Accounting Standards Board (FASB) decided on 2 April 2009 to relax mark-to-market accounting rules retroactive to 15 March. The new rules give banks more freedom to use models to value assets traded in illiquid markets and also grant banks more flexibility regarding the recognition of losses on longer term assets.

in a better position to raise capital from private investors, and to lend and contribute to a full normalisation in financial conditions. Nevertheless, if loan losses turn out to be higher than those expected in the tests, capitalisation needs could rise substantially. Moreover, going forward it will be important to closely monitor the evolution of bank earnings, which in the tests are expected to cover more than half of the potential write-downs. In the event that operational earnings prove to be less buoyant than expected, alternative sources of capital will be needed. In countries where stress testing is implemented on a regular basis, like in EU countries, it is important to be transparent about the underlying assumptions. Moreover, it is also important that the tests be performed on a timely basis and that the results be publicly available, so as to strengthen confidence in the financial system. Finally, banks that are found to be at risk in such tests should be required to strengthen their capital base.

A clear, prompt and adequate response is needed to reduce future financial risks

Whatever strategy the authorities follow to deal with troubled assets, it is important that it is adequately funded and that the authorities are perceived as being ahead of the game, so as to boost confidence in the financial system and economic activity. Relaxing accounting rules at best provides a temporary boost to banks' profitability. Moreover, previous crisis experiences show that the more the policy response is delayed, the higher the associated fiscal costs will be. Hence, early rather than late policy action will help contain the fiscal cost of financial rescue packages and measures to deal with troubled assets in a context where automatic stabilisers and discretionary fiscal policy are imposing already a sizeable burden on public finances. For the financial system to start lending again, losses must be recognised and dealt with clearly at some point, and the sooner it comes the more sound the recovery will be.

Monetary policy

Central banks are responding strongly to the crisis

Since the start of the global financial crisis in mid-2007, and particularly after its intensification in mid-September last year, central banks across the OECD area have responded in an unprecedented manner, both by way of conventional rate cuts and unconventional measures.

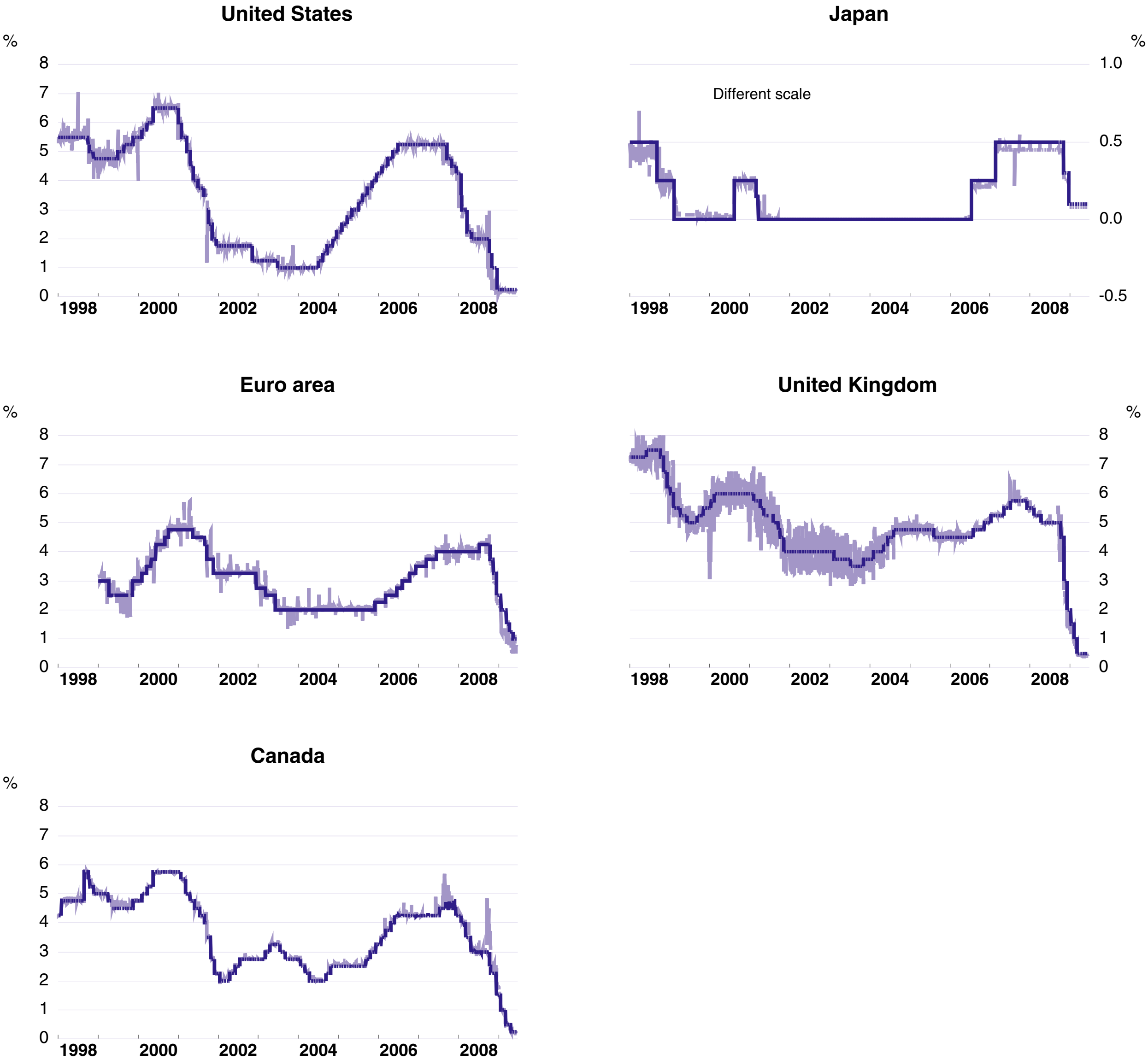
Conventional monetary policy

Policy rates are exceptionally low…

Central banks across the globe have forcefully acted by cutting policy target rates to historical low levels, bringing policy rates very close to zero in most major OECD economies (Figure 1.19). Differences appear to exist, however, as to the perceived necessary minimum policy rates that will allow money markets to function. The bleak growth outlook argues for using additional room, where it still exists, for interest rate cuts and warrants keeping exceptionally low policy rates for a substantial period of

Figure 1.19. **Policy rates are very close to zero in most major OECD economies**

Last observation: 10 June 2009



Note: The dark line represents the main policy rate of the central banks. The light line plots the effective overnight rate.

Source: Bloomberg, Bank of Japan, Datastream, ECB.

StatLink http://dx.doi.org/10.1787/656585873210

time. It is also important for central banks to communicate this explicitly so as to affect interest rates at longer maturities.[17]

17. When the Bank of Japan conducted its quantitative easing policy between 2001 and 2006, one of the most important elements was the commitment to keep this policy until the year-on-year changes in core consumer price inflation turned positive. Empirical evidences show that this commitment had the effect of lowering the yield curve over the short to medium term (Ugai, 2007, Oda and Ueda, 2005).

... in the United States...

- The US Federal Reserve (the Fed) has established a target range for the federal funds rate of 0 to 0.25 % since December 2008 and has communicated its intention to keep policy rates exceptionally low for an extended period. Once financial conditions have normalised and economic recovery is well underway, the Fed will need to withdraw excess liquidity and eventually start raising interest rates to keep inflationary pressure in check. Still, the outlook for a sluggish recovery with low inflation and sizeable slack suggests that interest rate hikes should not become necessary before 2011.

... Japan...

- The Bank of Japan has already used its limited scope for manoeuvre to cut rates to 0.1%. The outlook indicates the need to maintain this rate, and to communicate this more explicitly, until the economic recovery is firmly in place and inflationary pressure clearly emerges, likely beyond 2010.

... the euro area...

- The European Central Bank (ECB) has cut its main policy rate less aggressively, with the rate on the main refinancing operations at 1%.[18] The grim outlook for economic activity in the euro area and widespread evidence of falling inflation call for exhausting the remaining scope for cutting the rate on the main refinancing operations sooner rather than later.[19]

... the United Kingdom and Canada

- The Bank of England (BoE) has lowered policy rates to ½ per cent. The Bank of Canada has cut the interest rate to ¼ per cent, and has also conditionally committed to hold this rate until the end of the second quarter of 2010. In both countries, the projections warrant keeping the policy rate as close to zero as possible up to end-2010.[20]

Non-OECD countries have also substantially eased conventional monetary policy

Many non-OECD countries have also eased the stance of conventional policy since last September. For example, policy interest rates have been reduced substantially in Brazil, Chile, China, India, Israel and South Africa, and minimum bank reserve requirements have been cut in Brazil, China, India and Indonesia. In some of these countries, there is still scope to reduce interest rates to strengthen recoveries or respond to unexpected

18. The actual overnight interest rates, however, have fallen below the rate on the main refinancing operations. Since the introduction of the scheme of unlimited liquidity supply at the fixed main refinancing operation rate last October, actual overnight rate has tended to hover between the refinancing rate, which effectively acts as a cap for interbank overnight lending, and the deposit rate, which serves as a floor.
19. Given that the rate on the deposit facility has already reached very low levels at ¼ per cent, further reduction in the main refinancing rate implies that the difference between these rates would decrease, which poses a risk of discouraging interbank lending. However, the experience of other major OECD economies where central banks with very low policy rates now operate with either no or a very small margin suggests that this is not necessarily the case as, for instance, US interbank lending has increased and rates have fallen despite a near zero margin.
20. Other OECD central banks whose policy rates have come down to very low levels are Switzerland (at somewhat below ½ per cent) and Sweden (at ½ per cent).

weakness. China also raised the ceiling on bank lending, and relaxation of maximum leverage restrictions for off-budget local government entities and locally-owned public enterprises, implemented in November contributed to credit expansion of 50 per cent (at annual rates) in the five months to April.

Unconventional monetary policy

Unconventional measures are increasingly used…

Because a need for demand stimulation remains as most major OECD central banks have nearly or fully exhausted the room for further reduction in policy rates and because financial markets in a number of ways remain impaired, the focus of monetary policy is shifting away from the conventional targeting of short-term interest rates to more unconventional measures. Unconventional measures as implemented to date can be generally considered as falling into three broad categories. Firstly, central banks may seek to provide the banking sector with greater access to liquidity than would normally be required to keep market short-term rates in line with policy targets.[21] Secondly, central banks may more explicitly aim at expanding money supply through the creation of excess reserves – this type of policy is often called quantitative easing. Thirdly, central banks may as well intervene directly in broader segments of credit markets beyond the traditional counterparty of banks and aim at easing overall credit conditions in the economy. These measures are often referred to as credit' easing. In fact, partly reflecting dissimilarities in their financial systems and operational frameworks, central banks differ in their actual implementation of unconventional measures as follows:

… in the United States…

- The Fed has taken a multifaceted approach in its implementation of unconventional measures, all with a view to restoring the flow of credit to ultimate borrowers. Reflecting the importance of direct financing from capital markets, the Fed has been intervening directly in dysfunctional key segments of the credit market, such as the ones for commercial paper and securitised products, where the Fed is now effectively lending to the ultimate borrowers by providing investors in those markets with a means to refinance their investment. In addition, it has started to conduct or expanded outright open-market purchases of mortgage-backed securities, agency bonds and, more recently, long-term government bonds, with the aim of lowering long-term interest rates.

… Japan…

- The Bank of Japan has also introduced measures aimed at providing ample liquidity to the financial system and consequently to support

21. The existence of excess reserves would exert substantial downward pressures on overnight interest rates in the interbank market. In order to retain the controllability of short-term interest rate, interest rates paid on excess reserves have assumed an importance, as they should impose a lower bound on market rates. Indeed, central banks that formerly did not allow excess reserves to earn interests (such as the Fed and the Bank of Japan) have recently started doing so.

credit flows to the economy at large, including a temporary facility that provides unlimited funds against the collateral of corporate debt at the target overnight rate. The Bank has also set out a scheme for outright purchases of commercial paper and corporate debt and increased the pace of buying long-term government bond. Moreover, the Bank has gone further in its direct support of the banking sector to adopt more unusual measures such as resuming a programme of buying corporate shares from banks and providing banks with additional capital though subordinated loans.

... the euro area...

- As for the ECB, partly reflecting its inherently flexible operational framework and the dominance of bank-based financing in the euro area, unconventional measures have been concentrated on easing the conditions and increasing the scale of its operations to provide liquidity to financial institutions. In particular, the ECB has eased its collateral framework and lengthened the maturity of its operations up to one year. It has also switched from a regime where a limited amount of funds was allotted by competitive bidding to supplying liquidity without limit at fixed rates. In addition, it has recently announced a new programme of direct purchase of covered bonds with the view to reviving the functioning of this impaired market segment.

... and the United Kingdom

- The Bank of England has initiated, and recently expanded, a large-scale programme to purchase government bonds and, to a lesser extent, corporate bonds, with the aim of rapidly expanding the monetary base.[22] It has also in place a scheme to purchase commercial paper to support the function of this market.[23]

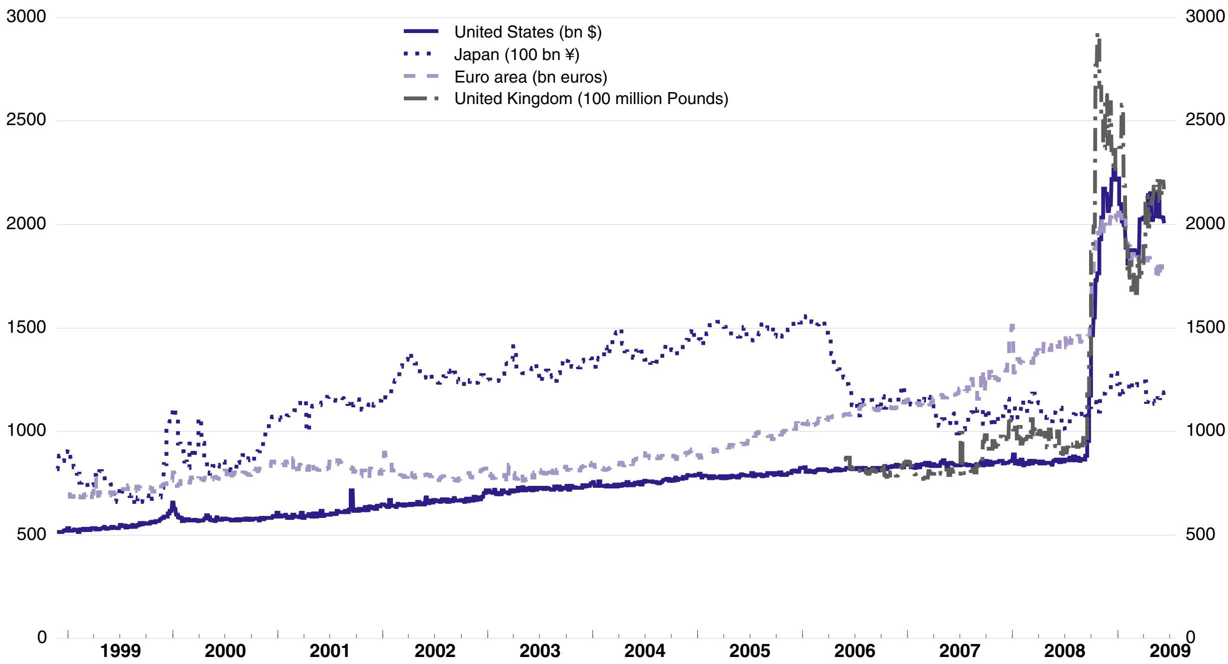
Unconventional measures have resulted in dramatic changes in central bank balance sheets...

These unconventional measures have resulted in a significant expansion of central banks' balance sheets (Figure 1.20) involving the creation of excess reserves, with base money increasing twofold in the United States and by about 20 and 8% in the euro area and Japan, respectively, over the past year. Significant compositional changes have also occurred on the asset side.[24] Indeed, the quality of assets held by central banks has changed considerably following the significant relaxation

22. The quantitative easing policy implemented by the Bank of England is similar to the policy implemented earlier in the decade by the Bank of Japan in its focus on excess reserves. The large size of the purchase equivalent to almost 9% of GDP to be made within six months implies, however, that the expected pace of increase in the base money is significantly more rapid in the case of the United Kingdom. In addition, the Bank has recently announced its intention to expand liquidity provision to corporations, such as through purchases of asset-backed commercial paper.
23. The Swiss National Bank has also initiated unconventional policies which consist of outright purchase of corporate bonds and intervention in the foreign exchange market to prevent further appreciation of the Swiss Franc against the euro.
24. The relative importance of the asset side is a major element that distinguishes current measures from the quantitative easing policy taken by the Bank of Japan in 2001-06.

Figure 1.20. **Unconventional measures have led to expansion of central banks' balance sheets**

Latest available date: 11 June 2009



Source: Datastream.

StatLink http://dx.doi.org/10.1787/656622052558

of collateral rules in terms of maturities, asset types and classes, and the outright purchases of public and private financial assets.[25]

... which may have implications for the credibility and independence of central banks

Central banks are therefore taking on more credit and interest rate risk, and losses can occur, even when operations are collateralised. This again could, in principle, pose a risk to the credibility and ultimately the independence of central banks. In addition, the implementation of unconventional measures that can affect credit allocation has led to a situation where the distinction between monetary policy and fiscal policy has become increasingly blurred.

Although many measures are of temporary nature...

These unconventional measures have been dictated by the need to alleviate the extreme stress in the financial market. Thus, they need to be gradually scaled back as conditions in financial markets normalise, arguably even before central banks start raising policy rates. It is

25. For instance, while securities held outright by the Fed used to be almost exclusively comprised of risk-free US Treasury securities before the crisis, most recent data show that more than 40% are now held as agency bonds and mortgage-backed securities. For the ECB, annual data show that in 2008, 28% of collaterals it assumed were asset-backed securities, in comparison with 16% in 2007.

important to note that most of these unconventional measures have been designed and implemented in ways that facilitate their orderly removal. For instance, most measures have already been announced as temporary, with specific deadlines. Furthermore, through the requirement of upfront payment of premia or the imposition of stringent haircuts, programmes have generally been designed in such a way that market participants' incentives for using them diminishes as conditions in credit markets improve.

... exit strategies must be carefully planned to avoid inflationary consequences

Still, the orderly removal of these unconventional measures can pose a number of challenges, requiring a careful planning of an exit strategy, particularly given that unconventional measures have likely led central banks to hold more longer-term assets than in normal times. The exact timing and the pace of implementing such a strategy may be difficult to plan in advance, given a high degree of uncertainty in the pace of normalisation of the financial conditions: the fact that expiry dates for many of the temporary programmes have already been extended several times over attests to this point. Abrupt and too early withdrawal would hamper an economic recovery that is most likely to be fragile, as it would effectively constitute monetary tightening. Thus, for instance, longer-term maturity assets should be sold gradually. Yet, there is a concern that unless liquidity is withdrawn at a pace commensurate with the eventual improvement in financial markets, financial conditions could become too easy and thereby destabilise inflation expectations and ultimately inflation. In this respect, it is important to prepare instruments that will make it possible to withdraw excess reserves without necessarily having to sell assets and contract the overall size of central banks' balance sheets. For this purpose, additional reserve management tools, such as issuance of central bank bonds, may be desirable, so that unconventional measures can be unwound smoothly.[26]

Current monetary policy frameworks have weaknesses...

Over a longer horizon, when the economic recovery is firmly in place, monetary policy frameworks may need to be reassessed as part of a greater effort to prevent another crisis. One of the most important lessons from the current crisis is that financial bubbles, characterised by rapid increases in asset prices, credit availability and risk appetite, can be very destabilising and costly. While targeting asset prices is fraught with difficulty and probably not desirable as such, monetary policy frameworks nonetheless will have to put a greater weight on asset market developments, as well as overall credit conditions, even when general consumer price inflation in general is expected to remain within the target. In addition, current monetary policy frameworks have been associated with deflation in Japan in 2000-07, a threat of deflation in the United States in 2003 and a risk of deflation in coming years in many OECD countries (see Box 1.3).

26. In the eventuality that central banks start to raise interest rate, interest paid on excess reserves should facilitate the control of market rates.

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… and need to be reassessed in the future

This suggests that the objectives of monetary policy may need to be reassessed. One possible option to reduce deflation risk, and the influence this asymmetric risk may have on monetary policy in an inflation-targeting regime, would be to lift inflation targets. However, such a change could compromise hard-earned confidence in the ability and resolve of central banks to keep inflation in check. An alternative option would be to target a price level path instead of an inflation rate because a credible price-level targeting regime can practically eliminate the risk that policy rates may be constrained by the zero floor (Cournède *et al.*, 2009). An important caveat is that any changes in monetary policy frameworks should occur only once the economy has stabilised and current objectives are attained for fear of undermining confidence in central banks.

Fiscal policy

Fiscal positions are worsening dramatically…

Across the OECD, fiscal deficits are projected to increase markedly from 2007 to 2010 (Table 1.6). In four countries (Ireland, Spain, United States and United Kingdom), the deficit is expected to exceed the OECD average of 8¾ per cent of GDP in 2010, while in a further 13 countries the deficit is projected to exceed more than 5% of GDP. The deterioration in fiscal balances will sharply push up government debt. On top of deficits,

Table 1.6. **Fiscal positions are deteriorating dramatically**

Per cent of GDP / Potential GDP

	2006	2007	2008	2009	2010
United States					
Actual balance	-2.2	-2.9	-5.9	-10.2	-11.2
Underlying balance[2]	-3.0	-3.5	-5.8	-7.7	-8.5
Underlying primary balance[2]	-1.0	-1.4	-3.8	-6.2	-6.8
Gross financial liabilities	61.7	62.9	71.1	87.4	97.5
Japan					
Actual balance	-1.6	-2.5	-2.7	-7.8	-8.7
Underlying balance[2]	-4.0	-3.8	-4.3	-5.9	-6.0
Underlying primary balance[2]	-3.3	-3.1	-3.5	-5.0	-4.7
Gross financial liabilities	172.1	167.1	172.1	189.6	199.8
Euro area					
Actual balance	-1.3	-0.7	-1.9	-5.6	-7.0
Underlying balance[2]	-1.6	-1.4	-1.9	-2.6	-3.8
Underlying primary balance[2]	1.0	1.2	0.7	0.0	-1.2
Gross financial liabilities	74.6	71.2	73.4	82.5	89.2
OECD[1]					
Actual balance	-1.3	-1.4	-3.2	-7.7	-8.8
Underlying balance[2]	-2.4	-2.5	-3.8	-5.5	-6.2
Underlying primary balance[2]	-0.5	-0.6	-2.0	-3.8	-4.4
Gross financial liabilities	75.0	73.5	78.7	91.6	100.2

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

1. Total OECD excludes Mexico and Turkey.
2. Fiscal balances adjusted for the cycle and for one-offs.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/658622703181

transactions related to rescues of financial institutions will further increase the gross debt burden. From 2007 to 2010, gross financial liabilities are expected to rise by more than 25 percentage points of GDP in seven countries, with rises of between 15 and 25 percentage points in a further eight countries. Outside the OECD area, the evolution of fiscal balances is expected to differ across countries: only minor, if any, deterioration in Brazil, India and Indonesia, and sharp deteriorations in China, Chile and the Russian Federation (the latter two mainly due to weak commodity prices).

… due to both cyclical and structural factors

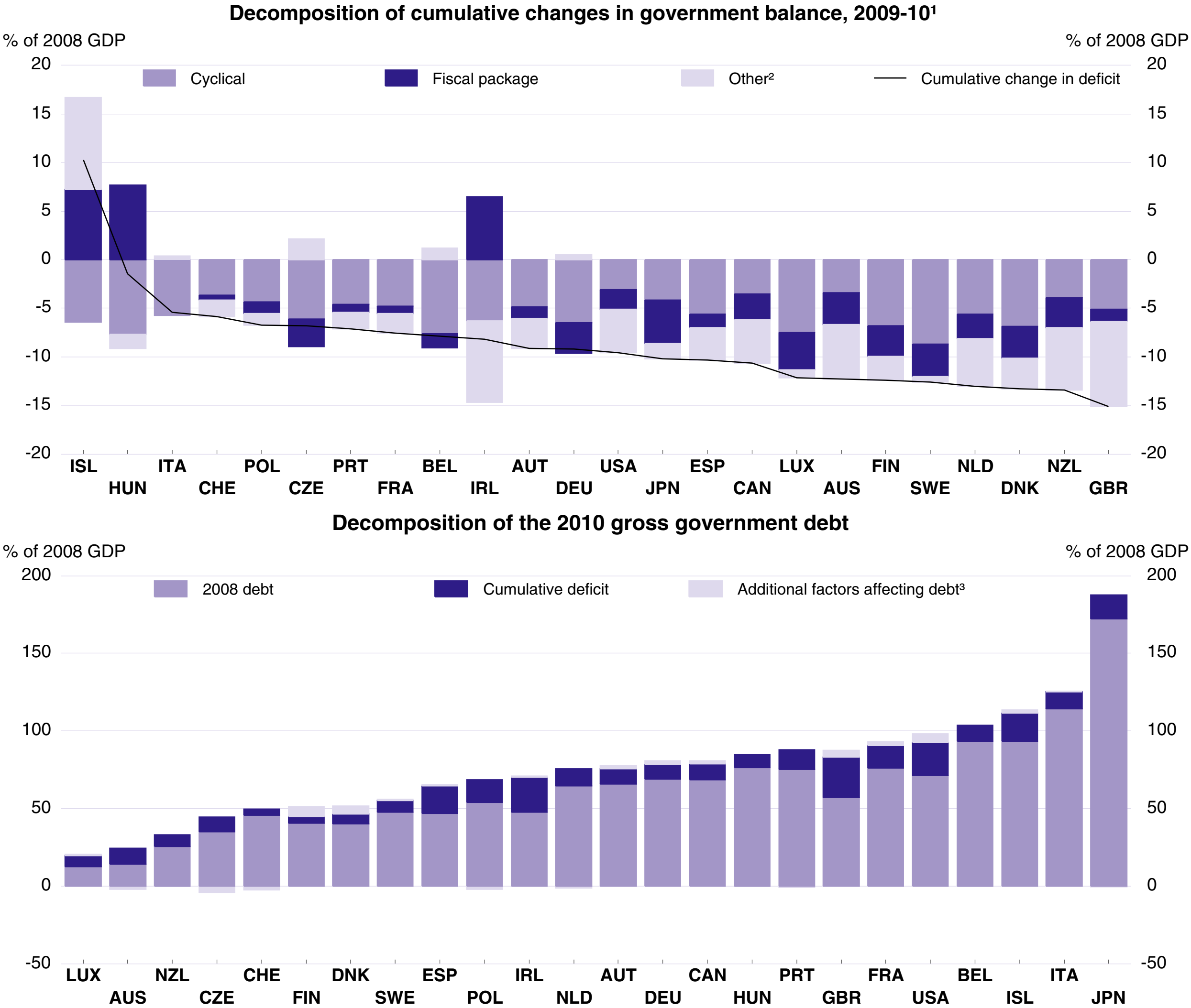
The recession is having a strong negative effect on fiscal positions. For the 20 countries with a fiscal stimulus package and available data, the cumulative change in automatic stabilisers accounts on average for about a half (on an unweighted basis) of the cumulative deterioration of the fiscal balances over 2009 and 2010 (Figure 1.21).[27] The remainder is due to a structural deterioration. This includes discretionary measures in response to the financial crisis, which on an (unweighted) average account for a fifth of the change.[28] The other structural component encompasses other effects, such as the disappearance of exceptional revenues related to the asset price boom and buoyant growth in construction and financial services, and discretionary fiscal policy measures other than those in response to the crisis.

Contingent liabilities and credit risk have grown

Measures to support the financial sector, including risk-sharing with the private sector against further price declines of troubled assets as well as central bank purchases of private sector securities and longer-term lending, have increased both the contingent liabilities and credit risk that governments face. In addition, further bank losses may well require substantial further capital injections by governments. As a rough guide, estimated bank losses this year and next may imply further capital injections by governments of around 1 to 3%, 2 to 5% and 3 to 9% of GDP in the United States, the euro area and the United Kingdom respectively.[29]

27. Compared with the *Interim Economic Outlook* from March 2009, potential growth rates have been revised down because of the crisis. This implies that the decomposition of deficits into structural and cyclical parts changes, with a smaller cyclical component and a large structural component.
28. Some countries, such as Italy, have changed the composition of revenue or spending items in response to the crisis without affecting fiscal balances.
29. This is based on IMF estimates (IMF, 2009) of future bank losses over 2009 and 2010 of $550 billion, $750 billion and $200 billion in the United States, euro area and the United Kingdom respectively. It further assumes that greater risk-aversion will require banks to raise enough capital to return leverage ratios to the lower levels observed in the 1990s in the United States prior to the 2000s credit boom. The lower end of the range assumes governments would have to contribute 25% of the required capital and the upper end of the range that 75% of bank capital needs would need to be provided by the public sector.

Figure 1.21. **Fiscal positions are worsening markedly**



1. Sum of 2009 and 2010 deviations from 2008 levels of government balances.
2. Cumulative changes in deficit minus the sum of the fiscal package and the cyclical components. This captures effects such as discretionary fiscal policy measures other than those in response to the crisis and the disappearance of exceptional revenue buoyancy.
3. 2010 debt minus the sum of 2008 debt and the cumulative deficit for 2009-10. This includes debt-increasing equity participations in companies.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/656626604574

For most countries fiscal positions remain expansionary this year and next

On average, fiscal stances, as measured by the change in structural balances, are expansionary in both 2009 and 2010 although less so in 2010. In Germany and Italy as well as in the euro area as a whole, the fiscal stance will be more expansionary in 2010 than in 2009. On the other hand, in a few countries (including Australia, Portugal and Spain), the fiscal stance becomes contractionary owing to fiscal consolidation measures. The expansionary stance in 2010 reflects other factors than the crisis measures, the size of which will fall by around half a percentage point of GDP from 2009 to 2010 (for the size, composition and timing of fiscal packages, see Appendix 1.A1). That said, a few countries are finding it difficult to implement spending increases according to plan, which may eventually result in a larger share of fiscal packages being spent in 2010 and, hence, higher than expected deficits in that year.

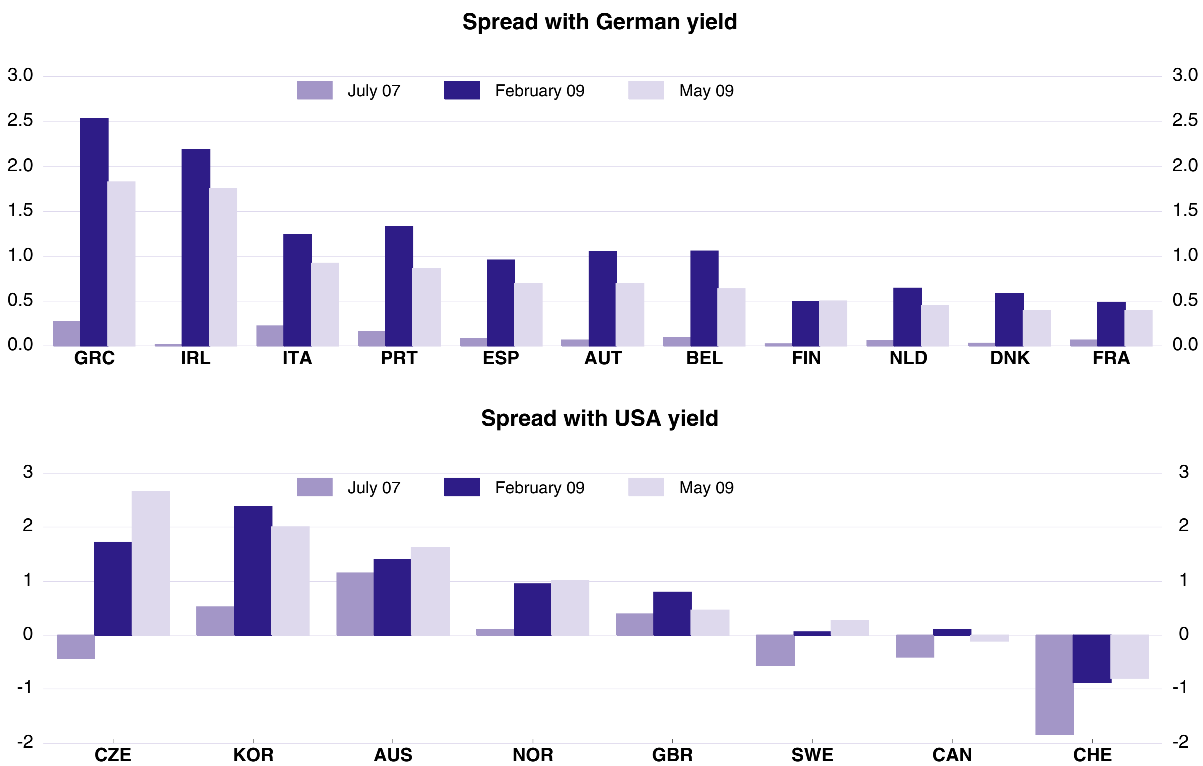
A balance must be struck between cushioning the recession and sustainability…

Future discretionary action needs to balance the risk of premature withdrawal of stimulus against the risk of further destabilising fiscal position. While economic growth in most OECD countries is likely to move into positive territory around the turn of 2010, the path of recovery is set to be shallow and considerable risks to the downside remain. This suggests that a tighter stance should be pursued only where debt sustainability concerns are important. Where this is the case, a loosening of the stance would risk adverse reactions in financial markets, thereby crowding out private spending and increasing debt-sustainability problems (see Chapter 4).

… taking into account market reaction…

Financial market responses to the deteriorating fiscal situation appear so far to have been muted in the United States and Japan. However, the rise in the spreads between benchmark sovereign bond yields in Germany and the United States and other OECD countries since mid 2007 highlights that markets have become more discriminating in their assessment of risk since the onset of the financial crisis (Figure 1.22). Although these spreads have

Figure 1.22. **Sovereign bond spreads have increased in most countries**



Source: Datastream.

StatLink http://dx.doi.org/10.1787/656652618185

declined somewhat since their peaks in March they remain at elevated levels and are unlikely to fall to pre-crisis levels when general risk aversion in financial markets was abnormally low. In the more risk–averse post-crisis world, governments will likely face greater market discipline of their policies than they have been used to in recent years.

Policy requirements need to be tailored to individual circumstances

The balance of these considerations varies considerably across the OECD implying a range of responses from not allowing the automatic stabilisers to fully operate to further discretionary stimulus. In a few countries (including Greece, Hungary, Iceland and Ireland), the state of public finances restricts the scope to allow automatic stabilisers to fully operate and requires more immediate action to reduce the deficit. By contrast, some low-debt countries have scope to implement further discretionary fiscal policy stimulus to offset any programmed tightening, augment a timid fiscal impulse or respond to unexpected weakness in activity in 2010 (Germany, Canada, some Nordic countries and Switzerland), as reactions in financial markets would most likely be muted. However, even in these cases the benefits of additional discretionary stimulation packages beyond those already announced would need to be carefully weighed against the future debt servicing costs, declining programme effectiveness and potential implementation lags.

Structural policy

Structural policy needs to limit increases in structural unemployment

An urgent task for structural policy is to limit the extent to which increases in cyclical unemployment result in hikes in structural unemployment. This is a crucial aim in itself but also derives from the fact that higher structural unemployment will make the medium-term fiscal consolidation process much more difficult (see Chapter 4). The experience from earlier recessions is that the unemployed become gradually disenfranchised from the labour market, due to increased discouragement, losses of basic and professional skills, and wage determination mechanisms that favour "insiders". At the same time, it is necessary to avoid that potential output is undermined by changes in product market policies, most notably actions restricting cross-border trade.

Crisis-related changes in labour market policy have involved:...

Labour market policy has been adjusted in most OECD countries in the wake of the crisis to stimulate labour demand, assist the unemployed with job search and enhance their prospects of finding a job, and increase income support for particular groups or job losers in general.[30]

... enhanced labour demand support...

- Labour demand support has taken various forms: reduction in labour costs in general, hiring subsidies, short-time subsidies and direct job creation. These measures have helped to limit job losses in the short

30. For details of changes in labour market policy in response to the economic downturn, see OECD (2009).

term, but their effectiveness may be reduced in the long run due to dead-weight losses. Short-time working subsidies (such as income support to workers in companies that have reduced working hours per person) may be suitable when firms are faced with temporary cuts in product demand and a dysfunctional financial system, but in the longer term they would reduce labour utilisation, hamper reallocation and undermine productive potential.

... stronger activation requirements and assistance with job search and improving job prospects...

- Measures to help unemployed persons find jobs have included stronger activation requirements (*e.g.* earlier intervention and personalised counselling), enhanced job-search assistance and matching, and greater capacity to train and provide work experience, often targeted at disadvantaged job seekers. These measures have been found to be effective in increasing re-employment opportunities in the past but their effectiveness has not been tested in a deep downturn. They are, however, likely to be particularly important as the recovery starts, and countries need to have adequate resources in place for this activity at that stage, which may require action now.

... and changes in income support systems...

- Enhanced income support for job losers has included relaxing eligibility requirements for unemployment benefits and increasing the generosity of unemployment and other related benefits. In some countries, where reforms of job protection in the past had focused on liberalising rules for temporary and irregular workers, these groups have usually been the first to lose jobs and have frequently been ineligible for income support. Hence, changes in eligibility requirements have aimed at giving temporary and irregular workers stronger entitlement to income support, which could strengthen the attachment of such workers to the labour market in addition to being needed on social grounds. At the same time, increased generosity of unemployment benefits, either higher benefit levels or longer maximum duration of benefits, in some countries have aimed to reduce the risk of hardship for job losers in the recession. However, given the evidence that higher generosity tends to increase unemployment, such measures will need to be scaled back or counter-balanced by stronger activation measures as the recovery takes hold.

... but more needs to be done

While some of the measures listed above will prove helpful in limiting the extent of future increases in structural unemployment, it is doubtful if they go far enough. In particular, although resources have been increased in public employment offices that manage the delivery of support to the unemployed, the increase has been proportionally less than the increase in the number of unemployed. In general, additional discretionary public spending related to active labour market policy amounts only to around 25% of normal annual spending on such measures on average across OECD countries (or around 0.15% of GDP).

Strong domestic and international competition in product and financial markets needs to be maintained

Stronger competition in product and financial markets would be beneficial for employment and the economy more generally. However, there is a risk that emergency measures taken during the crisis will distort and weaken competition in these markets. Increased public ownership of financial institutions could result in misallocation of credit in the economy, as seems to have been the case with public ownership in this area in the past. Moreover, financial support to private institutions has in some countries been made conditional on increased focus on domestic operations, which may undermine cross-border competition in financial services. As for product markets, government support to companies and sectors in financial difficulties has distorted competition by preventing exit of less efficient producers. This has been most prominent for the car industry but extends to other activities as well. If seen as discriminating against foreign producers, this risks giving rise to retaliation and fuelling protectionist sentiment. Indeed, import-restraining measures, such as antidumping, countervailing duties and safeguards, have risen sharply during the crisis, initiated by both OECD and non-OECD countries (Bown, 2009). To limit the spread of harmful import restraining measures, governments need to closely monitor such measures on a multilateral basis.

APPENDIX 1.A1

Size, timing and composition of fiscal packages

The two tables (Tables 1.7 and 1.8) in this Appendix on discretionary fiscal responses to the crisis update corresponding tables in Chapter 3 of the *Interim Economic Outlook* from March 2009. For the methodological principles applied in measuring fiscal packages, see Appendix 3.1 of the Interim report.

Table 1.7. **The size and timing of fiscal packages**

	2008-2010 net effect on fiscal balance[1]			Distribution over the period 2008-2010			*Memorandum item:* Measures affecting the timing of payments[2]
	Spending	Tax revenue	Total	2008	2009	2010	
	Per cent of 2008 GDP			Per cent of total net effect			Per cent of 2008 GDP
Australia	-4.1	-1.3	-5.4	13	54	33	
Austria	-0.4	-0.8	-1.2	0	79	21	
Belgium	-1.1	-0.3	-1.4	0	51	49	-0.1
Canada	-1.7	-2.4	-4.1	12	41	47	
Czech Republic	-0.3	-2.5	-2.8	0	56	44	..
Denmark	-2.6	-0.7	-3.3	0	33	67	..
Finland	-0.5	-2.7	-3.2	0	47	53	
France	-0.6	-0.2	-0.7	0	68	32	-0.5
Germany	-1.6	-1.6	-3.2	0	48	52	0.1
Greece[3]	0.0	0.8	0.8	0	100	..	
Hungary	7.5	0.2	7.7	0	51	49	
Iceland	1.6	5.7	7.3	0	28	72	
Ireland	2.2	6.0	8.3	6	39	55	0.3
Italy	-0.3	0.3	0.0	0	15	85	
Japan	-4.2	-0.5	-4.7	2	74	25	
Korea	-3.2	-2.8	-6.1	17	62	21	
Luxembourg	-1.6	-2.3	-3.9	0	65	35	0.0
Mexico[3]	-1.2	-0.4	-1.6	0	100	..	
Netherlands	-0.9	-1.6	-2.5	0	49	51	0.0
New Zealand	0.3	-4.1	-3.7	6	54	40	
Norway[3,4]	-0.9	-0.3	-1.2	0	100	..	
Poland	-0.8	-0.4	-1.2	0	70	30	
Portugal	..	..	-0.8	0	100	0	
Slovak Republic	-0.7	-0.7	-1.3	0	41	59	-0.8
Spain	-2.2	-1.7	-3.9	32	44	23	-1.0
Sweden	-1.7	-1.7	-3.3	0	43	57	
Switzerland	-0.3	-0.2	-0.5	0	68	32	
Turkey	-2.9	-1.5	-4.4	17	46	37	
United Kingdom	-0.4	-1.5	-1.9	11	85	4	
United States[5]	-2.4	-3.2	-5.6	21	37	42	
Major seven	-2.1	-2.0	-4.1	15	47	38	
OECD averages							
All (unweighted)[6]	-0.9	-0.9	-1.7	12	60	28	
All (weighted)[6]	-2.0	-1.9	-3.9	15	48	37	
Positive stimulus only (unweighted)[7]	-1.5	-1.6	-3.1	9	53	38	
Positive stimulus only (weighted)[7]	-2.2	-2.0	-4.3	15	48	37	

Note: Cut-off date for information is 11 June 2009.

1. Includes only discretionary fiscal measures in response to the financial crisis. Estimates provided here do not include the potential impact on fiscal balances of recapitalisation, guarantees or other financial operations. They also exclude the impact of a change in the timing of payment of tax liabilities and/or government procurement. Negative sign: fiscal balance deteriorates.
2. Several countries have changed the timing of payment of government procurement and/or tax liabilities. When applying the accrual principle, such measures should not be reflected in the national account data. Still, they affect fiscal balance measures on a cash basis and may have an impact on the economy. They have not been included in the size of fiscal packages.
3. Data not available for 2010.
4. Norwegian data are shown as a percentage of 2008 mainland GDP.
5. Figures for the United States refer to the federal government. Available information indicates that a few states, including California, have passed restrictive fiscal measures which are not included here.
6. Average of above countries excluding Greece, Mexico, Norway and Portugal.
7. Average of above countries excluding Greece, Hungary, Iceland, Ireland, Italy, Mexico, Norway and Portugal.

Source: OECD calculations.

StatLink http://dx.doi.org/10.1787/658630235826

Table 1.8. **Composition of fiscal packages**

Total over 2008-2010 period as % of GDP in 2008

	Net effect	Tax measures					Spending measures					
		Total	Indivi-duals	Busi-nesses	Consump-tion	Social contri-butions	Total	Final consump-tion	Invest-ment	Transfers to households	Transfers to businesses	Transfers to sub-national government
Australia	-5.4	-1.3	-1.1	-0.2	0.0	0.0	4.1	0.0	3.0	1.1	0.0	0.0
Austria	-1.2	-0.8	-0.8	-0.1	0.0	0.0	0.4	0.0	0.1	0.2	0.0	0.1
Belgium	-1.4	-0.3	0.0	-0.1	-0.1	0.0	1.1	0.0	0.1	0.5	0.5	0.0
Canada	-4.1	-2.4	-0.8	-0.3	-1.1	-0.1	1.7	0.1	1.3	0.3	0.1	..
Czech Republic	-2.8	-2.5	0.0	-0.7	-0.4	-1.4	0.3	-0.1	0.2	0.0	0.2	0.0
Denmark	-3.3	-0.7	0.0	0.0	0.0	0.0	2.6	0.9	0.8	0.1	0.0	0.0
Finland	-3.2	-2.7	-1.9	0.0	-0.3	-0.4	0.5	0.0	0.3	0.1	0.0	0.0
France	-0.7	-0.2	-0.1	-0.1	0.0	0.0	0.6	0.0	0.2	0.3	0.0	0.0
Germany	-3.2	-1.6	-0.6	-0.3	0.0	-0.7	1.6	0.0	0.8	0.3	0.3	0.0
Greece[1]	0.8	0.8	0.8	0.0	0.0	0.0	0.0	-0.4	0.1	0.4	0.1	0.0
Hungary	7.7	0.2	-0.6	-0.1	2.3	-1.5	-7.5	-3.2	0.0	-3.4	-0.4	-0.5
Iceland	7.3	5.7	1.0	..	..	..	-1.6	..	..	..	..	..
Ireland	8.3	6.0	4.5	-0.2	0.5	1.2	-2.2	-1.8	-0.2	-0.1	0.0	0.0
Italy	0.0	0.3	0.0	0.0	0.1	0.0	0.3	0.3	0.0	0.2	0.1	0.0
Japan	-4.7	-0.5	-0.1	-0.1	-0.1	-0.2	4.2	0.2	1.2	0.6	1.5	0.6
Korea	-6.1	-2.8	-1.4	-1.1	-0.2	0.0	3.2	0.0	1.2	0.7	1.0	0.3
Luxembourg	-3.9	-2.3	-1.5	-0.8	0.0	0.0	1.6	0.0	0.4	1.0	0.2	0.0
Mexico[1]	-1.7	-0.4	0.0	0.0	-0.4	0.0	1.2	0.1	0.7	0.1	0.0	0.0
Netherlands	-2.5	-1.6	-0.2	-0.5	-0.1	-0.8	0.9	0.0	0.5	0.1	0.0	0.0
New Zealand	-3.7	-4.1	-4.0	0.0	0.0	0.0	-0.3	0.1	0.6	-0.6	0.0	0.0
Norway[1,2]	-1.2	-0.3	0.0	-0.3	0.0	0.0	0.9	0.0	0.4	0.0	0.0	0.3
Poland	-1.2	-0.4	0.0	-0.1	-0.2	0.0	0.8	0.0	1.3	0.2	0.1	0.0
Portugal	-0.8	..	..	..	..	..	..	0.0	0.4	0.0	0.4	0.0
Slovak Republic	-1.3	-0.7	-0.5	-0.1	0.0	-0.1	0.7	0.0	0.0	0.1	0.6	0.0
Spain	-3.9	-1.7	-1.6	0.0	0.0	0.0	2.2	0.3	0.7	0.5	0.7	0.0
Sweden	-3.3	-1.7	-1.3	-0.2	0.0	-0.2	1.7	1.1	0.3	0.1	0.0	0.2
Switzerland	-0.5	-0.2	-0.2	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0
Turkey	-4.4	-1.5	-0.2	-1.1	-0.2	0.0	2.9	0.6	1.2	0.0	0.3	0.6
United Kingdom	-1.9	-1.5	-0.5	-0.2	-0.6	0.0	0.4	0.0	0.4	0.2	0.0	0.0
United States	-5.6	-3.2	-2.4	-0.8	0.0	0.0	2.4	0.7	0.3	0.5	0.0	0.9

Note: See note on Table 1.7.

Total columns are not the sum of columns shown because some components either have not been clearly specified or are not classified in this breakdown.

1. Data not available for 2010.
2. Norwegian data shown as a percentage of 2008 mainland GDP.

Source: OECD calculations.

StatLink http://dx.doi.org/10.1787/658647186571

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OECD Economic Outlook 85

Chapter 2

DEVELOPMENTS IN INDIVIDUAL OECD COUNTRIES

UNITED STATES

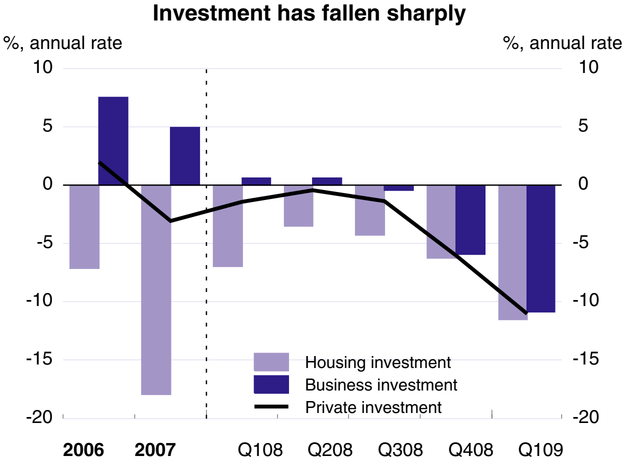
The US economy is going through a severe and protracted recession which is projected to bottom out later this year, as fiscal and monetary support takes hold and the housing cycle bottoms out. In 2010, even after a recovery gets under way, GDP growth is likely to remain weak because of the slowdown in capital accumulation, negative wealth effects and still adverse, albeit improving, financial conditions. In this environment, a considerable degree of economic slack, especially in the labour market, is likely to persist over the projection period, bringing inflation to very low rates.

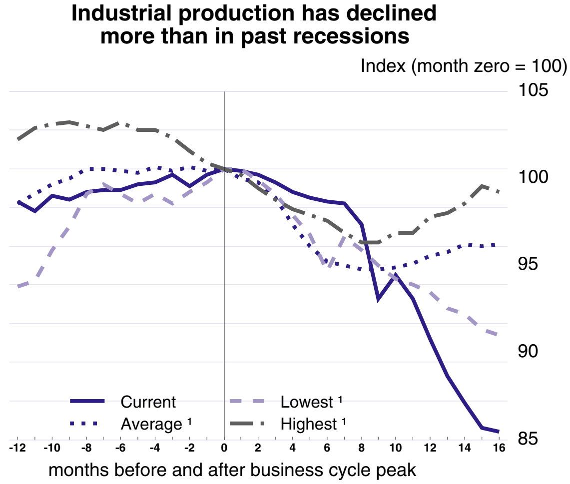
The Federal Reserve should continue to support activity by expanding the scale of its quantitative easing operations, if needed. The authorities should also go ahead with the planned measures to remove impaired securities from banks' balance sheets. While the large fiscal stimulus is needed to support domestic demand in the next several quarters, once the recovery is firmly in place fiscal sustainability should be restored by reducing the budget deficit and tackling the challenge of rising entitlement spending.

The recession has been deep and broad

The US economy has contracted sharply since the intensification of the financial crisis last September. Residential investment, in particular, has remained very weak, falling to its lowest share of GDP in more than 50 years. Manufacturing output has also fallen sharply as consumer spending, especially for durable goods, and global trade have slumped. The cumulative percentage decline in industrial production since December 2007 is significantly larger than in any other post-war recession. There have already been 6 million jobs lost, increasing the unemployment rate to a 26-year high. Incoming labour-market information suggests that employment is likely to decline further over the rest of 2009. In response to the opening of a substantial unemployment gap and a 25% drop in energy prices, the 12-month change in the consumer price index has become negative for the first time since 1955.

United States





1. Average, lowest and highest values of past six recessions.

Source: OECD Economic Outlook 85 database; Datastream; and OECD calculations.

StatLink http://dx.doi.org/10.1787/656720821064

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

Percentage changes

	2006	2007	2008	2009	2010
Employment[1]	1.8	0.9	-0.6	-3.4	0.0
Unemployment rate[2]	4.6	4.6	5.8	9.3	10.1
Employment cost index	2.9	3.1	2.8	1.5	0.8
Compensation per employee[3]	3.9	4.1	3.2	2.8	1.7
Labour productivity	1.0	1.1	1.7	0.6	0.9
Unit labour cost	2.9	3.1	1.9	2.7	1.3
GDP deflator	3.2	2.7	2.2	1.7	0.7
Consumer price index	3.2	2.9	3.8	-0.6	1.0
Core PCE deflator[4]	2.2	2.2	2.2	1.6	0.9
PCE deflator[5]	2.8	2.6	3.3	0.2	0.8
Real household disposable income	3.5	2.8	1.3	2.5	1.8

1. Nonfarm employment, based on the Bureau of Labor Statistics (BLS) Establishment Survey.
2. As a percentage of labour force, based on the BLS Household Survey.
3. In the private sector.
4. Deflator for private consumption excluding food and energy.
5. Private consumption deflator. PCE stands for personal consumption expenditures.

Source: OECD Economic Outlook 85 database.

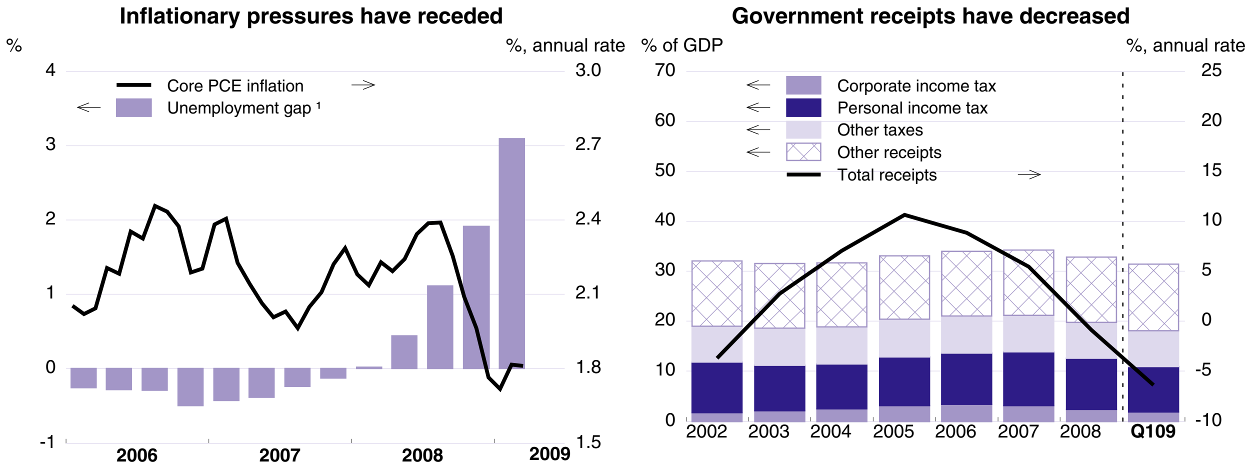
StatLink http://dx.doi.org/10.1787/658723662334

Core inflation has remained positive but is also falling – the recent blip being mostly accounted for by an increase in the excise tax on cigarettes. The current-account deficit had fallen to 3.7% of GDP by the end of 2008, and it is estimated to have fallen further thus far in 2009 as the trade balance has continued to improve.

Consumer spending and housing activity may be stabilising…

Consumer spending fell sharply in the second half of 2008, and then bounced back in the first quarter of 2009. In the second quarter, tax cuts boosted households' disposable income and consumer sentiment further improved. Nonetheless, a number of factors are likely to continue to

United States



1. Defined as the difference between actual unemployment rate and the OECD NAIRU estimate.

Source: OECD Economic Outlook 85 database.

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United States: **Financial indicators**

	2006	2007	2008	2009	2010
Household saving ratio[1]	0.7	0.6	1.8	5.4	6.5
General government financial balance[2]	-2.2	-2.9	-5.9	-10.2	-11.2
Current account balance[2]	-6.0	-5.3	-4.7	-2.3	-2.4
Short-term interest rate[3]	5.2	5.3	3.2	1.0	0.5
Long-term interest rate[4]	4.8	4.6	3.7	3.4	4.1

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 85 database.

StatLink http://dx.doi.org/10.1787/658735815741

weigh on consumer spending, among them the weak labour market, the declines in equity and housing wealth over the past two years, and continuing tight credit conditions. The ongoing deterioration in the housing market since 2006 may be approaching an end. Most importantly, as home sales have stabilised, the supply of unsold new homes has declined relative to demand – a precondition for any recovery in homebuilding. Prospects for a recovery in the commercial real estate sector are worse, with rising vacancy rates, falling prices and very tight financial conditions.

… but business investment is likely to drop further

Despite the sharp contraction over the past two quarters, equipment investment is likely to drop further in the near term, despite improved

United States: **Demand and output**

	2005	2006	2007	2008	2009	2010
	Current prices $ billion	Percentage changes, volume (2000 prices)				
Private consumption	8 694.1	3.0	2.8	0.2	-1.0	0.5
Government consumption	1 957.5	1.6	1.9	2.8	2.0	2.6
Gross fixed investment	2 440.6	2.0	-2.0	-3.5	-16.0	-0.6
Public	397.8	2.1	3.0	3.3	-1.7	2.6
Residential	769.7	-7.1	-17.9	-20.8	-20.7	0.4
Non-residential	1 273.1	7.5	4.9	1.6	-19.2	-2.1
Final domestic demand	13 092.2	2.6	1.8	0.0	-3.1	0.7
Stockbuilding[1]	43.3	0.0	-0.4	-0.3	-0.4	0.1
Total domestic demand	13 135.5	2.6	1.4	-0.3	-3.5	0.8
Exports of goods and services	1 311.5	9.1	8.4	6.2	-13.8	1.6
Imports of goods and services	2 025.1	6.0	2.2	-3.5	-15.7	1.2
Net exports[1]	- 713.6	0.0	0.6	1.3	1.0	0.0
GDP at market prices	12 421.9	2.8	2.0	1.1	-2.8	0.9

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

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/658815486731

United States: **External indicators**

	2006	2007	2008	2009	2010
			$ billion		
Goods and services exports	1 480.8	1 662.4	1 859.4	1 508	1 543
Goods and services imports	2 238.1	2 370.2	2 528.6	1 852	1 894
Foreign balance	- 757.3	- 707.9	- 669.2	- 343	- 351
Invisibles, net	- 30.8	- 23.4	- 4.1	25	8
Current account balance	- 788.1	- 731.2	- 673.3	- 318	- 343
			Percentage changes		
Goods and services export volumes	9.1	8.4	6.2	- 13.8	1.6
Goods and services import volumes	6.0	2.2	- 3.5	- 15.7	1.2
Export performance[1]	- 0.1	1.0	2.6	3.1	- 0.9
Terms of trade	- 0.8	- 0.1	- 4.7	8.4	- 0.4

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/658832461457

business conditions; new orders for capital goods remain below the level of shipments and capital spending plans are restrained. The April survey of bank loan officers reported further weakening of demand for commercial and industrial loans. The same survey also indicated that the net fraction of banks that tightened their business lending policies remained high, although it has been declining. Firms have also reduced inventories, although inventory-sale ratios are still high.

Financial conditions remain fragile

Conditions in a number of financial markets, including the interbank markets and the commercial paper market, have recently improved. Furthermore, mortgage rates have fallen since late last year as the Federal Reserve purchased agency debt and agency mortgage-backed securities. However, the supply of mortgage credit is still relatively tight and mortgage activity remains heavily dependent on government support. More generally, financial markets and financial institutions remain under considerable stress, and cumulative declines in asset prices, tight credit conditions and high levels of risk aversion continue to weigh on the economy. Restoration of trust in financial intermediaries and markets is vital for a sustained and strong economic recovery to occur.

Fiscal policy will provide a considerable boost

The new Administration has quickly enacted a fiscal stimulus package, which is estimated to add more than 2% of GDP to the federal government deficit in each of 2009 and 2010 and should help to jumpstart the economy over the next few quarters. The boost from these measures will gradually wane over the course of 2010, and, beyond that, measures to restore fiscal sustainability need to be implemented when economic recovery is firmly in place.

Monetary policy is focused on avoiding deflation

The monetary policy stance has quickly been loosened. The Federal Reserve reduced its policy rate to near zero late last year and implemented credit easing measures to support key credit markets, such as those for commercial paper and mortgages. These policies should remain in place until the recovery has firmed. Moreover, the scale of quantitative easing operations could be increased to further support growth. The announcement of an explicit inflation target would more firmly anchor inflation expectations.

The recession is projected to end later this year…

The US economy is projected to contract further in the second quarter and then to stabilise during the second half of the year, as the retrenchment of housing construction bottoms out and the decline in inventory investment slows. A gradual recovery should take hold in 2010, as consumer spending picks up with the job market stabilising. However, GDP growth is likely to remain moderate, as potential growth has been reduced by the slowdown in capital accumulation and households continue to increase their savings to rebuild wealth.

… if financial conditions do not relapse

Recovery will depend on financial conditions remaining stable for the remainder of 2009 and gradually improving thereafter, underlining the importance of the authorities' efforts to restore confidence in the financial system. Recent stress tests indicate that some major banks will need more capital, and it is assumed that they will be recapitalised, including by an injection of public funds if needed. Nevertheless banks' balance sheets remain encumbered with impaired assets. Overall, the fragility of the financial system still represents a downside risk to the outlook. On the other hand, the recovery could be faster than projected if the boost from the fiscal stimulus is larger than anticipated – according to OECD estimates, the US fiscal multipliers are about 0.6 in the current circumstances – or if firms turn out to be less reluctant to hire workers next year.

JAPAN

The global crisis triggered a deep recession that is likely to be the most severe in Japan's post-war history. The contraction in world trade led to a sharp plunge in exports and business investment, while falling employment and wages have reduced private consumption, leading to a projected output decline of almost 7% in 2009. Fiscal stimulus is expected to lift output growth into positive territory from the second half of 2009, although at a rate that remains below 1% through 2010.

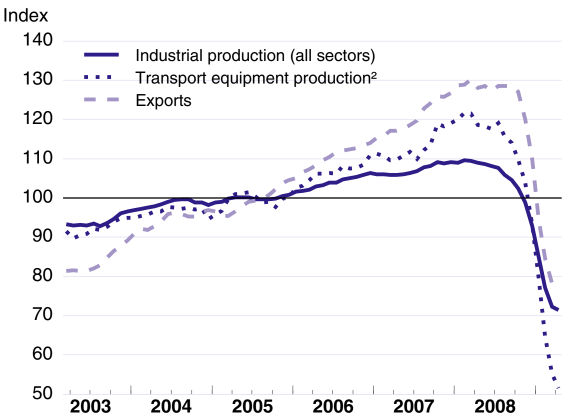
The Bank of Japan should fight deflation through a strong commitment to implement effective quantitative measures until underlying inflation is firmly positive. The fiscal stimulus packages are helping to cushion the downturn. However, it will be important to focus on fiscal consolidation as the economy stabilises, given the large budget deficit and high public debt ratio. Reform of the tax and social insurance systems, accompanied by structural reforms, particularly in the service sector, remain priorities to improve living standards in the face of a shrinking working-age population.

The plunge in exports and business investment…

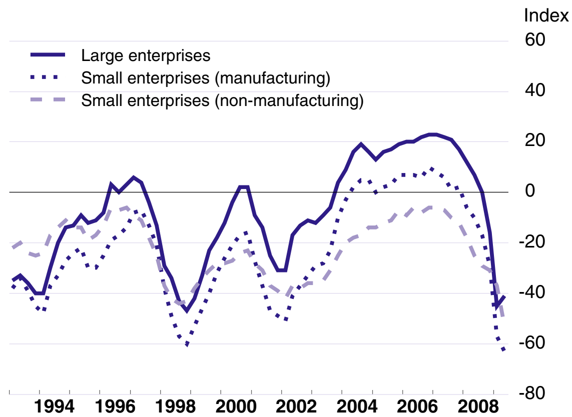
The global crisis has taken a heavy toll on Japan's trade-dependent economy. Exports fell at a 60% annualised rate during the fourth quarter of 2008 and the first quarter of 2009, resulting in a sharp contraction in output. An appreciation of the yen by 31% also contributed to this collapse and led to a marked deterioration in corporate profitability. By March 2009, the confidence of large manufacturing firms had plummeted to its lowest level since 1975, causing major retrenchment in their investment plans. Financial-market conditions tightened as risk premia widened and the capitalisation of the Tokyo Stock Exchange fell by one-half, reducing household wealth. These developments forced large firms to return to indirect financing, resulting in a significant pick-up in the

Japan

Free fall in exports and production[1]



Business confidence has weakened[3]



1. Data are three-month moving averages of seasonally-adjusted volume indices (2005=100).
2. Excluding ships and rolling stock.
3. Diffusion index of "favourable" minus "unfavourable" business conditions in the Tankan Survey. There is a discontinuity between the third and fourth quarters of 2003 due to data revisions.

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

StatLink http://dx.doi.org/10.1787/656764586684

Japan: **Employment, income and inflation**

Percentage changes

	2006	2007	2008	2009	2010
Employment	0.4	0.5	-0.4	-1.5	-1.1
Unemployment rate[1]	4.1	3.9	4.0	5.2	5.7
Compensation of employees	2.0	0.4	0.7	-3.1	-1.4
Unit labour cost	0.0	-1.9	1.4	4.0	-2.1
Household disposable income	1.1	0.0	0.4	-2.7	-1.5
GDP deflator	-0.9	-0.7	-0.9	1.3	-1.5
Consumer price index[2]	0.2	0.1	1.4	-1.4	-1.4
Core consumer price index[3]	-0.4	-0.2	0.1	-0.6	-1.3
Private consumption deflator	-0.2	-0.4	0.5	-1.7	-1.5

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 85 database.

StatLink http://dx.doi.org/10.1787/658850174528

growth of bank lending. However, a decline in loans to small and medium-sized enterprises contributed to a sharp increase in the number of bankruptcies.

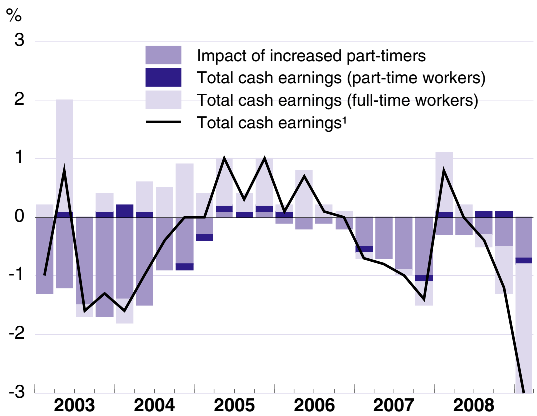
... has boosted unemployment and led to a return of deflation

With employment, working hours and wages all falling, household income is shrinking, resulting in a contraction of private consumption. The significant drop in the job-offer-to-applicant ratio, from a peak of 1.1 in December 2006 to 0.5 in April 2009, suggests that the unemployment rate is set to increase significantly from its current level of 5%. Both headline and core consumer price (excluding energy and food) indices are

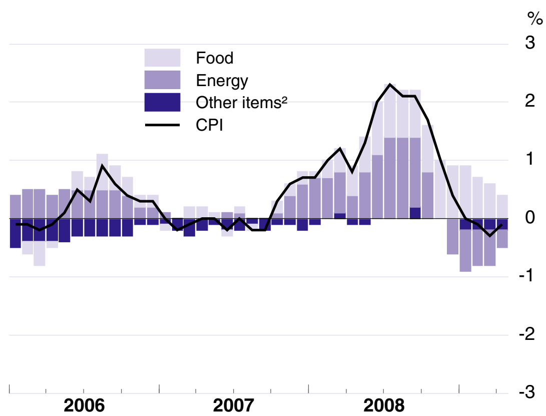
Japan

The decline in wages is accelerating

Year-on-year percentage change



Deflation has returned



1. Total cash earnings of all workers, including bonuses.
2. Corresponds to the OECD measure of core inflation.

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

StatLink http://dx.doi.org/10.1787/656808720460

Japan: **Financial indicators**

	2006	2007	2008	2009	2010
Household saving ratio[1]	3.8	3.3	2.7	3.3	3.2
General government financial balance[2]	-1.6	-2.5	-2.7	-7.8	-8.7
Current account balance[2]	3.9	4.9	3.2	1.4	1.9
Short-term interest rate[3]	0.2	0.7	0.7	0.6	0.3
Long-term interest rate[4]	1.7	1.7	1.5	1.5	2.0

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 85 database.

StatLink http://dx.doi.org/10.1787/660016187700

falling. In addition, land prices, which stabilised in 2006-07 after a 15-year decline, fell again by 3.5% in 2008. A further drop is likely in 2009, creating a risk of balance-sheet adjustments that would put additional pressure on the corporate and financial sectors.

Fiscal stimulus is being implemented to limit the downturn…

In response to the crisis, the government implemented two supplementary budgets in Fiscal Year (FY) 2008, included additional spending in the regular FY 2009 budget, and passed a fourth package in May 2009. The total stimulus, amounting to 4% of GDP, coupled with the automatic stabilisers, will mitigate the depth and length of the recession. At the same time, though, the stimulus and cyclical effects will increase

Japan: **Demand and output**

	2005	2006	2007	2008	2009	2010
	Current prices ¥ trillion	Percentage changes, volume (2000 prices)				
Private consumption	285.9	1.5	0.7	0.6	-1.7	0.1
Government consumption	90.6	0.4	1.9	0.8	2.6	3.0
Gross fixed investment	116.9	0.5	0.8	-5.0	-12.3	0.0
Public[1]	22.9	-5.7	-7.3	-6.9	12.2	-2.4
Residential	18.2	0.5	-9.7	-7.6	-5.8	3.1
Non-residential	75.7	2.3	5.7	-4.0	-19.7	0.2
Final domestic demand	493.4	1.1	0.9	-0.7	-3.4	0.7
Stockbuilding[2]	1.4	0.1	0.3	-0.2	0.0	-0.1
Total domestic demand	494.8	1.2	1.2	-0.9	-3.4	0.6
Exports of goods and services	71.9	9.7	8.4	1.8	-32.3	3.5
Imports of goods and services	65.0	4.2	1.5	0.9	-12.6	2.3
Net exports[2]	7.0	0.8	1.1	0.2	-3.4	0.1
GDP at market prices	501.7	2.0	2.3	-0.7	-6.8	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).*

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 85 database.

StatLink http://dx.doi.org/10.1787/660030240116

Japan: **External indicators**

	2006	2007	2008	2009	2010
			$ billion		
Goods and services exports	702.6	772.0	853.8	602	618
Goods and services imports	648.1	698.7	847.6	636	653
Foreign balance	54.5	73.3	6.2	- 34	- 35
Invisibles, net	117.0	139.5	151.2	103	129
Current account balance	171.5	212.8	157.4	69	94
			Percentage changes		
Goods and services export volumes	9.7	8.4	1.8	- 32.3	3.5
Goods and services import volumes	4.2	1.5	0.9	- 12.6	2.3
Export performance[1]	0.0	0.9	- 0.6	- 18.8	- 0.3
Terms of trade	- 6.9	- 4.6	- 9.5	21.1	- 1.1

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660042171672

the budget deficit (excluding one-off factors) from 3% of GDP in 2007 to around 10% by 2010. The official target of a primary budget surplus for the combined central and local governments in FY 2011 is thus no longer realistic. Achieving a primary budget surplus is a necessary first step to reducing the government gross debt ratio, which is projected to approach 200% of GDP in 2010, the highest ever recorded in the OECD area.

... while the Bank of Japan has returned to quantitative measures

The Bank of Japan has left the short-term policy rate unchanged at 0.1% since December 2008. It is also implementing a number of measures to provide extra liquidity: short-term loans to banks amounting to 7.5 trillion yen (1.5% of GDP) by March 2009; purchases of up to 3 trillion yen of commercial paper and 1 trillion yen of corporate bonds by September 2009; increased outright purchases of government bonds; and purchases of up to 1 trillion yen in shares of investment-grade firms held by eligible banks by April 2010. While these measures have improved credit conditions and flattened the yield curve, they have been less effective in reducing deflationary pressure thus far.

Economic growth is projected to remain sluggish through 2010

Output growth is projected to return to positive territory in the latter half of 2009, thanks primarily to the substantial fiscal stimulus. In contrast, export growth is likely to remain subdued, given the weakness in Japan's trading partners and the higher level of the yen, which may result in a further loss in Japan's market share. As the impact of fiscal stimulus fades in 2010, the upturn will thus depend primarily on private domestic demand, which is projected to rise at a rate somewhat below 1% through 2010. A resumption of export growth, albeit at a moderate rate, should reverse the decline in business investment and slow the fall in employment and wages, thus supporting a modest increase in consumption. Rapid progress in unwinding excess inventories in the first half of 2009 will support a temporary rebound in production later in the year. In addition, there may still be some pent-up demand for residential investment, following the bungled regulatory change in 2007, although it may have evaporated to some extent in the context of falling income. With growth only reaching potential, the unemployment rate is expected to rise to close to 6% by the end of 2010, while deflation becomes entrenched. A current account surplus of less than 2% of GDP is projected for 2009-10.

Although risks remain high, they have become more balanced

The exceptional uncertainty about the course of the world economy poses a number of risks. Although the corporate sector is more resilient to external shocks than in the past and the banking sector is adequately capitalised at present, the sharp fall in output could further disrupt the financial sector, putting additional downward pressure on economic activity. In addition, the high and rising public debt ratio makes Japan vulnerable to a rise in long-term interest rates from their low level of around 1½ per cent. On the other hand, a faster-than-expected rebound in world trade, coupled with some weakening of the yen, would result in stronger-than-projected export and output growth in Japan.

EURO AREA

The euro area is in a deep recession, with external demand collapsing and domestic demand being weakened by tight financial conditions, rising unemployment and heightened uncertainty. Activity is expected to contract throughout 2009 and pick up only gradually in 2010, as the tensions in financial markets start to fade and the full effects of policy stimulus are felt. Rapid growth in unemployment and a large negative output gap will continue to dampen inflationary pressures throughout the projection period.

Given the weak outlook for inflation, additional monetary stimulus through further reductions in the refinancing rate and measures to ease credit and liquidity conditions is warranted. Further discretionary fiscal measures are also justified in member countries that have sufficient budgetary scope and where stimulus might otherwise taper off too rapidly. Ongoing area-wide assessments of bank balance sheets will need to be transparent and rigorous. Medium-term growth prospects would be enhanced by clear and credible plans for future fiscal consolidation and further structural measures to deepen the single market and enhance competitive pressures.

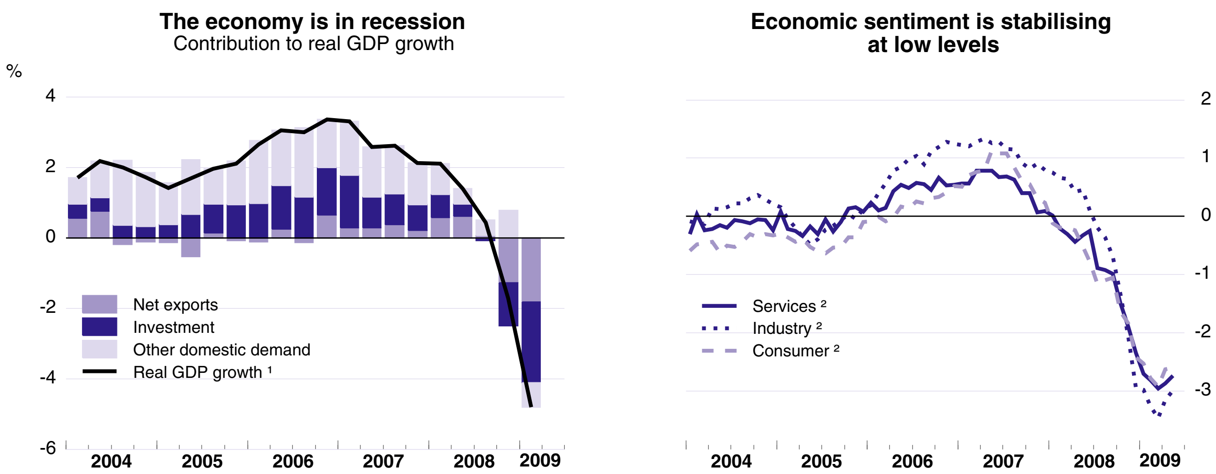
The recession has continued to deepen

Output plummeted at an annualised rate of almost 10% in the first quarter of 2009, taking activity to a level 4½ per cent lower than a year earlier. The decline is particularly pronounced in goods-producing sectors, with industrial production having dropped by one-fifth over the past year. Area-wide retail sales have also weakened, albeit to a lesser extent. Business and consumer sentiment reached historic lows in the first quarter, reflecting the impact of weakening order books and rising unemployment. Sentiment turned up in April and May, but remains at a level that points to further declines in activity in the months ahead.

Financial conditions remain tight

Financial conditions, which tightened further in the first quarter of 2009, have begun to ease somewhat, helped by the recovery in equity prices and a narrowing of interest rate spreads in money markets. But

Euro area



1. Year-on-year percentage change.
2. The series are normalised and averaged to 0 over 1999m1-2009m5.

Source: Eurostat; and OECD Economic Outlook 85 database.

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

Percentage changes

	2006	2007	2008	2009	2010
Employment	1.6	1.8	1.0	-2.5	-2.4
Unemployment rate[1]	8.2	7.4	7.5	10.0	12.0
Compensation per employee[2]	2.2	2.4	2.4	1.1	1.3
Labour productivity	1.4	0.8	-0.4	-2.3	2.5
Unit labour cost	1.1	1.7	3.5	3.9	-1.0
Household disposable income	3.8	3.6	4.2	0.5	0.2
GDP deflator	1.9	2.3	2.3	1.3	0.7
Harmonised index of consumer prices	2.2	2.1	3.3	0.5	0.7
Core harmonised index of consumer prices[3]	1.5	1.9	1.8	1.3	0.7
Private consumption deflator	2.2	2.2	2.9	0.0	0.7

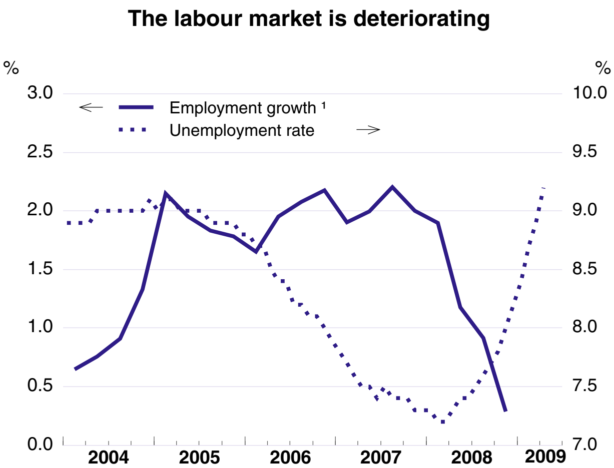
Note: Covers the euro area countries in December 2008 that are members of the OECD.
1. As a percentage of labour force.
2. In the private sector.
3. Harmonised index of consumer prices excluding energy, food, drink and tobacco.

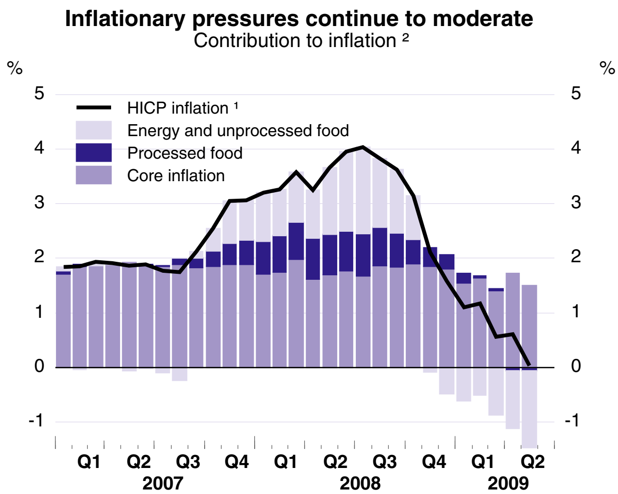
Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660058060748

bank lending standards continue to tighten (although at a diminishing rate), credit growth to households and non-financial firms is slowing further, house prices are still declining and widespread concerns remain about the health of the European banking sector. These factors have raised financing costs for companies, generated negative wealth effects on household spending and added to uncertainty about economic prospects. Ongoing area-wide assessments of bank balance sheets, to determine whether further banking sector recapitalisation is necessary, will need to be systematic, transparent and rigorous.

Euro area





1. Year-on-year percentage change.
2. Represented by the harmonised consumer price index (HICP).

Source: Eurostat and OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/656854855168

Euro area: **Financial indicators**

	2006	2007	2008	2009	2010
Household saving ratio[1]	9.3	9.1	9.9	11.5	11.3
General government financial balance[2]	-1.3	-0.7	-1.9	-5.6	-7.0
Current account balance[2]	0.5	0.5	-0.4	-1.1	-1.0
Short-term interest rate[3]	3.1	4.3	4.7	1.2	0.5
Long-term interest rate[4]	3.8	4.3	4.3	4.1	4.4

Note: Covers the euro area countries in December 2008 that are members of the OECD.
1. As a percentage of disposable income.
2. As a percentage of GDP.
3. 3-month interbank rate.
4. 10-year government bonds.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660075667464

Unemployment is already rising rapidly

Labour market conditions have deteriorated rapidly since the onset of the downturn. Employment has already begun to decline and many workers are experiencing enforced reductions in working hours. The area-wide unemployment rate rose to 9.2% in May, from 7.3% a year earlier, and is projected to continue to rise throughout the projection period.

Inflationary pressures continue to recede

The decline in global commodity prices, together with the weakness in final demand, has sharply moderated headline inflation (HICP), to zero in May. Core inflation has also moderated in recent months, but to a lesser extent. Headline inflation is likely to remain below the core rate for some time, but the latter will gradually drift down to under 1%, as rising unemployment and the continued widening of the output gap further moderate wage and price pressures in the latter half of this year and in 2010.

Euro area: **Demand and output**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2001 prices)				
Private consumption	4 618.4	2.1	1.5	0.3	-1.3	-0.2
Government consumption	1 648.9	1.8	2.3	1.8	1.3	1.4
Gross fixed investment	1 663.4	5.7	4.6	-0.3	-11.1	-1.3
Public	208.6	1.0	4.0	1.3	3.5	6.1
Residential	465.2	6.4	1.6	-4.5	-11.2	-3.4
Non-residential	989.6	6.4	6.0	1.1	-13.7	-2.1
Final domestic demand	7 930.7	2.8	2.4	0.5	-2.9	-0.1
Stockbuilding[1]	3.6	0.1	0.0	0.1	-0.2	0.0
Total domestic demand	7 934.4	2.9	2.4	0.6	-3.1	0.0
Net exports[1]	124.1	0.2	0.3	0.0	-1.7	0.0
GDP at market prices	8 058.5	3.0	2.6	0.5	-4.8	0.0

Note: Covers the euro area countries in December 2008 that are members of the OECD.
1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660083166654

Euro area: **External indicators**

	2006	2007	2008	2009	2010
			$ billion		
Foreign balance	131.9	193.8	147.3	41	44
Invisibles, net	- 73.2	- 138.5	- 205.4	- 173	- 172
Current account balance	58.7	55.3	- 58.2	- 132	- 128

Note: Covers the euro area countries in December 2008 that are members of the OECD.
Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660087447884

Monetary policy can ease further

The European Central Bank has reduced its policy rate by 325 basis points since last September, and the operation of liquidity management has led to an even larger fall in overnight rates. Liquidity provision to banks has also been extended from six to twelve months and new measures to purchase covered bonds have been announced. However, financial market tensions have slowed the speed of pass-through from policy rates into money market and retail interest rates. The growing disinflationary pressures anticipated during the next two years imply that the remaining scope for cutting policy rates should be used quickly, with a commitment to maintain rates at this level for as long as warranted, and credit and liquidity easing policies implemented, provided that any difficulties arising from the euro area institutional framework can be overcome.

Fiscal measures are supportive

Member states have introduced new discretionary fiscal measures to support demand, amounting to more than 1% of GDP in 2009, with an additional, but somewhat smaller, stimulus in 2010. These measures will not prevent sharp output declines, but should help to underpin activity in the latter half of this year and in 2010. Additional support is coming from the relatively large automatic stabilisers in the euro area, and the measures taken to support the financial sector. But fiscal deficits and debt ratios are rising rapidly and sovereign bond spreads are widening in some countries. The area-wide budget deficit is projected to rise to 5½ per cent of GDP this year and 7% of GDP in 2010, with gross government debt rising by over 15% of GDP between 2008 and 2010. Some member states continue to have scope to provide additional stimulus in the short term, especially if the situation should deteriorate further than presently projected or if stimulus might otherwise be withdrawn too quickly. However, all member states need to formulate clear and credible plans to ensure medium-term fiscal sustainability, and ensure that budgetary stimulus is withdrawn rapidly once the recovery is sufficiently robust.

Further declines in GDP are likely in the near term

Economic activity is projected to decline further until the end of 2009, with marked weakness in domestic demand augmenting the drag on activity from weak global demand growth. But, the pace of the decline in activity is projected to moderate in the latter half of the year, helped by the support provided by macroeconomic policy stimulus. Private investment is likely to be particularly hard-hit, reflecting on-going housing market corrections in some member states, as well as the impact of tight financial conditions and heightened uncertainty on companies. Household incomes are benefiting from falling inflation, but consumption will be depressed by rising unemployment and negative wealth effects.

The recovery will be subdued

Policy support, combined with an easing of financial conditions and stronger external demand should induce a gradual recovery in 2010. During the latter half of 2010, activity is projected to rise slightly above potential, starting to close the sizable negative output gap that is opening up.

The risks are now better balanced

The risks around the forecast now appear better balanced than a few months ago, with marked downside tail risks diminishing somewhat. There remains a risk that declining activity and a resulting surge in loan default rates will intensify pressures on financial institutions, leading to further tightening of financial conditions and additional negative effects on the real economy. But financial conditions could improve more rapidly than assumed and activity could recover more quickly if the policy stimulus in the euro area and elsewhere provides a bigger boost to demand than currently anticipated.

GERMANY

The fall in output accelerated at the beginning of 2009 and activity is expected to continue falling throughout 2009, though at a slowing pace. The annual decline in GDP growth is projected to amount to around 6% this year. Activity will slowly pick up in the course of 2010. Unemployment is projected to rise sharply, and firms have already reduced their labour input significantly by reducing working hours.

The main policy challenge is to prevent the rise in unemployment from turning into structural unemployment. In addition, given the deterioration in the fiscal outlook, the new fiscal rule will bolster credibility regarding medium-term consolidation.

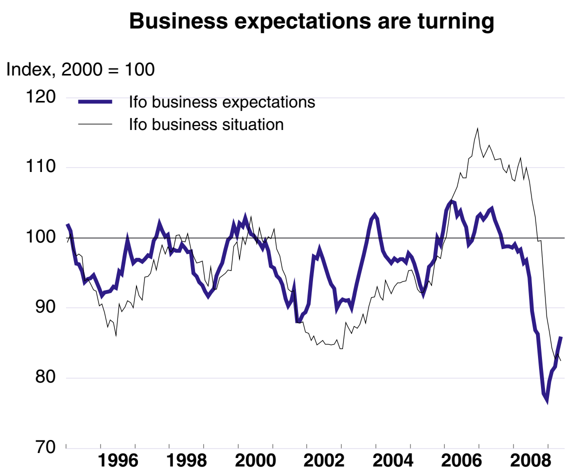
Growth fell sharply in the first quarter…

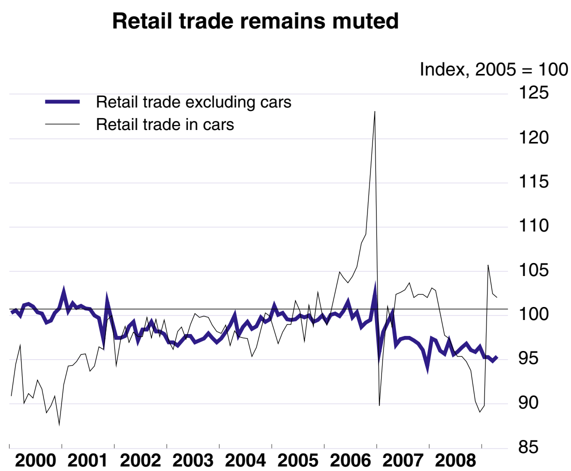
Economic activity continued to decline in the first quarter, with real GDP falling even more than in the fourth quarter of last year. This was mainly due to a further substantial drop in exports, reflecting the collapse in world trade, and a sharp fall in private investment, as firms faced rising excess capacity. In addition, a reversal of the involuntary stock building that took place in the second half of last year dragged down GDP. In contrast, private consumption was robust, helped substantially by the government's subsidy to scrap old cars and buy new ones. Unemployment has started to pick up, although the deterioration of the labour market is delayed somewhat by the government's subsidy for shorter working hours. The number of workers on this scheme rose sharply, due not least to the recent measures to extend the coverage of the scheme and make it more attractive.

… but the pace of decline is moderating

Available evidence points to more moderate declines in real GDP going forward. Business survey indicators have started to recover from their historic lows. Manufacturing orders rebounded somewhat and the

Germany





Note: Ifo data refers to manufacturing, construction, wholesale and retail trade and is seasonally adjusted. Retail trade excluding cars and retail trade in cars are in constant and current prices respectively; both are working day and seasonally adjusted.

Source: Deutsche Bundesbank; Ifo Institut für Wirtschaftsforschung.

StatLink http://dx.doi.org/10.1787/656857733815

Germany: Employment, income and inflation

Percentage changes

	2006	2007	2008	2009	2010
Employment	0.6	1.7	1.4	-1.9	-3.2
Unemployment rate[1]	9.8	8.3	7.3	8.7	11.6
Compensation of employees	1.6	2.9	3.5	-2.4	-3.2
Unit labour cost	-1.5	0.3	2.5	3.9	-3.3
Household disposable income	1.9	1.6	2.6	0.5	-0.1
GDP deflator	0.5	1.9	1.5	1.3	0.6
Harmonised index of consumer prices	1.8	2.3	2.8	0.3	0.4
Core harmonised index of consumer prices[2]	0.7	1.9	1.3	1.2	0.4
Private consumption deflator	1.3	1.7	2.1	-0.5	0.4

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

Source: OECD Economic Outlook 85 database.

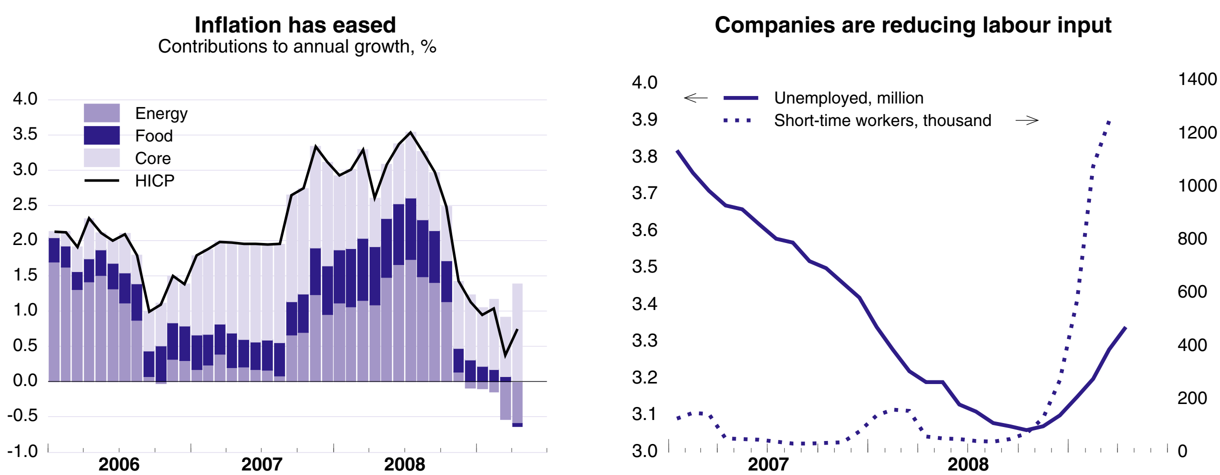
StatLink http://dx.doi.org/10.1787/660106377742

decline in industrial production is levelling off. In addition, the recent increase of € 3.5 billion in the car scrapping scheme has helped to maintain private consumption demand.

Unemployment will begin to surge

Nevertheless, unemployment is projected to rise sharply during the course of this year and next, with the unemployment rate reaching double-digit levels. While the short-time workers scheme is still limiting the increase, its effect will vanish as firms start laying off staff in a business environment that remains grim. Given the expected sharp deterioration in labour market conditions, the government should

Germany



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

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

StatLink http://dx.doi.org/10.1787/657041008688

Germany: **Financial indicators**

	2006	2007	2008	2009	2010
Household saving ratio[1]	10.5	10.8	11.4	12.5	12.5
General government financial balance[2]	-1.5	-0.2	-0.1	-3.7	-6.2
Current account balance[2]	6.5	8.0	6.6	2.8	3.0
Short-term interest rate[3]	3.1	4.3	4.7	1.2	0.5
Long-term interest rate[4]	3.8	4.2	4.0	3.5	4.0

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660126136043

consider expanding measures to limit the build-up of long-term unemployment. Compensation per employee is projected to fall this year, reflecting a sharp reduction in working hours which more than offsets increases in hourly wages.

Fiscal easing is softening the downturn

The government's two fiscal packages include cuts in income taxes and social security contributions, higher public investment, higher transfers to households and measures to reduce the adverse impact of the crisis on the labour market. These measures will soften the downturn during this year and contribute to the recovery in 2010, notwithstanding

Germany: **Demand and output**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	1 323.0	1.2	-0.3	-0.1	0.4	-0.3
Government consumption	420.0	0.6	2.2	1.8	1.1	2.0
Gross fixed investment	388.9	8.5	4.5	3.6	-10.9	0.2
Public	30.9	3.8	4.4	4.4	-1.3	18.1
Residential	116.4	6.5	0.4	-0.1	-4.2	0.5
Non-residential	241.6	10.1	6.5	5.3	-15.2	-3.0
Final domestic demand	2 131.8	2.4	1.1	1.0	-1.8	0.2
Stockbuilding[1]	- 11.4	-0.1	0.1	0.5	0.1	-0.1
Total domestic demand	2 120.4	2.3	1.2	1.6	-1.7	0.1
Exports of goods and services	918.6	13.1	7.7	2.2	-18.9	0.9
Imports of goods and services	799.7	12.2	5.2	3.9	-10.8	0.9
Net exports[1]	118.9	1.0	1.4	-0.5	-4.5	0.0
GDP at market prices	2 239.3	3.2	2.6	1.0	-6.1	0.2
Memorandum items						
GDP without working day adjustments	2 243.2	3.0	2.5	1.3	-6.1	0.3
Investment in machinery and equipment	186.5	11.4	7.4	5.3	-17.3	0.0
Construction investment	202.3	5.8	1.9	2.0	-5.1	0.3

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/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 85 database.

StatLink http://dx.doi.org/10.1787/660131667586

Germany: **External indicators**

	2006	2007	2008	2009	2010
			$ billion		
Goods and services exports	1 323.9	1 563.4	1 729.0	1 268	1 315
Goods and services imports	1 158.1	1 327.7	1 501.4	1 180	1 220
Foreign balance	165.8	235.8	227.7	89	94
Invisibles, net	24.3	30.1	15.8	2	6
Current account balance	190.1	265.9	243.4	90	100
			Percentage changes		
Goods and services export volumes	13.1	7.7	2.2	- 18.9	0.9
Goods and services import volumes	12.2	5.2	3.9	- 10.8	0.9
Export performance[1]	3.6	0.5	0.1	- 4.1	- 0.1
Terms of trade	- 1.3	0.7	- 0.7	2.8	0.2

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 85 database.

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some implementation lags associated with infrastructure spending. Including other discretionary measures, the fiscal stimulus amounts to around 3¾ per cent of GDP. Together with automatic stabilisers, this will result in a marked worsening of the fiscal balance, with the budget deficit projected to reach 6.2% of GDP in 2010. The recent reform of the fiscal rule will help to bring public finances back to a sustainable path in the medium term. The government is addressing financial stability issues through a range of measures. The *Financial Market Stabilization Fund* can guarantee bond issues by financial sector enterprises and provides recapitalisation. Current plans are to relieve banks' balance sheets of their toxic assets by transferring them to individual bad banks which are guaranteed by the government, but to let banks participate in the potential losses over the maturity of those assets. This measure reduces the need for further immediate write-downs by banks, but existing shareholders continue to bear the uncertainty associated with these assets. This scheme needs to be closely monitored to ensure that it has the intended effects on fostering future bank lending.

Growth will stabilise only slowly

Growth is projected to remain negative throughout this year, but a gradual recovery is projected in 2010, driven both by a positive contribution of net exports and stronger domestic demand. Germany is likely to benefit in particular from the gradual increase in world trade and to regain lost export market share as world growth and the demand for capital goods improves. Gross fixed capital formation will benefit from substantial increases in public infrastructure investment as well as a rebound in private investment as financial conditions ease. Household consumption is expected to be a drag on GDP growth in 2010 notwithstanding support provided by income tax cuts, due to the sharp deterioration in labour market conditions and a retreat from the rise in car sales in the first half of 2009. With the increase in real GDP remaining moderate, the unemployment rate will continue to rise, reaching close to

12% at the end of the projection period. The crisis will significantly reduce potential growth, both through lower investment and a likely increase in the structural rate of unemployment. Even so, with real GDP growth falling well short of its potential, a sizeable output gap will open up this year and consequently inflation will fall to very low levels over the projection horizon.

Risks are fairly balanced

The risks surrounding the projection of a gradual improvement of activity are fairly balanced. On the one hand, growth could be weaker if world trade does not recover as envisaged or if problems in the financial sector turn out to be larger than currently assessed. On the other hand, growth could be stronger if the stimulus measures boost growth more than projected and if the rebound of the world economy sets in faster.

FRANCE

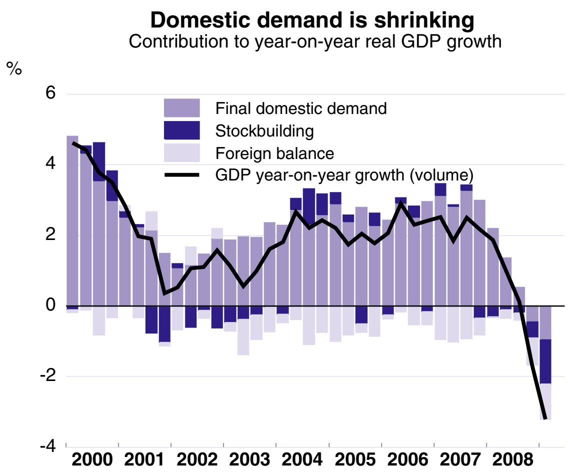
Real GDP is projected to fall by about 3% in 2009, with the pace of contraction gradually diminishing through the year. The recovery in 2010 is likely to be slow, with output growing below potential rates throughout the year. Still resilient private consumption and large automatic stabilisers are moderating the contraction in domestic demand, and France is less exposed to the collapse in world trade than some other countries. Both underlying and headline inflation could fall to near zero by end-2010.

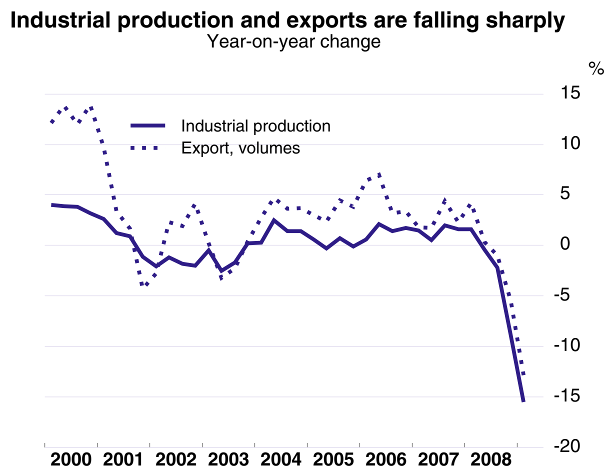
The budgetary measures put in place to face the crisis are starting to take effect and are largely self-reversing. The downturn will nevertheless lead to sharp deficit increases, so that credibly restoring public finances will be a key challenge in the years to come. Once the recovery is firmly anchored, the government should therefore implement a medium-term package of spending cuts and tax base broadening that will ensure fiscal sustainability.

A fourth consecutive quarter of negative growth

Output fell by 1.2% in the first quarter (seasonally adjusted, quarterly rate) and has now fallen for four consecutive quarters, leaving output 3.3% lower than a year ago. Plunging exports, a sharp drop in non-residential investment and a deteriorating housing construction sector are the main sources of weakness. Industrial production is now 15% lower than a year ago, even though the decline has slowed in recent months. Private consumption, by contrast, has been resilient, despite the huge wealth losses and worsening labour-market prospects. With a six-month lag, joblessness is now rising substantially, as private-sector employment has been declining at an annualised 4% pace, taking the unemployment rate towards 9%. As is typical in downturns, younger workers are being disproportionately affected due to ingrained labour-market dualism.

France





Source: OECD Economic Outlook 85 database.

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France: **Employment, income and inflation**

Percentage changes

	2006	2007	2008	2009	2010
Employment	0.6	1.7	1.4	-1.3	-1.2
Unemployment rate[1]	8.8	8.0	7.4	9.7	11.2
Compensation of employees	4.3	4.2	3.2	-0.2	0.0
Unit labour cost	1.8	1.9	2.8	2.8	-0.2
Household disposable income	4.6	5.1	3.4	1.5	0.7
GDP deflator	2.4	2.5	2.5	0.9	0.6
Harmonised index of consumer prices	1.9	1.6	3.2	0.3	0.7
Core harmonised index of consumer prices[2]	1.5	1.6	1.8	1.3	0.6
Private consumption deflator	2.1	2.1	2.8	0.0	0.5

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

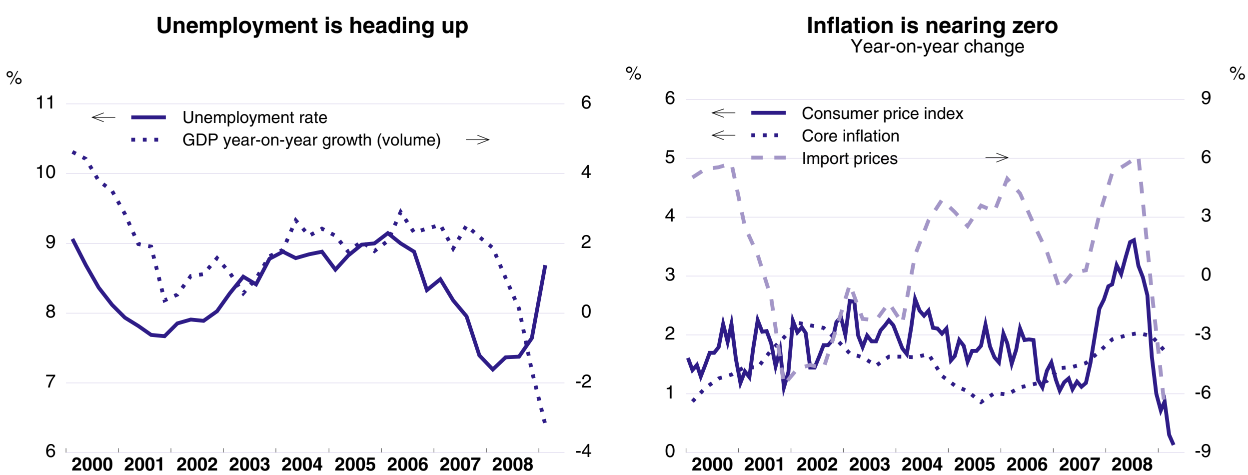
Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660210203260

Measures to contain the financial crisis and policy stimulus are moderating the downturn

To support the financial system the authorities have created two vehicles, which provide a state guarantee for bank refinancing and equity to bolster solvency. These steps have allowed banks to continue lending, thus offsetting to some extent the drying-up of the primary securities market. It is generally believed that financial institutions in France are on average in a better situation than in other countries due to more conservative lending practices, but full information is lacking. Indeed, although the Bank of France has conducted "resistance tests" on French banks, the outcomes have not been published. The government also adopted an economic recovery programme amounting to 1.3% of GDP, focusing mostly on infrastructure spending and relieving cash-flow

France



Source: OECD Economic Outlook 85 database.

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France: **Financial indicators**

	2006	2007	2008	2009	2010
Household saving ratio[1]	11.6	12.2	11.9	13.2	13.4
General government financial balance[2]	-2.3	-2.7	-3.4	-6.7	-7.9
Current account balance[2]	-0.5	-1.1	-1.9	-1.5	-1.5
Short-term interest rate[3]	3.1	4.3	4.7	1.2	0.5
Long-term interest rate[4]	3.8	4.3	4.2	3.9	4.1

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660257376170

difficulties for small- and medium-sized enterprises. Measures announced subsequently on top of these first measures include one-time income tax exonerations for low-income households, more generous compensation for the part-time unemployed and social-contribution rebates to encourage youth employment. Other measures include loans to the car and aircraft industries and permanent value-added tax cuts in the restaurant sector, although these are likely to distort activity.

Putting public finances on a sustainable path will be the main challenge

Discretionary stimulus measures, the loss of exceptionally buoyant tax revenues in 2008 following the bursting of the financial and housing-market bubbles and sizeable automatic stabilisers will cushion activity, but will also push the general government deficit to around 8% of GDP

France: **Demand and output**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	979.9	2.6	2.4	1.0	0.1	-0.1
Government consumption	408.4	1.4	1.5	1.1	1.2	1.3
Gross fixed investment	343.9	4.4	6.5	0.4	-7.4	-0.3
Public	56.9	-2.5	4.4	-4.5	-1.4	5.2
Residential	96.3	6.2	5.6	-1.2	-6.9	-2.0
Non-residential	190.7	5.6	7.5	2.6	-9.2	-0.9
Final domestic demand	1 732.3	2.7	3.0	0.9	-1.3	0.2
Stockbuilding[1]	6.3	0.0	0.0	-0.3	-1.2	0.1
Total domestic demand	1 738.6	2.7	3.1	0.6	-2.4	0.3
Exports of goods and services	449.4	5.0	2.5	-0.5	-14.4	-2.4
Imports of goods and services	463.9	5.9	5.4	0.6	-11.4	-1.8
Net exports[1]	- 14.5	-0.3	-0.8	-0.3	-0.5	-0.1
GDP at market prices	1 724.1	2.4	2.3	0.3	-3.0	0.2

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

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

Source: OECD Economic Outlook 85 database.

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France: **External indicators**

	2006	2007	2008	2009	2010
			$ billion		
Goods and services exports	607.4	689.3	756.3	573	572
Goods and services imports	637.2	738.8	828.7	636	641
Foreign balance	- 29.7	- 49.5	- 72.4	- 63	- 69
Invisibles, net	17.4	21.8	19.0	24	27
Current account balance	- 12.4	- 27.6	- 53.4	- 39	- 42
			Percentage changes		
Goods and services export volumes	5.0	2.5	- 0.5	- 14.4	- 2.4
Goods and services import volumes	5.9	5.4	0.6	- 11.4	- 1.8
Export performance[1]	- 4.0	- 3.7	- 2.9	1.0	- 3.1
Terms of trade	- 0.7	0.6	- 1.2	2.2	- 0.4

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660352135483

by 2010. Public debt (Maastricht definition) is projected to rise to 86% of GDP by 2010 as the government's balance sheet is expected to increase by 4.5 percentage points of GDP on top of the large contributions from negative net lending. Most of this increase comes from liabilities stemming from the *Société de financement de l'économie française,* the joint public-private scheme to improve banks' liquidity, which is expected to issue € 60 billion worth of loans in 2009 after € 13 billion in 2008. Putting in place a credible plan to ensure fiscal sustainability is the major challenge that the authorities face once the economy recovers.

The decline is expected to slow…

The decline in growth is expected to slow for the rest of this year. While positive terms-of-trade effects have helped to contain the slowdown in real income growth thus far, fiscal stimulus and monetary easing will soon begin to take effect. Moreover, while inventories have been a major drag on growth since the onset of the recession, there is a natural limit to the extent of further destocking, and the negative contribution from inventories to output growth is expected to vanish from around mid-year. As confidence in the global financial markets is gradually restored in the coming quarters, export markets should bottom out, and growth should turn positive in 2010.

… but the recovery will be weak

However, tightened credit conditions by financial institutions trying to rebuild margins, the deterioration in both the labour and housing markets, as well as weak business capital formation resulting from exceptional economic slack, will weigh on the strength of the recovery. Indeed, the unemployment rate is expected to continue to rise sharply, while house prices are projected to fall by about 10% per year in both 2009 and 2010. Rising employment uncertainty, combined with the decline in wealth associated with housing- and financial-market developments, is likely to induce households to raise their saving rate. These second-round effects of the crisis could lead to a retrenchment of private consumption and become a more important force restraining growth in the future. As a result, the recovery projected for 2010 will be weak, the expansion of output remaining below potential rates. Moreover, the new general scheme for social benefits (*Revenu de solidarité active*) is assumed to boost the labour force by 0.5% with only a gradual increase in employment of such largely low-skilled workers. Unemployment will therefore be higher, but the long-term effect will be smaller than the initial rise.

Underlying inflation rates will continue to decline towards zero

Following price declines which have reduced the price level by 1% over the last six months, headline consumer price inflation is likely to return to positive rates in the second half of 2009 as the impact of past energy-price declines tails off and is partially reversed. However, substantial excess supply in labour and product markets will maintain downward pressure on wages, and underlying inflation is expected to decline to near zero by the end of 2010.

Risks are now more symmetric

Substantial uncertainty remains around this central scenario, especially concerning exports, which depend on the evolution of the world economy, and the contributions of inventories, but the risks now seem broadly balanced. Policy stimulus already in place might lead to an earlier and stronger recovery. The main downside risk is that the weakening of private consumption will be more severe and protracted as the labour market deteriorates and as fiscal stimulus is unwound.

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ITALY

The recession is projected to continue into late 2009, with a slow pick-up in 2010. Falling export growth and deteriorating financial conditions have hit investment hard. After declining to quite low levels, investment should lead the recovery. Unemployment will rise significantly while inflation will decline slowly.

Given Italy's weak underlying fiscal position, the authorities have rightly abstained from significant discretionary fiscal expansion, while redirecting some spending within the existing budget envelope to better sustain domestic demand, notably private consumption. The budget deficit will nevertheless increase substantially in 2009 as the recession hits revenues, and may increase somewhat further in 2010 despite the planned fiscal consolidation.

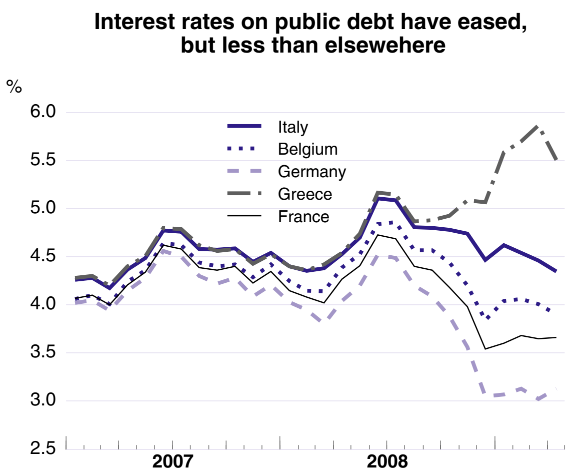
The recession deepened in early 2009

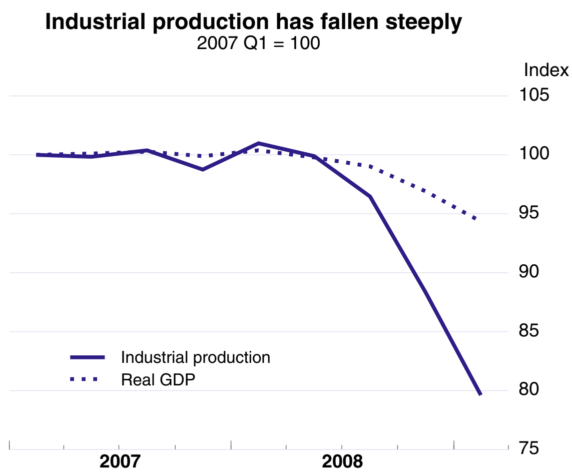
With industrial production almost in free fall – it fell by nearly one quarter in the twelve months to March 2009 – Italy is experiencing a very sharp recession. Exports have been particularly hard hit by the collapse in world trade and against the background of Italy's weak competitiveness. Unit labour costs continued to rise in 2008 as higher compensation growth and falling productivity offset earlier improvements.

Exports and investment fell sharply, consumption held up better

Italy has been harder hit by falling export volumes than almost all OECD countries other than Japan and Germany, but domestic demand, mainly fixed investment, has contracted sharply too. The share of fixed investment in GDP fell by nearly 2 percentage points between the start of 2007 and the end of 2008 and is expected to fall further in 2009. The fall in exports itself is partly a cause of this, in addition to the impact of tightening credit conditions, though the relative contribution of the two factors is difficult to assess. Rising unit labour costs are contributing to a

Italy





Source: OECD, Main Economic Indicators database.

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Italy: **Employment, income and inflation**

Percentage changes

	2006	2007	2008	2009	2010
Employment[1]	2.0	1.2	0.3	-1.8	-2.0
Unemployment rate[2]	6.8	6.2	6.8	8.4	10.2
Compensation of employees	4.6	3.7	3.7	0.0	0.3
Unit labour cost	2.5	2.2	4.8	5.8	-0.1
Household disposable income	2.9	3.0	4.3	-0.7	0.0
GDP deflator	1.8	2.4	2.8	2.5	1.2
Harmonised index of consumer prices	2.2	2.0	3.5	1.1	1.2
Core harmonised index of consumer prices[3]	1.6	1.8	2.2	1.5	1.2
Private consumption deflator	2.7	2.2	3.2	-0.3	1.2

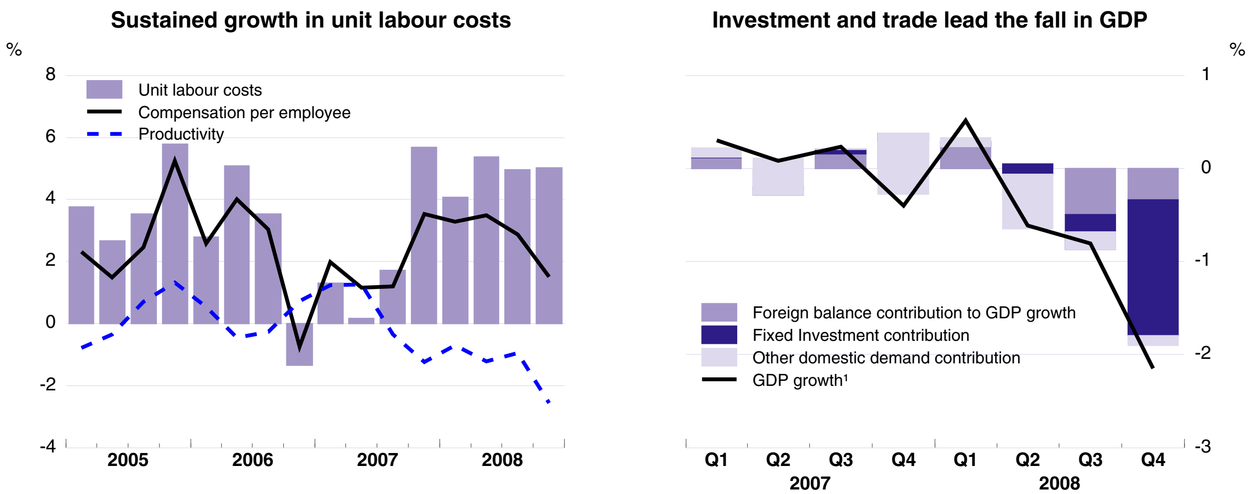
1. Data for whole economy employment are from the national accounts. These data include an estimate made by Istat for employment in the underground economy. Total employment according to the national accounts is approximately 2 million, about 10%, higher than employment according to the labour force 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 85 database.

StatLink http://dx.doi.org/10.1787/660365628038

decline in business profitability that has continued now for over four years and is another underlying factor behind weak investment. Wage growth picked up in 2008, following some "catch-up" wage settlements despite the worsening economic situation. Hence, consumer confidence indicators deteriorated less than business confidence. However, consumer confidence was already relatively low; personal consumption fell significantly at the end of the year and the decline continued in the first quarter of 2009.

Italy



1. Quarter-on-quarter percentage change.

Source: OECD Economic Outlook 85 database.

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Italy: **Financial indicators**

	2006	2007	2008	2009	2010
Household saving ratio[1]	9.0	7.9	9.3	11.2	10.1
General government financial balance[2,3]	-3.3	-1.5	-2.7	-5.3	-5.8
Current account balance[2]	-2.6	-2.4	-3.4	-4.0	-4.0
Short-term interest rate[4]	3.1	4.3	4.7	1.2	0.5
Long-term interest rate[5]	4.0	4.5	4.7	4.8	4.8

1. As a percentage of disposable income.
2. As a percentage of GDP.
3. In 2006 includes certain one-off revenues and a railways debt forgiveness operation amounting to 0.9% of GDP. Excluding these extraordinary items, the general government financial balance in 2006 was - 3.0% of GDP.
4. 3-month interbank rate.
5. 10-year government bonds.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660376784752

The stock cycle may have contributed too

Survey indicators suggest that stocks continued to increase throughout 2008, but fell significantly in early 2009, consistent with the sharp fall in industrial production. Car sales, stimulated by tax incentives, rose in March and April, though it is too early to say how much this has been offset by falls in other expenditure. Such sales are likely to have been met in the first instance from inventory reductions, but vehicle output, very hard hit throughout the second half of 2008, did stabilise in March and output in a number of industries ticked up in April.

Italy: **Demand and output**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption[1]	844.0	1.3	1.2	-0.9	-2.6	0.0
Government consumption	290.8	0.5	1.0	0.6	0.0	0.2
Gross fixed investment	296.7	3.2	1.6	-2.9	-12.7	1.5
Machinery and equipment	142.2	5.4	2.4	-4.1	-19.0	1.1
Construction	154.4	1.1	0.8	-1.8	-7.0	1.7
Residential	69.9	4.1	1.1	-0.9	-6.9	1.7
Non-residential	84.5	-1.3	0.6	-2.7	-7.2	1.8
Final domestic demand	1 431.5	1.5	1.2	-1.0	-4.2	0.3
Stockbuilding[2]	- 0.7	0.5	0.1	-0.3	-0.3	0.2
Total domestic demand	1 430.7	2.0	1.3	-1.3	-4.4	0.5
Exports of goods and services	371.4	6.5	4.0	-3.7	-20.9	-0.7
Imports of goods and services	372.2	6.2	3.3	-4.5	-17.0	-0.2
Net exports[2]	- 0.9	0.1	0.2	0.2	-1.0	-0.1
GDP at market prices	1 429.9	2.1	1.5	-1.0	-5.5	0.4

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

StatLink http://dx.doi.org/10.1787/660401742506

Italy: **External indicators**

	2006	2007	2008	2009	2010
			$ billion		
Goods and services exports	519.7	613.6	665.9	495	504
Goods and services imports	534.7	618.7	677.8	499	509
Foreign balance	- 15.0	- 5.1	- 11.8	- 4	- 5
Invisibles, net	- 33.4	- 46.6	- 64.6	- 81	- 83
Current account balance	- 48.4	- 51.7	- 76.4	- 85	- 88
			Percentage changes		
Goods and services export volumes	6.5	4.0	- 3.7	- 20.9	- 0.7
Goods and services import volumes	6.2	3.3	- 4.5	- 17.0	- 0.2
Export performance[1]	- 3.3	- 3.6	- 6.7	- 6.5	- 1.7
Terms of trade	- 2.9	1.4	- 1.8	6.0	0.3

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660405078012

Unemployment is rising slowly, and inflation is persistent

Unemployment has risen less than might have been expected from the fall in output. Actual numbers of people employed were still rising in the fourth quarter of 2008. When account is taken of falling hours worked, as overtime was reduced and increasing numbers of people were put on short-time, effective labour input declined, however. Indications are that the decline accelerated in early 2009, but the effect on unemployment may again be mitigated by increased short-time work. Inflation has fallen less than in other large European countries but it is expected to decline in the coming months.

Some banks are planning to use recapitalisation facilities

As in most countries, despite tightening credit indicators, bank lending has continued to grow, though at a declining rate and rather slowly. Italian banks' exposure to losses on domestic lending continues to appear low and, while their risk-weighted capital ratios are not particularly high, overall capital-asset ratios seem to be comfortable. Some banks have applied to use the recently negotiated public facility for recapitalisation with hybrid convertible bonds. Such bonds carry conditions on corporate governance and lending policy.

Anti-crisis measures were budget neutral

Fiscal resources were switched from other uses in order to expand anti-poverty measures and to increase the incomplete coverage of unemployment insurance in Italy. But measures that allow companies to reduce prepayments of taxes have hit revenues in the early part of the year. On the expenditure side, success in reducing payment delays to suppliers by the public administration is budget neutral in an accruals sense, but will nevertheless affect cashflow.

The stock cycle and investment should initiate the turnround…

While investment is expected to continue to be weak in the first half of the year, and inventories may fall further, there will inevitably be a temporary boost to demand as stockbuilding ceases to decline and even becomes positive. The inventory cycle is projected to help support GDP in the third quarter, although overall output may not increase until the beginning of 2010; improving financial conditions and some recovery in world export markets will reinforce the upturn in fixed investment that should occur around the same time. Although the share of investment in GDP is projected to fall by a further percentage point in the first half of 2009, its growth will likely be quite hesitant at first, gathering some pace only in 2010.

… with only weak support from household spending

Lower wage and employment growth will restrict growth in household incomes in both 2009 and 2010, but the saving ratio, estimated to have been rising over the past year, is projected to fall slightly in 2010. House prices, which probably began to decline only towards the end of 2008, are likely to continue to fall during 2009. While house prices are potentially important for consumer confidence, they historically seem to have little impact on actual consumption behaviour in Italy.

A broadly neutral fiscal stance, perhaps with some tightening

The government has acted with sensible caution in implementing a largely neutral budget in 2009 and now intends to maintain this stance in 2010. Some tightening is necessary in the medium term, but the automatic stabilisers should be allowed to work fully until the recovery is clearly under way.

Risks no longer seem biased towards the downside

While there are still risks that the near-term outlook will deteriorate more than projected, downside risks currently seem to be broadly matched by upside risks. In particular, certain leading indicators have ticked up, while stocks and investment have fallen so much that the rebound could be earlier or sharper than projected here, particularly if financial conditions continue to improve.

UNITED KINGDOM

The economy is in a severe recession, with output projected to decline by 4.3% in 2009 and recover only mildly in 2010. The financial crisis has severely impaired the supply of credit and house prices have fallen sharply, thus restraining business and household spending. The depreciation of sterling is mitigating the downturn, but cannot overcome falling foreign demand. The unemployment rate is projected to rise towards 10% in 2010, with inflation well below the 2% target for an extended period.

Measures to support the financial sector, dramatic monetary easing and fiscal stimulus, have cushioned the downturn. Given a policy rate close to zero and quantitative easing well underway, monetary policy is highly expansionary. At the same time, public finances have deteriorated sharply – with the fiscal deficit expected to rise to 14% of GDP in 2010 – curtailing the possibilities for additional fiscal stimulus. To improve stability, the government should continue to develop a concrete and comprehensive plan to ensure that debt is on a declining path once recovery takes hold. A continued strong focus on labour force activation policies is also warranted to buttress medium term labour supply.

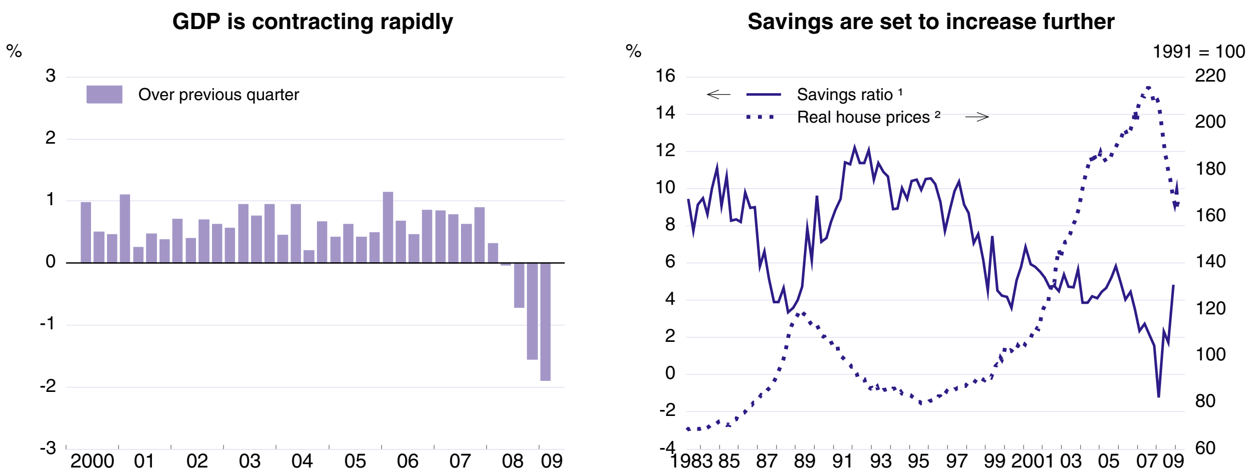
The economy continues to contract sharply

Output declined by 4.2% over the four quarters to Q1 2009, as exports, household consumption, and housing and business investment all fell, influenced by continued sharp falls in house and commercial property prices. While sterling has depreciated by more than 20% in nominal effective terms since mid-2007, the impact on exports has so far been more than offset by substantial declines in external demand. The contraction in economic activity has pushed up unemployment in recent months, while wage growth and inflation are falling.

Financial conditions are improving but further measures are needed

Financial conditions, which worsened sharply at the onset of the crisis, are still unfavourable, although they have improved in 2009. Economic recovery will require restoration of the financial system and the supply of credit. Beyond measures to supply liquidity, the authorities have

United Kingdom



1. Household and non-profit institutions serving households gross saving ratio.
2. Halifax house price index deflated by consumer price index.

Source: OECD Economic Outlook 85 database; and HBOS plc.

StatLink http://dx.doi.org/10.1787/657143810376

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

Percentage changes

	2006	2007	2008	2009	2010
Employment	0.9	0.7	0.8	-2.3	-2.6
Unemployment rate[1]	5.4	5.4	5.7	8.2	9.7
Compensation of employees	4.9	4.2	3.4	-1.3	-1.2
Unit labour cost	2.0	1.1	2.7	3.2	-1.2
Household disposable income	3.4	2.0	4.9	1.8	0.6
GDP deflator	2.6	2.8	2.3	1.5	0.9
Harmonised index of consumer prices[2]	2.3	2.3	3.6	1.9	1.2
Core harmonised index of consumer prices[3]	1.3	1.6	1.6	1.2	1.2
Private consumption deflator	2.3	2.4	2.4	1.1	1.0

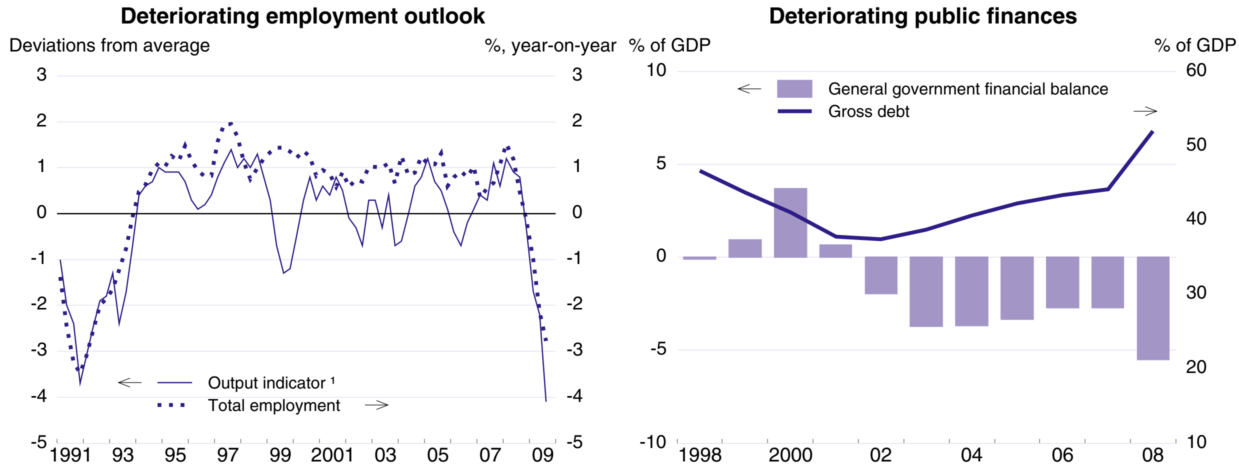
1. As a percentage of labour force.
2. The HICP is known as the Consumer Price Index in the United Kingdom.
3. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660425818033

undertaken a wide range of system-wide policy measures to restore the banking system's ability to supply credit, including a guarantee of certain securities issued by banks and ring-fencing impaired assets. The measures taken by the government to support the financial sector have resulted in the full or partial public ownership of a number of banks and the assumption of potentially large risks on the public-sector balance sheet. These positions will have to be unwound once the economy has recovered. The financial crisis also highlighted significant weaknesses in the regulation of the financial sector and the government has responded with a number of reforms. However, further measures are needed, *inter alia* to strengthen supervision, as envisaged in the Turner Report.

United Kingdom



1. British Chamber of Commerce (BCC) survey outlook for manufacturing and services industry (weighted average, lagged three quarters). Deviations from averages since 1999 in standard deviations.

Source: OECD Economic Outlook 85 database; Bank of England; BCC and ONS.

StatLink http://dx.doi.org/10.1787/657230732708

United Kingdom: **Financial indicators**

	2006	2007	2008	2009	2010
Household saving ratio[1]	4.2	2.2	2.0	5.1	5.1
General government financial balance[2]	-2.7	-2.7	-5.5	-12.8	-14.0
Current account balance[2]	-3.4	-2.9	-1.7	-2.6	-2.4
Short-term interest rate[3]	4.8	6.0	5.5	1.4	0.6
Long-term interest rate[4]	4.5	5.0	4.6	3.8	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 85 database.

StatLink http://dx.doi.org/10.1787/660426743628

Quantitative easing is on track but its effectiveness is uncertain

The Bank rate has been cut dramatically and is now near an effective zero bound. The Bank of England has embarked on quantitative easing, with a total of £125 billion of asset purchases (almost 9% of GDP) scheduled to be finalised in the next few months. The initial response of long-term government bond yields to this policy was favourable, but they have subsequently risen. Further quantitative easing could help cushion the recession, but the effectiveness of these measures remains uncertain. Quantitative easing is more likely to be effective if the scope of future central bank actions is clearly signalled.

Rising deficits will need to be reined in as recovery takes hold

While net public debt levels were relatively low coming into this downturn, the structural balance had worsened considerably. Public finances are set to deteriorate much more, mainly due to automatic stabilisers and the contraction of the revenue-rich finance and housing

United Kingdom: **Demand and output**

	2005	2006	2007	2008	2009	2010
	Current prices £ billion	Percentage changes, volume (2003 prices)				
Private consumption	810.7	2.1	3.1	1.4	-3.4	-0.3
Government consumption	268.6	1.6	1.5	3.4	4.8	1.0
Gross fixed investment	211.3	6.0	6.8	-3.1	-12.5	-4.2
Public[1]	8.0	273.5	6.2	22.3	1.5	2.0
Residential	63.8	8.9	0.3	-21.0	-15.5	-3.7
Non-residential	139.5	-7.2	9.9	0.1	-14.5	-6.0
Final domestic demand	1 290.6	2.6	3.4	1.0	-3.3	-0.6
Stockbuilding[2]	4.6	0.0	0.2	-0.4	-1.7	0.1
Total domestic demand	1 295.2	2.6	3.5	0.6	-5.0	-0.5
Exports of goods and services	331.0	11.0	-4.1	0.1	-12.1	1.0
Imports of goods and services	373.7	9.6	-1.5	-0.6	-13.5	-1.0
Net exports[2]	- 42.7	0.1	-0.7	0.2	0.8	0.5
GDP at market prices	1 252.5	2.8	3.0	0.7	-4.3	0.0

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 85 database.

StatLink http://dx.doi.org/10.1787/660443408260

United Kingdom: **External indicators**

	2006	2007	2008	2009	2010
			$ billion		
Goods and services exports	692.3	741.0	770.9	609	653
Goods and services imports	772.1	835.8	853.4	664	707
Foreign balance	- 79.8	- 94.8	- 82.5	- 56	- 54
Invisibles, net	- 3.5	14.3	38.0	0	- 2
Current account balance	- 83.3	- 80.5	- 44.5	- 56	- 56
			Percentage changes		
Goods and services export volumes	11.0	- 4.1	0.1	- 12.1	1.0
Goods and services import volumes	9.6	- 1.5	- 0.6	- 13.5	- 1.0
Export performance[1]	2.2	- 10.1	- 1.8	3.4	0.2
Terms of trade	0.0	1.6	1.4	- 0.4	- 1.1

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660444388844

sectors. The April budget introduced some further fiscal stimulus which, together with measures announced in November 2008, is estimated to amount to 1.6% of GDP in 2009. With the fiscal deficit projected by the OECD to increase sharply to 14% of GDP in 2010, debt will rise significantly. The November pre-budget report and the 2009 budget outlined a path to fiscal consolidation starting in 2010, based on income tax rises for those on high incomes, increases in national insurance contributions, and revised spending assumptions, alongside "value-for-money" savings. The government should continue to develop its fiscal consolidation plans, within a strong and credible medium-term fiscal framework, such that the debt to GDP ratio starts to decline over the medium term.

A protracted period of recovery is expected

Continued financial sector weakness, further declines in house prices, a weak global economy and sluggish income growth are projected to depress output through 2009, as in most OECD countries. Improving exports combined with an easing in financial conditions should, with support from already implemented policy measures, underpin a recovery during 2010. However, the pickup will be sluggish, as the adjustment of households' and firms' balance sheets and expected reductions in the size of the financial and housing sectors will take considerable time. Unemployment will therefore rise substantially. The lower exchange rate is likely to hold up prices in the short term, but the huge slack in the economy means that headline CPI inflation will decline through 2009 and remain low in 2010.

Maintaining employability should be a key policy focus

The extended downturn implies that labour market conditions will remain unfavourable for a long period. While labour market flexibility remains relatively high in the United Kingdom, policies to help the unemployed remain employable should remain a priority.

There remain substantial uncertainties

Substantial risks surround these projections, but they appear to be broadly balanced. Public debt is set to increase rapidly, leaving little room for further fiscal stimulus. There is considerable uncertainty regarding the future development of the housing market, which shows signs of stabilising, although the deteriorating labour market could herald a further fall. On the positive side, conditions in the financial sector may normalise faster than assumed and exports could improve further if foreign demand were to increase faster.

CANADA

The sharp contraction that began in the last quarter of 2008 intensified in the first quarter of 2009, led by collapsing exports, fixed investment and stockbuilding. The pace of contraction appears to be slowing, but recessionary conditions are expected to linger through the third quarter, with only a slow recovery thereafter. Unemployment is projected to keep rising until early 2010 and inflation pressures to stay muted.

The Bank of Canada lowered its policy rate effectively to zero and exceptionally committed to holding the rate at this level until the end of June 2010, conditional on the inflation outlook. Supplementary monetary measures do not appear warranted for now, but the fiscal authorities retain room for further temporary fiscal stimulus should the recovery fail to materialise as expected in the latter part of this year.

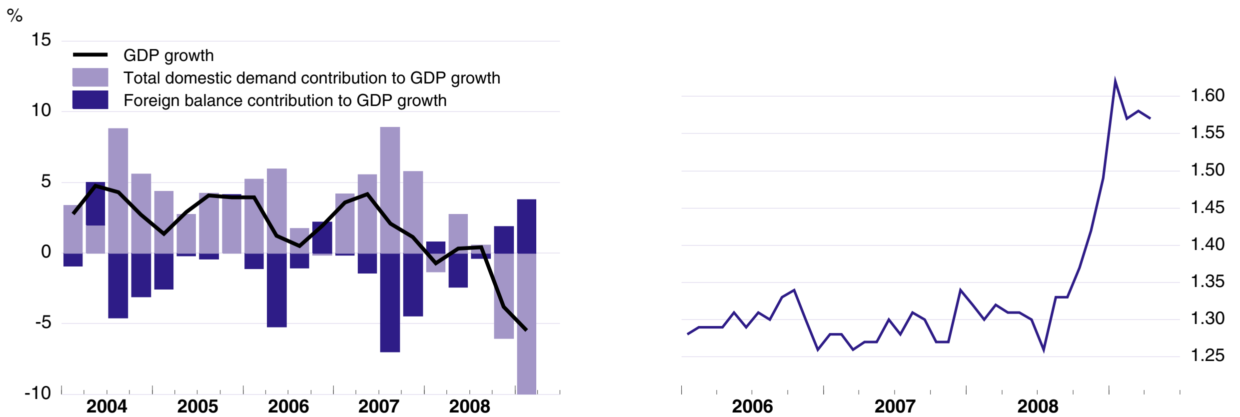
The global recession is affecting Canada severely

After more than a year of deceleration, the economy started contracting in the last quarter of 2008 and shrank even more rapidly in the first quarter of 2009. Real GDP fell by 5.4% at an annual rate, the largest quarterly decline since the early 1990s recession. All private spending components fell, but exports and residential investment were particularly weak. The terms of trade also plunged, adding to the largest drop in real gross domestic income on record in the previous quarter. Households reduced their spending, especially on housing, in response to the decline in their net worth and pervasive uncertainty. Firms had been slow to adjust their production in the latter part of 2008, however, and thus accumulated unwanted inventories as the manufacturing stock-to-sales ratio rose to its highest level in more than a decade. A substantial inventory correction put downward pressure on output growth in the first quarter while other contractionary forces intensified. Real exports fell at an annual rate of 30% as the integrated North American auto industry was

Canada

Real GDP is slumping
Percentage change at annual rates

Inventories are coming off a decade high
Inventory-to-sales ratio, durable and non-durable manufacturing goods



Source: Statistics Canada and OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/657258383868

Canada: **Employment, income and inflation**

Percentage changes

	2006	2007	2008	2009	2010
Employment	1.9	2.3	1.5	-1.9	-0.4
Unemployment rate[1]	6.3	6.0	6.1	8.6	9.8
Compensation of employees	6.9	5.6	4.9	0.2	0.6
Unit labour cost	4.0	3.0	4.4	2.8	-0.1
Household disposable income	7.3	5.3	5.9	1.2	1.1
GDP deflator	2.6	3.2	3.9	-1.2	1.6
Consumer price index	2.0	2.1	2.4	0.1	1.0
Core consumer price index[2]	1.9	2.1	1.7	1.5	1.0
Private consumption deflator	1.4	1.6	1.7	0.8	0.9

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660500841611

hit by plunging sales volumes. Business and residential investment also declined faster. Employment has fallen by 363 000 since the peak in October 2008, taking the unemployment rate to 8.4% in May. Given rapidly growing slack in the economy, price pressures are abating.

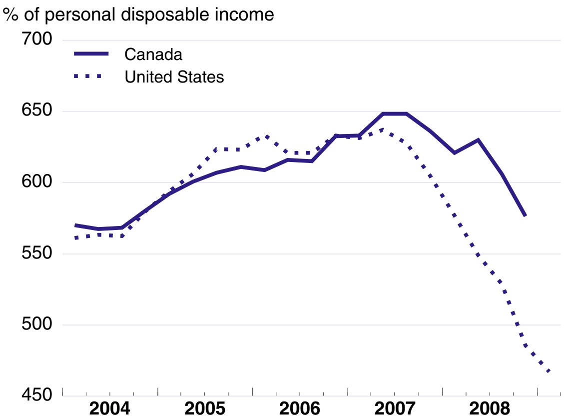
Recent signs indicate the pace of contraction is slowing

Some signs point to a slowdown in the speed of contraction in recent months, and others tentatively signal the emergence of conditions for a recovery. The rate of job losses has slowed considerably. Commodity prices have rebounded recently, lifting the exchange rate about 20% from its March low. And the stock market has regained some of its heavy losses. While still fragile, global financial markets have become less volatile.

Canada

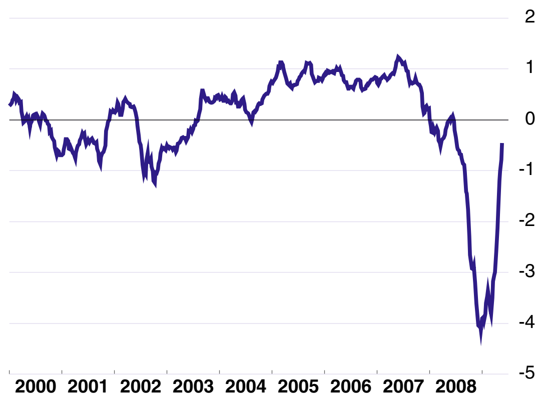
The wealth shock has been milder in Canada

Household net worth



Financial conditions are tight but improving [1]

Standard deviations from the mean



1. The Bank of Canada's Financial Conditions Index (FCI) is a weighted average of financial variables. Downward movements in the FCI imply tighter financial conditions.

Source: Statistics Canada; Board of governors of the Federal Reserve System; Bank of Canada and OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/657280338635

Canada: **Financial indicators**

	2006	2007	2008	2009	2010
Household saving ratio[1]	3.5	2.5	3.7	5.1	4.6
General government financial balance[2]	1.6	1.6	0.1	-4.8	-5.9
Current account balance[2]	1.4	1.0	0.5	-1.3	-1.4
Short-term interest rate[3]	4.1	4.6	3.5	1.0	0.5
Long-term interest rate[4]	4.2	4.3	3.6	3.3	3.9

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 85 database.

StatLink http://dx.doi.org/10.1787/660506837245

Spreads in short-term bank funding markets have come down significantly, and the savings have been passed on to households in the form of lower borrowing rates. Although business credit conditions remain tight, they are more favourable than elsewhere, largely due to Canadian banks' relatively solid balance sheets and continuing profitability. Reasons for their strength include a more conservative lending and borrowing culture, less opportunity for regulatory arbitrage and a more conventional mortgage market with fewer subprime loans and little securitisation. Finally, house prices in Canada were not as misaligned as they were in some other OECD countries when the crisis hit. House prices peaked in August 2008 and had fallen 8.5% (nominal) on

Canada: **Demand and output**

	2005	2006	2007	2008	2009	2010
	Current prices CAD billion	Percentage changes, volume (2002 prices)				
Private consumption	759.0	4.1	4.6	3.0	-0.9	0.9
Government consumption	259.9	3.0	3.3	3.7	2.2	2.9
Gross fixed investment	292.7	6.9	3.7	0.9	-10.1	1.3
Public[1]	36.6	5.3	6.1	12.4	6.4	12.1
Residential	90.1	2.1	2.8	-2.7	-13.8	-2.9
Non-residential	166.0	10.0	3.7	0.2	-12.4	0.1
Final domestic demand	1 311.5	4.5	4.1	2.6	-2.4	1.4
Stockbuilding[2]	11.2	-0.2	0.2	-0.2	-1.1	0.1
Total domestic demand	1 322.7	4.3	4.3	2.4	-3.6	1.6
Exports of goods and services	519.4	0.8	1.1	-4.7	-14.7	0.0
Imports of goods and services	468.3	4.7	5.8	0.8	-16.5	3.3
Net exports[2]	51.2	-1.3	-1.6	-1.9	0.4	-0.9
GDP at market prices	1 373.8	2.9	2.5	0.4	-2.6	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).*

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 85 database.

StatLink http://dx.doi.org/10.1787/660523086575

Canada: **External indicators**

	2006	2007	2008	2009	2010
			$ billion		
Goods and services exports	462.3	498.8	530.4	378	389
Goods and services imports	430.1	471.5	505.1	383	397
Foreign balance	32.2	27.3	25.3	- 5	- 8
Invisibles, net	- 14.3	- 13.0	- 16.0	- 12	- 13
Current account balance	17.9	14.3	9.2	- 17	- 21
			Percentage changes		
Goods and services export volumes	0.8	1.1	- 4.7	- 14.7	0.0
Goods and services import volumes	4.7	5.8	0.8	- 16.5	3.3
Export performance[1]	- 5.6	- 2.0	- 2.8	1.1	- 1.4
Terms of trade	0.7	3.1	4.6	- 7.8	2.6

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660532833411

average nationally by March. A total decline of between 10 and 15% is expected by the end of 2009, with prices stabilising in 2010.

The economy's fortunes are tied to global outcomes

Canada is expected to remain in recession through the third quarter and then begin a mild recovery as confidence slowly returns and financial conditions improve. Shrinking export volumes, weak business and consumer confidence and negative wealth effects are still depressing both external and domestic demand. With a gradual normalisation of financial market conditions and the bulk of fiscal and monetary stimuli taking effect, activity should begin to recover late this year. As households increase their saving to rebuild their balance sheets, however, growth will be subdued and barely reach even the OECD's revised, lower, potential rate for much of 2010. And given the large output gap, price inflation is projected to edge down and to remain well below the official target. Year-over-year price declines are expected in the short term, but sustained deflation does not appear likely as inflation expectations are well anchored. The unemployment rate is expected to keep rising and stabilise at just below 10% in 2010. With the smaller fiscal take resulting from recent tax cuts, the cyclical decline in tax revenues, together with expansionary spending measures, will open up a large general government deficit for the first time since the mid-1990s, and public debt will begin to rise once again.

Fiscal and monetary policies are providing much stimulus

In January the federal government presented a budget focused on expansionary measures. Provincial counterparts were more conservative but nonetheless took up co-financing offers from the federal government for infrastructure projects and in some cases added other stimulatory measures. Adding in personal and business tax cuts announced previously, but that take effect in 2009 and 2010, the overall fiscal stance over the two years provides substantial stimulus to the economy, most of which will start building up only toward the end of 2009. The federal government has not closed the door to doing more, should economic conditions warrant, and given its relatively strong fiscal position it retains the room to do so. In April, the Bank of Canada lowered its policy rate to 0.25%, considered to be the effective lower bound, and committed to holding the rate at this level until the end of June 2010, conditional on the inflation outlook. The Bank also outlined a framework for the possible use of unconventional monetary policy. Though business credit spreads remain elevated, continued growth in business and consumer credit in Canada argues against the use of quantitative or credit easing at this juncture. The substantial economic slack expected over the coming years and the benign inflation outlook call for maintaining the policy rate at this near-zero level over the entire projection period.

Uncertainties around the outlook are broadly balanced

Risks around the current outlook appear broadly balanced. There remains a significant possibility that the assumption of a gradual recovery in financial conditions starting at the end of this year will not materialise, which would mean a longer or deeper recession than projected. On the other hand, when it happens, the bounce back in economic activity could be sharper, for example if the level of pent-up demand accumulated during the recession proves greater than expected.

AUSTRALIA

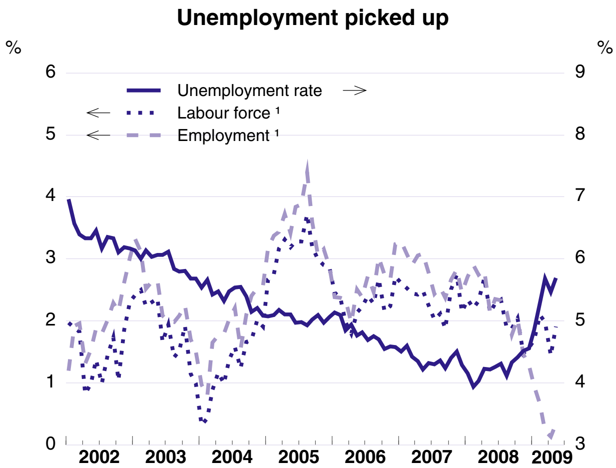
The international crisis has not spared Australia, even if its impact will be less severe there than the OECD average. Weaker foreign demand and its repercussions on the domestic economy are expected to pull down GDP by ½ per cent in 2009, followed by growth of only 1¼ per cent in 2010. In this difficult climate, unemployment could rise to almost 8% by late 2010, while inflation should decelerate.

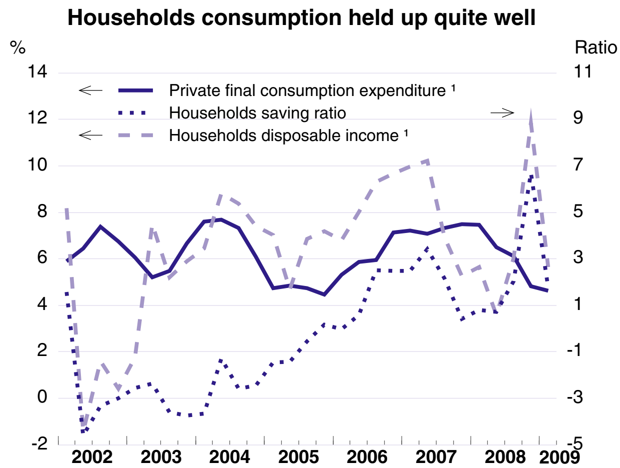
To mitigate the impact of the crisis, the authorities need to maintain the expansionary thrust of their economic policy. Monetary policy could be loosened further. The infrastructure development programme announced in the 2009-10 Budget is welcome and should strengthen fiscal policy impact. To enhance future growth potential, the reform of infrastructure regulations should continue, in particular to ensure regulatory streamlining between States.

Economic conditions remain weak

Following a contraction of 2¼ per cent in the last quarter of 2008, GDP grew by 1½ per cent on an annual basis in the first quarter of 2009. The strong positive contribution of trade to activity, buoyed by the fall of the exchange rate until early 2009 as well as still robust Chinese imports, has more than offset the pronounced weakening of domestic demand induced by lower investment. Private consumption also held up quite well, boosted by public transfers to households. However, despite these relatively favourable developments, economic conditions remain fragile, and GDP is likely to show renewed weakness in the second quarter. The business climate continues to be depressed although confidence indicators picked up slightly from a very low level at the start of the second quarter of 2009. Profits are down and investment plans have been cut back, while the slowdown in credit growth has continued. The unemployment rate rose by around one percentage point from December 2008 to 5¾ per cent in May 2009. The rise in consumer prices slowed to 2.5% year-on-year in the first quarter of 2009, owing to lower

Australia





1. 1. Year-on-year growth rates.

Source: Australian Bureau of Statistics; and OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/657314763681

Australia: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices AUD billion	Percentage changes, volume (2005/2006 prices)				
Private consumption	533.1	3.2	4.3	2.2	1.3	1.5
Government consumption	167.4	3.2	2.4	3.8	2.0	2.2
Gross fixed capital formation	247.8	4.8	9.5	9.1	-7.4	0.5
Final domestic demand	948.3	3.6	5.4	4.4	-1.1	1.4
Stockbuilding[1]	3.0	-0.7	0.6	-0.5	-1.0	0.1
Total domestic demand	951.4	2.8	6.0	3.8	-2.1	1.4
Exports of goods and services	180.9	3.3	3.2	3.9	-0.7	2.4
Imports of goods and services	197.7	7.3	11.7	10.2	-13.6	3.7
Net exports[1]	- 16.8	-0.8	-1.8	-1.5	3.2	-0.3
GDP at market prices	934.6	2.6	4.2	2.3	-0.4	1.2
GDP deflator	_	4.7	3.9	6.4	1.0	0.8
Memorandum items						
Consumer price index	_	3.5	2.3	4.4	1.9	2.3
Private consumption deflator	_	2.8	2.8	3.9	2.8	2.2
Unemployment rate	_	4.8	4.4	4.2	6.2	7.7
Household saving ratio[2]	_	1.4	2.1	2.6	5.4	3.4
General government financial balance[3]	_	1.9	1.8	1.2	-4.9	-5.0
Current account balance[3]	_	-5.3	-6.3	-4.3	-3.1	-4.9

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 85 database.

StatLink http://dx.doi.org/10.1787/660610670106

energy prices. However, core inflation was still around 4% according to Reserve Bank of Australia (RBA) indicators.

Monetary policy has been substantially loosened

The RBA continued to loosen monetary policy. Its intervention rate was cut from 5.25% in November 2008 to a historical low of 3% in April 2009. A resilient financial sector managed to pass on much of the rate cuts to final borrowers. Some signs of stabilisation on the financial markets appeared in early 2009, as demonstrated by the stock market rally since February 2009, following a 50% decline since October 2007. The Australian dollar has also appreciated by 19% in nominal effective terms since the beginning of the year, after falling by over 25% in the second half of 2008.

Fiscal policy is highly expansionary

The budget, which showed a surplus of 1¼ per cent of GDP in 2008, could post a deficit of some 5% of GDP in 2009-10. The decline in activity, together with the fall in commodity and asset prices, has sharply reduced tax revenues. Since late 2008 the authorities have introduced several stimulus packages amounting to 2½ per cent of GDP in 2009-10 and 1½ per cent of GDP in 2010-11. These measures, that initially focused on support for household incomes and investment in the housing and education sectors, were supplemented in the recent budget by a plan to upgrade transport and telecommunications infrastructure. However, the authorities intend to eliminate the budget deficit by 2015-16, to ensure that public debt will remain low.

The recovery is expected to be gradual…

The deterioration in the external environment, including the impact of falling commodity prices on the terms of trade, and its adverse effects on wealth and confidence are expected to dampen growth in 2009 and 2010. Macroeconomic policy has been highly expansionist, however, and this should curb the contraction of GDP in 2009, although part of the government transfers to households could be saved to offset their loss of equity wealth and reduce their debt. The stabilisation of international financial markets, measures to support activity, and the progressive improvement of the external environment should contribute to a gradual recovery in growth as from late 2009. In this depressed context, the unemployment rate is expected to increase and inflation, including core inflation, should fall to below 3% from late 2009 onwards.

… and depend on the international environment

However, this outlook is wrought with uncertainty. A more adverse external situation cannot be ruled out if the financial disorder lasts longer than expected. But a faster, more sustainable upturn in the Chinese economy would also spur a stronger recovery in Australia.

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AUSTRIA

Owing to the global crisis, Austria has entered the most severe recession in decades. GDP is set to contract in 2009, resulting in an increase in unemployment and low inflation. Activity is expected to pick up gradually in the course of 2010.

The policy measures taken since last September are mitigating the downturn and stabilising financial markets. Further financial-sector support might be needed to deal with downside risks should they materialise. The deterioration in the fiscal position calls for spelling out soon a credible medium-term consolidation strategy. Fiscal reforms should be continued to facilitate consolidation efforts.

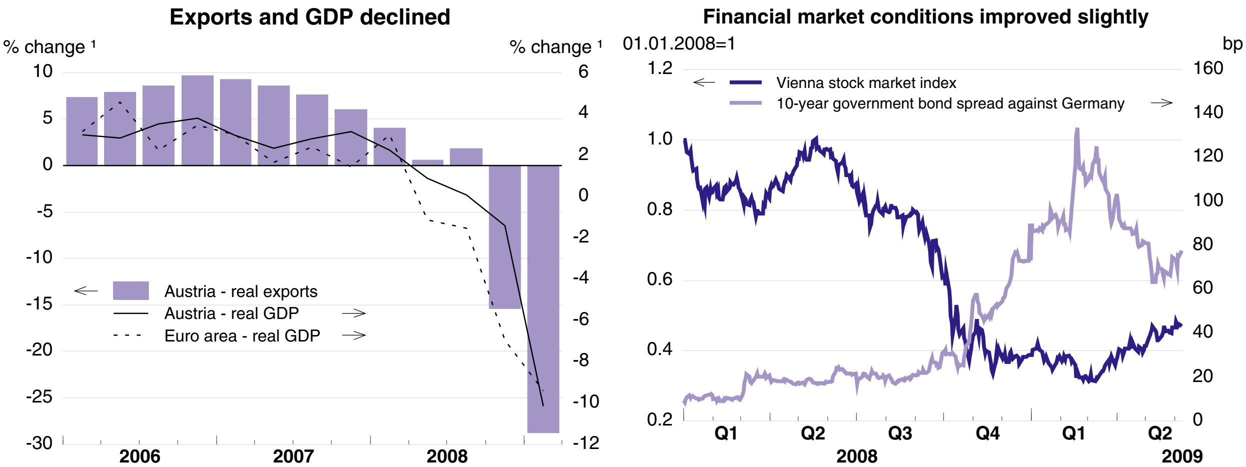
The economy is in recession

Economic activity lost momentum in the course of 2008 and contracted sharply in early 2009. So far, however, the cumulative decline in GDP has been less than in the euro area as a whole. The economic downturn is primarily due to falling exports, reflecting the collapse in world trade, and shrinking investment, in the light of the tightened credit standards and uncertainty about the outlook. In addition, household consumption declined at the turn of 2009 as consumer confidence weakened and unemployment increased.

Unemployment increased and inflation declined

Labour market conditions have deteriorated in recent quarters, especially in the manufacturing sector, and the unemployment rate increased to 4.2% in April 2009, from 3.7% a year before. The deterioration has been mitigated somewhat by the government-subsidised short-time working scheme, which temporarily contains job cuts and worker income losses and, by April, encompassed some 50 000 workers. With falling energy prices, harmonised consumer price inflation (HICP) declined from the mid-2008 peak to 0.1% in May 2009. Core inflation, however, has inched down only marginally over recent months and was 1.9% in May.

Austria



1. Annualised quarterly rates.

Source: OECD Economic Outlook 85 database; and Datastream.

StatLink http://dx.doi.org/10.1787/657320163651

Austria: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	133.6	2.5	0.9	0.8	-0.1	0.4
Government consumption	45.1	2.2	1.9	2.0	1.4	0.7
Gross fixed capital formation	53.4	2.8	3.8	1.0	-8.9	-0.3
Final domestic demand	232.1	2.5	1.8	1.1	-1.9	0.3
Stockbuilding[1]	1.7	0.1	-0.2	0.1	0.1	0.0
Total domestic demand	233.8	2.1	1.9	1.9	0.3	0.3
Exports of goods and services	132.5	7.3	8.6	2.8	-14.0	1.1
Imports of goods and services	122.1	5.4	7.2	1.2	-10.2	1.8
Net exports[1]	10.4	1.3	1.2	1.1	-2.9	-0.3
GDP at market prices	244.2	3.3	3.0	1.7	-4.3	-0.1
GDP deflator	_	1.9	2.2	2.4	1.4	0.9
Memorandum items						
GDP without working day adjustments	243.2	3.4	3.1	1.8	-4.4	0.0
Harmonised index of consumer prices	_	1.7	2.2	3.2	0.6	0.8
Private consumption deflator	_	1.8	2.3	2.8	1.0	0.8
Unemployment rate[2]	_	5.6	5.1	4.9	6.1	7.9
Household saving ratio[3]	_	10.8	11.7	13.0	13.7	13.0
General government financial balance[4]	_	-1.7	-0.7	-0.5	-4.3	-6.1
Current account balance[4]	_	2.8	3.4	3.8	1.6	1.6

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

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660631587537

Financial market conditions have begun to improve

Following the European Central Bank interest rate cuts and the euro-area-wide and Austrian financial market measures, conditions in financial markets have started to improve, although credit standards in Austria tightened further in early 2009. Financial market strains related to the perceived riskiness of Austrian banks' positions in a number of countries in Central and Eastern Europe have abated somewhat. The risk premium on Austrian government bonds has shrunk from the February peak of 130 basis points, but remains elevated. Equity prices have risen since their trough in early March.

The fiscal position will deteriorate

The Austrian authorities have also implemented fiscal measures to support the real economy. Discretionary stimulus mainly involved the September 2008 measures to support households' purchasing power and the 2009 personal income tax cuts. They have permanent effects, increasing somewhat beyond 2009. These measures and sizeable automatic stabilisers are expected to cushion the downturn, but will raise the budget deficit to just above 6% of GDP in 2010. Together with the recapitalisation of banks, this will increase public debt to nearly 80% of GDP in 2010. Credible medium-term consolidation measures need to be

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spelled out soon and implemented once economic conditions improve. The new four-year expenditure ceiling framework, the programmed transition to performance budgeting and the planned spending efficiency improvements should facilitate consolidation.

Exports and investment are set to contract…

GDP is set to contract significantly in 2009, the most severe recession in decades, and to expand only gradually through 2010. Sustained weakness in foreign demand will result in a significant export decline in 2009. Once the world economy strengthens, a modest improvement in exports is expected in 2010. Given lower capacity utilisation, constrained financing and the still gloomy outlook, business investment is also projected to fall in 2009.

… but consumption is expected to hold up

Private consumption growth is expected to remain positive though very weak over the projection horizon. The deteriorating labour market will depress real disposable income growth and push up household saving. However, the high wage increases negotiated for 2009, the lower income taxes associated with the tax reform, social transfers and lower inflation will help to support real household income. Headline inflation will be low and core inflation will decline over the projection horizon as already substantial economic slack will widen.

The outlook remains highly uncertain

Uncertainty remains large, especially regarding the timing of the recovery. The Austrian outlook hinges crucially on foreign demand and developments in financial markets. Further financial strains in Central and Eastern Europe would threaten financial and fiscal stability in Austria. Should this risk materialise, additional financial-sector support might be needed.

BELGIUM

The economy is expected to continue to contract in the remainder of 2009, before a relatively slow recovery emerges in 2010 on the back of fiscal stimulus, easier monetary conditions, and a recovery in world trade. Despite rising unemployment, core inflation may persist, owing to automatic wage indexation.

While automatic stabilisers should be allowed to operate fully, additional fiscal stimulus might not be very effective nor advisable, given an already strongly rising public deficit and the high level of public debt. Fiscal sustainability needs to be secured through measures to achieve medium-term expenditure restraint at all levels of government as well as reforms to limit upcoming ageing costs.

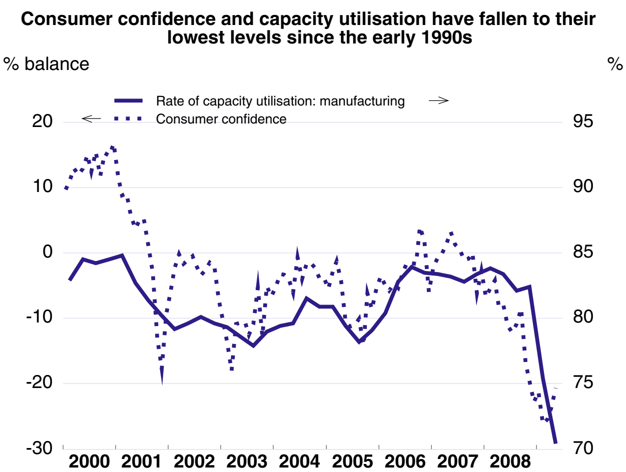
The economy has entered a recession

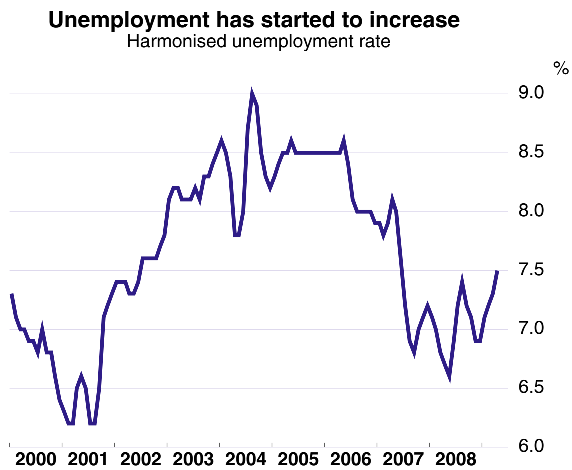
The economy began a severe contraction at the end of 2008, as world trade shrank at an unprecedented pace and domestic demand fell due to a worsening labour market outlook and tighter credit market conditions. These developments led to a plummeting of consumer confidence and business sentiment. Although house prices have held up better than in many other countries, the construction sector is also slowing. The number of workers on reduced working time rose substantially during the autumn of 2008 and the standardised unemployment rate started to increase in early 2009.

Automatic wage indexation may damage external competitiveness

Lower energy and food prices since mid-2008 reduced headline consumer price inflation to just above ½ per cent in the spring of 2009. However, during the same period, core inflation has accelerated by nearly 1 percentage point, to more than 2½ per cent, partly due to the automatic indexation of wages to increases in the so-called health index (the consumer price index excluding alcohol, tobacco and transport fuels). Wage agreements for 2009-10 yielded modest real wage increases of up to ½ per cent over the period, although at a substantial fiscal cost as the effect on total wage costs was offset through tax reductions to firms. In addition, wages will increase with developments in prices.

Belgium





Source: OECD, Main Economic Indicators database.

StatLink http://dx.doi.org/10.1787/657357825532

Belgium: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2006 prices)				
Private consumption	159.0	2.1	2.0	0.8	-1.1	0.5
Government consumption	69.1	0.1	2.3	2.1	1.9	1.6
Gross fixed capital formation	61.6	4.8	6.1	5.1	-5.2	-4.8
Final domestic demand	289.7	2.2	3.0	2.1	-1.3	-0.4
Stockbuilding[1]	1.8	0.7	0.1	-0.1	-0.9	0.1
Total domestic demand	291.5	2.9	3.0	1.9	-2.2	-0.4
Exports of goods and services	261.9	2.7	3.9	2.1	-17.5	-0.5
Imports of goods and services	250.8	2.7	4.4	3.3	-15.4	-0.2
Net exports[1]	11.1	0.1	-0.3	-1.0	-1.8	-0.2
GDP at market prices	302.6	3.0	2.6	1.0	-4.1	-0.5
GDP deflator	_	2.3	2.4	1.7	1.0	0.7
Memorandum items						
Harmonised index of consumer prices	_	2.3	1.8	4.5	0.3	0.7
Private consumption deflator	_	2.8	2.8	4.3	0.2	0.9
Unemployment rate	_	8.2	7.5	7.0	8.3	10.6
Household saving ratio[2]	_	8.0	8.6	8.3	10.2	10.4
General government financial balance[3]	_	0.2	-0.3	-1.2	-4.6	-6.1
Current account balance[3]	_	2.6	1.7	-2.6	-0.2	-0.4

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

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660663612237

Securing fiscal sustainability requires broad-based measures

The general government fiscal deficit rose to 1.2 per cent of GDP in 2008, while intervention in the financial sector boosted the public gross debt-to-GDP ratio by about 7 percentage points. The deficit is set to widen further. The fiscal stimulus of nearly ¾ per cent of GDP in both 2009 and 2010 concentrates mainly on sustaining purchasing power, maintaining employment, and supporting enterprises. Together with the budgetary impact of the automatic stabilisers, the deficit could reach 4½ per cent of GDP in 2009 and exceed 6% of GDP the following year. Over the medium term, fiscal sustainability needs to be secured by reining in expenditures at all levels of government as well as by taking structural measures to limit the impending increases in ageing-related costs.

Growth prospects remain bleak

The economy will continue to contract in the remainder of 2009. The following year, economic expansion should return on the back of monetary easing, fiscal stimulus, a recovery in world trade, and a waning of the financial market turbulence. The main downside risk to this projection is that the rise in unemployment and the deterioration of the fiscal position may induce a further increase in households' savings rate, depressing domestic demand. On the upside, a faster-than-projected recovery in world trade would benefit Belgian exporters.

CZECH REPUBLIC

Real GDP is contracting, largely reflecting a specialisation in export-dependent manufacturing. Falling investment and recession in major export markets are contributing to a sharp downturn this year, followed by a weak recovery in 2010, driven by the gradual pick-up of private consumption and export demand. Inflation is set to fall sharply, reflecting both the global recession and slower growth of administered prices.

The government has responded to the downturn with two stimulus packages, but there is little room for further discretionary fiscal easing. Monetary policy has been relaxed gradually since August 2008, and additional interest rate cuts are possible. Measures to ease the regulatory burden on business could also reduce the pressure on the enterprise sector without raising the fiscal deficit.

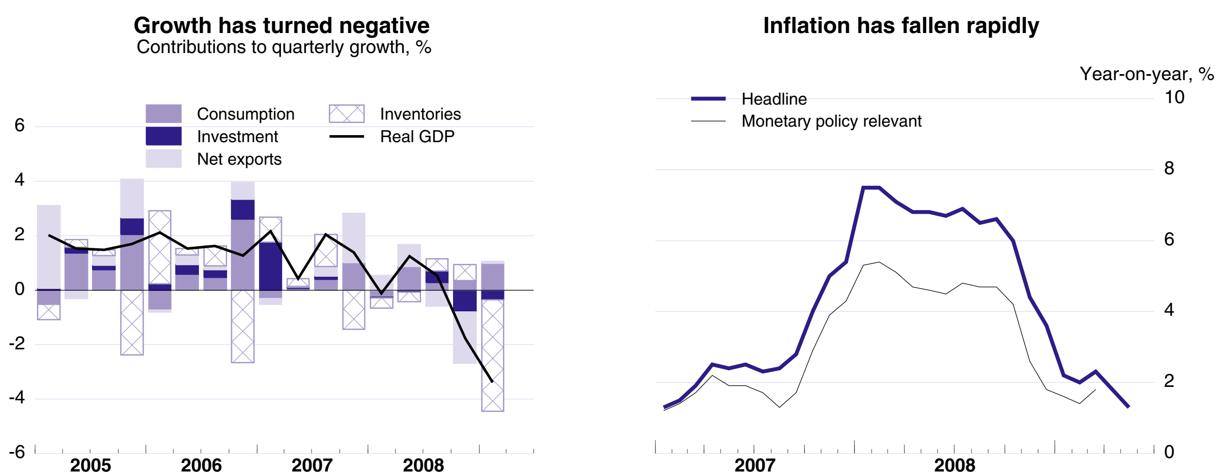
Growth has turned negative and inflation is falling

After decelerating throughout 2008, real GDP growth has turned negative. This fall has been driven by declining exports and an investment slowdown in response to weakening global demand, while domestic consumption has still held up in the first quarter of 2009. The unemployment rate, which began rising in the third quarter of 2008, reached 5.8% in the first quarter, up 1.3 percentage points on the previous quarter. Consumer price inflation slowed to 1.8% year-on-year in April, from 7.5% in early 2008, as the rate of administered price increases slowed, the impact of changes to indirect taxes in early 2008 abated, and unregulated prices actually fell, driven largely by lower oil and food prices.

Both fiscal and monetary policy have been relaxed to combat the downturn

With the inflation risks on the downside, the Czech National Bank relaxed its stance in stages from August 2008 through May 2009 in an effort to contain the recession. There may be scope for further monetary easing, particularly if the koruna remains relatively stable against the

Czech Republic



Note: Headline inflation is measured by the consumer price index. Monetary policy relevant inflation as defined by the Czech National Bank is headline inflation adjusted for first-round effects of changes to indirect taxes.

Source: Czech National Bank; Czech Statistical Office; OECD, National Accounts database.

StatLink http://dx.doi.org/10.1787/657364523526

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

	2005	2006	2007	2008	2009	2010
	Current prices CZK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 464.3	5.2	4.9	2.6	0.8	0.0
Government consumption	658.5	1.2	0.7	1.7	3.3	0.9
Gross fixed capital formation	741.9	6.0	10.8	-0.1	-7.0	-1.8
Final domestic demand	2 864.7	4.5	5.5	1.7	-0.6	-0.2
Stockbuilding[1]	24.3	1.0	-0.1	-0.5	-2.9	0.2
Total domestic demand	2 889.0	5.5	5.2	1.1	-3.7	0.0
Exports of goods and services	2 150.3	16.4	15.0	6.2	-17.6	2.4
Imports of goods and services	2 057.0	14.7	14.2	4.2	-17.7	0.4
Net exports[1]	93.3	1.7	1.1	1.8	-0.7	1.4
GDP at market prices	2 982.3	7.0	6.1	2.8	-4.2	1.4
GDP deflator	_	1.1	3.4	1.6	4.5	1.4
Memorandum items						
Consumer price index	_	2.6	3.0	6.3	1.6	0.3
Private consumption deflator	_	1.4	2.9	5.5	0.6	1.2
Unemployment rate	_	7.2	5.3	4.4	6.9	9.2
General government financial balance[2]	_	-2.6	-0.6	-1.4	-4.5	-4.9
Current account balance[2]	_	-2.5	-3.1	-3.0	-1.4	1.0

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

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660766734644

euro. In late 2008 and early 2009, the government adopted two fiscal stimulus packages, overall amounting to around 2.8% of 2008 GDP over 2009 and 2010. There is little likelihood of further discretionary stimulus, but cyclical factors will further increase the deficit during the projection period. Notwithstanding recent reforms, the business environment is characterised by overly cumbersome regulation, and further measures reducing this burden could provide stimulus without imposing significant costs on the budget.

Developments abroad will be crucial to growth prospects

Domestic demand is expected to remain weak this year, as investment continues to fall and private consumption contracts in the course of 2009 in response to rising unemployment. Weak demand in the euro area, particularly Germany, remains the most important factor affecting growth prospects. Manufacturing exports have been hit hard by the slowdown abroad, although exporters have received some relief from koruna weakening, car-scrapping subsidies in important export markets and government measures aimed at supporting exports. The impact of these measures is likely to be strongest in the second and third quarters, but will fade thereafter.

A serious contraction in 2009 will be followed by a weak recovery in 2010

Real GDP is projected to fall by 4.2% this year and to grow by 1.4% in 2010. Private consumption, investment and exports are all forecast to contract in in the course of 2009, before recovering, albeit weakly, next year, as a moderate global recovery gets under way. Consumer price inflation is projected to slow sharply, owing to weak domestic demand, slow nominal wage growth and falling employment. The weakness of the recovery should ensure that inflation remains subdued in 2010. The growth projection is subject to significant risks, largely stemming from uncertainties surrounding consumer confidence and performance in major export markets, above all Germany.

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DENMARK

The Danish economy is currently experiencing its worst recession in over four decades. The downturn, which started with the unwinding of the property boom, has now been compounded by the trade and financial effects of the global economic crisis.

The capacity pressures evident in recent years have disappeared and economic slack is widening. There would be scope for additional fiscal policy stimulus in 2010. Monetary policy should be eased in line with policy in the euro area and as foreign exchange market conditions allow.

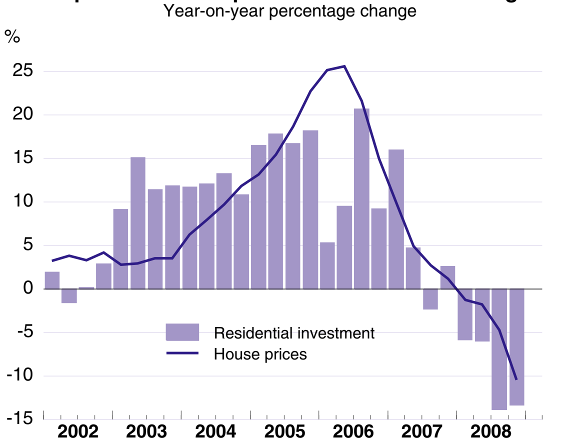
GDP will continue to fall in the near term

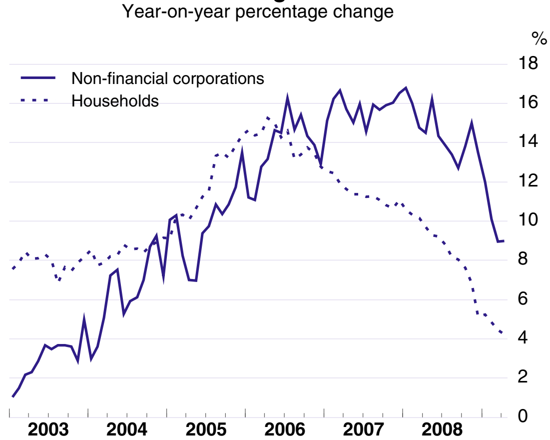
The Danish economy had already turned down before the global financial crisis intensified in late 2008, as the unwinding of the property boom reined in consumption and residential investment. GDP contracted during most of last year and, by end-2008, was 3.6% lower than a year earlier. Indicators suggest a further large fall in demand in early 2009. The pace of decline of industrial production has accelerated since the start of the year. Monthly goods trade data point to a sharp fall in both imports and exports. Business sentiment has deteriorated rapidly and the number of business bankruptcies has soared. On the other hand, interest rates faced by households have come down and business expectations and consumer confidence have improved.

Financial stress and weak property markets persist

Growth in lending by banks and mortgage credit institutions has slowed from the rapid rates of a few years ago. Smaller institutions in particular have had difficulty raising funds to finance lending. Increasing loan losses will depress bank profitability, although the government's capital injection package should provide support for lending. Subdued lending growth may also reflect an easing of demand for mortgage loans. National average prices for one-family houses fell 7.7% in the last quarter of 2008, and were down 10.4% from a year earlier. Lower house prices and

Denmark





Source: Statistics Denmark; OECD Economic Outlook 85 database; and Danmarks Nationalbank.

StatLink http://dx.doi.org/10.1787/657402041755

Denmark: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices DKK billion	Percentage changes, volume (2000 prices)				
Private consumption	745.1	4.4	2.4	-0.1	-2.3	0.5
Government consumption	402.5	2.1	1.3	1.1	1.5	1.0
Gross fixed capital formation	301.6	13.5	3.1	-3.6	-8.3	-3.2
Final domestic demand	1 449.3	5.7	2.2	-0.6	-2.6	-0.1
Stockbuilding[1]	20.2	-0.3	-0.3	0.1	0.0	0.0
Total domestic demand	1 469.5	5.3	1.9	-0.5	-2.9	-0.1
Exports of goods and services	757.0	9.1	2.2	2.2	-12.8	0.5
Imports of goods and services	681.2	13.9	2.8	3.7	-11.1	0.0
Net exports[1]	75.8	-1.7	-0.2	-0.7	-1.1	0.2
GDP at market prices	1 545.3	3.3	1.6	-1.1	-4.0	0.1
GDP deflator	_	2.0	2.0	4.3	1.9	2.3
Memorandum items						
Consumer price index	_	1.9	1.7	3.4	1.3	1.5
Private consumption deflator	_	1.9	1.8	3.1	1.3	1.4
Unemployment rate[2]	_	3.9	3.6	3.3	6.0	7.9
Household saving ratio[3]	_	0.4	-1.0	0.6	5.0	5.0
General government financial balance[4]	_	5.0	4.5	3.4	-2.4	-4.1
Current account balance[4]	_	2.9	0.7	2.0	1.5	2.5

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

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660767780342

rising unemployment should hold down residential investment, although renovations of existing buildings will be boosted by government subsidies for energy efficiency.

Policy stimulus is substantial but there would be scope to do more in 2010

The central bank has been gradually reducing the spread to European Central Bank (ECB) official interest rates which had opened up last October. Danish central bank foreign currency reserves have doubled in recent months and the currency has been stable. With the spread to euro area rates expected to be eliminated in coming months, Danish monetary policy will follow any further easing implemented by the ECB. Fiscal policy will be expansionary in 2009, due in part to tax cuts decided in 2007. The government's initiative to release funds from the compulsory private Special Pension saving scheme in mid-2009 should add to demand, although there is considerable uncertainty over how much. Further tax cuts commencing in 2010, as part of a tax reform to add to labour supply in the long run, will provide an additional boost. The need for additional stimulus is reduced by the large size of the automatic stabilisers, with the budget position set to decline by almost eight percentage points of GDP in total, but further fiscal measures could cushion activity.

GDP will contract further in 2009 before recovering slowly in 2010

GDP is projected to contract sharply in 2009. Exports will be weak in the near term and may lag somewhat behind the recovery in export markets due to the modest appreciation of the effective exchange rate. Consumption is set to be dampened by falls in household wealth and rising unemployment, but should get significant support from the boost to disposable income resulting from fiscal policy measures. Slowing lending growth, low share prices and low capacity utilisation will restrain capital formation. The economy should recover during 2010, but only enough to raise annual GDP growth barely above zero. Inflationary pressures are expected to ease due to the scale of economic slack, but indirect tax hikes will limit disinflation in 2010. The unemployment rate probably surpassed the estimated structural rate already in the first half of 2009 and will continue to rise into 2010.

There are downside and upside risks

Economic developments in Denmark could be weaker still if the feedback effects of higher unemployment, lower house prices and rising loan losses lead financial institutions to cut back lending even more. This risk is mitigated somewhat by the government's offer to inject capital into banks and mortgage credit institutions. However, the economy could perform better than currently anticipated if the monetary and fiscal stimulus translate into more robust consumer spending than currently projected.

FINLAND

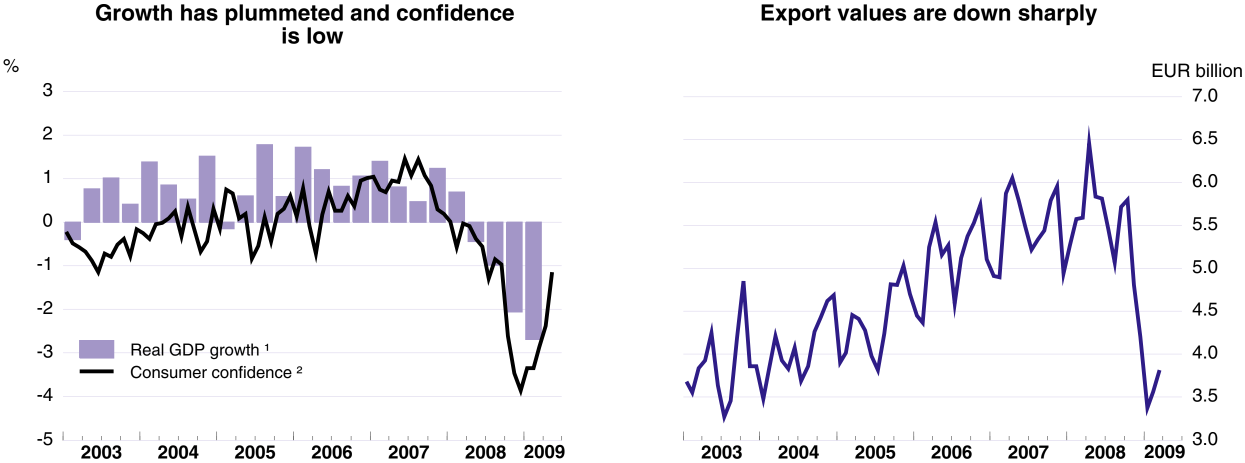
Economic conditions in Finland deteriorated abruptly through the winter. Falling exports explain the major part of the decline in GDP although destocking, household consumption and dwelling investment also contributed. Growth will drop sharply in 2009 and recover only slowly in 2010 as world trade picks up. The unemployment rate has begun to climb sharply, and is expected to rise through the projection period. Inflation has remained above the euro area average on the back of the high wages negotiated through 2007.

The government has responded with assistance to banks to maintain liquidity and confidence, and a relatively modest fiscal stimulus package to support activity. The fiscal balance will fall significantly but will not deteriorate to the levels of many other OECD countries given the strong structural position coming into the downturn. Using the room for further fiscal stimulus would help support domestic demand. To sustain competitiveness, the upcoming wage negotiations should focus on aligning outcomes more closely to productivity at the firm level. Deeper reforms are needed to improve labour market flexibility.

Shocks have been both domestic and international

Like a number of OECD countries, the Finnish economy is adjusting to both international and domestic shocks. After an extended period of strong activity and rising prices in the dwelling sector, construction started to contract in late 2007 and house prices were falling by mid-2008. While Finnish banks were not exposed to toxic assets, the intensification of the global financial crisis reduced credit availability and heightened levels of uncertainty. These shocks hit both business and consumer confidence, leading to weakening business investment and household consumption. As the economic downturn extended globally, demand for Finland's traded goods evaporated and exports collapsed at the end

Finland



1. Quarter-on-quarter percentage change.
2. Deviations from averages since 1996 in standard deviations.

Source: Statistics Finland.

StatLink http://dx.doi.org/10.1787/657421354656

Finland: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	81.2	4.2	3.3	1.5	-3.0	0.4
Government consumption	35.2	0.6	0.6	1.4	1.3	2.1
Gross fixed capital formation	29.8	4.8	8.6	1.1	-9.2	-2.0
Final domestic demand	146.2	3.4	3.8	1.4	-3.4	0.3
Stockbuilding[1,2]	3.9	-0.3	0.3	-1.0	-0.5	0.1
Total domestic demand	150.1	3.1	4.0	0.2	-3.9	0.5
Exports of goods and services	65.7	11.9	8.1	-0.7	-23.7	4.7
Imports of goods and services	58.8	7.8	6.5	-0.3	-21.4	4.0
Net exports[1]	6.9	2.4	1.4	-0.2	-3.2	0.5
GDP at market prices	157.0	4.9	4.1	0.7	-4.7	0.8
GDP deflator	_	1.6	3.1	2.9	0.6	1.4
Memorandum items						
GDP without working day adjustments	_	4.9	4.2	0.9	..	..
Harmonised index of consumer prices	_	1.3	1.6	3.9	1.6	1.0
Private consumption deflator	_	1.5	2.3	3.6	1.5	1.7
Unemployment rate	_	7.7	6.9	6.4	8.7	10.8
General government financial balance[3]	_	3.9	5.2	4.1	-1.5	-2.8
Current account balance[3]	_	4.6	3.6	1.7	0.4	0.4

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 85 database.

StatLink http://dx.doi.org/10.1787/660775773606

of 2008. As a result, the unemployment rate is already up 2.6 percentage points over the year, reaching 8.8% in April 2009.

Financial sector assistance and fiscal stimulus are smoothing the shocks

The government has put in place a modest fiscal stimulus amounting to around 1.7% of GDP in 2009 which includes tax cuts, transport infrastructure spending and additional labour market programmes. The government has also prepared a support package for banks with capital injections and credit guarantees, although the relatively sound banking sector has not yet had to access these facilities. The government has also provided assistance to businesses through credit supply support and trade finance. The fiscal balance is set to deteriorate and is expected to swing into deficit in 2009. However, Finland's strong fiscal position and low levels of public debt coming into the downturn mean that it has significantly more room than most other OECD countries for further fiscal measures to support demand.

Growth is contingent on recovery in external demand

In the near term, developments in the Finnish economy are largely contingent on world demand, particularly for manufactured goods. With further sharp declines in activity expected in the near term in Finland's major export markets (notably Germany and Sweden), exports are projected to continue to subtract significantly from growth in 2009, but to contribute to a mild recovery in 2010. Business investment is expected to decline substantially in both 2009 and 2010, responding to weak industrial production and falling international demand. House prices are likely to stabilise towards the end of 2009, which would signal a recovery in dwelling construction on the back of significant underlying demand, particularly in the Helsinki area. The household saving ratio is projected to climb through the downturn, which will assist with the rebuilding of household balance sheets. Consumption will be supported to some extent by recent tax cuts and by high wages negotiated in the last national wage round. With declining inflation, this translates into substantial real disposable income growth. GDP is expected to fall by around 4.7% in 2009 before recovering slowly in 2010, driven by strengthening household consumption, the ongoing fiscal stimulus and the beginnings of a recovery in exports. Inflation is projected to ease through the forecast period after being significantly above other euro zone countries – in part related to recent high wage outcomes. Inflation is expected to face a one-off downward shift from the value-added tax cut on food set for October 2009.

Uncertainty regarding world trade is the largest risk

A more rapid pickup in world demand could generate a stronger recovery than projected. However, the strength of the euro, relatively high domestic inflation and the large increases in wages negotiated during the last wage round, all hurt Finland's competitiveness, posing a risk to a sustained export-led recovery. While financial conditions are improving, considerable uncertainty remains regarding the outlook as the slowdown will hit bank balance sheets. In particular, the labour market may deteriorate more than projected given rigidities and distortions in the Finnish system.

OECD ECONOMIC OUTLOOK 85 – ISBN 978-92-64-05281-9 – © OECD 2009

GREECE

Growth weakened in 2008 under the weight of the global economic crisis, despite a sound financial sector and sustained domestic demand. Activity is expected to contract in 2009 on the back of weakening exports, and to recover only slowly in 2010 as the external environment improves. Unemployment is set to reach double digits by 2010 and inflation will be low but persistently above the euro area average.

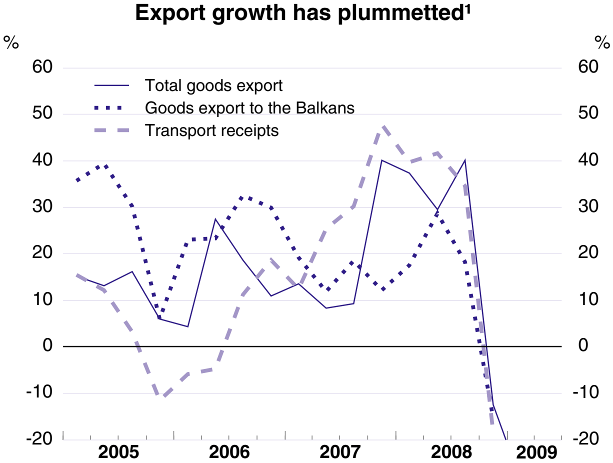
Public finances are set to worsen further this year, despite consolidation efforts by the government, as the recession hits activity. The high public debt and continuous fiscal slippages limit the room for discretionary fiscal stimulus. A strong commitment to enhance fiscal viability is imperative to restore market confidence and bring sovereign interest rate spreads to their pre-crisis levels. Sustained consolidation hinges upon strict control of spending, broadening of tax bases and curbing tax evasion. Additional reforms in the pension and health care systems are also essential.

Activity has weakened and inflation declined

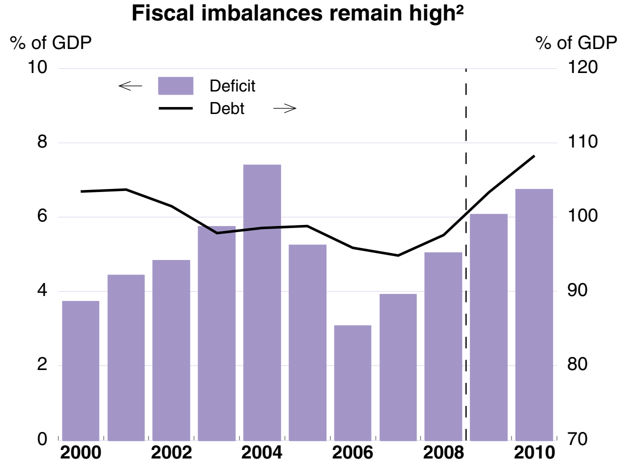
Growth weakened towards the end of 2008, and especially in the first quarter of 2009, with GDP declining by an annualised rate of 4¾ per cent. However, the contraction in activity was smaller than the OECD average. Tighter credit conditions and weaker consumer and business confidence led to a sharp decline in investment, especially in housing, and started to bear on consumption. Activity was sustained by continued exports to the Balkans, low exposure to toxic assets, large wage increases, and the relative strength of the large service sector. Nevertheless, unemployment soared in early 2009, to over 9% in the first two months. Economic sentiment picked up at the start of the second quarter of 2009, though from a very low level. Declining energy prices brought headline inflation to a record low in May 2009. Core inflation also declined, but remained

Greece

Export growth has plummeted[1]



Fiscal imbalances remain high[2]



1. Year-on-year growth rate.
2. OECD projections for 2009 and 2010.

Source: Bank of Greece; OECD, International Trade Statistics and Balance of Payments databases; and OECD calculations.

StatLink http://dx.doi.org/10.1787/657433481044

Greece: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	140.9	4.8	3.0	2.2	-0.2	1.3
Government consumption	33.0	0.0	7.7	3.2	2.4	0.5
Gross fixed capital formation	42.7	9.2	4.9	-11.5	-8.4	-2.6
Final domestic demand	216.6	5.0	4.1	-0.6	-1.4	0.5
Stockbuilding[1,2]	- 1.3	-0.3	1.0	1.5	-0.3	-0.4
Total domestic demand	215.3	4.8	5.1	0.7	-1.6	0.1
Exports of goods and services	43.5	10.9	3.1	2.2	-23.4	-0.5
Imports of goods and services	61.1	9.7	6.7	-4.4	-17.7	-0.8
Net exports[1]	- 17.6	-0.8	-1.6	2.1	0.4	0.1
GDP at market prices	197.6	4.5	4.0	2.9	-1.3	0.3
GDP deflator	_	3.2	2.9	3.4	1.6	2.2
Memorandum items						
Harmonised index of consumer prices	_	3.3	3.0	4.2	1.3	1.7
Private consumption deflator	_	3.5	3.2	4.1	1.3	1.8
Unemployment rate	_	8.9	8.3	7.7	9.5	10.3
General government financial balance[3]	_	-3.1	-3.9	-5.0	-6.1	-6.7
Current account balance[4]	_	-11.1	-14.2	-14.4	-12.9	-13.4

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660824713547

above the euro area average, reflecting rising labour costs and the second–round effects of commodity price increases.

Fiscal consolidation should be spread over time

The general government deficit reached 5% of GDP in 2008, around 3½ percentage points above the budget estimate as revenue was lower and spending higher than budgeted. Continued fiscal slippages and the high public debt have severely limited the scope for countercyclical fiscal policy, and have contributed to a significant rise in sovereign spreads. The official target is for a deficit of 3¾ per cent of GDP in 2009 and below 3% in 2010, but this is based on earlier, more optimistic growth assumptions and the initial, low estimate of the 2008 deficit. On the basis of the announced deficit-reduction measures and weaker activity, the deficits are likely to reach 6% of GDP or more this year and next. This sharp budgetary deterioration argues for avoiding a too ambitious immediate budget target. At the same time, the government needs to raise credibility by announcing a detailed and realistic medium-term fiscal consolidation plan buttressed by a fiscal framework and enhanced independent oversight of fiscal policy.

Banks benefit from a financial support package

The government provided a support package of € 28 billion (11½ per cent of GDP) to boost confidence and liquidity in the banking sector. In view of the risks, especially related to the large exposure of Greek banks to

South–East Europe, this package appears to provide enough assistance to ensure financial stability for now. Supervisors should nevertheless remain prepared to deal with evolving risks, as the strains induced by the crisis in the banking sector are likely to be compounded by the impact of the projected recession on bank portfolios.

Growth should recover slowly

Economic activity is projected to contract by ⅓ per cent in 2009 – the first decline since 1993 – as domestic demand decelerates further due to tight credit standards and weak confidence. Exports will fall as markets shrink, especially in the key sectors of tourism and shipping. Growth is expected to move slowly into positive territory in early 2010 as exports are picking up. A number of investment-boosting initiatives and the deployment of European Union structural funds should also support economic activity. The unemployment rate is projected to stabilise at above 10% by end-2010, as growth converges slowly towards its potential. Inflation will decline to around 1¾ per cent in 2010, but as in the past it will outpace euro-area inflation. The current account deficit is likely to remain high.

Risks are predominately on the downside

The projections are subject to important risks. A greater deterioration of the external environment, especially in the Balkans – an important export and financial market which absorbs almost a fourth of Greek exports, would cut growth. The impact of the weaker economy on the financial sector poses another risk to growth.

HUNGARY

Real GDP growth fell sharply in the fourth quarter of 2008 as the recession in the euro area curbed exports, adding to already weak domestic demand which reflected fiscal restraint and tight credit conditions. The economy will be in deep recession in 2009 before slowly picking up in 2010. Unemployment is likely to reach double-digit figures during the projection period. After slowing at the beginning of 2009, consumer price inflation is projected to rise during the year due to value-added tax and excise tax increases and the recent currency depreciation.

Implementing sustainable fiscal consolidation is the key for boosting investor confidence and providing room for monetary policy to ease. Given the projected severe recession, maintaining deficit objectives through further cuts would amplify the cycle. To foster credibility of fiscal consolidation policy makers should thus adhere to nominal expenditure targets, while strengthening the medium-term expenditure framework. This, together with the shift from direct to indirect taxation, should raise Hungary's growth potential.

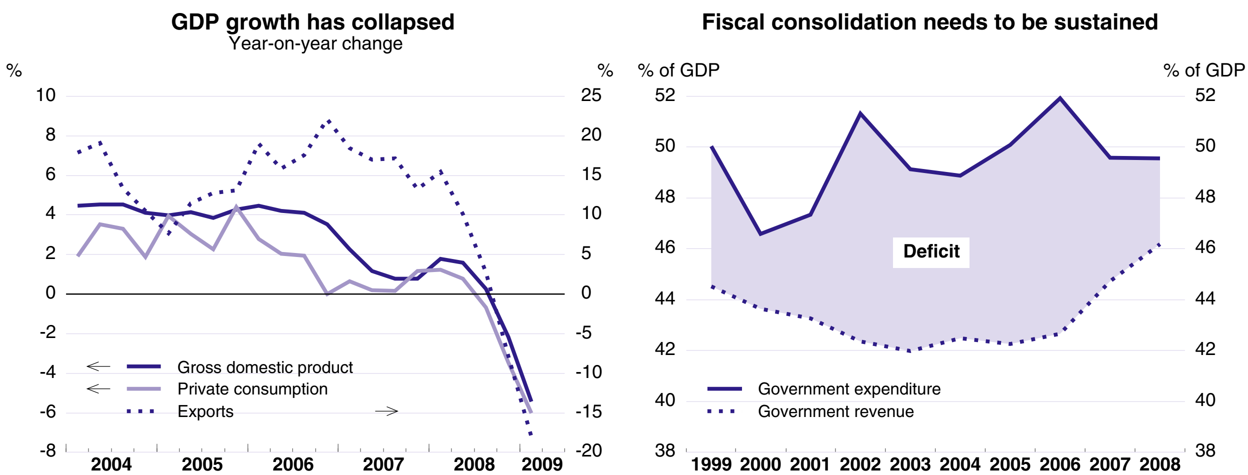
Hungary has entered a deep recession

Real GDP contracted by an annualised 7.2% in the fourth quarter of 2008 and 9.6% in the first quarter of 2009. Domestic demand has been held back by tight fiscal policy and credit conditions since 2008. In the two last quarters, export revenues have been hit hard by the global recession. Consumer price inflation fell from 6.7% in June 2008 to 3.8% in May 2009, due to moderation in global food and energy prices and faltering domestic demand. The labour market has reacted to the output contraction: firms curbed wage growth while the unemployment rate increased to 9.7% in first quarter of 2009, the highest level in a decade.

Financial market tensions remain high

The joint financing package of $25.5 billion provided by the International Monetary Fund, the European Union and the World Bank helps to mitigate Hungary's reduced access to financing in international financial markets. Still, most banks have access to liquidity only at high

Hungary



Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/657482046033

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Hungary: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices HUF billion	Percentage changes, volume (2000 prices)				
Private consumption	12 124.8	1.7	0.6	-0.5	-6.9	-1.9
Government consumption	4 958.1	3.8	-7.5	0.7	-2.1	-1.8
Gross fixed capital formation	5 040.2	-3.7	1.8	-2.6	-6.8	-3.3
Final domestic demand	22 123.1	0.9	-1.0	-0.7	-5.8	-2.2
Stockbuilding[1]	275.9	0.8	0.1	1.1	-6.1	0.0
Total domestic demand	22 399.0	1.6	-1.0	0.4	-9.5	-2.2
Exports of goods and services	14 511.0	18.6	16.4	4.8	-17.3	-3.0
Imports of goods and services	14 916.9	14.8	13.4	4.7	-21.6	-3.1
Net exports[1]	- 405.9	2.3	2.2	0.2	3.2	-0.1
GDP at market prices	21 993.1	4.1	1.2	0.4	-6.1	-2.2
GDP deflator	_	3.9	5.9	4.1	2.7	2.7
Memorandum items						
Consumer price index	_	3.9	8.0	6.0	4.5	4.1
Private consumption deflator	_	3.4	6.2	5.6	3.4	3.4
Unemployment rate	_	7.5	7.4	7.9	10.7	11.7
General government financial balance[2]	_	-9.3	-4.9	-3.4	-4.2	-4.2
Current account balance[2]	_	-7.5	-6.4	-8.2	-4.0	-3.2

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

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660841624683

cost and at short maturities. The forint has weakened considerably since autumn 2008, as have other currencies in the region. High household foreign currency indebtedness remains a significant vulnerability for the economy. To counter risks of further currency depreciation, which might endanger financial stability and increase inflation, the National Bank of Hungary (NBH) has not lowered policy rates since January 2009, despite the deepening recession and contractionary fiscal policy. In the projections, the Bank is assumed to lower its policy rate only in 2010, when financial stability and inflation concerns subside.

Fiscal consolidation generates additional output losses

Substantial expenditure cuts should delay recovery of domestic demand. The announced significant increases in value-added tax (VAT) (5 percentage points) and excise tax rates, scheduled for July 2009, are likely to have induced a shift of consumption from the second half of the year to the first half, temporarily supporting domestic demand. Overall, these tax increases will negatively impact 2009 domestic demand since the cuts in social contributions and personal income tax are not expected to entirely offset the impact of the increase of consumption-related taxes. However, lower social security contributions and income tax should stimulate Hungary's long-term growth potential by increasing employment. Looking beyond the crisis, sustainable fiscal consolidation should not exclusively rely on revenue increases as in 2008. Instead, it should be based primarily on expenditure cuts of a permanent nature. Sustainable consolidation requires a credible medium-term strategy for public expenditure reduction. Strictly adhering to medium-term nominal expenditure objectives should also help avoid pro-cyclical fiscal policy by allowing automatic stabilisers to operate on the revenue side.

After a severe recession in 2009, growth is projected to pick up slowly in 2010

A continued, severely limited access to international financial markets, combined with significant fiscal consolidation and a collapse in exports markets, will lead to an output fall of more than 6% of GDP in 2009. Growth is projected to pick up slowly in 2010 with a recovery in world trade and the easing of monetary policy. The average 2009 consumer price inflation is projected to be above the NBH target of 3% due to the VAT and excise tax increases in July. The main risk to the projection is that the parliamentary elections scheduled for 2010 lead to excessive public expenditures, triggering a confidence crisis. On the positive side, the economy could be stimulated by new EU funds, provided they can be disbursed quickly and effectively, or by a stronger pick-up in trade than envisaged.

ICELAND

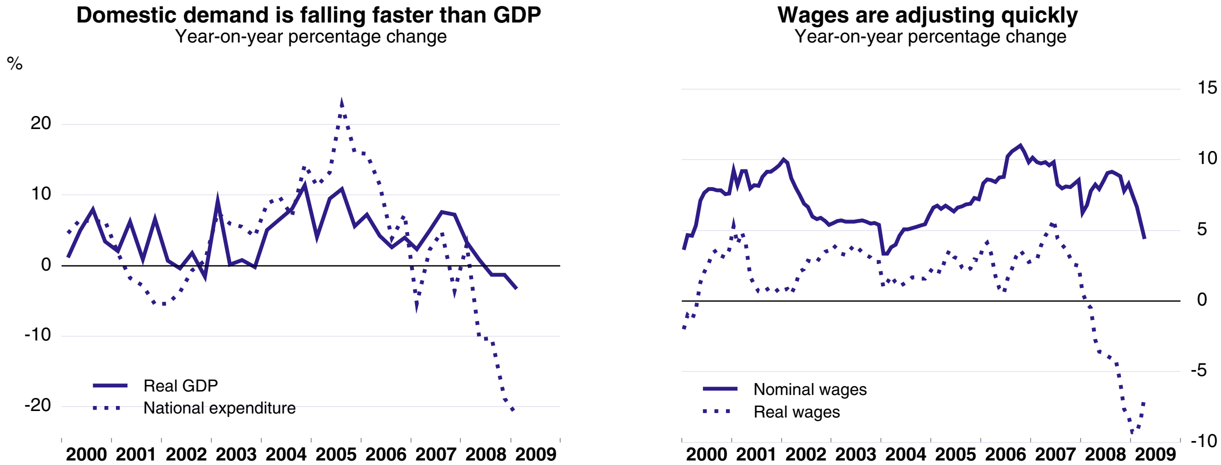
Domestic demand collapsed following the failure of Iceland's three main banks in October 2008, plunging the economy into a very deep recession. The economy is projected to shrink until early-2010, when it should be buoyed up somewhat by investment in large energy-related projects. The unemployment rate is likely to soar to 10% next year. Inflation should fall to very low levels and the current account should improve to near balance in 2010.

Restoring the smooth functioning of the banking system is the top priority. This entails completing the bank restructuring process quickly so that the new banks can resume lending, especially to firms. Progressively removing capital controls as soon as feasible would facilitate access to foreign credit markets. The large, and necessary, fiscal consolidation programme provides an opportunity to enhance the efficiency of public expenditure, but will also require significant spending cuts and tax increases.

Domestic demand has collapsed

The failure of Iceland's three main banks in early October 2008 deepened the contraction in all components of domestic demand which was already underway. Faced with falling real incomes, a large loss of wealth and an urgent need to deleverage, consumers have slashed spending. Residential and general business investments have also fallen precipitously in the face of a much bleaker economic outlook, a similar need to deleverage, and firms' extreme difficulties in obtaining credit. Imports have fallen by even more than domestic demand, reflecting steep declines in demand for both consumer durables and investment goods. Deep cuts in employment and working time have begun, pushing the unemployment rate up from 2.5% in the third quarter of 2008 to 7.1% by the first quarter of 2009. Consumer price inflation shot up to 18.6% in the wake of the large currency depreciation caused by the financial crisis, but had fallen to 11.6% by May 2009 as the effects of the depreciation passed through, the increasingly depressed economic

Iceland



Source: Statistics Iceland.

StatLink http://dx.doi.org/10.1787/657484008671

Iceland: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices ISK billion	Percentage changes, volume (2000 prices)				
Private consumption	610.6	3.9	5.6	-7.7	-16.2	-1.9
Government consumption	252.6	4.0	4.2	2.8	-2.2	-3.3
Gross fixed capital formation	291.3	21.7	-12.8	-21.8	-51.3	7.0
Final domestic demand	1 154.5	8.4	0.0	-9.0	-21.0	-0.9
Stockbuilding[1]	- 0.9	1.1	-0.6	-0.4	1.0	0.1
Total domestic demand	1 153.7	9.4	-0.6	-9.3	-18.6	-0.8
Exports of goods and services	323.9	-4.9	17.7	7.1	-1.0	0.8
Imports of goods and services	451.3	10.4	-1.0	-18.0	-26.3	1.2
Net exports[1]	- 127.4	-6.1	6.2	10.6	12.1	-0.1
GDP at market prices	1 026.3	4.5	5.5	0.3	-7.0	-0.8
GDP deflator	_	9.0	5.6	12.2	9.2	3.6
Memorandum items						
Consumer price index	_	6.7	5.1	12.7	10.8	2.4
Private consumption deflator	_	7.5	4.7	14.0	11.4	2.4
Unemployment rate	_	2.9	2.3	3.0	8.4	9.9
General government financial balance[2]	_	6.3	5.4	-14.3	-10.7	-7.2
Current account balance[2]	_	-25.0	-15.4	-34.6	-3.0	-1.1

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 85 database.

StatLink http://dx.doi.org/10.1787/660865550116

conditions weighed on firms' pricing power, and the fall in housing prices intensified (housing prices enter the consumer price inflation directly in Iceland through the user cost of owner-occupied housing services component). Nominal wage increases fell sharply to 4½ per cent in the year to April, corresponding to a 6¾ per cent real decline. The current account deficit widened to the largest on record in the fourth quarter, owing to a huge investment income deficit, which reflected operating losses of Icelandic-owned foreign businesses. For 2008 as a whole, the factor income deficit was 32% of GDP and the current account deficit was 35% of GDP.

The foundations for sustainable growth are being laid

Iceland entered into a Stand-By Arrangement with the International Monetary Fund in November 2008. Its main objectives are to stabilise the exchange rate, restore normal activity in the financial sector, and return public finances to a sustainable path. To this end, capital control were imposed and the official policy interest rate was hiked to 18%. This rate has since been cut to 12%. Further cuts to 7% in 2010 and the maintenance of exchange controls are assumed in the OECD projection. For the time being, official interest rates do not have much effect on access to credit because financial intermediation is dysfunctional. It has been extremely difficult for firms to obtain financing from the new banks, domestic wholesale markets or foreign credit markets (access to which is complicated by the exchange controls). It is assumed that the situation in financial markets improves by 2010. The general government budget balance deteriorated sharply to a deficit of 14.3% of GDP in 2008, mainly reflecting the one-time cost of recapitalising the central bank – abstracting from this transaction, the deficit was 1.2% of GDP. However, this underlying budget deficit is projected to rise sharply to above 7% of GDP in 2010, mainly reflecting increases in interest rates, higher unemployment benefits, and lower revenues due to the drop in income, despite fiscal consolidation measures of 1½ per cent of GDP in 2009 and 3% of GDP in 2010.

Recovery should slowly get underway in 2010

The economy is projected to continue contracting until late this year and then to begin to recover during the course of 2010. The driving forces of recovery are a pick-up in business investment in large energy-related projects, stabilisation of other components of domestic demand and a modest recovery in export markets. The unemployment rate should rise to a peak of 10% in 2010 while inflation should fall to 2½ per cent in 2010. An improvement in the trade balance should bring the current account near balance in 2010, despite a large factor-income deficit.

There are uncertainties on the resolution of the banking crisis

The main risks surrounding these projections are that it may take longer than assumed for financial intermediation to normalise, which would delay the stabilisation and eventual recovery in domestic demand; and that the fiscal costs of resolving the banking crisis may differ materially from what has been assumed, which would alter the required amount of fiscal consolidation. Iceland's very flexible labour market, as evidenced by the recent sharp fall in real wages, may underpin a more rapid recovery.

IRELAND

The economy is experiencing a severe contraction as large domestic imbalances correct, compounded by the global downturn and financial crisis. With the recession already well entrenched and further contraction expected, the peak-to-trough fall in GDP is set to reach 14%. Activity will recover in 2010 but at a slow pace.

With severe pressure on the public finances, it is appropriate that fiscal consolidation has begun. Substantial spending cuts and increases in taxation are required in the coming years. Problems in the banking sector must be resolved at a reasonable cost. Competitiveness would be restored by lower wages and stronger competition.

The economy is contracting at a fast pace

Economic activity contracted by 6% in the second half of 2008. The precipitous fall in housing investment was the main driver of the slowdown but a sharp drop in machinery investment and falling consumption have also contributed substantially to the slowdown. Net exports made a positive contribution to growth in 2008, even as exports fell, due to weak imports.

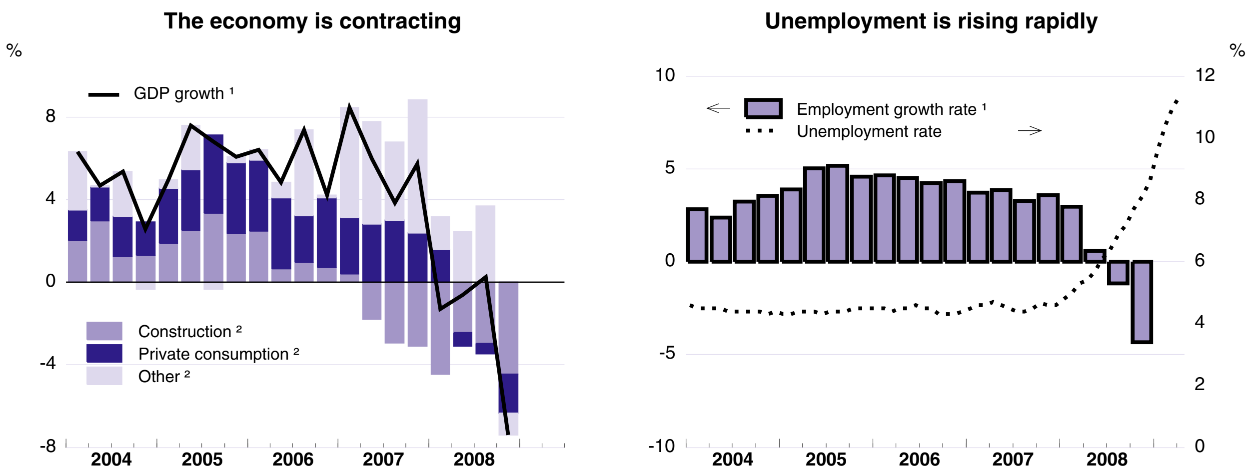
Unemployment is increasing rapidly

Employment has contracted sharply, mostly due to job losses in construction and with substantial falls in manufacturing. Employment is now falling in the services sector. Despite outward migration by foreign workers, the standardised unemployment rate reached 11.4% in April.

The housing market correction is severe

Housing investment is 55% below its peak and new housing starts are lower than a year ago. House prices have continued to fall at a fast pace. The average price on the permanent tsb index in April was 20% lower than at the peak. Housing market transactions remain very subdued.

Ireland



1. Year-on-year contributions to GDP growth.
2. Year-on-year percentage change.

Source: OECD Economic Outlook 85 database; CSO; and permanent tsb.

StatLink http://dx.doi.org/10.1787/657485546767

Ireland: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2006 prices)				
Private consumption	73.8	7.0	6.0	-0.8	-7.2	-3.6
Government consumption	24.9	5.3	6.8	1.8	-1.1	1.5
Gross fixed capital formation	43.2	4.0	1.0	-20.1	-34.9	-15.6
Final domestic demand	141.9	5.8	4.6	-6.1	-12.7	-4.6
Stockbuilding[1]	0.7	0.3	-0.8	0.1	0.4	0.3
Total domestic demand	142.7	6.1	3.6	-5.9	-12.1	-4.1
Exports of goods and services	132.3	5.7	6.8	-0.4	-10.4	0.7
Imports of goods and services	112.7	6.4	4.1	-4.3	-14.5	-2.1
Net exports[1]	19.6	0.3	2.6	2.7	1.6	2.0
GDP at market prices	162.3	5.7	6.0	-2.3	-9.8	-1.5
GDP deflator	_	3.4	1.4	-0.3	0.5	-1.2
Memorandum items						
Harmonised index of consumer prices	_	2.7	2.9	3.1	-1.3	-1.5
Private consumption deflator	_	2.2	3.0	3.1	-2.2	-1.4
Unemployment rate	_	4.4	4.6	6.0	12.2	14.8
General government financial balance[2,3]	_	3.0	0.2	-7.1	-11.5	-13.6
Current account balance[2]	_	-3.5	-5.4	-4.5	-0.6	0.9

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

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. As a percentage of GDP.
3. The balance does not include additional fiscal measures outlined by the authorities for 2010.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/660873830143

The slowdown in activity will ease in the near term

The sharp pace of adjustment around the end of 2008, driven by rapid retrenchment in private activity, will ease during 2009. House-building, consumption and investment will continue to fall but at a slower rate. Household spending will remain weak due to rising unemployment and falling disposable incomes from lower wages and higher taxes. Business investment will fall further. Weak global demand and a lack of competitiveness will lead to a substantial fall in exports, although net trade will make a positive contribution as imports contract.

Recovery will begin as economic adjustment progresses

The economic turnaround is likely to begin in 2010, as the housing cycle correction reaches its trough and the wider economy adjusts. Accommodative monetary policy and improving financial conditions will support growth. Exports will pick up as the world economy recovers and competitiveness improves. The recovery, however, will be sluggish: weak labour market conditions, household indebtedness and the increased burden of taxation will dampen consumption. Reductions in government expenditure will further depress activity.

Substantial economic slack will create mild deflation

The fall in output will lead to substantial economic slack building up, even if some of the fall in activity is permanent. This will depress the level of wages and prices. Headline inflation will be strongly negative, due in the short run to past falls in energy and food prices. However, underlying inflation will be negative with Ireland experiencing mild deflation over the next two years due to excess capacity in the economy and the need to restore external competitiveness.

Fiscal consolidation has already begun

The fiscal balance has deteriorated very sharply due to the slowdown and drop in property-related revenues. Faced with higher credit spreads on government bonds and the rising debt-to-GDP ratio, measures have been taken to tighten fiscal policy substantially. These include an income levy, spending cuts and reductions in public-sector compensation. Given the weak budgetary position and impact of support to the banking system, it is appropriate for consolidation to have begun while avoiding the destabilising effect of excessively rapid fiscal retrenchment. Considerable further consolidation will be necessary in coming years to close the underlying gap between tax revenues and expenditure.

Banking sector weakness is being addressed

An adequate flow of bank finance will be essential for any recovery. Stability of the banking system has been aided by guarantees of bank liabilities and deposits. Banks' ability to lend, however, is constrained by potential losses from extensive property-related lending in earlier years. The authorities have recapitalised the two largest banks and nationalised another. The National Asset Management Agency (NAMA) is being set up to take property development loans off banks' balance sheets. The government stands willing to provide additional capital if this leads to large banking losses. These measures should allow banks to provide new credit.

Risks surround the strength and timing of the recovery

There are risks that the recovery will be weaker than anticipated or begin later as it may be hampered by tighter fiscal policy or falling wages depressing real incomes. More pronounced deflation would increase the debt overhang in real terms. Weak growth in potential output would lead to a slow recovery. Risks from international financial instability and external demand remain. Given the scale of adjustment in Ireland so far, the underlying economic imbalances may be unwinding rapidly and this could add more strength to the recovery than anticipated.

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KOREA

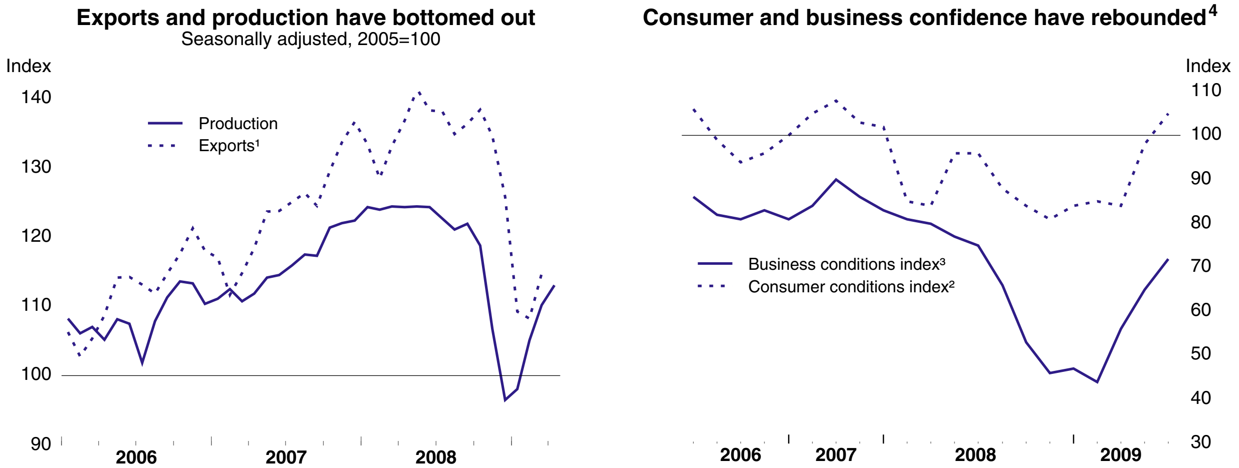
Output growth was positive in the first quarter of 2009, following the severe contraction in late 2008. Nevertheless, the unemployment rate has risen significantly, inflation has decelerated and the current account surplus has increased sharply. Output growth is projected to pick up further in line with the recovery in world trade, reaching a rate of 4½ per cent by late 2010.

As the economy strengthens, the growth of government spending should be scaled back to bring the budget back into balance, while pursuing tax reform to create a more growth-friendly system. The authorities should ensure that the negative impact of corporate restructuring on the financial sector remains limited, while pursuing structural reforms to sustain growth over the medium term.

The stabilisation of the economy in the first half of 2009...

After a deep plunge in the final quarter of 2008, the economy has bottomed out as fiscal stimulus began to take effect. Both government consumption and construction investment, led by public infrastructure projects, recorded double-digit increases in the first quarter of 2009. Private consumption also rose despite falling employment, which raised the unemployment rate from 3.2% in the fourth quarter of 2008 to 3.9% in May. Real wages and, therefore, household purchasing power have been sustained by a marked slowdown in consumer price inflation from 7.4% (annualised quarter-on-quarter rate) in mid-2008 to 1.7% in the first quarter of 2009. The pace of decline in exports – 31% at an annualised rate in the fourth quarter of 2008 – was reduced by half in the first quarter of 2009, thanks in part to exchange rate depreciation, which permitted large gains in Korea's market share. Industrial production has been increasing since the beginning of 2009, although the level in April was 9% below its 2008 peak.

Korea



1. Three-month moving average.
2. A score above 100 indicates that consumers believe that conditions are better than six months ago.
3. A score above 100 indicates that firms expect conditions to improve. This series is seasonally adjusted.
4. These series are quarterly until June 2008 and monthly afterwards.

Source: Bank of Korea; Korea National Statistical Office.

StatLink http://dx.doi.org/10.1787/657487266306

Korea: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices KRW trillion	Percentage changes, volume (2005 prices)				
Private consumption	465.4	4.7	5.1	0.9	-2.6	3.0
Government consumption	120.0	6.6	5.4	4.2	6.9	4.0
Gross fixed capital formation	249.7	3.4	4.2	-1.7	-5.1	6.6
Final domestic demand	835.1	4.6	4.9	0.7	-1.9	4.2
Stockbuilding[1]	6.7	0.3	-0.2	0.7	-2.8	1.3
Total domestic demand	841.9	4.9	4.7	1.4	-4.6	5.6
Exports of goods and services	339.8	11.4	12.6	5.7	-10.5	7.0
Imports of goods and services	316.4	11.3	11.7	3.7	-14.5	11.1
Net exports[1]	23.4	0.3	0.5	0.9	2.3	-2.0
GDP at market prices	865.2	5.2	5.1	2.2	-2.2	3.5
GDP deflator	_	-0.1	2.1	2.7	5.3	2.7
Memorandum items						
Consumer price index	_	2.2	2.5	4.7	2.5	2.0
Private consumption deflator	_	1.5	2.0	4.2	2.7	2.0
Unemployment rate	_	3.5	3.2	3.2	3.9	3.9
Household saving ratio[2]	_	5.2	2.9	2.8	5.1	3.2
General government financial balance[3]	_	3.9	4.7	3.2	-1.2	-2.3
Current account balance[3]	_	0.6	0.6	-0.5	3.3	1.7

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

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/661046608210

... has been aided by improving financial-market conditions...

An improvement in financial-market conditions has helped the economy to stabilise in the midst of the severe global recession. A cut in the policy interest rate from 5.25% in August 2008 to 2% in February 2009 and an easing in banks' credit conditions have supported lending to small firms and households. The government has injected 3.5 trillion won of capital (8% of banks' Tier 1 capital) into seven banks and established a 40 trillion won (4% of GDP) fund for the purchase of non-performing loans. Financial-market conditions have also been eased by a revival in corporate bond issuance and a narrowing of credit spreads. Equity prices have risen by one-third since the end of February 2009, leaving them about a quarter below their peak in 2008. Financial stability and the re-emergence of a large current account surplus, amounting to nearly 6% of GDP in the first quarter of 2009, have helped strengthen the won, which has appreciated 22% in effective terms since its trough in March, although it is still 16% below its July 2008 level.

... and large-scale fiscal stimulus

Monetary policy easing was accompanied by large-scale fiscal stimulus that will continue through 2010. Additional expenditure of 1½ per cent of GDP was included in a 2008 supplementary budget and the 2009 budget, along with tax cuts amounting to ¾ per cent of GDP. In addition, personal and corporate income tax rates are being cut in 2009-10. A new supplementary budget was passed in April 2009, containing further measures amounting to 1.7% of GDP for job creation and support for the unemployed, low-income households and small and medium-sized enterprises. Fiscal stimulus, combined with tax shortfalls due to the drop in output, is projected to eliminate the budget surplus, which amounted to 4.7% of GDP in 2007, leading to the first deficit (on a general government basis) since 1975.

Output growth is likely to pick up gradually in line with world trade

Positive economic indicators have led to a strong bounce-back in business and consumer confidence. In addition, rapid de-stocking in the first quarter has largely eliminated excess inventories. Nevertheless, the economic outlook remains highly uncertain given the possibility of second-round effects in the financial sector and the labour market and the risks facing world economic prospects. With Korea's export markets projected to increase their imports by less than 4% in 2010, Korea's recovery is likely to be relatively slow, although the lower level of the won should allow it to continue to increase market share. The projected resumption in export growth should nevertheless be enough to end the declines in business investment and employment. Combined with the ongoing fiscal stimulus, this is projected to push up output growth gradually to around 4½ per cent by late 2010.

Risks remain high but have become more balanced

With exports accounting for about half of output, Korea's prospects remain closely linked to world trade. A faster-than-expected global rebound would lead to a stronger upturn in Korea, while a delayed recovery could push output growth back into negative territory. In addition, there is a risk that the heavily-indebted household sector will use income gains to improve balance sheets rather than to increase consumption, thus slowing the recovery.

LUXEMBOURG

The international crisis hit the economy towards the end of 2008. Initially, the financial sector was affected, but the collapse in world trade also hurt the export-dependent manufacturing sector, and GDP is set to contract during 2009. Subsequently, a mild recovery will emerge on the back of fiscal stimulus, easier monetary conditions and a pick-up in world trade.

The government is implementing a fiscal stimulus of more than 3% of GDP. To secure fiscal sustainability, this stimulus should be withdrawn as soon as the strength of the recovery allows.

The economy has been hit severely through the financial sector

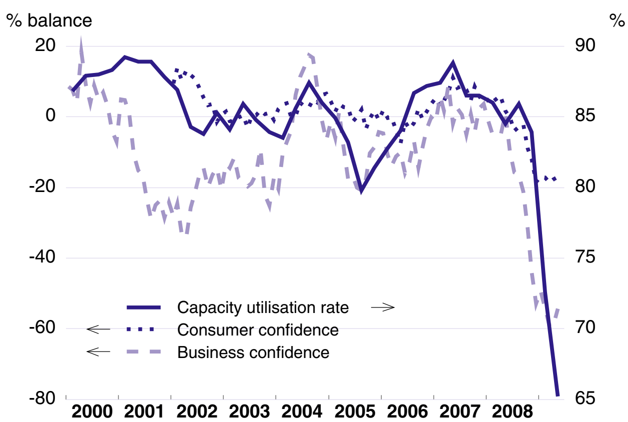
Economic activity contracted sharply at the end of 2008. International financial turbulence, which reduced net inflows into investment funds, forced the financial sector to increase provisions. The export-dependent manufacturing sector was battered by the abrupt collapse in world trade. The consequent declines in business sentiment and capacity utilisation to historically low levels cut private investment. Furthermore, private consumption weakened due to slower real income growth and the weakest consumer confidence on record.

Inflationary pressures are easing

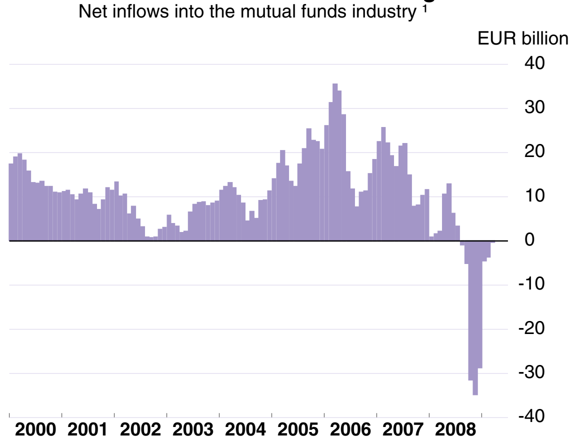
Headline inflation has fallen with energy and food prices, and was running below ½ per cent in the spring 2009. The harmonised index is likely to fall further because of its high weight of oil products, reflecting non-residents' large purchases of transport fuels. Core inflation has also fallen, though by less, and the wage indexation mechanism will keep it from falling dramatically in 2009. The unemployment rate is rising and the number of workers on reduced work time increased from 0 to about 3% of the workforce. The latter development is expected to continue after the government's decision to reimburse the employer's share of the

Luxembourg

Confidence has collapsed



The financial sector is contracting
Net inflows into the mutual funds industry [1]



1. 3-month moving average. Inflows are defined as net of markets' variations.

Source: OECD, Main Economic Indicators and Commission de Surveillance du Secteur Financier.

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Luxembourg: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	10.7	2.9	2.0	1.5	0.5	1.1
Government consumption	5.0	2.7	2.6	0.9	5.0	2.5
Gross fixed capital formation	6.2	1.0	11.8	2.0	-12.2	-7.4
Final domestic demand	21.9	2.3	4.8	1.5	-2.1	-0.8
Stockbuilding[1]	0.6	-0.5	-0.6	0.1	0.1	0.0
Total domestic demand	22.5	1.5	3.9	1.6	-2.0	-0.8
Exports of goods and services	47.9	14.6	4.4	0.3	-10.7	-0.7
Imports of goods and services	40.2	13.4	3.6	1.8	-11.1	-0.9
Net exports[1]	7.7	5.3	2.6	-2.1	-2.6	0.1
GDP at market prices	30.2	6.4	5.2	-0.9	-4.0	-0.4
GDP deflator	_	5.4	2.1	1.7	0.7	1.2
Memorandum items						
Harmonised index of consumer prices	_	3.0	2.7	4.1	-0.3	1.2
Private consumption deflator	_	2.2	2.1	4.7	0.5	1.2
Unemployment rate	_	4.4	4.4	4.4	6.0	7.2
General government financial balance[2]	_	1.4	3.6	2.6	-2.4	-4.9
Current account balance[2]	_	10.4	9.8	5.5	2.8	4.1

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 85 database.

StatLink http://dx.doi.org/10.1787/661100774142

partial unemployment allowance, to extend its duration and to increase the replacement rate from 80 to 90% for partial unemployed in vocational training.

The general government balance is worsening

In 2008, the general government balance was in surplus by 2.6% of GDP. However, the expansionary 2009 budget and the subsequent fiscal stimulus package, totalling more than 3% of GDP, together with the effects of the automatic stabilisers, will push the balance into a deficit of more than 2¼ per cent of GDP in 2009 and double that amount in 2010. The main emphasis of the government stimulus is support for public and private investment.

The economy will continue to contract in the remainder of 2009

Activity in the financial and the manufacturing sectors will continue to fall in the remainder of 2009. In 2010, the economy should expand as domestic demand benefits from easier monetary conditions and fiscal stimulus. Nonetheless, unemployment will continue to increase over the projection period. Despite the weaker labour market outlook, wages are projected to accelerate in 2010, when the currently partially suspended wage indexation mechanism is fully restored, triggering an additional wage adjustment. As a result, core inflation should remain relatively high.

The main risk is prolonged global crisis

Despite the waning of the international financial turbulence, the main uncertainty in these projections remains the duration and severity of the worldwide downturn. Another uncertainty is whether the manufacturing sector can maintain its position as a subcontractor to the German automobile industry in face of the worldwide restructuring of this sector.

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MEXICO

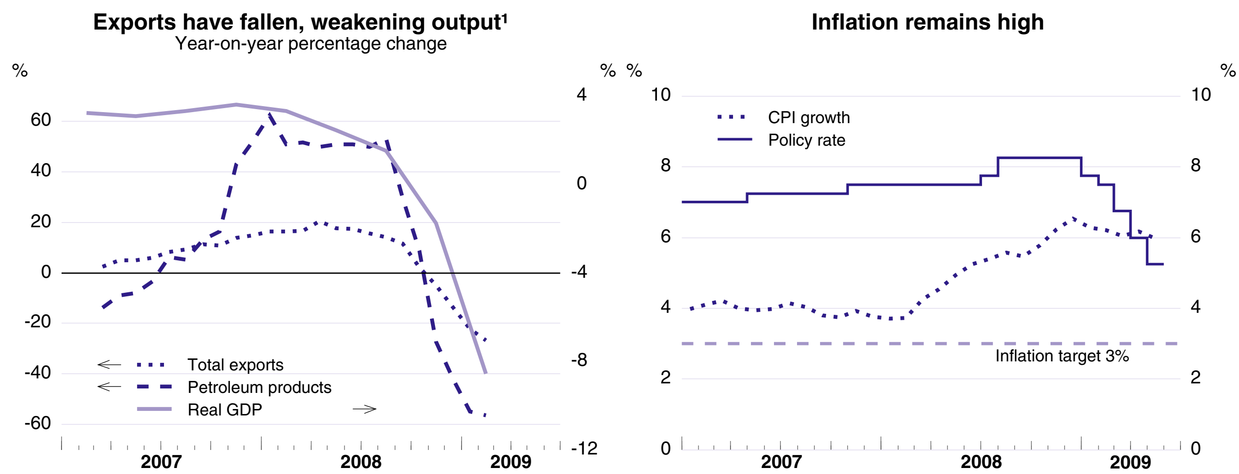
Mexico entered recession in late 2008, and growth had turned highly negative by the first quarter of 2009, as both exports and domestic demand contracted in the wake of the crisis. The outbreak of influenza and continued troubles for auto manufacturers are likely to have contributed further to the downturn. Growth is set to set to pick up during the second half of 2009 and accelerate further through 2010, reaching quarterly growth rates of above 4% in annualised terms. Inflation has remained relatively high, despite the sharp drop in demand, largely due to sticky administered prices. This persistence in inflation has limited the scope for monetary easing.

The fiscal response to the crisis has been welcome, although it could have been better targeted. While the room for further stimulus is limited, Mexico should not rush into fiscal consolidation and aggravate the recession needlessly. To avoid adverse market reactions to breaking the balanced budget rule, a clear medium-term fiscal strategy should be formulated and communicated. To help boost activity, the central bank should use the room it has for cutting policy rates further, while keeping an eye on the exchange rate and possible exchange-rate pass-through into consumer prices.

Mexico is in recession, but inflation remains persistent

Growth turned negative towards the end of 2008, led by a sharp fall in both exports and domestic demand. As the recession deepened in the United States, Mexico's main export market, industrial production fell sharply, making growth highly negative in the first quarter of 2009. Private consumption has been weakened by the decline in real wages and rapidly rising unemployment rates. To sustain domestic demand, the authorities have introduced a relatively modest stimulus package, including large, poorly targeted gasoline and electricity subsidies. Despite the collapse in demand, inflation has remained high. This is largely because Mexico kept administered prices for energy products artificially low through 2008, leaving the scope for a reversal in prices lower than in other countries. Coupled with concerns about capital outflows, the persistent inflation has

Mexico



1. Export data are expressed in USD.

Source: OECD Economic Outlook 85 database; INEGI.

StatLink http://dx.doi.org/10.1787/657583144360

Mexico: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices MXN billion	Percentage changes, volume (2003 prices)				
Private consumption	6 139.0	5.7	3.9	1.6	-6.8	1.0
Government consumption	991.9	1.7	2.1	0.6	4.6	3.3
Gross fixed capital formation	1 867.1	9.8	7.2	5.0	-11.9	5.8
Final domestic demand	8 998.0	6.1	4.4	2.2	-6.8	2.2
Stockbuilding[1]	385.4	-0.3	-0.5	0.2	-1.5	0.5
Total domestic demand	9 383.4	5.7	3.8	2.3	-8.1	2.8
Exports of goods and services	2 505.6	11.0	5.6	1.5	-18.4	2.1
Imports of goods and services	2 639.6	12.7	7.0	4.5	-17.5	2.1
Net exports[1]	- 134.0	-0.7	-0.6	-1.0	0.4	-0.1
GDP at market prices	9 249.5	5.1	3.3	1.4	-8.0	2.8
GDP deflator	_	6.7	4.5	6.6	3.6	3.4
Memorandum items						
Consumer price index	_	3.6	4.0	5.1	5.4	3.1
Private consumption deflator	_	3.4	4.8	6.9	7.7	3.2
Unemployment rate[2]	_	3.2	3.4	3.5	5.7	6.9
Current account balance[3]	_	-0.4	-0.8	-0.4	-0.4	-0.5

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 85 database.

StatLink http://dx.doi.org/10.1787/661115010242

caused the central bank to keep rate cuts limited, compared to actions taken in most other OECD countries. As inflation eases, there should be room for further rate cuts. Still, there is a risk that pass-through to consumer prices from the recent exchange rate depreciation could cause yet more persistence in inflation.

The outbreak of influenza worsens short-term prospects

The outbreak of influenza A H1N1 had an immediate dampening effect on activity, as many businesses were forced to temporarily close and the important tourism industry took a hit. Tourism receipts are likely to be affected for some time, weighing on economic activity through 2009. A targeted fiscal package for affected businesses was introduced to provide some relief. Subsequently, the government announced cuts of a similar size in operational and wage expenditures, to ensure an unchanged deficit target.

Growth is projected to pick up somewhat in 2010

Following the sharp drop in the first half of the year, which has been exacerbated by the influenza outbreak, the worst should now be over. The weak US economy, particularly the manufacturing sector, and the declining oil extraction will keep export growth negative until the end of the year. Domestic demand will decline through 2009 as private consumption growth is held down by rising unemployment rates. Growth is set to pick up from late 2009, reaching quarterly growth rates above 4% in annualised terms during 2010. Revenues from an oil price hedge are helping authorities finance a fiscal stimulus this year, partly sustaining domestic demand. However, no such price hedge was arranged for 2010, leaving the government budget vulnerable to low world oil prices. Under the existing fiscal rule, a fall in government oil revenues in 2010 would require cuts in government consumption and lead to a pro-cyclical negative fiscal impulse.

Risks have become more balanced

The main downside risk to the Mexican economy is that the downturn in the US economy and world demand may prove to be longer or deeper than projected. This would worsen the troubles of the car industry, limit worker remittances sent to Mexico, and delay the recovery of both exports and international commodity prices. Still, should US demand and industrial production, as well as international oil prices, pick up faster than projected, Mexican industrial production and exports would be given a much needed boost, and government revenues would improve more than projected, reducing the need for pro-cyclical spending cuts.

NETHERLANDS

The economy underwent a strong contraction at the end of 2008 and in early 2009 as exports and private investment collapsed. However, unemployment has only recently started to increase, from a low level. Overall, the economy will shrink notably in 2009, before slowly recovering in 2010 along with the pick-up in world trade.

Although the fiscal situation is deteriorating sharply, automatic stabilisers should be allowed to work fully and, if necessary, further discretionary fiscal action could be contemplated to support demand. The government should maintain its focus on active labour market policies to limit the increase in long-term unemployment. In order to assure fiscal sustainability, pension reform should be pursued.

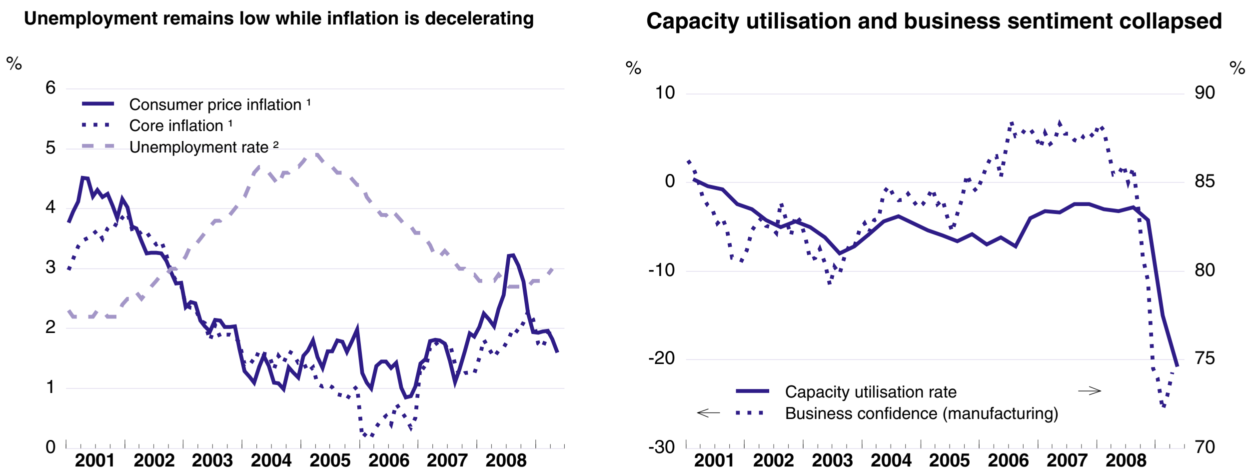
Activity has been declining rapidly…

The economy declined strongly in late 2008 and contracted even more steeply in early 2009 as exports collapsed in line with the abrupt fall in world trade. The build-up of stocks in late 2008 and historically low capacity utilisation depressed private investment. After falling to near historical lows, some elements of business sentiment began to recover during the spring 2009. Headline inflation exceeded the euro area average in early 2009: past high energy prices are still feeding through due to sluggish adjustment of energy contracts, and wage inflation remains relatively strong owing to the effect of wage negotiations concluded before the unravelling of the crisis.

… but unemployment has remained moderate so far

The unemployment rate has stayed close to the low levels observed in the previous year, and started to rise only in March 2009. Nevertheless, vacancies have fallen sharply and the number of workers on temporary reduced working time schemes has increased, indicating that

Netherlands



1. Inflation indicators are measured by consumer price indices and core inflation excludes food and energy.
2. Harmonised unemployment rate.

Source: OECD, Main Economic Indicators database.

StatLink http://dx.doi.org/10.1787/657583227326

Netherlands: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption[1]	250.3	0.0	2.1	1.6	-2.5	-0.2
Government consumption[1]	121.7	9.0	3.0	2.1	2.0	1.0
Gross fixed capital formation	97.0	7.5	4.9	5.3	-10.3	-3.1
Final domestic demand	469.0	3.9	2.9	2.6	-3.0	-0.4
Stockbuilding[2]	0.6	-0.2	-0.2	0.5	-0.4	0.0
Total domestic demand	469.6	3.7	2.7	3.1	-3.4	-0.4
Exports of goods and services	357.5	7.3	6.5	2.6	-13.9	-0.5
Imports of goods and services	313.7	8.2	5.7	4.1	-13.5	-0.6
Net exports[2]	43.8	0.0	1.0	-0.7	-1.4	0.0
GDP at market prices	513.4	3.4	3.5	2.1	-4.9	-0.4
GDP deflator	_	1.7	1.5	2.7	1.3	0.8
Memorandum items						
Harmonised index of consumer prices	_	1.7	1.6	2.2	1.4	0.9
Private consumption deflator	_	1.9	1.6	2.3	1.5	0.9
Unemployment rate	_	4.1	3.3	2.9	4.0	7.0
Household saving ratio[3]	_	5.2	7.4	7.3	8.8	9.4
General government financial balance[4]	_	0.6	0.3	1.0	-4.4	-7.0
Current account balance[4]	_	9.4	7.6	7.5	6.1	5.9

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. 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 85 database.

StatLink http://dx.doi.org/10.1787/661171854068

unemployment could rise substantially in the remainder of 2009. Moreover bankruptcies started increasing rapidly in the first quarter of 2009.

The crisis may have a durable negative impact on consumption…

The crisis has reduced the value of assets held by pension funds, of which more than half have encountered insolvency issues and were required to submit recovery plans. Some of the funds have already announced that payouts will not be increased in line with inflation in 2009, while others envisage hiking contribution rates. This may further undermine consumer confidence, which remains close to the lowest levels in two decades. Private savings may increase to offset the deterioration in wealth, both in pension funds and because house prices started to fall. Moreover, despite the government interventions, credit conditions have been tightening more sharply than in the euro area at large, exacerbating liquidity constraints.

… but discretionary fiscal stimulus should help support the economy

On top of the mildly expansionary 2009 budget, the government introduced, in the beginning of 2009, fiscal stimulus measures totalling more than 2% of GDP in the period 2009-2010. The measures concern mainly cuts in social security contributions and taxes, relief for companies and public investment. Together with the impact of the large automatic stabilisers and expected lower natural gas receipts, this should result in a fiscal deficit of about 7% of GDP by 2010. Further discretionary action would be possible to support demand. Government interventions aiming at stabilising the financial markets have increased the gross public debt by roughly 12.6% of GDP in 2008.

A modest recovery is expected in 2010

Positive economic growth should resurface in 2010, mainly through the expected rebound in world trade. Falling inflation and the discretionary stimulus measures should also help sustain real income and, therefore, private consumption. Unemployment is expected to continue rising throughout the projection period. The main downside risk to the projections is that the effects of the crisis on pension fund and housing assets will further depress consumption, slowing the recovery. On the upside, a faster rebound in world trade would benefit exporters.

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NEW ZEALAND

The global crisis hit New Zealand just as it was undergoing a difficult domestic adjustment. The multiple blows of housing market correction, collapsing world trade, rising risk spreads, tighter credit conditions and unsustainably high private-sector debt suggest a recession of atypical length. However, major policy stimulus should contribute to modest positive growth next year.

Receding inflation has enlarged the scope for monetary easing, which remains the front line of macroeconomic stabilisation. The deteriorating outlook for public finances, with high external debt, has led the government to trim the initially planned policy stimulus in its recent budget. It should realign spending with the now postponed but still desirable cuts in marginal tax rates, which would improve persistently low productivity growth.

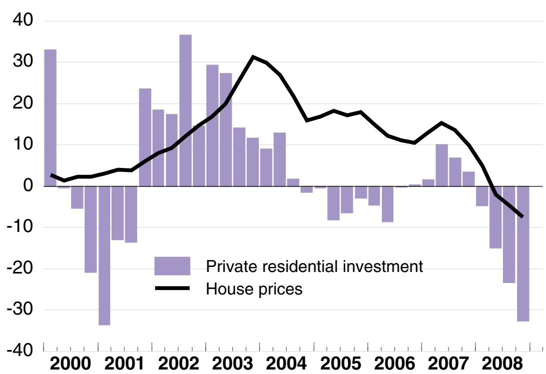
The recession is deepening

The recession has deepened with the global crisis. Unprecedented export market decline in the fourth quarter of 2008 intensified in the first quarter of 2009. The housing market correction, initially kicked off by domestic monetary tightening, has been aggravated by deteriorating global financial conditions, to which New Zealand is particularly vulnerable because of high private-sector indebtedness abroad, intermediated by the banks. Real housing investment is expected to fall to less than half its 2007 peak by end-2009 and house prices to have declined by 15% or more. The loss of housing and financial wealth, as well as a collapse of dairy prices, has prompted necessary deleveraging, which is curbing consumer demand, even if lending to agriculture and households is still growing. Given severely curtailed final demand, firms' fixed and inventory investments, as well as their labour needs, are expected to decline markedly in 2009. The unemployment rate may rise beyond 8% in 2010, further weakening household demand.

New Zealand

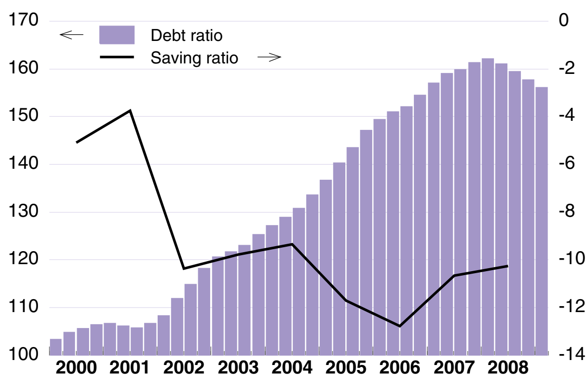
House prices and building are declining

Year-on-year percentage change



Households are deleveraging

Per cent of net disposable income



Source: Reserve Bank of New Zealand; Statistics New Zealand; and OECD Economic Outlook 85 database.

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

	2005	2006	2007	2008	2009	2010
	Current prices NZD billion	Percentage changes, volume (1995/1996 prices)				
Private consumption	92.0	2.6	4.0	0.1	-1.9	-0.3
Government consumption	28.0	4.6	3.9	4.0	3.2	3.1
Gross fixed capital formation	37.4	-0.4	5.0	-5.7	-18.8	-2.5
Final domestic demand	157.4	2.2	4.2	-0.5	-4.6	0.0
Stockbuilding[1]	0.0	-0.5	-0.8	-1.4	-1.6	0.0
Total domestic demand	158.8	1.4	4.5	-0.3	-7.0	0.0
Exports of goods and services	43.4	1.8	3.8	-1.8	-4.9	1.3
Imports of goods and services	46.7	-2.6	8.6	2.5	-17.1	-0.7
Net exports[1]	- 3.2	1.3	-1.5	-1.2	4.1	0.6
GDP at market prices	155.6	2.6	3.0	-1.6	-3.0	0.6
GDP deflator	_	2.2	4.2	4.7	0.2	0.9
Memorandum items						
GDP (production)	_	2.0	3.2	0.2	-2.9	0.6
Consumer price index	_	3.4	2.4	4.0	1.9	1.8
Core consumer price index[2]	_	2.5	2.1	2.2	2.1	1.8
Private consumption deflator	_	2.8	1.6	3.4	1.8	1.2
Unemployment rate	_	3.9	3.7	4.2	6.3	7.9
General government financial balance[3]	_	5.9	5.0	2.9	-2.8	-5.0
Current account balance[3]	_	-8.7	-8.2	-8.9	-7.0	-6.6

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. Consumer price index excluding food and energy.
3. As a percentage of GDP.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/661210287068

Monetary policy is highly supportive

The Reserve Bank reduced its official cash rate (OCR) from 8.25% in early 2008 to a highly stimulatory 2.5% by end-April. The NZ dollar depreciated by nearly one-quarter in real effective terms through February 2009, though it has since appreciated against a weakening US dollar, losing some of its earlier competitiveness gains. Mortgage rates have fallen as well, though by less than the OCR, given banks' higher financing costs. In an attempt to enhance policy efficiency, the Reserve Bank announced in its April and June reviews that it expected to keep its policy rates at current or lower levels through late 2010 – an unusually clear statement of intent.

Fiscal stimulus has been generous, but the debt outlook is worrying

At end-2008, the government announced expansionary measures, mainly permanent personal income tax cuts and accelerated infrastructure spending, amounting to a total of 4½ per cent of GDP for the period to 2010, with further stimulus (some 3% of GDP) in 2011-12. However, a marked deterioration in the economic and fiscal outlook since then made this ongoing discretionary easing problematic. Though the level of the public debt is low, it is set to rise rapidly even before ageing pressures are taken into account, and the external debt is very high. To safeguard its credit rating, the government postponed the next phase of tax cuts in its May 2009 Budget and reduced the "operating allowance" – the amount of extra spending made available for future budgets – as a means of imposing budget discipline over the medium term. It also suspended contributions to the NZ Superannuation Fund in order to limit the build-up of debt so long as deficits persist.

The conditions for growth are returning

The painful economic adjustment now underway will, together with policy stimulus, pave the way for a return to positive growth next year when the crisis loosens its grip and exports recover. Indeed, recent indicators of activity – notably rising net immigration and a pick-up in the housing market – suggest that conditions are stabilising, consistent with growth resuming later this year. Wage gains are moderating in response to labour market weakness, which, together with recovering external demand, will boost firms' profitability and incentives to invest. Annual CPI inflation, which already fell from its 2008 peak of 5 to 3% in early 2009, mostly thanks to sharp oil price declines, could decline to 1¾ per cent, as economic slack increases, notwithstanding a renewed rise in oil price. Lower inflation, together with mortgage-rate resetting and tax cuts, will provide relief to households, underpinning consumption. The housing market should likewise start to bottom out in response to lower prices and financing costs. The current account deficit is projected to narrow by some 2½ percentage points of GDP as global recovery takes hold, the real exchange rate stays competitive, exports are partly cushioned from the global slump by their concentration on stable food items, and foreign debt service costs diminish.

Risks are becoming more balanced

Substantial downside risks remain, especially if global risk appetite were to falter, raising NZ borrowing costs. But, given the huge amount of global policy stimulus in the pipeline, the recovery could prove more vigorous than envisaged, requiring earlier monetary tightening. There may also be upside risks to commodity prices and thus the external balance.

NORWAY

Norway has been hit hard by the global economic downturn, even if the decline in output is projected to be less sharp than in other countries. The export sector is severely affected, and domestic demand, mainly investment, is contracting rapidly. Despite this, rising labour costs and higher import prices following depreciation of the krone have kept inflation relatively high. The authorities reacted promptly to problems in financial markets with a number of measures to restore the normal functioning of credit markets and stimulate output.

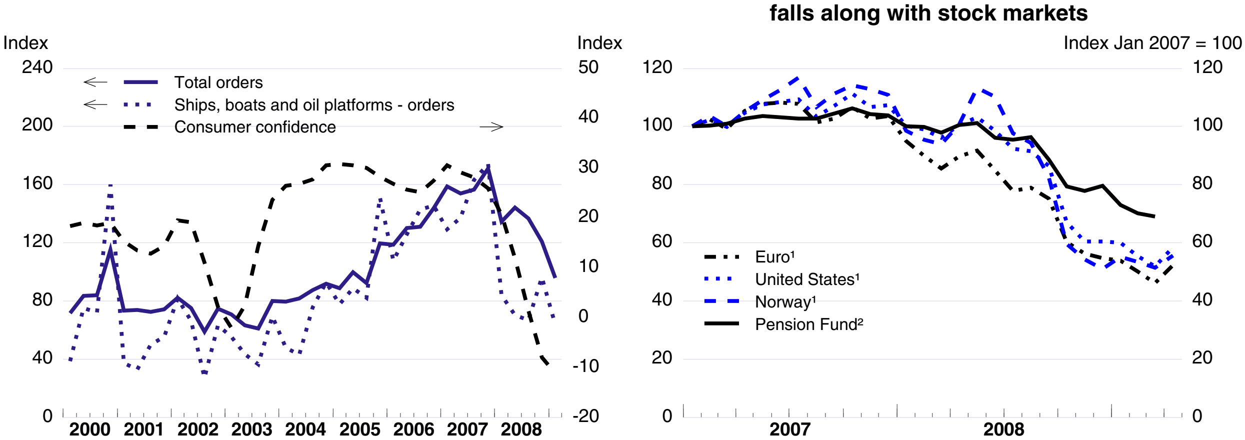
Further monetary easing, as projected by the central bank, is desirable if inflation pressures moderate faster than expected. Fiscal action has been considerable so far; significant further fiscal expansion in 2010 may be unnecessary if the economy recovers as projected and, given losses on the Government Pension Fund in 2009, some caution may be advisable.

Domestic and external demand have declined

Mainland output declined at the end of 2008 and the beginning of 2009, with the ongoing collapse of housing investment followed by falling consumption and business investment. The export sector has been hit by the global downturn and weak competitiveness. Credit markets have tightened significantly. Both government and private sector financial assets have been strongly hit by the financial crisis. Unemployment has started to rise, after several years of extremely tight labour markets. However, inflation has not retreated as much as weak demand might suggest, because of rising import prices following exchange rate depreciation, falling labour productivity and rising food prices under the Agricultural Settlement. The government adopted a fiscal stimulus package, on top of an already expansionary budget, to sustain domestic demand. The central bank has repeatedly cut policy rates to curb the

Norway

Consumer confidence and orders slide further | **Government Pension Fund falls along with stock markets**



1. Share price indices refer to the EMU Dow Jones Euro STOXX broad price index (Euro), NYSE Composite (USA) and OSE Total (Norway)
2. Government Pension Fund – Global

Source: OECD, Main Economic Indicators; Statistics Norway; and Datastream.

StatLink http://dx.doi.org/10.1787/657621216474

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Norway: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices NOK billion	Percentage changes, volume (2006 prices)				
Private consumption	826.2	4.8	6.0	1.4	-0.9	1.1
Government consumption	387.2	1.9	3.4	3.8	5.8	3.8
Gross fixed capital formation	365.6	11.7	8.4	3.9	-7.5	-0.5
Final domestic demand	1 579.0	5.7	6.0	2.6	-1.0	1.4
Stockbuilding[1]	46.5	0.0	-0.7	0.7	0.1	0.0
Total domestic demand	1 625.4	5.6	5.0	3.3	-0.9	1.4
Exports of goods and services	868.4	0.0	2.5	1.4	-5.1	0.1
Imports of goods and services	548.1	8.4	7.5	4.4	-6.6	1.6
Net exports[1]	320.3	-2.4	-0.9	-0.7	-0.6	-0.4
GDP at market prices	1 945.7	2.3	3.1	2.1	-1.0	0.8
GDP deflator	_	8.5	2.2	9.6	-1.1	3.8
Memorandum items						
Mainland GDP at market prices[2]	_	4.9	6.1	2.6	-1.5	0.9
Consumer price index	_	2.3	0.7	3.8	2.4	1.3
Private consumption deflator	_	1.9	0.7	3.9	2.8	1.3
Unemployment rate	_	3.4	2.5	2.6	3.7	4.3
Household saving ratio[3]	_	0.1	0.4	2.0	4.6	4.3
General government financial balance[4]	_	18.5	17.7	18.8	8.6	7.0
Current account balance[4]	_	17.3	15.9	18.2	18.2	20.6

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/661212466620

soaring price of credit, and has provided many liquidity facilities to restore the normal functioning of credit markets.

The outlook is deteriorating

Although the authorities' interventions have helped to cushion domestic financial conditions, credit standards continue to tighten for firms, severely hitting investment, and banks face difficulties in raising capital; lending margins have increased. Although Norwegian banks' financial losses have been limited so far, many banks lack sufficient equity capital. Credit conditions for households have relaxed somewhat, but confidence remains very low. Household balance sheets are deteriorating, with estimates of nominal wealth losses due to falling house prices as high as 20% of GDP, depressing consumption, even though debt growth has slowed substantially. The downward trend in house prices has been interrupted, and prices have risen somewhat in recent months, though they may decline further as incomes are hit by rising unemployment; meanwhile, the decline in housing investment continues unabated. Weakness in traditional exports is likely to persist due to plunging world trade, poor competitiveness and a recent appreciation of the currency. Productivity is still falling and while wage growth is moderating, carry-over from last year's wage round is expected to feed domestic inflation until the end of 2009.

Strong policy intervention is mitigating the impact of the financial crisis

Thanks to the large fiscal stimulus and to the timing of the global downturn, which came as the domestic economy was overheating, the contraction in Norway will be less severe than elsewhere and there are better prospects for recovery. In particular, measures to secure employment and revenues, such as increased public investment in infrastructure, transfers to households and cyclical tax relief, will cushion domestic demand. Oil investment should continue to support mainland activity. Labour productivity will pick up amid the restructuring of the business sector, in response to depressed profitability and increased competition in foreign markets. Together with falling import prices, this will lower inflation. With inflation expectations well-anchored around the target set by the Central Bank and given the weak outlook for the rest of this year, monetary easing is expected to continue. The fiscal stance may continue on an expansionary path if the economy does not recover as expected, but prudence may be needed in light of the large financial losses experienced by the Government Pension Fund.

Great uncertainty on the external outlook and adjustment of internal imbalances

Confidence that the global outlook will recover this year has improved. But great uncertainty remains, notably regarding oil prices, with implications for investment in the energy sector and for public finances. Finally, if falls in property markets are stronger than expected, households and banks will cut spending and lending more sharply.

POLAND

Growth slowed in the second half of 2008 but was still positive in early 2009. Given the global downturn, activity is projected to contract in 2009, though the recession should be relatively shallow, notably due to relatively modest trade dependence, historically low interest rates, moderate indebtedness of the private sector, income tax cuts and the implementation of many infrastructure projects related to transfers of EU funds and the 2012 football championships. Price pressures have built up recently, notably due to a large fall in the exchange rate but, as economic slack increases, they should recede steadily.

After the sharp upward revision of the general government deficit for 2008, the fiscal outlook looks considerably worse as the deficit is expected to continue to deteriorate in the next two years. As this will push the public debt close to the constitutional limit of 60% of GDP, the government will have to stand ready to implement fiscal consolidation measures once recovery begins in 2010. These should be accompanied by further monetary easing.

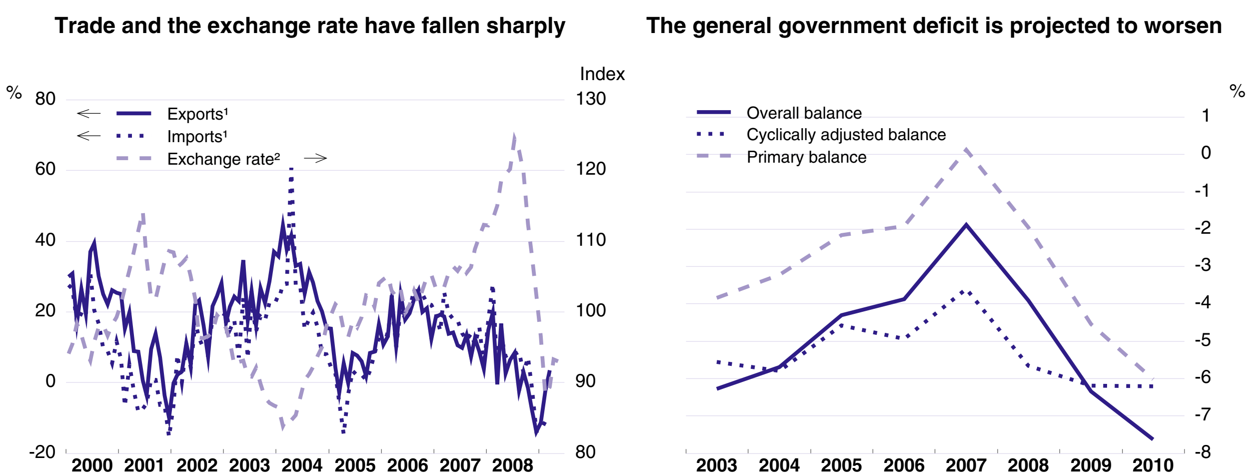
Economic activity has decelerated

GDP growth has continued to decelerate in early 2009, as private consumption growth was offset by a pronounced negative contribution of inventories to growth. On the other hand, exports fell less than imports and the car industry has been supported by the large currency depreciation and support measures implemented by Poland's trading partners, notably Germany. A spike in residential investment, supported by falling property prices and a programme of subsidised mortgage interest rates for low-income households, prevented a larger fall in gross fixed investment. However, low capacity utilisation rates and negative confidence indicators suggest that output likely fell in the second quarter.

The labour market has deteriorated

The unemployment rate has picked up as layoffs have risen, and wage growth has diminished steadily. To ease the short-term adjustment

Poland



1. Year-on-year growth rates.
2. Chained index of nominal effective exchange rate, 2005 = 100.

Source: OECD Economic Outlook 85 database; and OECD, Main Economic Indicators database.

StatLink http://dx.doi.org/10.1787/657631313631

Poland: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices PLZ billion	Percentage changes, volume (2000 prices)				
Private consumption	623.4	5.0	4.9	5.4	4.0	1.8
Government consumption	177.8	6.1	3.7	7.6	1.0	1.2
Gross fixed capital formation	179.2	14.9	17.2	8.2	-9.1	-6.2
Final domestic demand	980.3	7.0	7.1	6.4	0.6	0.1
Stockbuilding[1]	10.3	0.4	1.7	-0.8	-3.1	0.1
Total domestic demand	990.6	7.3	8.7	5.4	-2.4	0.2
Exports of goods and services	364.7	14.6	9.1	7.2	-10.2	2.5
Imports of goods and services	371.9	17.4	13.5	8.3	-12.8	1.5
Net exports[1]	- 7.3	-1.1	-2.0	-0.7	1.5	0.3
GDP at market prices	983.3	6.2	6.8	4.9	-0.4	0.6
GDP deflator	_	1.5	4.0	3.0	3.3	1.5
Memorandum items						
Consumer price index	_	1.3	2.5	4.2	3.5	1.8
Private consumption deflator	_	1.2	2.4	3.9	1.6	1.7
Unemployment rate	_	13.8	9.6	7.1	9.0	11.6
General government financial balance[2,3]	_	-3.9	-1.9	-3.9	-6.3	-7.6
Current account balance[2]	_	-2.7	-4.7	-5.5	-3.5	-3.3

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

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. As a percentage of GDP.
3. With private pension funds (OFE) classified outside the general government sector.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/661281205312

in the labour market, the authorities plan to introduce more flexible working hours. They will also subsidise idle labour in firms whose turnover has dropped by at least 30%. While this may temporarily support employment, it also risks slowing the restructuring process in manufacturing and reducing productivity gains, especially if, as envisaged, layoffs are prohibited for a year after the aid has ended.

A credible fiscal plan is needed…

Following the recent substantial revision, the general government deficit of 3.9% of GDP in 2008 was one of the worst in the region. It was mainly the result of an expansionary fiscal policy that led to an increase in the cyclically adjusted deficit by 2% of GDP, despite a still favourable cyclical position. Income tax cuts and fiscal measures adopted in response to the crisis should support growth, but, coupled with the workings of the automatic stabilisers, the fiscal position is expected to deteriorate significantly. As a result, the public debt is projected to approach the constitutionally binding limit of 60% of GDP. This will require fiscal consolidation actions once the recovery is underway in 2010, complemented by a broader public finance reform in the medium term. Recent tighter retirement rules are steps in the right direction, but a sustainable deficit-reduction plan should also include the merger of farmers' pension scheme with the general pension system, the taxation of income from farming – which has increased substantially since Poland's membership in the European Union – and the introduction of a cadastral tax on property. Back-pedalling on recent disability pension contribution cuts would be harmful for labour demand and long-term growth.

... whose implementation should be supported by monetary easing

The central bank reacted swiftly to the economic crisis and lowered its key policy rate by 225 basis points, to 3.75%. It has also lowered reserve requirements which, along with other supportive measures, should improve liquidity conditions in the banking sector. Banks have not been directly affected by the crisis, but tensions in the interbank market, a price war for retail deposits and a major tightening of lending conditions suggest deleveraging. Even though headline inflation bounced back to 4% in April, driven mainly by services and unprocessed food prices, core inflation has remained consistent with the inflation target of 2.5%. The Zloty has depreciated sharply since last July's peak but, in the context of substantial economic slack, any pass-through should not threaten price stability over the medium term. Weak activity and diminishing contributions from high food prices should reduce price pressures in the months ahead, creating some room for further interest-rate cuts, which would mitigate the effects of fiscal consolidation measures.

Growth will be weak

Growth is projected to remain below potential rates over the next two years, and the slow recovery in 2010 will not suffice to reduce economic slack. The contraction in activity will be led mostly by falling investment due to tighter credit, much weaker confidence, deteriorating corporate financial positions, lower inflows of foreign direct investments and the downturn in construction. However, exchange-rate depreciation, cuts in income taxes, improved absorption of EU funds, preparations for the 2012 football championships, and the combination of an unleveraged private sector and historically low interest rates will provide support to activity.

Risks are broadly balanced

Difficulties in rolling over the external debt have been reduced notably by the International Monetary Fund's provision of a $20.6 billion credit line. However, the current positive sentiment among foreign investors about activity and the resilience of the economy could quickly reverse, should downside risks to growth materialise.

PORTUGAL

Portugal is in the midst of a deep recession as the collapse of external demand and tight financial conditions have affected all parts of the economy, particularly exports and investment. Activity is expected to contract throughout 2009, before recovering very slowly in 2010 as the global economy and financial conditions gradually improve. The unemployment rate is set to reach double digits. Sharply lower commodity prices and the large negative output gap will leave inflation at very low levels.

The fiscal position will deteriorate significantly in 2009 reflecting weaker economic conditions, lower revenues, and spending rises to support the economy. Fiscal consolidation and structural reforms will be required in the medium term to enhance growth prospects, reduce long-term unemployment and help place the public finances on a more sustainable footing.

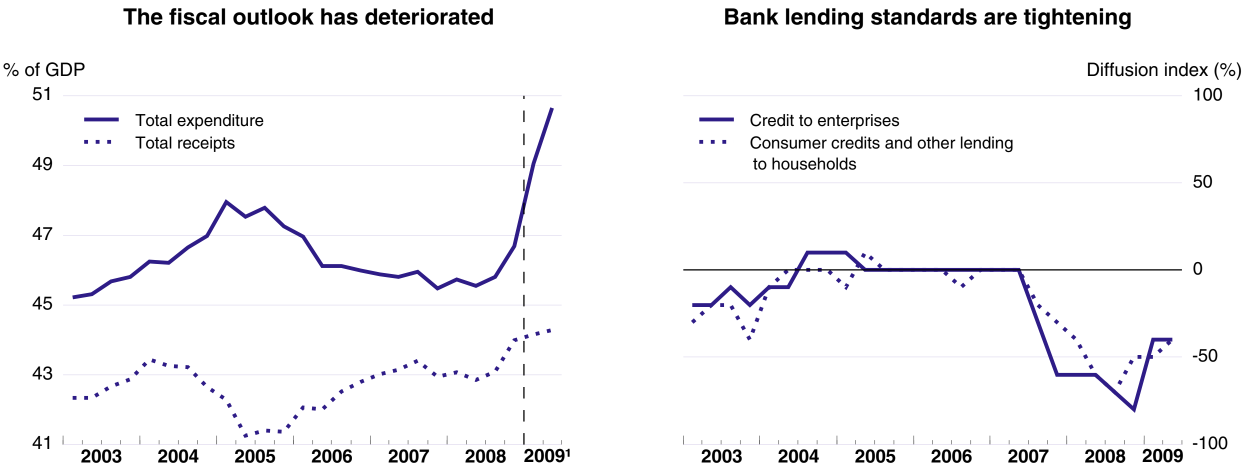
The economy is in deep recession

Activity collapsed at the end of 2008 under the weight of the global economic crisis, particularly the huge decline in external demand. Exports and investment have been particularly weak and the unemployment rate is rising. Preliminary data indicate that output contracted further by an annualised rate of just over 6% in the first quarter of 2009. The latest indicators suggest that the level of output will fall further through the year. Headline inflation turned negative early in 2009 as energy prices fell significantly from their mid-2008 highs. Core inflation has also moderated. Financial conditions for the private sector remain tight as stricter lending standards and wide bond spreads have offset the ECB's low policy rate and credit support initiatives.

The fiscal position has deteriorated significantly

Despite the ongoing fiscal consolidation programme, the 2008 budget deficit of 2.6% of GDP was higher than expected as the recession hit revenues hard at the end of the year. In 2009 the fiscal position is set to deteriorate significantly further. Fiscal stimulus measures focusing on

Portugal



1. OECD estimates.

Source: Bank of Portugal, Bank Lending Survey, various issues; and OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/657645733564

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Portugal: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	96.7	1.9	1.6	1.7	-2.4	0.0
Government consumption	32.0	-1.4	0.0	0.6	0.4	-0.2
Gross fixed capital formation	33.1	-0.7	3.1	-0.7	-18.7	-1.2
Final domestic demand	161.8	0.7	1.7	1.0	-5.3	-0.2
Stockbuilding[1]	0.6	0.0	0.1	0.2	-0.8	0.1
Total domestic demand	162.3	0.7	1.7	1.2	-6.0	-0.1
Exports of goods and services	42.6	8.7	7.8	-0.4	-21.5	-1.2
Imports of goods and services	55.8	5.1	6.1	2.6	-21.1	-0.1
Net exports[1]	- 13.2	0.6	0.0	-1.3	2.1	-0.3
GDP at market prices	149.1	1.4	1.9	0.0	-4.5	-0.5
GDP deflator	_	2.8	3.0	1.9	0.3	1.2
Memorandum items						
Harmonised index of consumer prices	_	3.0	2.4	2.7	-0.2	1.0
Private consumption deflator	_	3.1	2.7	2.6	-1.0	1.0
Unemployment rate	_	7.7	8.0	7.6	9.6	11.2
Household saving ratio[2]	_	8.1	6.6	7.3	10.0	10.9
General government financial balance[3,4]	_	-3.9	-2.7	-2.7	-6.5	-6.5
Current account balance[3]	_	-10.0	-9.4	-12.1	-9.5	-10.7

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/661315024636

public investment, support to companies and exports, and social assistance will directly increase the budget deficit by 0.8% of GDP in 2009. Sharply weaker activity will cut revenue further, raising budget deficits above 6% of GDP in both 2009 and 2010. Although the near-term increase in the deficit is mainly cyclical, the large and growing structural deficit and public debt mean that a credible medium-term fiscal consolidation plan is critical.

The recovery will be weak

GDP is projected to fall by 4.5% in 2009. Tight credit conditions, a rapidly weakening labour market and low consumer confidence will reduce consumption. The large drop in activity in major export markets points to further important falls in exports. Together with tighter credit conditions and weak internal demand, this will significantly reduce investment. The deterioration in economic conditions will lead to large falls in employment and the unemployment rate is likely to surpass 10%. The economy is expected to recover only gradually in 2010, supported by an easing in financial conditions and firming external demand. Lower commodity prices, a large negative output gap and a high unemployment rate should reduce core inflation toward zero by the end of 2010.

The risks are on both sides

On the downside, rising default rates due to the recession could add to pressures on domestic bank balance sheets from the financial crisis and the deteriorating state of public finances makes it possible that markets will demand even larger premiums for holding government debt. On the other hand, if financial conditions ease earlier than anticipated and growth in Portugal's major trading partners picks up more than expected, the recovery could be somewhat faster in 2010.

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SLOVAK REPUBLIC

After several years of exceptionally high growth, GDP is expected to contract this year. Exports will be the main drag on activity, followed by private investment. Growth is projected to recover slowly during the course of 2010 due to a brighter outlook for world trade. With rising unemployment, wage growth is expected to slow considerably. Consumer price inflation is also expected to continue to ease, though it will stay above the euro area level.

Due to the cyclical decline in tax revenues and the increase in social spending, as well as two fiscal stimulus packages, the government budget deficit is set to widen considerably this year and next. A rapid return to fiscal consolidation over the medium term is essential to ensure the sustainability of public finances.

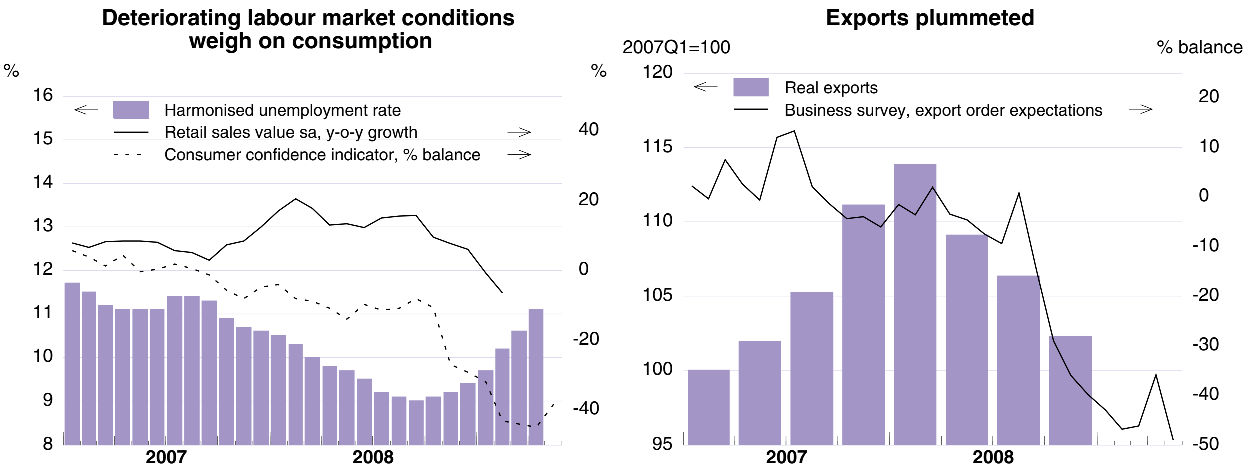
Economic activity is slowing markedly

Economic conditions deteriorated markedly towards the end of 2008, as exports plummeted due to the collapse in demand from major trading partners. The product mix of Slovak exports, with its focus on cars (an important share of which are high-end models) and consumer electronics, is particularly vulnerable to the global cycle. The situation worsened substantially since the beginning of the year with real GDP falling at a double-digit rate in the first quarter relative to the fourth quarter of last year. Though this development was broad-based, the main driver was a sharp drop in exports. The decline in activity was amplified by the interruption of production in several key industries during the gas-supply crisis. Private investment also declined, driven by a fall in capacity utilisation. Private consumption, which had held up robustly until the end of 2008, also contributed negatively to growth as consumer confidence began to deteriorate on the back of rapidly rising unemployment.

The fiscal position is set to deteriorate significantly

The government has put in place two fiscal stimulus packages to support economic growth and mitigate the impact of the contraction on the labour market. The packages comprise measures such as

Slovak Republic



Source: OECD, Main Economic Indicators database; and OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/657652268466

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

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	28.2	5.8	7.0	6.1	-0.6	0.7
Government consumption	9.1	10.2	-1.3	4.3	-0.1	1.8
Gross fixed capital formation	13.1	9.3	8.7	6.8	-2.1	3.7
Final domestic demand	50.4	7.5	5.9	6.0	-0.9	1.7
Stockbuilding[1]	1.1	-0.9	0.6	0.5	0.2	0.2
Total domestic demand	51.6	6.5	6.4	6.4	-0.7	2.0
Exports of goods and services	37.6	21.0	13.8	3.2	-20.4	2.6
Imports of goods and services	39.9	17.7	8.9	3.3	-18.6	2.2
Net exports[1]	- 2.3	1.7	3.8	-0.2	-1.1	0.1
GDP at market prices	49.3	8.5	10.4	6.4	-5.0	3.1
GDP deflator	_	2.9	1.1	2.9	-1.1	0.5
Memorandum items						
Consumer price index	_	4.5	2.8	4.6	1.8	1.8
Private consumption deflator	_	4.9	2.6	4.4	-0.2	1.9
Unemployment rate	_	13.3	11.0	9.6	11.8	13.6
General government financial balance[2]	_	-3.5	-1.9	-2.2	-4.9	-6.3
Current account balance[2]	_	-7.1	-5.3	-6.5	-6.9	-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.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/661401121550

infrastructure spending, cuts in income taxes and social security contributions, subsidies for car purchases, financial support to companies for new hiring, and R&D activities. Overall, the discretionary measures amount to 1.3% of 2008 GDP over 2009 and 2010 (of which 0.3% are financed from EU funds). As a consequence of the fiscal stimulus and the effects of the cycle, the budget deficit is projected to widen to more than 6% of GDP in 2010. A rapid return to fiscal consolidation over the medium term will be essential, and would be fostered by implementing a fiscal rule oriented at containing structural deficits.

The economy will recover only gradually

Notwithstanding some rebound of growth in the second quarter as temporary factors such as the gas crisis unwind, the underlying growth trend will remain weak. As the economy is expected to recover only gradually in the second half of this year annual real GDP is projected to fall by 5% in 2009. Exports will be the largest drag on growth this year, together with private investment which will remain weak due to ample spare capacity. The weak global economic outlook and tight global credit conditions will induce foreign companies to put their investment plans in the Slovak Republic on hold. In 2010, GDP growth is expected to reach 3%, as the Slovak economy benefits from a gradual improvement in world trade. The unemployment rate is projected to rise through 2010, reaching around 13½ per cent. The increase in unemployment will put downward pressure on the growth of wages and prices with core consumer price inflation projected to fall to below 2% in 2010. Deteriorating labour market conditions will also dampen private consumption growth.

Risks to the outlook are broadly balanced

The risks to this projection are broadly balanced and mainly relate to the outlook for world trade and the mood of foreign investors.

SPAIN

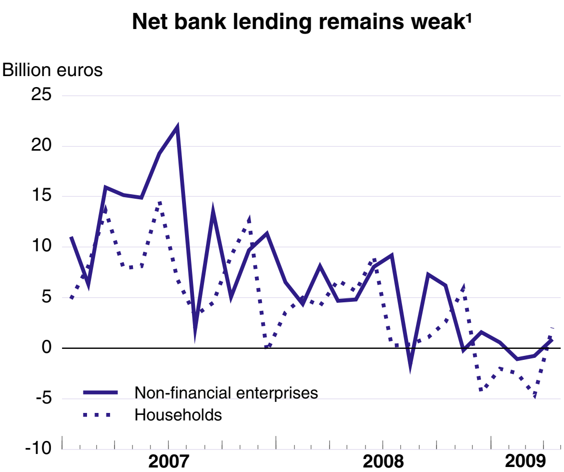
Output is projected to fall by 4¼ per cent in 2009, with the rate of decline slowing as the year progresses, and by 1 per cent in 2010. The unemployment rate will reach about 20% in 2010, and inflation will fall to near zero. The government deficit is projected to reach 9½ per cent of GDP in 2010.

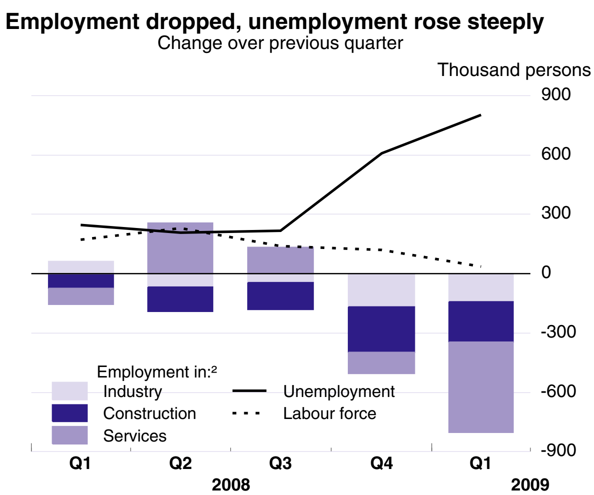
Fiscal policy should remain neutral in 2010. Small financial intermediaries with solvency problems should be allowed to fail, which would limit the fiscal costs of interventions. Programmes to support construction of social housing should be halted: support to low-income households should be provided via means-tested cash benefits earmarked to the housing costs. Scope for the savings banks to raise equity from private external sources should be expanded and barriers to mergers removed.

Output is declining

Following a relatively modest contraction in the last quarter of 2008, the recession deepened in the first quarter of 2009. Industrial production dropped sharply, in part reflecting its specialisation in automotive production, while residential construction continued adjusting to excess supply at a rapid pace, with prices falling by 7%. Employment losses have accelerated, pushing the survey-based unemployment rate to an estimated 18% (seasonally adjusted) in April. The increase in unemployment has been particularly marked among young unqualified workers, whose unemployment rate exceeds 33%. Employment adjustment in the construction industry is now well advanced, but job losses in services are gathering pace. The earlier expansion of labour supply, due to both immigration and higher female participation, is now slowing markedly. Headline inflation turned negative, mostly reflecting the past decline in oil prices, while the core inflation rate has fallen towards the average in the euro area. The most recent collective bargaining agreements suggest that the decline of core inflation should benefit from slowing wage growth

Spain





1. Monthly change in loan stock.
2. Break in series for employment in the first quarter of 2009 due to a change in industry classification.

Source: Banco de España and Instituto Nacional de Estadística.

StatLink http://dx.doi.org/10.1787/657658570420

Spain: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	525.1	3.9	3.5	0.1	-4.4	-1.1
Government consumption	163.7	4.6	4.9	5.3	3.4	2.9
Gross fixed capital formation	267.0	7.1	5.3	-3.0	-13.5	-4.6
Final domestic demand	955.9	4.9	4.2	0.1	-5.5	-1.1
Stockbuilding[1]	0.9	0.2	-0.1	0.0	-0.1	0.0
Total domestic demand	956.8	5.1	4.2	0.1	-5.6	-1.2
Exports of goods and services	233.4	6.7	4.9	0.7	-22.8	-1.3
Imports of goods and services	281.4	10.3	6.2	-2.5	-24.0	-2.1
Net exports[1]	- 48.0	-1.5	-0.8	1.0	1.7	0.3
GDP at market prices	908.8	3.9	3.7	1.2	-4.2	-0.9
GDP deflator	_	4.0	3.2	3.0	0.7	0.3
Memorandum items						
Harmonised index of consumer prices	_	3.6	2.8	4.1	-0.1	0.3
Private consumption deflator	_	3.4	3.2	3.8	0.1	0.3
Unemployment rate	_	8.5	8.3	11.3	18.1	19.6
Household saving ratio	_	11.2	10.2	12.1	14.1	13.6
General government financial balance[2]	_	2.0	2.2	-3.8	-9.1	-9.6
Current account balance[2]	_	-9.0	-10.0	-9.5	-6.1	-5.6

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 85 database.

StatLink http://dx.doi.org/10.1787/661410732354

in the course of 2009. Forward-looking confidence indicators have improved recently, but continue to indicate contraction.

Substantial fiscal stimulus is expected to be withdrawn in 2010

Further budgetary stimulus provided by the central government, equivalent to about 2% of GDP, is being implemented in the course of 2009, including a programme to stimulate investment spending by local governments (0.9% of GDP), as well as the abolition of wealth tax and accelerated payments of tax credits. Automatic stabilisers will also have a substantial impact on the budget balance, reflecting lower revenues and higher unemployment benefit spending. Regional and local governments have been exempted until 2011 from requirements to present plans to restore budgetary balance, limiting any pro-cyclical budgetary policies at the sub-national government levels. In 2010, however, most central government measures introduced to stimulate economic activity are expected to be withdrawn.

Lower interbank interest rates relieve the tight financial conditions

The tightening of credit supply standards is reflected in lower bank lending, pushing firms and households, which are more heavily indebted than on average in the euro area, to cut down spending to service outstanding debt. Non-performing loans are likely to continue rising, even though banks have substituted house price risk for credit risk by purchasing real estate from debitors in exchange for the cancellation of debt. The large stock of empty new housing will continue weighing on house prices and on activity. On the other hand, the marked decline in interbank interest rates at the end of 2008 is relieving the financial conditions of private households substantially, offsetting the impact of falling employment on disposable incomes, as interest rates on outstanding mortgages are indexed to past interbank rates.

Activity will contract until 2010, pushing up unemployment further

GDP will continue contracting, led by sluggish consumption and investment, although the pace is likely to diminish from the second half of the year onwards, with activity dropping by 4¼ per cent in 2009 and 1% in 2010. Unemployment will rise more slowly but will probably reach about 20% in 2010. The drop in domestic demand and lower oil prices will reduce the current account deficit to 5¼ per cent of GDP in 2010, while the general government's budget balance is expected to reach 9½ per cent of GDP.

Housing and financial markets pose risks

Rising non-performing loans may induce some banks to tighten credit standards further, notably among savings banks, which are more heavily exposed to the domestic housing market and are subject to restrictions in their ability to raise external equity. On the other hand, a large number of young people and low-income households are relatively poorly housed, which may eventually help absorb excess housing supply in the future as prices fall, limiting its drag on activity. The recovery will also depend importantly on how quickly external trade picks up, which is currently very uncertain.

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SWEDEN

The Swedish economy is facing a deeper contraction than during the domestic banking crisis of the early 1990s. Output is projected to fall sharply in 2009 before recovering gradually in 2010, with the unemployment rate exceeding 11%.

Falling GDP will produce a large output gap, so underlying inflation will decline even as growth recovers. Orthodox monetary policy has been eased about as much as is practical, but further measures to reduce market interest rates could be considered. Both automatic and discretionary fiscal responses will support demand and further measures may help cap the rise in unemployment.

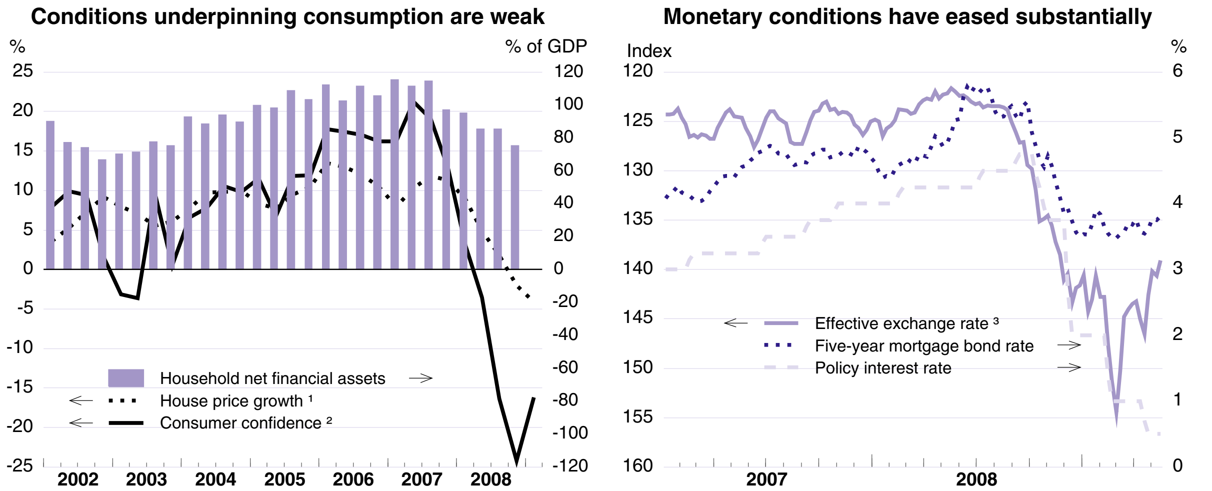
GDP dived in late 2008 and early 2009

Swedish real GDP contracted throughout 2008, with an extremely deep drop in the fourth quarter and a further, albeit smaller, decline in the first quarter of 2009. Lending by financial institutions has slowed and is likely to weaken further as Swedish banks' loan losses mount. However, there are signs of an easing in the pace of decline. Business confidence is at very low levels but seems to be bottoming out. The purchasing managers' index has risen for five consecutive months. Consumer confidence has also edged up, due mainly to improved perceptions of consumers' own circumstances. Financial conditions have improved since late 2008, with interest rate spreads in money and bond markets moving towards more normal levels and the main share price index gaining around 20% since the trough early in the year

Unemployment may not rise as much as in the previous crisis

The labour market has deteriorated rapidly in response to the downturn in production, and business survey results point to significantly lower expectations of employment in coming months. During the crisis of the early 1990s, the unemployment rate rose around 10 percentage

Sweden



1. Change from same period of previous year.
2. Quarterly averages of the monthly values.
3. The series is shown with the axis reversed, since a rise in the level of the series denotes depreciation of the effective exchange rate.

Source: OECD Economic Outlook 85 database; National Institute of Economic Research; Statistics Sweden; and Riksbank.

StatLink http://dx.doi.org/10.1787/657664100522

Sweden: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices SEK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 328.4	2.5	3.1	-0.4	-2.2	-0.3
Government consumption	722.7	2.3	0.6	1.1	2.0	0.8
Gross fixed capital formation	475.9	9.5	7.7	2.4	-12.8	-4.2
Final domestic demand	2 526.9	3.8	3.3	0.6	-3.3	-0.7
Stockbuilding[1]	- 4.2	0.2	0.7	-0.5	-1.6	0.3
Total domestic demand	2 522.7	3.9	4.1	0.0	-5.0	-0.4
Exports of goods and services	1 333.4	8.5	6.0	1.7	-15.3	1.4
Imports of goods and services	1 120.9	8.7	9.6	3.1	-15.2	0.3
Net exports[1]	212.5	0.6	-1.1	-0.5	-1.2	0.5
GDP at market prices	2 735.2	4.5	2.7	-0.4	-5.5	0.2
GDP deflator	_	1.4	2.8	3.4	2.1	0.8
Memorandum items						
Consumer price index	_	1.4	2.2	3.4	-0.4	0.9
Private consumption deflator	_	0.8	1.1	3.0	2.1	0.9
Unemployment rate[2]	_	7.1	6.1	6.2	8.7	11.4
Household saving ratio[3]	_	7.8	9.1	12.1	15.6	16.3
General government financial balance[4]	_	2.4	3.8	2.5	-3.3	-4.5
Current account balance[4]	_	8.6	8.6	8.3	7.4	7.5

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. Historical data and projections are based on the definition of unemployment which covers 15 to 74 year olds and classifies job-seeking full-time students as unemployed.
3. As a percentage of disposable income.
4. As a percentage of GDP.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/661444888066

points. Unemployment is unlikely to rise as much during this downturn, for two reasons. *First*, unlike in the early 1990s, the strong fiscal position at the outset of the crisis implies that no major public sector employment cuts are in the offing. *Second*, sickness absence levels are currently very low, due to tightening of administration in recent years, and so are unlikely to fall further and force additional layoffs. Inflation should gradually decline as a result of the large output gap, and headline inflation will be negative during 2009 due the direct effects on the consumer price index of interest rate cuts in late 2008 and early 2009. Short-term inflation expectations have declined markedly, but remain above 2% at the five-year horizon.

Significant monetary and fiscal stimulus is warranted

Official interest rates should be kept at around current low levels at least until the end of 2010 to stimulate demand. Additional central bank action, such as outright asset purchases, to reduce market interest rates and credit spreads, may boost the effectiveness of monetary policy, although such measures should be carefully designed to incorporate exit strategies. The automatic stabilisers and discretionary budgetary measures mean that fiscal policy will add to demand in 2009 and, to a lesser extent, in 2010. Additional measures could be considered to minimise the rise in unemployment and reduce the risk of it becoming entrenched.

Growth in GDP is not expected to resume before early 2010

GDP is set to contract sharply in 2009 due to a substantial fall in exports and lower domestic demand. Consumption is projected to fall further due to reductions in household wealth, rising unemployment and reduced credit growth. However, income tax cuts and lower interest rates should spur the recovery next year. Business investment will fall sharply and residential investment should continue to decline, with some offset from home modifications spurred by the government's new renovation and repair tax incentive. As the global recovery gets underway, Sweden should gain export market share thanks to the significant effective depreciation of the krona. Combined with the effects of policy stimulus, this should result in positive, though still weak, GDP growth in 2010.

Financial instability remains a key risk

The Swedish banks' exposure to Eastern Europe remains a key issue. The impact of further substantial losses in the Baltics would be cushioned by the Swedish government's financial sector measures, but the process of absorbing such losses could be extended and delay the overall recovery. Growth could also turn out to be higher than expected if the exchange rate depreciation boosts export growth more than currently anticipated.

SWITZERLAND

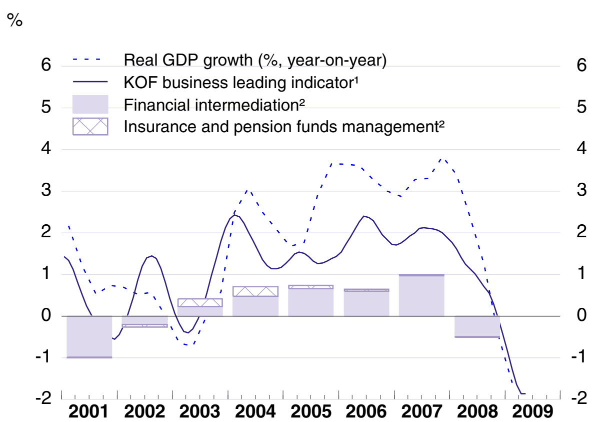
The sharp downturn of economic activity is expected to continue throughout 2009, reflecting the fall in world trade. A slow recovery in the course of 2010 will be led by gradually improving exports, notably to East Asia. Unemployment is projected to exceed 5% in 2010 and prices may decline towards the end of 2010.

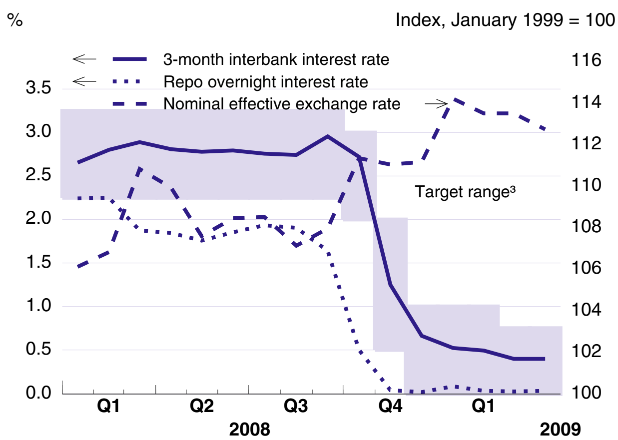
With low capacity utilisation and a risk of deflation, policy interest rates should remain close to zero. Further fiscal stimulus would diminish the risk of deflation. To prevent persistent unemployment, measures should be taken to improve incentives for cantons to place the unemployed into jobs more quickly and ensure a sufficient supply of apprenticeships.

Falling exports have deepened the recession

GDP continued contracting in the first quarter of 2009, as financial intermediation services shrank at a pace broadly in line with previous downturns. The reduction in financial sector activity was sharpest in investment banking, which Swiss banks largely conduct through foreign subsidiaries. Goods exports appeared to stabilise in April after a sharp drop in the first quarter. Pharmaceuticals exports, which account for a third of total goods exports, continued to grow. Enterprises cut back fixed investment spending. Residential construction has remained resilient thus far, reflecting low levels of household indebtedness, relatively stable house prices in recent years and little indication of supply tightening in credit markets. On the other hand, unemployment has begun to rise, and falling wage premia for workers in financial services have lowered disposable income. Confidence in manufacturing recovered recently, but orders remain low, pointing to continued contraction.

Switzerland





1. Composite leading indicator of business cycle trends in manufacturing, private consumption, financial services, construction and EU export markets.
2. Contribution to economic growth.
3. At the end of month, except for the November upper limit (start of month).

Source: KOF institute (Swiss Federal Institute of Technology); State Secretariat for Economic Affairs (SECO); Swiss National Bank; and OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/657670808031

Switzerland: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices CHF billion	Percentage changes, volume (2000 prices)				
Private consumption	278.6	1.6	2.1	1.7	0.2	0.4
Government consumption	54.2	-0.9	-1.1	0.0	3.2	0.9
Gross fixed capital formation	98.2	4.7	5.4	-1.7	-5.0	0.2
Final domestic demand	431.0	2.0	2.5	0.5	-4.8	0.4
Stockbuilding[1]	1.9	-0.5	-1.3	-0.3	6.0	-0.6
Total domestic demand	433.0	1.4	1.1	0.2	1.8	-0.3
Exports of goods and services	226.2	9.9	9.4	2.3	-14.6	-1.1
Imports of goods and services	196.1	6.5	5.9	-0.2	-8.4	-1.4
Net exports[1]	30.2	2.1	2.3	1.4	-4.4	0.0
GDP at market prices	463.1	3.4	3.3	1.6	-2.7	-0.2
GDP deflator	_	1.7	1.8	2.2	0.6	0.5
Memorandum items						
Consumer price index	_	1.1	0.7	2.4	-0.2	0.7
Private consumption deflator	_	1.3	1.1	1.7	0.5	0.6
Unemployment rate	_	4.0	3.6	3.5	4.5	5.1
General government financial balance[2]	_	1.0	1.3	1.0	-1.5	-2.5
Current account balance[2]	_	15.1	10.0	9.2	8.0	7.7

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. As a percentage of GDP.
Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/661446283464

Monetary policy is preventing appreciation of the Swiss Franc

The Swiss National Bank continued lowering the target range for its policy rate, the three-month interbank rate, in several steps, from between 1.5 to 2.5% in mid-November 2008 to between 0 and 0.75% in March 2009. It widened the scope of its instruments to increase the supply of base money. In particular, it began purchasing bonds from private issuers and intervened in foreign exchange markets to prevent further appreciation of the Swiss Franc against the euro, to limit the risk of sustained deflation.

Fiscal policy will be neutral in 2010

Federal and cantonal governments introduced modest discretionary budgetary stimulus, amounting to about 0.5% of GDP in 2009, mostly to raise infrastructure spending. Moreover, the federal government extended credit guarantee lines for exporters. On current plans, some of the measures will be withdrawn in 2010, whereas a reform of personal income taxation will reduce the tax burden on the second wage earner in two-earner couples. Declining government revenues related to financial services, which accounted for about 25% of the total revenues before the crisis, will nonetheless result in a deterioration of the government budget balance.

Positive growth should resume in the course of 2010

Economic activity is expected to decline by about 2¾ per cent in 2009, reflecting the drop in world trade. GDP is expected to grow through 2010 as the external environment improves, notably in emerging economies in East Asia, to which about 10% of Swiss exports are directed, and as financial market activity recovers. The unemployment rate is likely to continue rising until the end of 2010 and may exceed 5%. Inflation should remain close to zero once the impact of past oil-price declines subsides, reflecting low capacity utilisation. Lower exports and profits of multinationals will lead to a moderate decline in the current account surplus. The general government budget balance is projected to move into a deficit of 2½ per cent of GDP in 2010.

Unemployment could be more persistent over this cycle

With the average duration of unemployment spells relatively long, a large inflow of workers into unemployment could raise unemployment well above projected levels. Moreover, high unemployment may be more persistent if immigration and cross-border worker flows behave less pro-cyclically than in previous recessions. These developments will be affected by the speed of recovery elsewhere and any concomitant pick-up in trade, which is currently very uncertain.

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TURKEY

The economy contracted beginning in early 2008 as falling domestic demand compounded the effects of the international downturn. GDP is expected to decline by nearly 6% in 2009, before recovering in 2010. The large output gap will push inflation back down to the target range.

Given global and domestic uncertainties, the credibility of economic policy is key for sustaining confidence and the recovery. A robust medium-term spending framework would facilitate the operation of the automatic stabilisers and a new agreement with the International Monetary Fund would help to safeguard the confidence of domestic and international investors. Structural reforms to accelerate formalisation in the business sector would help improve longer-term growth prospects.

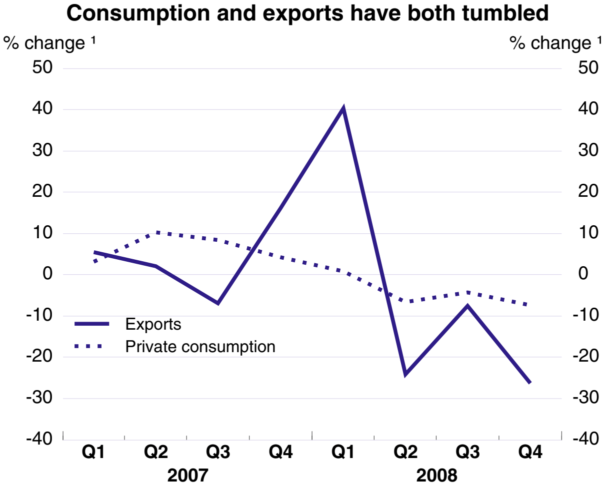
Domestic demand has declined sharply

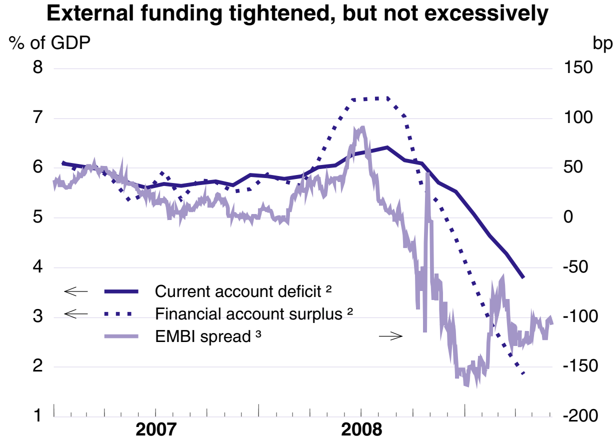
GDP growth declined steadily in 2008, contracting by as much as 14% in the last quarter in seasonally-adjusted annualised terms. A comparable retrenchment is expected in the first quarter of 2009. Private consumption has weakened steadily since mid-2007 and by more than in other OECD countries. Exports also fell strongly, and trade-oriented industrial production followed, particularly the car and machinery-equipment sectors. Falling capacity utilisation triggered a record contraction in private investment. Employment started to shrink in late 2008, and with the labour force continuing to grow steadily, the non-farm unemployment rate approached 20% in early 2009.

The external balance and inflation have improved

The current account deficit narrowed sharply in the first quarter of 2009 owing to slowing domestic demand and falling oil prices. Exchange rate depreciation between August 2008 and April 2009 (by 35% against the US dollar) improved Turkey's competitiveness, but this was not enough to offset the effect of depressed international markets. There

Turkey





1. Annualised quarterly rates, seasonally adjusted.
2. Last 12 months (moving sum).
3. Over emerging market averages.

Source: OECD Economic Outlook 85 database and Central Bank of the Republic of Turkey.

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Turkey: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices TRL billion	Percentage changes, volume (1998 prices)				
Private consumption	465.4	4.6	4.6	0.3	-4.4	1.7
Government consumption	76.5	8.4	6.5	1.8	3.0	2.2
Gross fixed capital formation	136.5	13.3	5.4	-4.6	-18.3	8.6
Final domestic demand	678.4	6.8	5.0	-0.5	-6.2	3.0
Stockbuilding[1]	- 6.8	-0.1	0.6	0.3	-2.9	0.1
Total domestic demand	671.6	6.7	5.6	-0.3	-8.9	3.1
Exports of goods and services	141.8	6.6	7.3	2.6	-12.0	2.8
Imports of goods and services	164.5	6.9	10.7	-3.1	-21.8	5.1
Net exports[1]	- 22.7	-0.3	-1.3	1.4	3.4	-0.6
GDP at market prices	648.9	6.9	4.7	1.1	-5.9	2.6
GDP deflator	_	9.3	6.2	11.5	6.6	6.5
Memorandum items						
Consumer price index	_	9.6	8.8	10.4	6.3	5.9
Private consumption deflator	_	9.8	6.8	10.5	6.5	6.2
Unemployment rate	_	9.7	9.6	10.4	15.2	16.4
Current account balance[2]	_	-6.0	-4.2	-5.5	-2.1	-2.6

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

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

Source: OECD Economic Outlook 85 database.

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has been no major strain in external funding to date despite the ongoing decline in capital inflows. Consumer price inflation fell from 11.9% in October to 6.1% in April, reflecting the fall of the full range of raw material, manufacturing and service prices. With inflation declining, and inflation expectations staying in line with the year-end target of 7.5%, the Central Bank was able to reduce its policy rate in several steps from 19.75% in October 2008 to 11.75% in April 2009. Commercial lending rates have not fallen proportionally so far, and credit standards remain tight, but further cuts in policy rates and a stronger pass-through to lending rates are expected given the broadly robust banking sector.

Monetary and fiscal conditions will be more supportive...

The spending plans of the 2009 budget, adopted in December 2008, were based on a GDP growth assumption of 4%, well above OECD projections. The authorities are not expected to fully adjust spending despite a sharp shortfall in revenues in the course of the year, as the automatic stabilisers are allowed to play their role on the revenue side. At the same time they have a limited role on the side of social spending, as only about 300 000 of Turkey's 3 million unemployed are covered by unemployment insurance, due to the high rate of informality. Family and other social networks nonetheless play a central role in income maintenance. Additional discretionary stimulus of some 3% GDP was introduced in early 2009. It included substantial cuts in consumption and value-added taxes for selected consumer and capital goods, applicable between March and June, which resulted in an immediate, but probably temporary, acceleration in private consumption and investment. Interest-rate subsidies and guarantees have also been offered to enterprises, and new government guarantees on outstanding and new corporate debt are considered. Infrastructure investment is also being increased.

... if confidence is maintained

Supportive monetary and fiscal conditions will be effective only if markets remain confident in the long-term sustainability of public finances. Turkey's risk premia relative to other emerging markets declined since late 2008 and were 120 basis points below the emerging-market average in April 2009. Strengthening the medium-term fiscal framework by introducing timely general government accounts and credible multiyear spending ceilings would reinforce confidence. Finalising a new Stand-By Agreement with the International Monetary Fund would also help by providing a reliable funding source and credible monitoring.

Growth will contract before strengthening in 2010

GDP growth is projected to fall by nearly 6% in 2009 and to start growing again in 2010 due to the international recovery and fiscal and monetary easing. Short and medium-term risks appear relatively balanced. A swifter than projected international recovery and sustained competitiveness by Turkish exporters could boost growth. On the other hand, if international conditions worsen, or if confidence in the sustainability of Turkey's macroeconomic framework weakens, the recovery could be delayed.

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Chapter 3

DEVELOPMENTS IN SELECTED NON-MEMBER ECONOMIES

BRAZIL

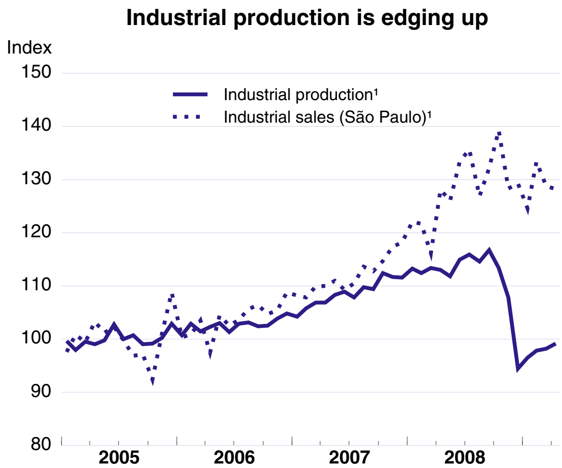
Following a further deceleration in the first quarter, activity now appears to be rebounding. Industrial production is expanding, in part due to previous destocking, especially in the sectors that have benefitted from government support, including the motor industry. Retail sales have been particularly resilient. Domestic demand is poised to gather strength in the second half of 2009 on the heels of ongoing policy easing.

Monetary policy continues to be appropriately relaxed, following a cumulative 450 basis-point cut in the policy interest rate during January-June. Additional, albeit smaller, cuts are possible in the coming months. Fiscal policy has been eased, including through a reduction in the primary budget surplus target by 1.3 percentage points, to 2.5% of GDP, for 2009. The medium-term targets have also been adjusted downward to accommodate the exclusion of Petrobras, the government-controlled national oil company, from the government accounts. Further discretionary fiscal easing would not be advisable on current projections.

Activity may be bottoming out

GDP grew by 3.1% on a year-on-year basis in the first quarter, a further deceleration from the last quarter of 2008, due predominantly to weak investment demand and despite still resilient private consumption. Industrial production nevertheless began to recover in January, following a sharp contraction in the last quarter of 2008 and manufacturing capacity utilisation is edging up. Yet production of capital goods is still depressed. Support for the motor industry through tax cuts for the purchase of new vehicles has shored up production, as inventories have wound down. The unemployment rate appears to be stabilising, and consumer confidence and retail sales are holding up, helped by fairly stable real wages. Business confidence is on the rise. Export growth remains weak, despite some recent gains, due to the slowdown in Brazil's main trading partners. The current-account deficit is narrowing rapidly

Brazil



1. 2005 = 100, seasonally adjusted.

Source: FIESP; FUNCEX; and IBGE.

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Brazil: **Macroeconomic indicators**

	2006	2007	2008	2009	2010
Real GDP growth	3.9	5.6	5.1	-0.8	4.0
Inflation (CPI)	3.1	4.5	5.9	4.2	4.2
Fiscal balance (per cent of GDP)	-3.0	-2.2	-1.5	-2.4	-1.2
Primary fiscal balance (per cent of GDP)	3.8	3.9	4.1	2.3	3.3
Current account balance (per cent of GDP)	1.3	0.1	-1.8	-1.3	-1.4

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 2006-08 are from national sources. Figures for 2009-10 are OECD projections.

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due to a concomitant slackening of import demand. The labour market is softening, although hours worked are trending upward in those manufacturing sectors where inventory cycles have been short. The pace of job losses has fallen sharply since February.

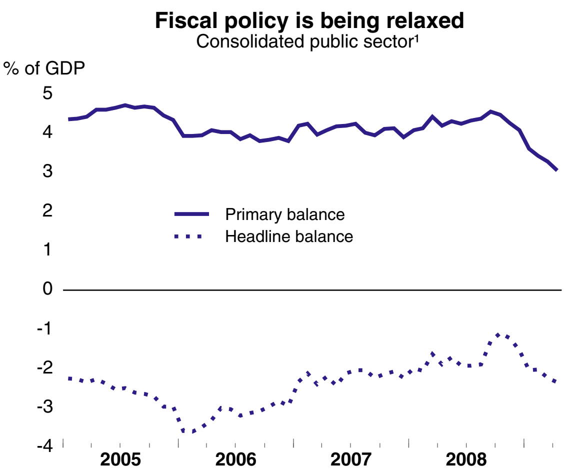
Liquidity-enhancing measures seem to be paying off

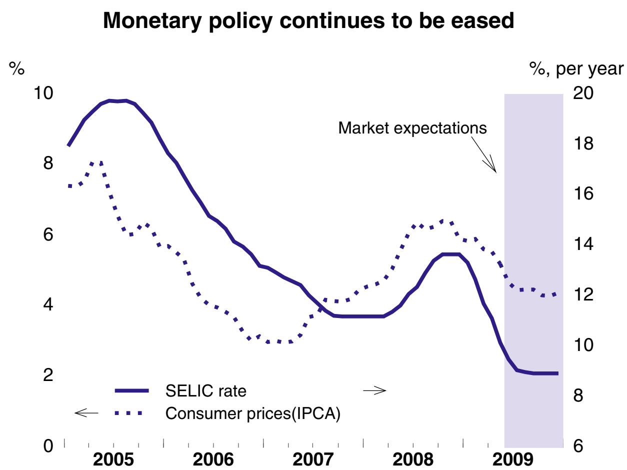
The policy measures taken since September 2008 to enhance liquidity in response to the worsening of the global financial and economic crisis seem to be bearing fruit. Compulsory reserve requirements for banks were eased in the last quarter of 2008, boosting liquidity by about 3.5% of GDP. Credit lines, which had dried up as the crisis worsened, including for exporters, were created using receivables as collateral. International markets have reopened for bond issuance by Brazilian enterprises. Foreign credit rollover rates also appear to be recovering.

Domestic credit conditions are improving

Domestic credit conditions remain tight but are showing signs of improvement. Bank lending to individuals is approaching pre-crisis levels. Borrowing costs are also coming down from their end-2008 highs, for both

Brazil





1. Cumulated 12-month flows.

Source: IBGE and Central Bank of Brazil.

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Brazil: **External indicators**

	2006	2007	2008	2009	2010
			$ billion		
Goods exports	137.8	160.6	197.9	153.2	162.6
Goods imports	91.4	120.6	173.2	134.1	142.3
Trade balance	46.5	40.0	24.7	19.1	20.3
Services, net	- 9.6	- 13.2	- 16.7	- 13.3	- 14.2
Invisibles, net	- 23.3	- 25.2	- 36.4	- 23.9	- 28.1
Current account balance	13.5	1.6	- 28.3	- 18.0	- 22.0
			Percentage changes		
Goods export volumes	3.3	5.5	- 2.5	- 10.5	3.5
Goods import volumes	16.1	22.0	17.7	- 13.0	4.0
Terms of trade	5.3	2.1	3.5	- 2.8	0.5

Source: Figures for 2006-08 are from national sources. Figures for 2009-10 are OECD projections.

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individuals and enterprises. The ratio of non-performing loans to credit to the private sector has risen somewhat but remains comfortably low. Loans are well provisioned. The domestic corporate bond market is strengthening, and corporate bond issuance has recently restarted. Financial conditions are also improving with a notable strengthening of equity markets.

Monetary policy continues to be eased

The outlook for inflation has improved markedly. Inflationary pressures arising from the significant exchange-rate depreciation that took place in the second half of 2008 have been mitigated by the economic slack. The *real* has appreciated sharply against the US dollar since January. Inflation expectations remain below the central target of 4.5% for 2009-10. A cumulative 450 basis-point cut in the policy interest rate during January-June to 9.25% has driven real rates (adjusted for expected inflation) to historically low levels.

Fiscal policy has been relaxed

The consolidated primary budget surplus exceeded the target of 3.8% of GDP in 2008 by a wide margin, paving the way for a capital injection of 0.5% of GDP into Brazil's recently created sovereign wealth fund. The primary surplus target was subsequently reduced to 2.5% of GDP for 2009 to allow the automatic fiscal stabilisers to operate freely and to accommodate counter-cyclical discretionary measures. In addition, the authorities have decided to exclude Petrobras, the national oil company, from the government accounts. It had often been argued that inclusion of Petrobras in the consolidated budget constrained its ability to invest and to pursue its commercial objectives independently of the government's fiscal policy priorities. Consistent with this measure, and pending Congressional approval of the Budget Guidelines Law, the primary budget surplus targets would be lowered by 0.5 percentage point to 3.3% of GDP for 2010-12.

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Further stimulus, if needed, should come from monetary policy

There is some room for additional, albeit smaller, cuts in the policy interest rate in the coming months on account of a benign outlook for inflation and contained expectations. A cyclical relaxation of the fiscal stance is appropriate, and a consolidated primary budget surplus in the range of 2 to 2.5% of GDP would be consistent with maintenance of the net public debt-to-GDP ratio at below – but close to – 40% over the projection period. But an increase in the budget deficit beyond that associated with the automatic stabilisers and the discretionary measures already announced would likely put further pressure on financial markets and therefore crowd out the private sector in a particularly challenging credit environment. The pace of monetary easing would also certainly be constrained if confidence in the fiscal programme were eroded.

Activity is set to gather pace in the second half of the year

The ongoing policy easing will buttress the recovery in activity in the second half of the year. Domestic demand is expected to gather strength in the coming months, despite a possible further rise in unemployment. Improving credit conditions, plentiful liquidity and real income gains brought about by sustained disinflation and an increase in government transfers to households are set to underpin a rebound in private consumption. The weakness of private investment could be compensated in part by a swift execution of public infrastructure development programmes, especially those under the Growth Acceleration Programme (PAC) that was launched in 2007. Export growth is nevertheless likely to remain weak in the remainder of the year.

The balance of risks to the outlook may well be shifting to the upside

The global economic environment remains uncertain and particularly challenging for Brazil and other emerging-market economies. A weaker-than-expected recovery in the global economy would weigh on Brazilian exports. Sustained risk aversion would affect access by Brazilian borrowers to international credit markets and take its toll on foreign investment inflows. But a supportive policy stance and a revival of credit growth amid abundant liquidity, if maintained over the coming months, may prompt a stronger-than-expected rebound in activity, possibly from mid-year.

CHINA

The Chinese economy is now rebounding strongly from the slowdown in the autumn of 2008, thanks to sizeable monetary and fiscal stimuli. Real GDP growth is projected at 7¾ per cent this year and 9¼ per cent in 2010, with some rebalancing towards domestic demand. However, with growth still below potential, downward pressures on prices are expected to linger.

A pick-up in credit growth is helping the economy regain momentum, but it will be important for financial sector supervisors to keep an eye on the quality of banks' portfolios. Given the low level of public debt and ample cash holdings, the government has room for further fiscal expansion to boost activity in 2010 if the recovery does not spread beyond the infrastructure sector, but any package should be oriented to social rather than construction outlays.

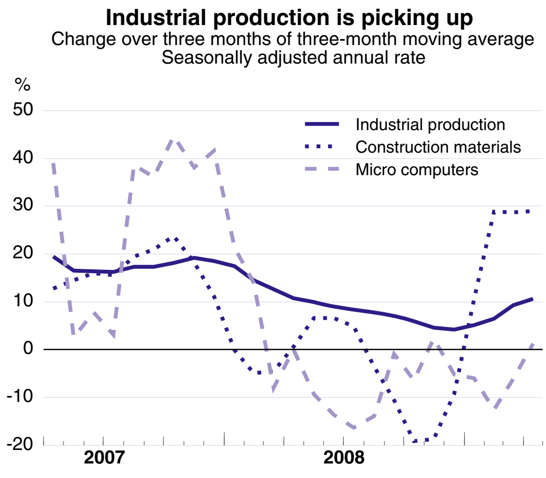
A recovery is under way…

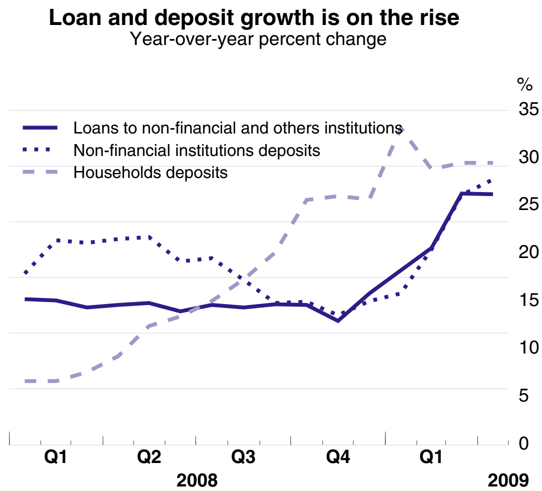
The fiscal stimulus package introduced in November 2008 is feeding through quickly and forcefully. Public sector investment jumped by 3.5% of GDP in the five months ending April 2009. Residential investment was stagnating during 2008 but has also started to increase recently. Strong capital formation has more than offset the continued weakness of exports and a slight deceleration of retail sales reflecting falling urban employment. As a result, industrial production has staged a marked recovery that is likely to result in quarterly GDP growth doubling to close to the growth of potential in the second quarter of the year.

… though prices continue to decline

Although economic activity has picked up, spare capacity remains high. As yet, the recent rebound in world commodity prices has not influenced domestic prices. As result, there has been a significant drop in the domestic price level. In the year to April 2009, consumer prices were down 1.5% and producer prices by over 6%, and Chinese exporters cut margins in an attempt to keep up sale volumes in the face of falling foreign demand.

China





Source: CEIC.

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China: **Macroeconomic indicators**

	2006	2007	2008	2009	2010
Real GDP growth	11.6	13.0	9.0	7.7	9.3
Inflation[1]	3.3	7.4	7.2	2.0	0.5
Consumer price index[2]	1.6	4.8	5.9	-1.0	-0.9
Fiscal balance (per cent of GDP)[3]	1.6	3.5	4.2	-3.0	-2.7
Current account balance (per cent of GDP)	9.4	11.1	9.9	9.6	7.8

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.
Source: National sources and OECD projections.

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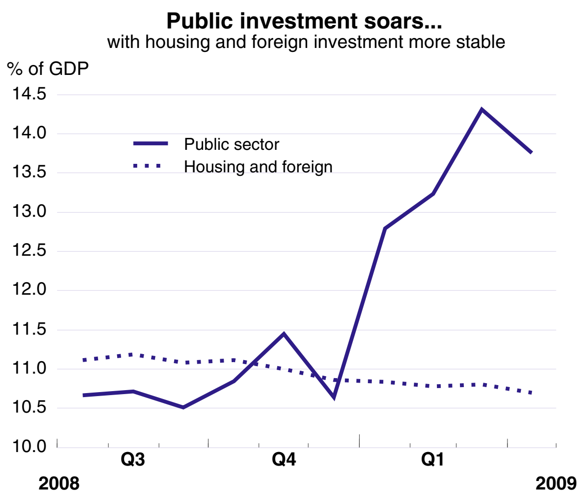
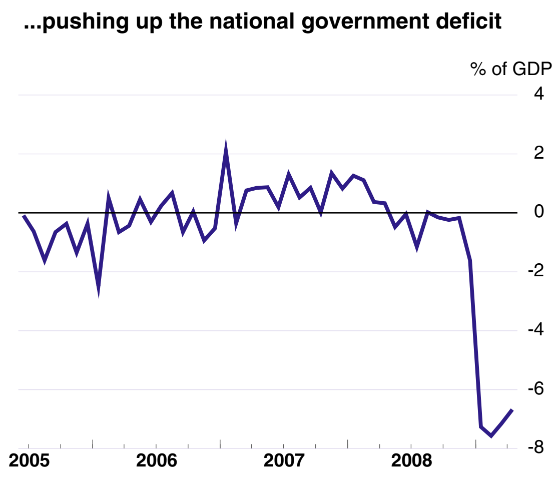
Fiscal policy has become expansionary...

The national budget deficit is likely to widen significantly in 2009 following the announcement of a major investment plan for 2009-10, with total outlays totalling 4 trillion yuan (5.6% of trend GDP annually). A part thereof relates to projects that were already foreseen, notably the one trillion yuan allocated to rebuilding areas devastated by the 2008 earthquake. About one-third of the package is to be financed through the central government budget. The first two tranches of the plan have now been authorised. In total, the central government is committed to financing 540 billion yuan of projects through the budget (1.6% of GDP) in 2009. In addition, local authorities are expected to finance a similar amount of expenditure and have borrowed 0.5% of GDP with only an implicit guarantee from the central government. The national budget for 2009 does not specifically identify stimulus spending as such, but the increase in overall outlays amounts to 2.6% of trend GDP. In addition, the value added tax rebates on exports and investment have been raised, at a

China





Source: CEIC.

StatLink http://dx.doi.org/10.1787/657720237544

China: **External indicators**

	2006	2007	2008	2009	2010
			$ billion		
Goods and services exports	1 061.7	1 342.2	1 581.7	1 327.1	1 399.2
Goods and services imports	852.8	1 034.7	1 232.8	961.8	1 089.2
Foreign balance	208.9	307.5	348.9	365.3	310.0
Net investment income and transfers	41.0	64.4	77.2	84.2	88.0
Current account balance	249.9	371.8	426.1	450.0	397.0
			Percentage changes		
Goods and services export volumes	23.8	19.8	8.7	- 13.0	7.4
Goods and services import volumes	16.2	12.9	5.2	- 7.8	10.0
Export performance[1]	14.2	12.9	6.8	5.3	5.0
Terms of trade	- 0.6	- 1.8	- 4.3	14.0	- 5.5

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

Source: OECD Economic Outlook 85 database.

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cost of 0.9% of GDP, bringing Chinese practice more in line with international standards. Such a discretionary stimulus, together with a cyclical downturn in revenues, has resulted in the national government budget deficit rapidly rising to 7% of GDP. Even with large surpluses in social security and housing provident funds, the general government sector may register a deficit of 3% of GDP.

... and off-budget spending seems set to increase

A significant share of the stimulus will come through spending by off-budget local government entities and locally-owned public companies providing infrastructure and low-income housing. The major constraint to increased spending in this area has been that central government has required that debt finance not exceed 65% of the project cost, although this restriction is being relaxed. Moreover, local authorities are being allowed to establish borrowing vehicles funded by low-cost, very long-term debt. These vehicles will provide equity for the projects. In addition, local governments are prepared to issue guarantees and letters of comfort to back the spending of off-budget entities.

More than ample bank finance is available

The banking sector has been able to respond to the increased demand for loans to finance infrastructure projects. The government relaxed the ceiling on lending as part of the stimulus package. Moreover, the capital base of the banking sector has not been impaired by exposure to foreign high-risk assets. As a result, in the five months to April 2009 borrowing by enterprises has risen by 20% (over 14% of GDP). Low interbank interest rates have also encouraged banks to lend at higher regulated rates. The overall balance sheet of enterprises has not yet deteriorated, since enterprise deposits rose by 3.4 trillion yuan in the same period, probably reflecting delays in spending loans. As money is spent, cash balances may be run down. The monetary expansion is also feeding through to the household sector, whose bank deposits have risen sharply this year, and has helped the stock market jump by 62% since the stimulus package was announced.

The outlook is for an acceleration of activity during 2009

The highly stimulatory economic policy is likely to result in one of the largest booms in urban investment since the early 1990s. Faster GDP growth is likely to support the labour market, helping to sustain the growth of consumption. Housing investment is set to pick up, as the result of a strong increase in construction of subsidised housing, but also because easier financing is likely to boost private sector activity. The current account surplus is projected to stabilise at 9.9% of GDP in 2009. Strong domestic demand will lift year-on-year GDP growth from 6.1% to over 9% in the course of 2009, with the annual average reaching 7.7%. The outlook for 2010 is more uncertain and depends on the extent to which private consumption and business investment react to the stronger economic situation, as both the fiscal and monetary stimulus will be easing. On the other hand, the negative impact of foreign trade on activity is unlikely to be as large as in 2009 as the exchange rate has been weaker in effective terms in recent months. The current account surplus is projected to shrink to 7.8% of GDP, the lowest since 2005. On balance, the annual growth rate is projected to rise further to 9.3%. This will be insufficient, however, to prevent a further slide in prices.

Risks are now more balanced

The principal upside risk to the projections is that by 2010 the feedback of increased infrastructure investment on the economy could translate into higher-than-expected consumption and housing investment, and hence GDP growth. There is some downward risk from the possibility that the overall quality of bank lending will deteriorate, given the less than transparent funding methods put in place to finance local government investment in infrastructure.

INDIA

There has been a pause in India's long economic upswing, with GDP growth having fallen well below potential by late 2008. The government introduced some new stimulatory fiscal measures at the beginning of 2009, following a sizeable increase in public outlays in 2008. In 2009, falling exports are projected to result in some slowdown in domestic demand. With the gradual recovery of the global economy and easier financial conditions, growth is projected to gradually regain momentum.

The extent of the deterioration in the fiscal position prior to the slowdown has reduced the scope for discretionary fiscal policy action. Indeed, the new government will face the need to restore fiscal discipline, speed up structural reform and increase sales of public-sector assets. Any further easing in policy should be achieved through lower interest rates, rather than discretionary fiscal expansion. The growing use of protectionist measures is a cause for concern.

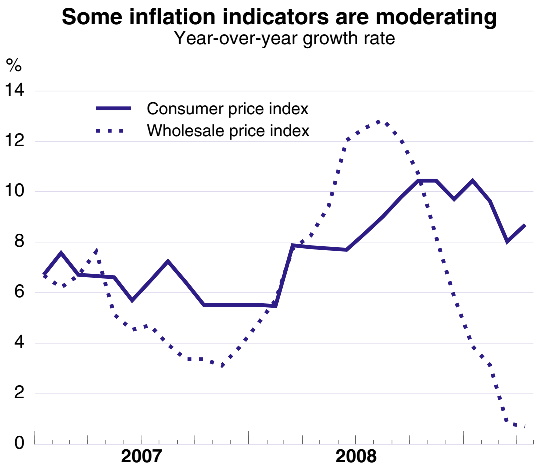
Economic growth weakened markedly in late 2008

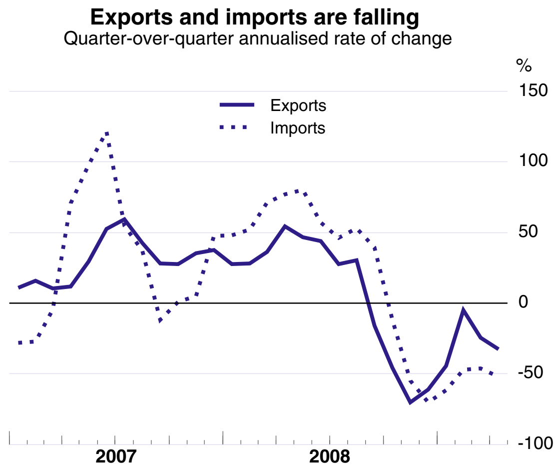
In the final quarter of 2008, domestic demand slowed markedly. Private consumption eased despite the rapid growth of government outlays, especially on wages. In addition, investment growth slackened, though its share in GDP remains high by historical standards, implying continued rapid growth of the capital stock. Further weakening in external demand in early 2009, together with a likely unwinding of excess stockbuilding (as evidenced by the rapid fall in the production of intermediate goods) led to a contraction in industrial production in the first quarter of 2009.

Wholesale price inflation has come down

Inflation moderated markedly at the wholesale price level, to ½ per cent by May. Much of this decline is due to lower commodity prices, which carry a high weight in this index. Consumer price inflation has only moderated slightly, however, not least because transport disruptions kept food prices high around the turn of the year.

India





Source: Reserve Bank of India.

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India: **Macroeconomic indicators**

	2006	2007	2008	2009	2010
Real GDP growth	9.7	9.0	6.5	5.9	7.2
Inflation[1]	5.2	4.7	8.4	4.5	3.5
Consumer price index[2]	6.7	6.2	8.8	4.5	3.0
Wholesale price index (WPI)[3]	5.4	4.7	8.6	0.5	3.5
Short-term interest rate[4]	8.2	8.9	9.6	5.3	5.8
Long-term interest rate[5]	7.8	7.9	8.4	7.8	8.5
Fiscal balance (per cent of GDP)[6]	-7.4	-6.1	-10.0	-11.0	-10.0
Current account balance (per cent of GDP)	-1.1	-1.0	-1.3	-1.3	-1.4

Note: Data refer to fiscal years starting in April.
1. Percentage change in GDP deflator from previous period.
2. Consumer price index for industrial workers.
3. All commodities.
4. Mumbai three month offered rate.
5. 10 year government bond.
6. Gross fiscal balance for central and state governments, includes net lending and transfers to oil, food and fertiliser companies and recurrent Pay Commission awards, but not backpay nor debt write-offs for small farmers.

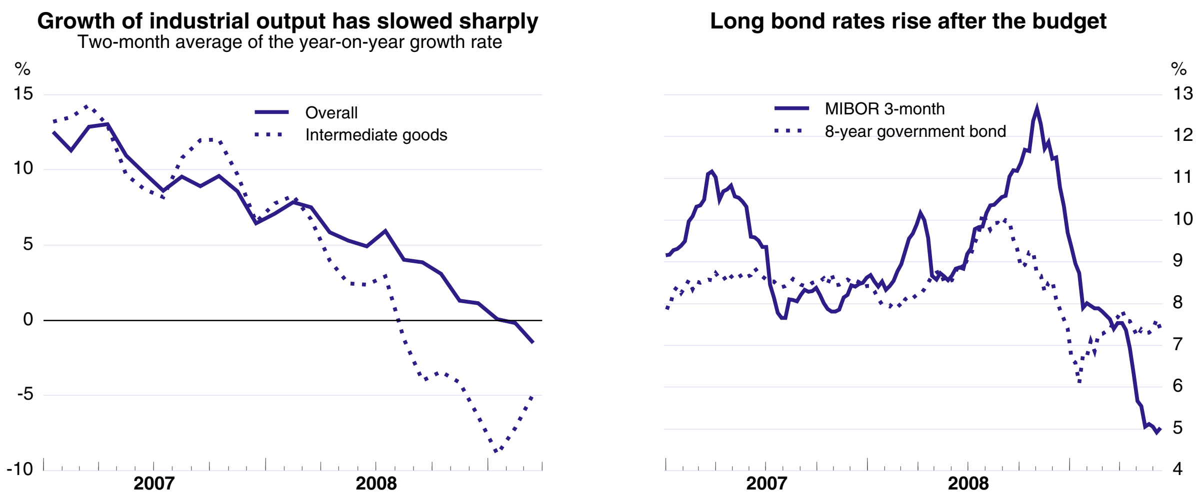
Source: CMIE and OECD projections.

StatLink http://dx.doi.org/10.1787/661562302182

Fiscal policy became expansionary in 2008

Unbudgeted expenditure led to a marked increase in the fiscal deficit for the fiscal year 2008/09. The 2008 Budget had projected a central government deficit of just 2.5% of GDP, in line with the targets of the Fiscal Responsibility and Budget Management Act. However, no account was taken of the large public sector pay rises, of up to 40%, that had already been granted, nor was any allowance made for the cost to public finances of the government's decision to order banks to write off the overdue debt of small farmers. In addition, a number of indirect tax rates were cut in December in response to the slowdown. In total, all of these measures

India



Source: Reserve Bank of India.

StatLink http://dx.doi.org/10.1787/657768518663

India: **External indicators**

	2006	2007	2008	2009	2010
	Percentage changes				
Goods and services export volumes	18.9	7.5	12.7	3.1	6.8
Goods and services import volumes	24.5	7.7	20.8	5.7	7.8
Terms of trade	5.2	-0.6	-4.2	1.8	-1.6

Note: Data refer to fiscal years starting in April.
Source: National sources and OECD projections.

StatLink http://dx.doi.org/10.1787/661602528160

increased the deficit by 2.9% of GDP. As a result, the central government budget deficit ballooned to 6.2% of GDP and the total public sector deficit was 10% of GDP.

Tax cuts have been accompanied by significant protectionist measures

Given this deterioration in public finances, the government has announced fairly limited fiscal measures to offset falling external demand. No further stimulatory measures were taken in the 2009 Budget, which was of an interim nature given the general elections that ended in May 2009. However, one week after the Budget, the government announced that the cut in the central value added tax rate announced last year would be prolonged in 2009 and that this tax and the service tax would be reduced by a further 2 percentage points. Subsidies for export credits of labour intensive products were also increased. The cost of these measures is estimated at 1.1% of GDP. Protectionist actions have increased; in the four months to April, the government initiated 13 safeguard investigations resulting in recommendations for provisional safeguard duties on 11 products while duties (of around 20%) have been imposed this year on a number of steel, aluminium and chemical products. These actions came even though the government had 42 anti-dumping actions in force at the end of 2008, mostly aimed at imports from China, making India the world's largest user of anti-dumping measures.

The monetary stance has been eased

The central bank has eased interest rates since the slowdown in activity became evident. From a peak of 9% last September, the repo rate has been lowered to 4¾ per cent by end-April. Banks, however, have not reduced their prime lending rate by as much as the fall in official rates. In addition, the cash reserve ratio was reduced from 9 to 5%. In the year to April, the rupee's exchange rate had depreciated by 20% against the US dollar, but by only 6% in effective terms. Since then the currency has stabilised. These easier monetary conditions helped the stock market turn around. The market has registered a gain of 24% since immediately before the renewal of the government's mandate on 14 May, and of 80% from its early March-low. Interest rates on long-term government bonds have been on the rise, however, climbing 140 basis points since early 2008, to 7.4%. In contrast to equities, residential property prices have remained weak in most major markets.

The outlook is for a gradual acceleration in activity

The impact of easier monetary conditions and the marked increase in the fiscal deficit may not be sufficient to counteract the impact of lower exports on employment. Hence, household income and consumer spending may slacken, even though households should benefit from lower inflation. As exports start to grow once again, under the combined impact of a weaker exchange rate, a recovery of world trade and a lower cost of capital, business investment is projected to rebound somewhat. This should eventually feed through to stronger consumption and the economy should regain momentum, bringing growth back to over 7% in 2010.

The risks are on both sides

The increase in long-term interest rates associated with a widening fiscal gap, at a time when inflation is falling, pushes real interest rates up, which might restrain investment more than expected. On the other hand, higher equity prices could make it easier to raise finance and might also generate wealth effects that could help the economy grow faster.

RUSSIAN FEDERATION

Russia is suffering a severe recession, but the rebound in commodity prices and the expected effects of policy stimulus point to some recovery through 2009 and into 2010. If oil prices remain around recent levels the current account will remain in surplus and net private capital outflows will ease, allowing the exchange rate and foreign exchange reserves to consolidate their recent recovery. Inflation is expected to decline this year and next.

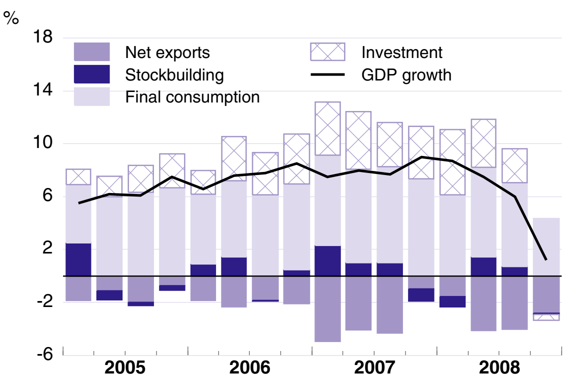
The delay in delivering fiscal stimulus aggravated the initial impact of the economic crisis; the budgeted increases in expenditure should now be implemented quickly, in particular for social protection and active labour market policies. Any windfalls in oil revenues relative to budget assumptions should, however, be saved. More public assistance may be needed for banks as non-performing loans rise, but less emphasis should be placed on supporting individual non-financial enterprises, and further resort to protectionist measures should be avoided.

The economy has been hard-hit by the crisis, but the worst may be past

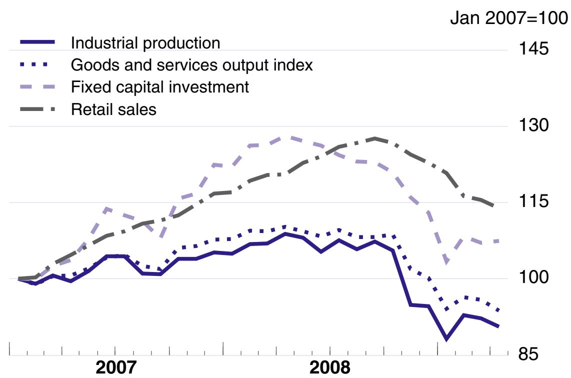
In the last few months of 2008 Russia experienced a collapse of domestic demand, with private consumption and investment falling after years of strong growth. A massive swing in net capital flows combined with, and partially triggered by, a sharp deterioration in the terms of trade undermined the two main sources of previous growth in demand. Despite a positive contribution from government consumption, seasonally adjusted real GDP growth in the fourth quarter was negative for the first time since 2003. The fall in output accelerated in the first quarter of 2009 and unemployment has risen sharply. Transitory factors explain some of the extreme weakness in the first quarter of the year, however. Some indicators, including industrial production, exports and investment suggest that overall activity may have bottomed out in January.

Russian Federation

Domestic demand slowed sharply with the onset of the crisis
Year-on-year percentage change



Most monthly output indicators point to further declines in early-2009
Seasonally adjusted



Source: OECD calculations based on Russian Federal Service for State Statistics.

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Russian Federation: **Macroeconomic indicators**

	2006	2007	2008	2009	2010
Real GDP growth	7.7	8.1	5.6	-6.8	3.7
Inflation[1]	9.0	11.9	13.3	8.0	6.5
Fiscal balance (per cent of GDP)[2]	8.4	6.0	4.8	-6.0	-4.0
Current account balance (per cent of GDP)	9.5	5.9	6.1	3.3	2.9

1. End of period.
2. Consolidated budget.
Source: Data for 2006-08 are from national sources. Data for 2009-10 are OECD estimates and projections.

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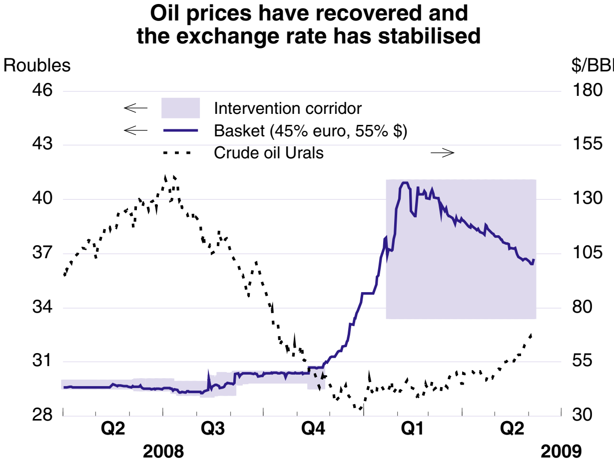
The balance of payments has stabilised

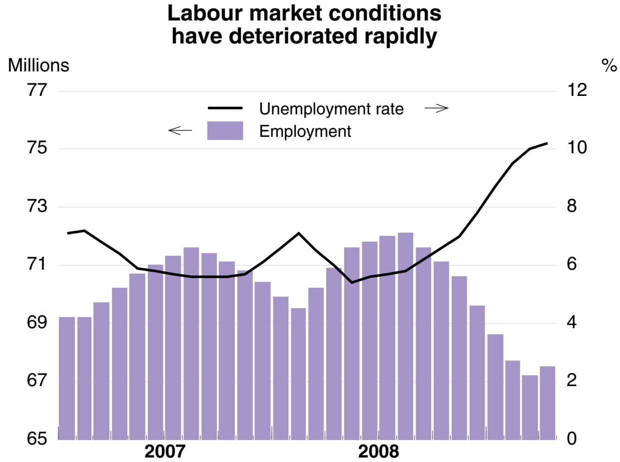
Comparing the half-year period April-September 2008 to October 2008-March 2009, the loss of current account receipts resulting from the fall in oil prices, combined with the swing from large private capital inflows to even larger outflows, was equivalent to nearly 20% of GDP. As a result, from August 2008 through January 2009 the central bank spent about a third of its huge reserves defending the rouble from an abrupt devaluation, while allowing increasingly frequent small-step depreciations against the dollar-euro basket, which cumulatively amounted to about 30%. Since late January, the establishment of a new wide target range, together with the recovery in oil prices, succeeded in stemming capital outflows, so that reserves and the exchange rate have both stabilised and even strengthened.

Inflation has begun to moderate

Inflation in early 2009 was subject to conflicting forces, with pass-through of the depreciation of the rouble and large administrative price increases being offset by falling money supply, lower producer prices and weak demand conditions. The main administrative price increases for the year have now taken place, however, and the rouble has appreciated

Russian Federation





Source: Central Bank of Russia; Russian Federal Service for State Statistics; and Datastream.

StatLink http://dx.doi.org/10.1787/657830732082

Russian Federation: **External indicators**

	2006	2007	2008	2009	2010
	$ billion				
Goods and services exports	335	394	523	343	383
Goods and services imports	209	283	368	263	297
Foreign balance	126	111	155	79	87
Invisibles, net	-31	-35	-52	-38	-45
Current account balance	94	76	102	41	41
	Percentage changes				
Goods and services export volumes	7.3	6.3	0.5	- 5.6	3.7
Goods and services import volumes	21.3	26.5	15.0	- 20.0	10.0
Terms of trade	10.5	3.6	16.7	- 22.5	5.4

Source: National sources and OECD projections.

StatLink http://dx.doi.org/10.1787/661687480221

against the basket since early February. Monthly inflation eased in April and May, and the annual rate is expected to continue to fall through 2009 and 2010.

The global environment matters, mainly via oil prices

The recent rebound in oil prices changes the near-term outlook for the Russian economy significantly. Stronger current account inflows help maintain international reserves and the value of the rouble, which tends to improve sentiment towards rouble assets. Less negative (and perhaps again positive) net private capital flows lessen one major source of weakness in domestic demand, raising the probability of a resumption of growth. International capital market conditions are less important than oil prices, but nevertheless affect domestic demand. To the extent that a recovery in risk appetites allows emerging-market private-sector debt to be rolled over rather than repaid, Russian enterprises will have more resources for domestic expenditures.

The second phase of anti-crisis measures is underway

At the onset of the crisis the authorities were quick to address the impact on the banking sector, and resisted the downward pressure on the rouble, allowing enterprises and banks to acquire foreign exchange for debt service without suffering major valuation losses. Measures were also taken to lighten the tax burden on corporations, especially oil companies suffering from the dramatic oil price decline. It was not until April 2009 that anti-crisis fiscal measures were approved by the Duma, however, and the federal budget was broadly in balance in the first quarter. As deficit spending comes through in the rest of 2009, fiscal policy should be more supportive of demand. Interest rates were raised in late 2008 to help defend the rouble, which contributed to a tightening of monetary conditions. With the rouble strengthening against the dollar-euro basket since early February, the central bank reduced interest rates by 50 basis points three times between late April and early June, and more rate cuts should be possible as inflation and capital outflows subside.

As in some other countries, Russia's anti-crisis measures rely to a large extent on supporting existing (mostly large) enterprises, rather than boosting demand generally. From a structural policy perspective, this may dampen competition and hinder efficiency-improving adjustment. Also, some measures taken since the onset of the crisis have had a protectionist flavour (*e.g.* the raising of tariffs on car imports), which is unhelpful in the context of Russia's efforts to join the World Trade Organisation, and which is misguided as an approach to combating the crisis.

The recession will end this year, while inflation will continue to fall

Reflecting extreme weakness in early 2009, growth for the year as a whole will be sharply negative. Output declines may end as early as the second quarter, however, and positive growth is expected to continue through 2010. Inflation is likely to fall to single digits this year and to decline further in 2010. Exports and imports will both begin to grow again during 2009, and the current account will probably remain in surplus, with stable or rising reserves.

Risks are balanced, depending mostly on global factors

Risks have become less skewed to the downside, and are now fairly evenly balanced. Bad bank loans are likely to carry on rising, which may require the injection of further public capital into the banking system to sustain the provision of credit. If the global recession is more severe than expected, oil prices could weaken sharply again, triggering further capital outflows and withdrawals of bank deposits and putting renewed pressure on the rouble. On the other hand, a continuation of recent more favourable trends in commodity prices and international financial conditions would likely result in a stronger pick-up in economic growth this year and next.

CHILE

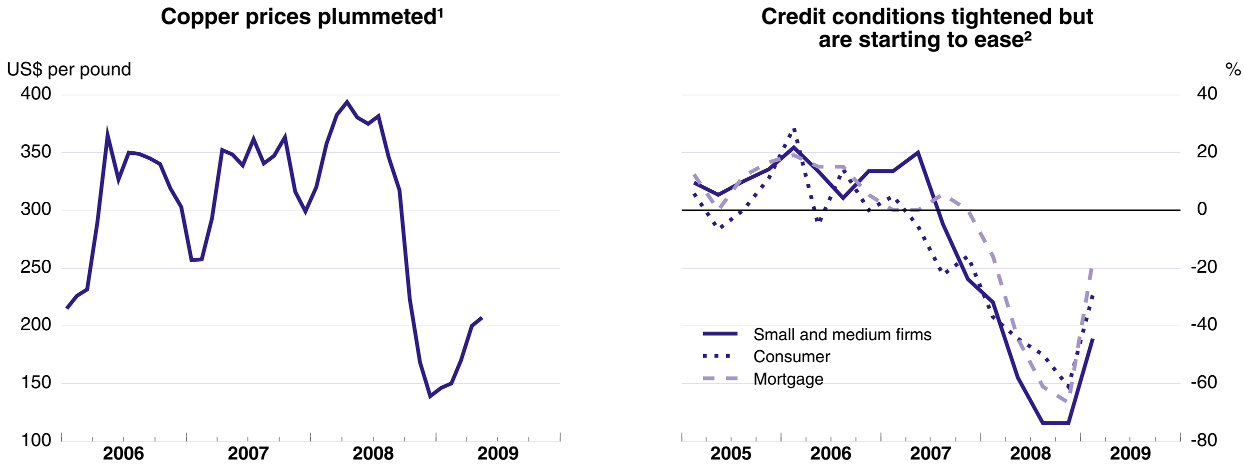
Economic activity is projected to contract in 2009. The world economic crisis has hit Chile mainly through a deterioration in its terms of trade, as copper prices have fallen sharply, and through tighter financial conditions. The investment boom, led by mining and energy, has suddenly come to a halt and plummeting consumer and business confidence have led to sharp adjustments in private consumption and inventories. Inflation is declining rapidly and will undershoot the central bank's target band at the end of the year. After several years of surpluses, the current account has turned negative.

The central bank has cut the policy rate by 700 basis points between January and mid-May 2009. It should not hesitate to use its remaining room for manoeuvre if incoming data suggest that the economy is heading towards a deeper contraction. Fiscal policy has been appropriately supportive, using public assets accumulated when commodity prices were high. There remains room for further discretionary action, if necessary. Fiscal consolidation will be needed, however, once the recovery is underway.

Activity has fallen sharply and inflation is declining

Robust economic growth in the first half of 2008, sustained mainly by strong private consumption and booming investment in energy and mining was followed by a sharp slowdown after the deepening of the world financial crisis in September 2008. The terms of trade deteriorated as copper prices plummeted and external financing conditions tightened when aversion to risk increased, as in other emerging markets. With consumer and business confidence deteriorating, private consumption, in particular of durable goods, and investment fell sharply. Firms started to unwind inventories and construction activity started to contract. Inflation, which had been well above the Central Bank's target band of 2-4% and rising until mid-2008, began to fall rapidly as demand pressures disappeared and commodity prices declined.

Chile



1. London Metal Exchange price.
2. Percentage point difference in the share of surveyed individuals reporting laxer credit standards and the share reporting tighter standards.

Source: Central Bank of Chile.

StatLink http://dx.doi.org/10.1787/657840116826

Chile: **Macroeconomic indicators**

	2006	2007	2008	2009	2010
Real GDP growth	4.8	4.7	2.9	-1.6	3.0
Inflation[1]	3.4	4.4	8.7	2.0	1.9
Central government fiscal balance[2]	7.7	8.8	5.3	-4.0	-2.7
Central government structural fiscal balance[2,3]	1.0	1.0	0.5	0.0	0.5
Current account balance[2]	4.9	4.4	-2.0	-1.8	-2.1

1. Inflation refers to average consumer price index.
2. In percent of GDP.
3. Ministry of Finance figures.
Source: National sources and OECD projections.

StatLink http://dx.doi.org/10.1787/661782473006

The government has reacted to cushion the fall in activity

After the collapse of Lehman Brothers the government and the central bank provided US dollar liquidity to the financial system through weekly auctions and US dollar deposits in domestic banks. By adhering to its structural fiscal surplus rule during the copper price bonanza of 2006-08, the government has accumulated public assets worth around 12% of GDP in its sovereign wealth funds. It is now in a comfortable position to cushion the contraction in activity through counter-cyclical fiscal policies and has already started to implement a fiscal stimulus package worth around 2% of GDP including public investment, temporary tax reductions and subsidies to low-income families. Additionally, the re-capitalisation of the state-owned copper company CODELCO (0.8% of GDP) is intended to help the company maintain its investment plans despite tighter financing conditions.

The central bank has eased aggressively

The 700 basis points reduction in the policy rate by the central bank between January and May 2009 and a credit support programme of the government (guarantees for SMEs, authorisation for non-bank financial institutions to extend credit, recapitalisation of the BancoEstado) should help to keep credit flowing.

Activity is projected to contract

Despite the authorities' strong reaction and sound macroeconomic fundamentals, Chile will not escape the global recession. Domestic demand is projected to continue falling as unemployment increases and external demand is expected to remain weak throughout 2009. Nevertheless, fiscal and monetary stimulus should gain traction later in the year, contributing to a recovery towards the end of 2009 and into 2010. Against the background of a negative output gap and low prices of imported commodities, inflation is projected to decline rapidly and to undershoot the central bank's target band briefly towards the end of 2009.

Risks to the outlook are on both sides

A downside risk to the projection would be stronger than expected second round effects of the crisis on the financial sector. While the financial sector has held up well so far, including because strict prudential regulation has protected it from exposure to complex derivative products, default rates on traditional loans may rise quickly during 2009 as unemployment increases and businesses close down. On the upside, fiscal and monetary stimulus may prove to be more effective than expected and lead to a more vigorous recovery earlier on. A quicker than expected increase in demand from China and Chile's other main export markets would also help to strengthen the recovery.

ESTONIA

Real GDP is set to fall by around 14% this year and by a further 1% in 2010. Although a weak recovery will begin next year, the resumption of growth could be threatened if recovery in major export markets is delayed and will depend largely on success in shifting resources from serving domestic demand, which has collapsed, to expanding export activities.

Economic policy is driven by the desire to maintain the currency board with a view to adopting the euro as soon as possible. Fiscal policy has therefore been strongly pro-cyclical in an effort to ensure qualification for euro-area entry.

A severe output contraction is under way

The economy entered a sharp contraction in 2008, as the abrupt end of the credit-financed domestic boom was reinforced by the global slowdown. Both domestic demand and exports plunged, and on a preliminary estimate real GDP fell 15.1% (year-on-year) in the first quarter of 2009. The current account deficit narrowed from 16% of GDP in 2007 to close to balance on the initial estimates for the first quarter of 2009.

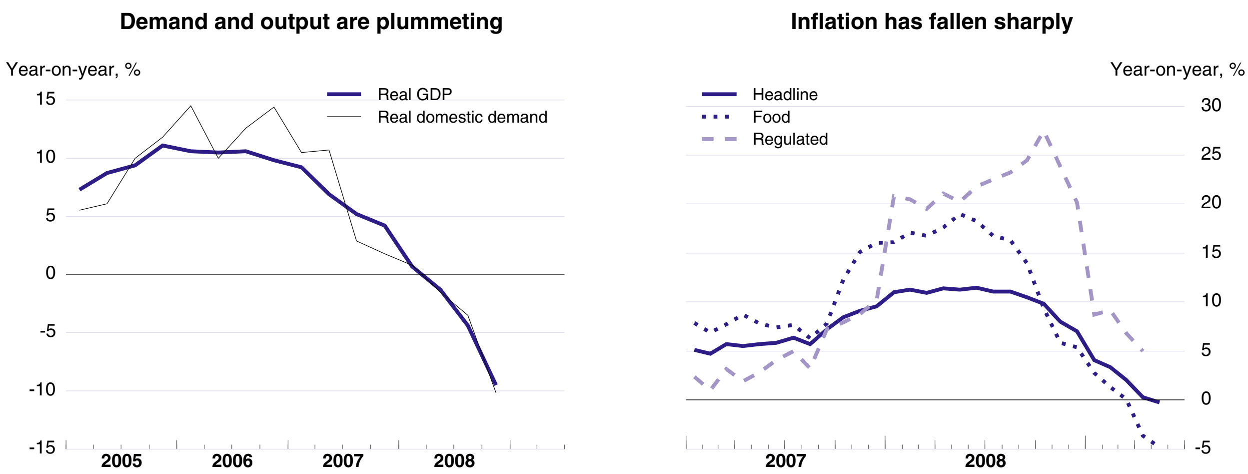
Inflation has fallen sharply

Consumer price inflation decelerated from a peak of 11.4% (year-on-year) in June 2008 to 0.3% in April 2009, as international prices of food and energy declined, the one-off impact of increases in excises and regulated prices wore off and the slump began to hit profit margins.

The authorities have few policy options in responding to the crisis

The response to the downturn has been constrained by the limits that the currency board arrangement places on the central bank's freedom of action and by the authorities' determination to qualify for euro adoption in January 2011. Devaluation would delay Estonia's euro ambitions and would severely damage the balance sheets of firms and households, which carry large euro-denominated liabilities. Fiscal policy has therefore

Estonia



1. *Note*: Inflation is measured by the consumer price index.

Source: OECD Economic Outlook 85 database; Statistics Estonia.

StatLink http://dx.doi.org/10.1787/658031813578

Estonia: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices EEK billion	Percentage changes, volume (2000 prices)				
Private consumption	96.6	12.7	7.9	-3.8	-12.0	-0.9
Government consumption	30.0	1.8	3.9	4.4	-3.2	-0.3
Gross fixed capital formation	53.3	19.5	4.9	-7.6	-29.2	-0.7
Final domestic demand	179.8	12.9	6.3	-3.6	-15.0	-0.8
Stockbuilding[1]	4.7	1.4	1.8	-4.5	-1.1	0.0
Total domestic demand	184.5	13.9	7.5	-7.5	-16.1	-0.8
Exports of goods and services	138.9	11.6	0.0	-1.1	-21.0	-3.6
Imports of goods and services	149.8	20.4	4.2	-7.9	-22.3	-3.5
Net exports[1]	- 11.0	-8.3	-3.9	5.9	1.9	0.1
GDP at market prices	173.5	10.4	6.3	-3.6	-13.9	-0.7
GDP deflator	_	7.0	9.6	7.8	-1.1	-0.4
Memorandum items						
Index of consumer prices	_	4.4	6.6	10.4	-0.5	-0.5
Private consumption deflator	_	4.1	7.8	10.2	-0.2	-0.2
General government financial balance[2]	_	2.9	2.7	-3.0	-5.6	-5.1

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 85 database.

StatLink http://dx.doi.org/10.1787/661785147240

been extremely pro-cyclical, as successive packages of budget cuts have been adopted to hold the deficit below 3% of GDP. To offset these cuts, the government has tried to step up infrastructure spending, relying on multilateral loans, something it is well placed to do in view of its low foreign debt.

Both employment and wages have responded rapidly to the downturn

The labour market has responded rapidly to the contraction, as unemployment reached 13.9% in April 2009, somewhat more than triple the rate of a year earlier, and real wages began falling in the last quarter of 2008, with the decline accelerating in the first quarter of this year. The new labour law, relaxing employment protection legislation, should facilitate the reallocation of workers to more productive jobs, provided adequate activation measures for the unemployed are implemented. It may, however, make for even higher unemployment in the short term.

Developments abroad will be crucial to growth prospects

Growth rates in Estonia's main export markets – Finland, Sweden, Latvia, Lithuania and the Russian Federation – are projected to remain weak throughout the projection period. Tighter global credit conditions and slowing inflows of foreign direct investments will further impede recovery.

A weak recovery next year could be threatened by developments abroad

Real GDP is projected to decline by 13.9% in 2009, but growth will resume at a very moderate pace next year, as private consumption and investment begin to recover. Headline consumer price inflation is projected to decline by 0.5% in 2009 and 0.5% in 2010, reflecting weak demand and adjustment to lower international energy and commodity prices. The growth outlook is subject to downside risks linked to recovery in major export markets, chiefly the Russian Federation, the Nordic countries and the euro area, questions about households' ability to service their mortgages and tighter conditions for private-sector lending. By contrast, confirmation of a clear euro entry date could help revive confidence and inward investment.

INDONESIA

GDP growth slowed in the first quarter of 2009 to 4.4% on year-on-year basis from 5.2% in the previous quarter. A weakening in investment was only partly offset by rising consumption and especially government spending. Imports contracted faster than exports, delivering positive, although small, trade and external current account surpluses. Inflation is retreating rapidly following a large fall in regulated fuel prices. Activity is projected to gather further steam from mid-year.

The monetary easing cycle is appropriately coming to an end. The liquidity-enhancing measures implemented since the onset of the global crisis appear to be bearing fruit. A fiscal stimulus package was approved by Parliament in February, combining tax breaks for labour-intensive sectors and hikes in budgetary appropriations for infrastructure development projects. The fiscal stimulus is financeable without putting undue pressure on government bond yields. However, public investment continues to be delayed by implementation bottlenecks.

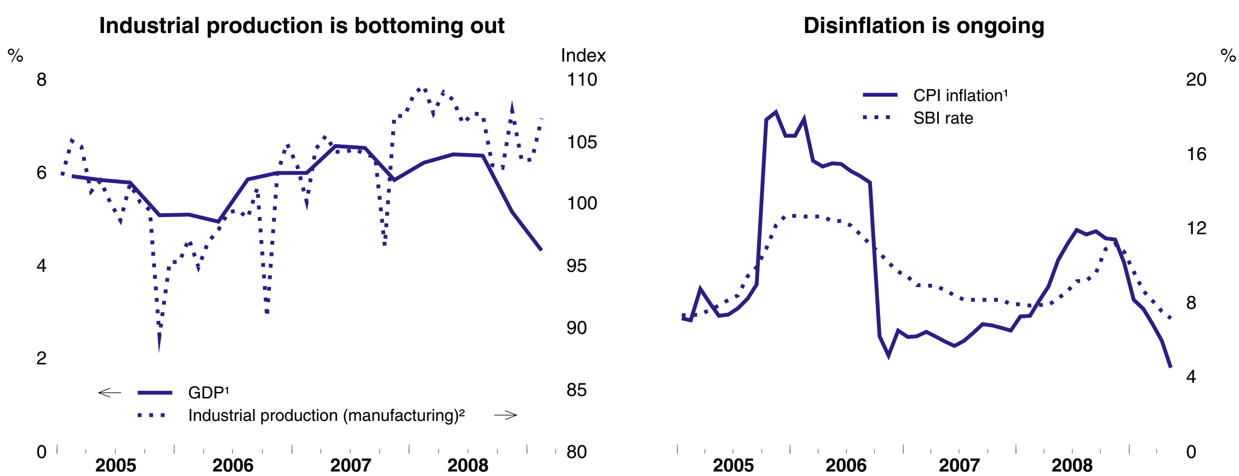
The deceleration in activity appears to be levelling off

Private investment has lost further impetus due to the lingering effects of the global crisis on credit conditions and global demand for Indonesian exports has weakened. A sharp rise in government spending has not fully offset the weakness in private demand, although private consumption has gathered some strength. Recent indicators, such as industrial production and retail sales, suggest that activity may have picked up in the course of the second quarter.

Anti-crisis liquidity-enhancing measures have been taken

Bank Indonesia (BI) has taken steps to mitigate the effects of the global crisis on the availability of domestic credit. New temporary and emergency liquidity facilities have been created, minimum bank reserve requirements have been eased, and credit lines have been created for micro and small enterprises located in rural areas. Even so, credit growth

Indonesia



1. Year-on-year percentage change.
2. 2005=100, seasonally adjusted.

Source: OECD, Main Economic Indicators; and Bank Indonesia.

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Indonesia: **Macroeconomic indicators**

	2006	2007	2008	2009	2010
Real GDP growth	5.5	6.3	6.1	3.5	4.8
Inflation	6.6	6.6	11.1	5.5	5.3
Fiscal balance (per cent of GDP)	-1.0	-1.2	-0.1	-2.0	-1.1
Current account balance ($ billion)	10.9	10.5	0.6	3.2	-1.5
Current account balance (per cent of GDP)	3.0	2.4	0.1	0.7	-0.3

Note: Real GDP growth and inflation are defined in percentage change from the previous period. Inflation refers to the end-year consumer price index.
Source: Figures for 2006-07 are from national sources. Figures for 2008-10 are OECD projections.

StatLink http://dx.doi.org/10.1787/661817738482

to the private sector has moderated considerably from the highs reached in the fourth quarter of 2008. Lending rates have come down only modestly, reflecting heightened risk aversion.

The monetary easing cycle is coming to an end

Inflation is retreating rapidly towards the year-end target range of 3.5 to 5.5%, primarily due to cuts in regulated fuel prices. This is despite a depreciation of the rupiah since September 2008. Consistent with ongoing disinflation, the central bank cut the policy interest rate by a cumulative 250 basis points from December to June to 7%. The cycle of policy rate cuts is most probably coming to an end, as activity appears to be picking up and inflation expectations are converging to the target. Foreign reserve holdings have risen by $6.3 billion to nearly $58 billion (11% of GDP) since end-2008. Temporary currency swap arrangements have been established with the Chinese and Japanese central banks.

A fiscal stimulus package has been approved

A fiscal stimulus package of about 1.5% of GDP was approved in February. The package included a reduction in the value-added tax and import duties on inputs and raw materials in selected labour-intensive sectors, an increase in fuel and electricity subsidies, and a hike in budgetary appropriations for infrastructure development projects. But the bulk of the package referred to income-tax cuts already approved in 2008. Consistent with the fiscal impulse, the budget deficit is projected to widen to around 2% of GDP in 2009 against 0.1% in 2008. There is room for accommodating this fiscal expansion without placing undue burden on domestic bond markets. However, the discretionary increase in fuel subsidies militates against recent efforts to make the budget less vulnerable to swings in international energy prices.

Growth is likely to regain momentum from mid-year

Growth is projected to bottom out in the second quarter and to gather further pace towards end-year. Domestic demand is set to continue to be the main driver of growth. Private consumption is poised to rebound due to rising real incomes as a result of disinflation. The budget deficit may shrink in 2010 as the recovery gathers steam, prompting BI to begin to withdraw monetary stimulus gradually. Consistent with these developments, the external current account will in all likelihood post a small deficit in 2010.

The key risks continue to be primarily from external sources

A slower-than-expected recovery in global demand would further impinge on Indonesia's exports. At the same time, the recovery would suffer from any sustained extraordinary risk aversion in international financial markets. On the domestic front, implementation bottlenecks may continue to delay execution of the public investment projects included in the fiscal stimulus package. Upside risks come mainly from a swifter-than-expected resurgence of private investment in response to the policy support, which would add strength to activity in the coming months.

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ISRAEL

Recession is now underway, due largely to high exposure to international trade, but it is being tempered by the relatively mild difficulties in domestic financial markets and the absence of a house-price bubble. Growth will only turn modestly positive at the end of this year.

The new government has made a commitment to limit cyclical increases in the budget deficit. The spending rule should be maintained for immediate budgeting purposes (even though it could later be improved), but ambitions for further income-tax cuts should be curtailed. As conditions normalise, monetary policymakers should re-establish business-as-usual inflation targeting by terminating quantitative easing and intervention in the foreign-exchange market.

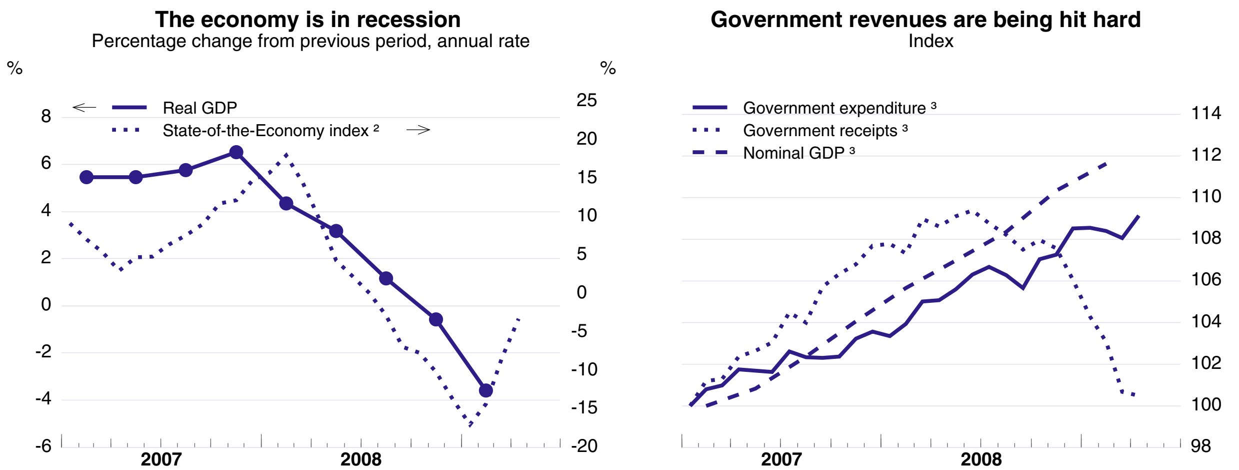
Real GDP growth is probably bottoming out

The tail-end of the upswing ensured relatively robust real GDP growth of 4% in 2008. However, by the end of the year output was shrinking and labour-market conditions were beginning to weaken. Initial estimates for the first quarter of this year put growth at –3.6% (saar). However, there are encouraging signs: the pace of contraction among trading partners is already easing; the decline in the State-of-the-Economy index has slowed considerably; and, there are encouraging signals in business and consumer surveys. Annual inflation has already fallen from a high of 5.1% in the third quarter of 2008 to 3.4% in the first quarter of 2009. Bond-market data indicate a drop in expected inflation over the coming year.

Domestic financial markets have been relatively strong

The banking sector has not experienced serious difficulties, largely because of limited exposure to toxic assets. Concern about portfolio losses in late 2008 prompted a modest government guarantee for second-pillar

Israel[1]



1. For technical reasons, these figures use Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank.
2. The State-of-the-Economy index is calculated by the Bank of Israel each month and comprises six indicators covering: industrial production, employment, revenues in service sectors, goods imports and exports, and services exports.
3. Central government data, 12-month moving average, January 2007 = 100; for GDP, 4-quarter moving average, Q1 2007 = 100.

Source: Central Bureau of Statistics and Bank of Israel.

StatLink http://dx.doi.org/10.1787/658165355251

Israel: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices ILS billion	Percentage changes, volume (2005 prices)				
Private consumption	333.5	4.0	6.9	3.9	-1.7	1.3
Government consumption	153.5	2.7	2.9	2.5	2.0	1.7
Gross fixed capital formation	97.8	9.9	15.3	5.2	-13.1	0.0
Final domestic demand	584.9	4.6	7.3	3.8	-2.8	1.2
Stockbuilding[1]	14.7	-0.4	-0.5	-0.2	0.8	-0.6
Total domestic demand	599.6	4.1	6.7	3.5	-2.0	0.5
Exports of goods and services	256.6	6.1	8.6	3.1	-25.2	2.6
Imports of goods and services	258.5	3.6	11.7	2.2	-24.3	3.7
Net exports[1]	- 1.8	1.1	-1.3	0.4	0.1	-0.4
GDP at market prices	597.8	5.2	5.4	4.0	-2.0	0.2
GDP deflator	_	1.9	-0.2	1.9	4.2	2.2
Memorandum items						
Inflation (CPI), Average increase		2.1	0.5	4.6	2.5	2.0
Inflation (CPI), December-to-December increase		-0.1	3.4	3.8	2.6	1.1
Private consumption deflator		1.8	0.6	4.7	1.0	2.0
Unemployment rate		8.4	7.3	6.1	8.5	9.3
General government financial balance[2]		-0.9	0.2	-2.1	-5.8	-5.5
Current account balance[2]		5.8	2.5	0.8	1.7	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)*. For technical reasons this table uses Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank.

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

Source: OECD Economic Outlook 85 database and Israel's Central Bureau of Statistics.

StatLink http://dx.doi.org/10.1787/661825854556

pensions, as well as other measures to provide loans and guarantees (the "Acceleration Plan"). Thus far, public-private schemes to support the corporate bond market, credit lines to SMEs and credit guarantees to banks have been established; other proposals are still being finalised.

Monetary policy is using unusual instruments

In response to the worsening economic climate, the main monetary policy rate was cut successively from 4.25% in October 2008 to 0.5% in March 2009, and technical adjustments to standard monetary operations were made. In February, the central bank started "quantitative easing" by purchasing government bonds. It has also continued regular purchases of foreign exchange that began in spring 2008 and is now stressing this process as a way of offsetting upward pressure on the exchange rate and as a liquidity instrument, rather than a means of raising foreign-exchange reserves (the stated reserve target was already reached in January).

Discretionary fiscal measures have been limited

Government revenues have slumped since early 2008 due to the slowdown and previously scheduled income tax cuts. Although providing a counter-cyclical boost to aggregate demand, the revenue losses are boosting an already high debt-to-GDP ratio. Such concerns have led the new government to commit to keeping the deficit within 6% of GDP for 2009 and 5.5% for 2010. It is continuing the previous administration's strategy of only limited discretionary fiscal response to the crisis, for instance through increased spending on R&D and active labour-market programmes. Tobacco and gasoline taxes were raised in April and May, respectively. Several other revenue-raising measures are under consideration, some of them temporary. As of end-May, budget discussions were homing in on an expenditure formulation that addresses commitments made as part of the coalition agreement but also makes savings in public-sector pay and elsewhere. Technically the draft budget adheres to the legislated ceiling of 1.7% real spending growth, although some one-off items have been excluded. Perhaps imprudently in the current climate, the government also intends to implement the income-tax cuts scheduled for 2010.

Growth should recover gradually in 2010

The pace of economic activity should improve throughout the projection period, but positive growth is not expected until the final quarter of this year. Indeed, output is expected to remain well below potential and unemployment to rise moderately, pushing inflation towards the lower bound of the target range (1 to 3%). The current account surplus may increase, with recovery in the balance of income flows and weakness in imports more than offsetting export shrinkage.

Progress on fiscal consolidation risks being slow

Given the importance of external demand, the economy is exposed to risks in the timing and pace of global recovery. In the short term, fiscal discipline looks reasonably assured, but less so in the medium term. In 2011 the government envisages cutting the deficit substantially (to 3.0% of GDP) while simultaneously removing the temporary taxes and cutting income-tax rates further. However, risks of weaker growth and increasingly limited room to cut public spending means it is uncertain whether this can be achieved.

SLOVENIA

Slovenia is experiencing the worst crisis since independence, as GDP is expected to contract by about 6% in 2009. A weak rebound should occur in 2010 as exports pick up. Inflation will continue to moderate on the back of a rising output gap and higher unemployment.

A relatively favourable fiscal position prior to the crisis gave room for discretionary fiscal stimulus. However, any new fiscal package should avoid measures that may jeopardise long-term fiscal sustainability. The credibility of fiscal policy needs to be bolstered by a new pension reform that deals with rising prospective ageing costs.

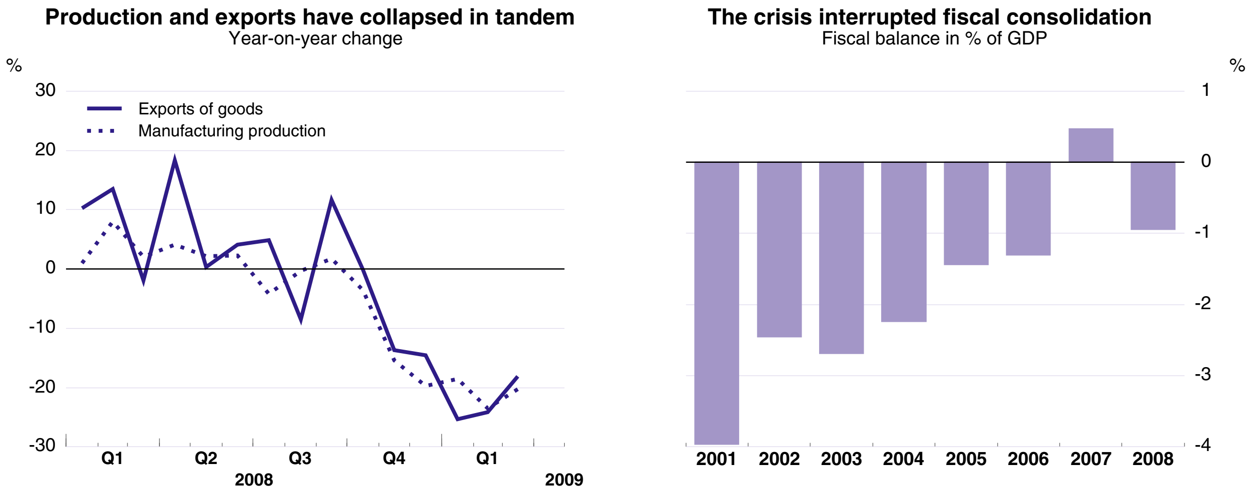
Falling foreign demand led to a sharp contraction in manufacturing

The economy began a severe contraction at the end of 2008, as the collapse of exports triggered a sharp decline in manufacturing production. Construction output has also fallen sharply. Sentiment indicators still deteriorated in May, particularly in the construction sector, suggesting that the economy has not bottomed out yet. The number of unemployed has started increasing. The economic contraction and the decline in commodity prices have lowered inflation, which was high before the crisis.

Low investment will keep dragging the economy...

A significant decline in investment, particularly in civil engineering projects and housing, due to dearer and scarcer sources of funds and uncertainty about the timing of a global recovery, will drag the economy. Private consumption will be adversely affected by increasing unemployment, further compounded by a potential negative wealth effect related to falling housing prices. Slovenia is an export-dependent country with around two-thirds of its manufacturing output destined for foreign markets. With the euro area in deep recession, foreign demand for Slovenian products has collapsed and will not pick up before recovery

Slovenia



Source: OECD Economic Outlook 85 database; Eurostat; and Statistical Office of the Republic of Slovenia.

StatLink http://dx.doi.org/10.1787/658230041248

Slovenia: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	15.6	3.1	5.1	1.9	-1.0	0.7
Government consumption	5.5	4.2	2.5	3.6	3.3	2.4
Gross fixed capital formation	7.2	10.8	12.8	5.6	-13.5	-0.8
Final domestic demand	28.3	5.3	6.6	3.3	-3.8	0.6
Stockbuilding[1]	0.5	0.7	1.7	0.3	-1.6	0.0
Total domestic demand	28.8	5.7	8.0	3.7	-6.3	0.6
Exports of goods and services	17.8	13.5	14.1	2.7	-18.8	1.8
Imports of goods and services	18.0	13.0	15.9	3.1	-17.9	1.6
Net exports[1]	- 0.2	0.3	-1.2	-0.3	-0.1	0.0
GDP at market prices	28.6	6.1	6.8	3.4	-5.8	0.7
GDP deflator	_	2.4	4.3	3.6	2.8	1.5
Memorandum items						
Harmonised index of consumer prices	_	2.5	3.8	5.5	0.8	1.6
Private consumption deflator	_	2.2	4.1	6.7	0.8	1.8
General government financial balance[2]	_	-1.3	0.5	-0.9	-5.7	-5.3

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

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/661835868327

abroad. In 2010, the economy should gradually recover, driven by stronger exports and a pickup in investment spending.

... despite a cushioning effect from the stimulus packages

The government adopted two fiscal packages in December 2008 and in February 2009, and is contemplating a third round of fiscal measures, whose details were not known at the time of the publication. The total amount of discretionary measures should reach around 2.2% of 2009 GDP, although some funds will not be disbursed before 2010. The fiscal packages comprise measures to subsidise reduced working hours, provide guarantees for banks to borrow from abroad, recapitalise the state-owned export and development bank and mitigate credit risk (state guarantees). The falling output and the crisis-related packages have interrupted the on-going fiscal consolidation process. It is crucial to ensure that the budget is brought back to a sustainable trajectory once the economy picks up; a new pension reform should play a substantial role in achieving this goal.

Further deterioration of financial sector asset quality poses a risk to the recovery

Real GDP is expected to contract sharply in 2009 (–6%) and barely return to a positive territory in 2010. Harmonised consumer price inflation will moderate to 0.8% in 2009 and slightly increase in 2010. The main downside risk to this forecast is a sharp increase in non-performing loans, in the wake of excessive credit growth in the recent past, which could severely constrain banks' lending ability and hence could constitute a drag on the recovery. On the upside, an earlier than expected global recovery could lead to a faster recovery of exports and output.

SOUTH AFRICA

The global crisis has pushed South Africa into recession. Growth will likely be negative in 2009 before recovering in 2010, when policy stimulus, global recovery and the staging of the soccer World Cup will boost activity. The output gap will help keep inflation moving downward, returning to the target range in 2010. Current account deficits will shrink somewhat on account of lower domestic demand, but will remain sizeable, unless capital inflows weaken again, forcing even greater import compression.

A key policy challenge is to maintain the confidence of international financial markets, given the financing needs associated with the large current account deficit. Continued fiscal prudence, which need not exclude additional stimulus if demand contracts further, will be critical. The inflation targeting regime should be left in place, as it underpins monetary policy credibility and has already shown substantial flexibility. The absence of protectionist responses to the crisis is welcome, and should be maintained.

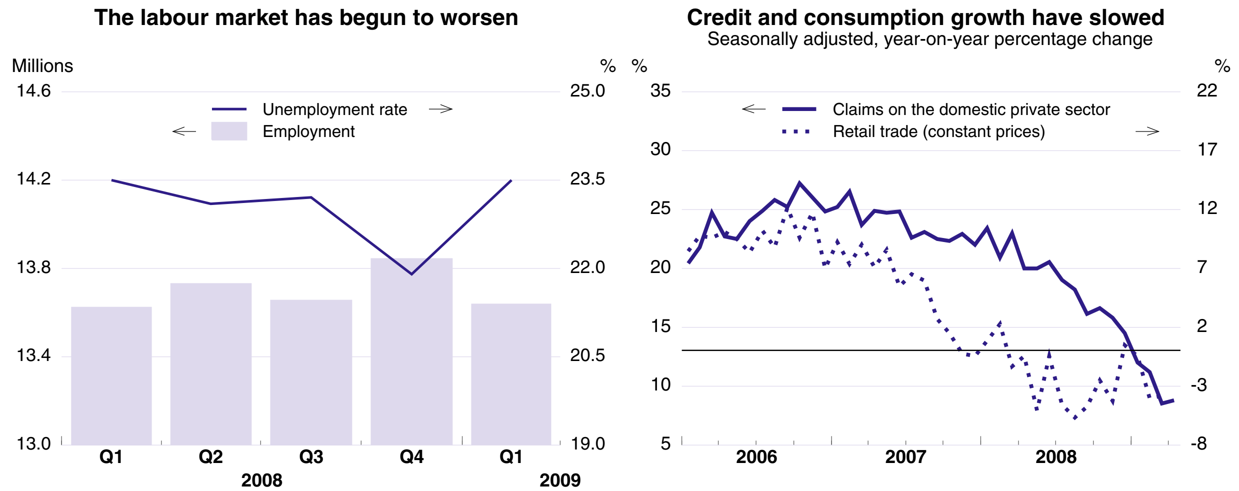
Growth has turned negative and budget deficits have re-emerged

When the global crisis intensified in September 2008, South Africa had been growing robustly for years and was showing signs of overheating, despite continued high unemployment. The effect of the crisis was immediate, however: real GDP shrank in the 4th quarter of 2008 for the first time in a decade and declined at an even faster pace in the first quarter of 2009, while faltering capital inflows produced a sharp depreciation of the rand and a narrowing current account deficit. After recording small surpluses in the previous two years, the budget returned to deficit in the fiscal year ending March 2009. Consolidated government revenues grew only slowly in nominal terms, slipping as a percentage of GDP, while expenditures rose by some 2% of GDP.

Inflation has fallen but remains stubbornly high

Inflation, which in August 2008 was more than twice the ceiling of the target range (3-6%), eased steadily in the latter part of the year owing mainly to falling food and energy prices. It fell further in January 2009 due

South Africa



Source: Statistics South Africa and South Africa Reserve Bank.

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South Africa: **Macroeconomic indicators**

	2006	2007	2008	2009	2010
Real GDP growth	5.4	5.1	3.1	-2.0	2.5
Inflation	5.8	7.1	11.0	7.2	5.6
Fiscal balance (per cent of GDP)	0.2	1.0	-1.2	-4.5	-3.4
Current account balance ($ billion)	-16.3	-20.7	-20.5	-15.0	-17.0
Current account balance (per cent of GDP)	-6.3	-7.3	-7.4	-5.3	-5.5

Source: National sources and OECD projections.

StatLink http://dx.doi.org/10.1787/661843633434

largely to a rebasing and reweighting of the consumer price index, but subsequently moved back up slightly as rand weakness and administrative price increases passed through, and remains well above the top of the target band.

External forces are important

The crisis has been transmitted to South Africa mainly *via* international capital flows, given the country's reliance on portfolio investment to finance its large current account deficit, and global trade volumes. South Africa also initially suffered from falls in the terms of trade arising from declining export commodity prices, but subsequently these declines were outweighed by falling oil prices, leaving the terms of trade slightly improved relative to late 2007.

The authorities face major policy challenges

The new government that took office in May 2009 must chart its policy course at a time of great economic and social challenges. Markets are nervous about a possible resort to economic populism, while many supporters of the government are pressing for more activist policies to address unemployment and poverty. Public debt levels are low and the fiscal response to the crisis is still moderate, so further stimulus may be warranted if domestic demand weakens further. It is important, however, that fiscal policy remain within a medium-term framework consistent with debt sustainability. As to monetary policy, it would be a mistake to tinker with the inflation targeting regime to support growth. The regime has already proved flexible, with 450 basis points of interest rate cuts since December.

Annual growth will be negative for the first time in 17 years

In 2009 real GDP is projected to fall for the first time since 1992. Negative wealth effects from lower house and equity prices, along with slow credit growth, are likely to depress private consumption in particular. Policy stimulus, global recovery, and the effects of the World Cup should result in a return to moderate growth in 2010.

Inflation should finally fall durably below the target ceiling next year

Although tailwinds from lower fuel and food prices may be ending, favourable year-on-year inflation comparisons should continue until the autumn, and the output gap will exert downward pressure on prices. After a likely technical rebound at the turn of the year, inflation should return to the target range in 2010.

A sudden reduction of capital inflows is one downside risk

South Africa remains reliant on private capital inflows to finance its still-large current account deficits. Another bout of waning global risk appetite, or factors specific to South Africa, could lead to major rand weakness and import compression, which would be associated with financial turmoil and even weaker growth. On the upside, a stronger commodity price rebound would bring back terms-of-trade gains and support domestic demand.

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Chapter 4

BEYOND THE CRISIS: MEDIUM-TERM CHALLENGES RELATING TO POTENTIAL OUTPUT, UNEMPLOYMENT AND FISCAL POSITIONS

Introduction and summary

Severe macroeconomic imbalances will remain in 2010

The economic crisis will cast a long shadow. The projections described in Chapters 1 and 2 imply that by the end of 2010, even though a recovery is under way, most OECD countries will still face severe macroeconomic imbalances including large output gaps, high unemployment, very low inflation or even deflation and wide fiscal deficits. This chapter considers how such macroeconomic imbalances might begin to be resolved over the medium term, as well as the main associated risks and uncertainties.

The effect of the crisis on the supply-side is uncertain but has major policy implications

A major uncertainty and a particular focus here is the magnitude of any adverse effects that the crisis may have on the level or growth rate of supply-side potential. Substantial and long-lasting effects would reduce growth in living standards, and could put additional long-term pressure on already strained public finances to the extent revenue growth is lower and not counter-balanced by reduced spending. Different paths for potential output will also have implications for monetary policy in terms of assessing inflation or deflation risks, as well as the timing for any re-normalisation of policy rates.[1]

The chapter reviews medium-term macro prospects, emphasising risks and uncertainties

The remainder of the chapter begins by considering how the financial crisis might impact on potential growth, summarising studies which have analysed the effect of previous financial crises and documenting recent changes to potential output estimates made by national authorities following the current crisis. The adjustments to the OECD's standard methods of estimating potential in the wake of the crisis are then described. The revised OECD estimates underpin a stylised medium-term scenario which is described in the subsequent section. The extent of the policy challenges facing OECD governments, including the scale of fiscal consolidation required to reduce fiscal imbalances, are illustrated by this scenario. Further variants highlight the policy implications of major risks and uncertainties, particularly those relating to potential output, interest rates and initial fiscal imbalances.

Main findings are:

The main findings of the chapter are as follows:

Potential output is likely to be reduced as a consequence of the crisis

- Based on existing empirical studies it is likely that potential output will be significantly reduced as a result of the crisis. Estimates described in this chapter imply a downward revision to the level of OECD potential

1. The experience of stagflation in the 1970s and early 1980s illustrates how uncertainty about supply-side potential can lead to major policy errors. Thus, while real-time measures of economic slack provided apparently legitimate grounds for easing policy, *ex post* it appeared that capacity conditions were actually tighter than such estimates suggested and that policy easing had fuelled inflation (Orphanides *et al.*, 2000).

output in the wake of the current crisis of about 2% by the end of 2010. However, for some countries the revisions are much larger. In the medium term, the level of OECD potential output has been revised down by 2¾ percentage points compared to pre-crisis projections, although the long-term potential growth rate is unaffected. All the revised estimates come with the qualification that assessing supply-side potential is particularly difficult at present and subject to wider-than-usual margins of error. Indeed, reassessing potential output will require time and analysis and the present estimates should be seen only as a first output from this activity.

Capital intensity will continue to fall in response to higher capital costs

- Two-thirds of the projected fall in near-term potential growth in the OECD revisions comes from the collapse in investment and the associated slower growth of capital input to production. The decline in capital intensity may continue over the medium term in response to an increase in capital costs associated with a permanent increase in risk aversion.

The NAIRU may increase, particularly in European countries

- In addition, in the wake of past recessions structural unemployment has tended to rise in many countries, which may be partly a reflection of rising long-term unemployment and hysteresis-type effects. Past experience suggests that European countries may be more vulnerable than other countries to such effects and this is reflected in current projections.

Other effects on potential output are ambiguous

- The revisions to potential output here do not factor in effects from changes in labour force participation or changes in trend productivity. While such effects may be important, they are not only difficult to quantify but their sign is also uncertain. For example, recessions may raise aggregate productivity as the least productive activities are abandoned. On the other hand, to the extent that expenditure on research and development activities are cut back there may be an adverse effect on trend productivity. Similarly, labour force participation may fall due to difficult labour market conditions and the greater use of early retirement options. On the other hand, the loss in pension wealth implied by falls in equity prices may compel some workers to postpone their retirement.

Ambitious fiscal consolidation could restore balanced budgets

- Given the scale of projected fiscal imbalances in 2010, significant fiscal consolidation beyond the removal of temporary fiscal stimulus is inevitable in most countries. Indeed, many countries have already announced such plans with variable degrees of precision and certainty. However, rather than assuming country-specific consolidation measures, the medium-term projections beyond 2010 assume a stylised profile of fiscal consolidation. Thus, countries seen as in need of consolidation are assumed to undertake tightening by 1% of GDP for three or seven years depending on the size of initial imbalances. The scale of such consolidation, which comes on top of the removal of fiscal stimulus packages, is ambitious but not unprecedented – except as regards its synchronisation across countries.

- The main message from such projections is that, under moderately optimistic assumptions and for the majority of countries, fiscal consolidation along the lines described would be sufficient to bring government budgets closer to balance or even into surplus, so that a snowballing of debt would be prevented. Area-wide gross government debt in 2017 would still rise by about 30% of GDP relative to pre-crisis (2007) levels. However, most of this increase would already have occurred by 2010.

Lower potential output and higher interest rates would aggravate fiscal imbalances

- The fiscal outlook would be worsened by lower potential output or higher interest rates. The fiscal implications of any reduction in potential output might be more serious if the latter is associated with a permanent decline in potential employment, rather than a decline in productivity. The risks of higher interest rates will be greater and the fiscal consequences more serious for those countries where debt burdens are already very high.

Structural policy reforms can ease the adjustment

- The likelihood that the current crisis will have permanent effects also underscores the importance of accelerating structural reforms, and avoiding the introduction of policies in the midst of the crisis that would risk reducing potential output even further. Accelerating structural reforms in the years ahead would not only improve longer-term growth prospects and enhance resilience to new adverse shocks, but would also contribute to easing fiscal pressures. At the same time, it is important that fiscal consolidation measures minimise adverse effects on supply potential, for example, by limiting any increases in the tax wedge on labour or cutbacks in growth-enhancing spending.

The effects of the economic crisis on supply-side potential

Recessions and financial crises are likely to reduce potential growth…

Deep recessions and financial crises can lower potential output through a number of mechanisms. During recessions investment often falls sharply, and firms go out of business which may accelerate the scrapping of capital or lead to its relocation, thus lowering the capital stock and its efficiency. Financial crises exacerbate these effects, by impairing financial intermediation, raising the cost of capital and forcing otherwise viable firms out of business.

… through various channels

In addition, in the wake of past recessions labour input has been reduced through a combination of lower labour force participation and higher structural unemployment as negative shocks have interacted with inflexible labour markets (Blanchard and Wolfers, 2001). However, by reducing pensions in some countries, the current crisis may in some cases increase the retirement age. The impact on the level and growth rate of total factor productivity (TFP) is also ambiguous. The financial crisis may lower TFP by reducing the research and development (R&D) intensity of

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the economy as firms reduce such investment spending. On the other hand, recessions may lead to the abandonment of the least productive lines of activity and force the least productive firms out of business, increasing average productivity across the economy. The revisions to estimates of potential output presented here attempt to quantify the effect of the economic crisis on capital inputs and structural unemployment, as detailed below, but not through other channels. Hence, the estimates of potential growth underlying the current chapter should be seen as the result of preliminary analysis, likely to be revised in the light of future work focusing on other channels.

Empirical studies suggest recessions and financial crises permanently reduce the level of potential output…

The limited empirical literature examining the long-run implications of recessions suggests that they result in permanent output losses, and that losses from recessions associated with financial crises are even larger. For example, Kim *et al.* (2005) consider the output response to recessions in Australia, Canada, the United Kingdom, and the United States, and estimate that permanent losses to output levels range from 1¼ to 5¼ per cent. Cerra and Saxena (2008) demonstrate that large and persistent output losses are associated with financial crises, finding that a full recovery of output to the projected trend level of GDP prior to the crisis is rare. However, as these authors acknowledge, such estimates tend to overestimate the loss if there has been a boom prior to the crisis. Recent OECD research also finds evidence of persistent output losses from financial crises. Furceri and Mourougane (2009) estimate that financial crises permanently lower potential output by 1½ to 2½ per cent on average, and by up to 4% for severe crises.

… but the long-term growth effects are less clear

Fewer studies find evidence of a permanent effect of financial crises on potential output *growth*, although clearly this is inherently difficult to identify. Haugh *et al.* (2009) examine OECD estimates of potential output growth and their components around severe banking crises, but find little evidence of long-lasting effects on potential growth, although there are differences across episodes. For example, the 1990s' banking crisis in Japan was associated with lower potential growth mainly due to weaker productivity growth, which is attributed to the protracted nature of the banking problems and the resulting misallocation of capital. In contrast, they find that, perhaps because the Nordic banking crises of the early 1990s were resolved more quickly, the Nordic countries experienced only a temporary decline in potential growth which was better explained by a sharp rise in structural unemployment than a long-lasting deterioration in productivity performance.

National authorities are reducing current potential output estimates

A number of national authorities have revised down estimates of recent and prospective potential output growth (Box 4.1). The (simple) average cumulative downwards revision to the level of GDP by 2010 is almost 2¾ per cent, although there is wide variation across countries with the largest downward revision, for Ireland, of nearly 7%. The reasons most

Box 4.1. **Revisions to potential output growth by national authorities**

Several OECD countries have recently lowered their estimates of potential output growth over the 2009 to 2011 period, with some also reducing estimates over 2007-08. Over the 2009-10 horizon, the span of downward revisions to potential output growth has been wide, ranging from only 0.1 and 0.4 (for the United States in 2009 and 2010 respectively) to 2.9 percentage points per annum (for Ireland in both 2009 and 2010). The table below summarises the various revisions along with factors cited as motivating the change (where available), although the approach used to estimate potential output differs across countries and most stress that uncertainties surrounding their estimates are large.

In general, the revisions reflect expectations that weak demand and tight credit conditions will impair investment growth, thus slowing capital accumulation and labour productivity, while corporate downsizing is projected to raise levels of structural unemployment. The expected contributions from each factor differ across the countries, with Canada, Italy, Austria, Czech Republic, Finland and Hungary indicating that lower total factor productivity (TFP) plays the primary role in reducing potential output growth. Lower rates of capital accumulation are cited as the main driver behind revisions in the United States, Japan and Greece, while lower labour inputs appear most important for the euro area, Belgium, Ireland, Poland, Spain and Sweden.

Recent Revisions to Potential Output by National Authorities

		Growth Revisions (percentage points)					Components affected		
	Institution	2007	2008	2009	2010	2011	Capital	Labour	TFP
United States	Congressional Budget Office (2009)			-0.1	-0.4	-0.2	x		x
Euro Area	European Commission (2009)	-0.4	-0.4	-0.8	-0.8		x	x	x
Germany	Deutsche Bundesbank (2009)			-0.5	-0.1	0.0	x	x	x
Japan	Bank of Japan (2009)			-0.5	-0.5	-0.5	x		
United Kingdom	HM Treasury (2009)	Phased in 5% reduction level of potential output over 2007Q3-2010Q3					x	x	x
Italy	Italian Treasury	-0.4	-0.3	-1.0	-0.8	-0.9	x	x	x
Canada	Bank of Canada (2009)			-1.2	-1.0	-0.6	x	x	x
Austria	Ministry of Finance (2009)	-0.4	-0.5	-0.9	-0.9		x	x	x
Belgium[1]	Finance Ministry (2009)	-0.2	-0.2	-0.5	-0.6	-0.5		x	
Czech Republic	Ministry of Finance (2008)	-0.1	-0.3	-0.6	-0.9		x		x
Denmark	Ministry of Finance	Phased in 3.2% reduction level of potential output over 2007-2010					x		x
Finland	Ministry of Finance (2009)	-0.3	-0.5	-1.2	-1.4	-1.4	x		x
Greece	Ministry of Economy and Finance (2009)	-0.4	-0.8	-1.2	-1.6		x	x	x
Hungary	Government of Republic of Hungary (2008)	-0.9	-1.1	-1.2	-1.3	-1.4	x	x	x
Ireland	Department of Finance (2009)		-1.0	-2.9	-2.9		x	x	x
Luxembourg	STATEC (2009)	-1.2	-1.1	-1.2	-1.4				
Poland[2]	National Bank of Poland (2009)		0.1	0.4	-0.7			x	
Spain	Ministry of Economy and Finance (2009)	-0.3	-1.0	-0.9	-1.0		x	x	x
Sweden	Ministry of Finance			Phased in 3% reduction to level of potential output by 2012				x	x

1. The Federal Planning Bureau of Belgium (2009) has also recently revised estimates of potential output growth to 1.3% on average over 2009-14, compared to previous estimates of 2.1% over 2008-13. The changes were driven primarily by lower labour inputs, followed by lower total factor productivity.
2. The upward revisions to estimated potential output growth in Poland over 2008-09 are cited as being attributable to previous fiscal policy measures that have lowered labour costs.
Source: OECD.

StatLink http://dx.doi.org/10.1787/661850347176

often mentioned for the revisions are declines in the capital stock and greater labour market weakness following the crisis.

Adapting the OECD's method of estimating potential output

Better incorporating the hit to capital

Changes to current methods of incorporating capital input...

An important change to the OECD's production function approach to estimating potential output is to represent capital input by actual capital series, rather than smoothed versions of these series.[2] Which measure of capital is appropriate depends partly on what purpose the measure of potential output is being used for (for example whether measuring the cyclical component of the fiscal balance or assessing inflationary pressure). A more practical problem in the current conjuncture is that, while it is clear that for most countries investment and growth in the capital stock is being severely affected by the crisis in the short term, it is more difficult to assess the longer-term consequences and, hence, the implications for smoothed capital services.[3]

... imply greater variability to potential growth...

As would be expected, switching to using the actual capital services series instead of a smoothed version leads to increased variability in potential output. For most countries, most of the time, the magnitude of difference is relatively small,[4] except in periods of deep recession and/or financial crisis.

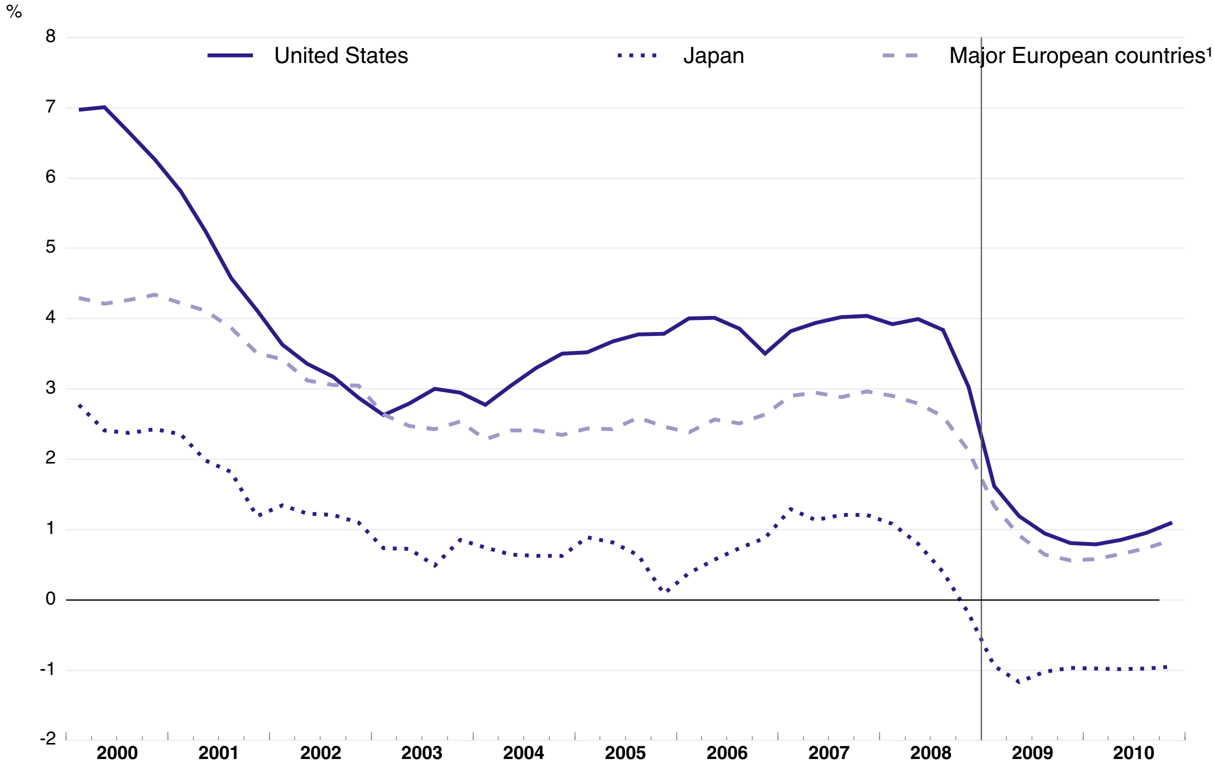
... and a bigger hit to potential output in the current episode

This year and next are expected to be an exceptional period with growth in capital services projected to be much weaker compared with previous downturns. Indeed, for all the major seven countries, the projected growth rate of capital services over 2009-10 is lower than at any previous period for which comparable data are available, capital services growing about 2-3 percentage points *per annum* less than their average rate of growth since the start of the decade (Figure 4.1). In itself, this reduces potential growth by about ½ to ¾ percentage points over those years compared with the previous part of the decade.

2. The Congressional Budget Office (CBO) and European Commission also use a production function approach to estimate potential output and use actual, rather than a smoothed, capital series, see CBO (2001) and Denis *et al.* (2006). The CBO argues that "unlike the labour input, the capital input does not need to be cyclically adjusted to create a 'potential' level – the unadjusted capital input already represents its potential contribution to output. Although use of the capital stock varies greatly during the business cycle, the potential flow of capital services will always be related to the total size of the capital stock, not to the amount currently being used."
3. Given that smoothed measures of the capital stock are usually filtered over combined historical and projected values to reduce well-known end-point problems, such smoothing risks adding further uncertainty about both current and recent measures of potential output.
4. For the major seven OECD countries, the average absolute difference between the old and new estimates of potential output growth, which go back to the 1970s, is in the order of 0.1 to 0.2 percentage points, which appears well within the normal range of revisions for potential output (OECD, 2008a).

Figure 4.1. **Growth in capital services, 2000-10**

Quarter-on-quarter growth, annualised rate



1. Weighted average of Germany, France, Italy and the United Kingdom.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/658323425642

Higher capital costs imply lower capital in the medium term

The sharp slowdown in the growth of capital services can be viewed as part of a longer-term adjustment to higher capital costs. To the extent that the financial crisis has led to a permanent increase in risk aversion – or perhaps more appropriately a return to levels of risk aversion that prevailed prior to the credit boom – there will be a permanently higher cost of capital. This in turn implies lower equilibrium output over the medium term (Box 4.2), which is incorporated in the medium-term projections beyond 2010.

Assessing effects on structural unemployment

Projecting NAIRUs is difficult given the massive shock to labour markets…

The OECD routinely produces estimates of the structural unemployment rate, defined as the rate of unemployment consistent with stable inflation (the so-called NAIRU, or non-accelerating inflation rate of unemployment).[5] For the purpose of projections, the NAIRU is normally held stable, or, if there are significant structural reforms being implemented, then these are evaluated and the profile of the NAIRU

5. The general background to and details of previous OECD work estimating time-varying NAIRUs via the estimation of a reduced-form Phillips curve equation using a Kalman filter procedure are given by Richardson *et al.* (2000).

Box 4.2. **Gauging the impact of the credit crunch on the capital stock and potential output**

A permanently higher cost of capital relative to output implies lower equilibrium output. The financial crisis has increased the cost of borrowing, and therefore the cost of capital for all businesses except the best-rated corporations. Real borrowing costs for US BBB-rated corporations have risen from about 3½ per cent in the first half of 2007 to above 5½ per cent in the first half of 2009. Part of this shock reflects financial stress that is expected to be temporary in nature. However, financing conditions are unlikely to revert to the low interest rates and compressed credit spreads during the credit boom of 2003-07. The previous US business cycle, which can be dated from end-1990 to end-2001 can be seen as a better gauge of real capital costs than the credit bubble period. US corporate bond yields deflated by expected long-term inflation, which are used as a proxy for real borrowing costs for a representative firm averaged 4½ per cent over the 1991-2001 business cycle.[1] They fell to below 3% on average through the credit boom of 2003-07, implying a shock of about 1½ percentage points (which is equivalent to an increase in the costs of capital of about 8%).

A rough estimate of the effect of this shock on capital accumulation and potential growth has been calculated using a production function to evaluate the output capacity of the business sector.[2] In a partial-equilibrium approach, the interest rate shock translates into an 8% increase in the real unit cost of capital.[3] Gauging the effect of the shock also requires taking into account that the capital stock had only partly adjusted to the artificially high levels induced by depressed real bond rates during the credit boom. This framework leads to estimating that as a result of the shock equilibrium US business sector capital lies 6½ per cent below its 2008 actual level. This in turn means a 2½ per cent fall in the level of US business sector potential output. Assuming that the equilibrium level of government capital is unaffected by the fall in business sector output, the shock implies a 2% fall in US economy-wide potential GDP.

If the scrapping rate of the capital stock remains constant despite the shock and investment is made at its "optimal replacement" level, 80% of the adjustment would have taken place by 2017, implying a 0.2 percentage point reduction in US potential growth per annum. In practice, however, investment has fallen well below "optimal" levels during the downturn, implying that the capital stock is adjusting to its equilibrium level at a faster rate during the short-term projection period. In the present set of projections, the capital stock adjustment reduces potential growth by 0.8 and 0.9 percentage points in the United States in 2009 and 2010, meaning that 85% of the adjustment takes place in these two years. As a result the shock merely reduces potential output growth by 0.04 percentage point *per annum* from 2011 to 2017 in the United States. In the 2011-17 period, the same small estimated effect has been applied to other countries because of lack of available historical data on BBB yields outside the United States.

1. Bond yields are taken from Datastream. Anticipated inflation is as expected for the CPI over the following ten years by the professional forecasters surveyed by the Federal Reserve Bank of Philadelphia.
2. A Cobb-Douglas specification has been used with a US business sector capital share of 37% based on the *OECD Economic Outlook 84* database.
3. The real unit cost of capital is equal to the real interest rate plus the depreciation rate, which is estimated at 16% for the United States on *OECD Economic Outlook 84* data

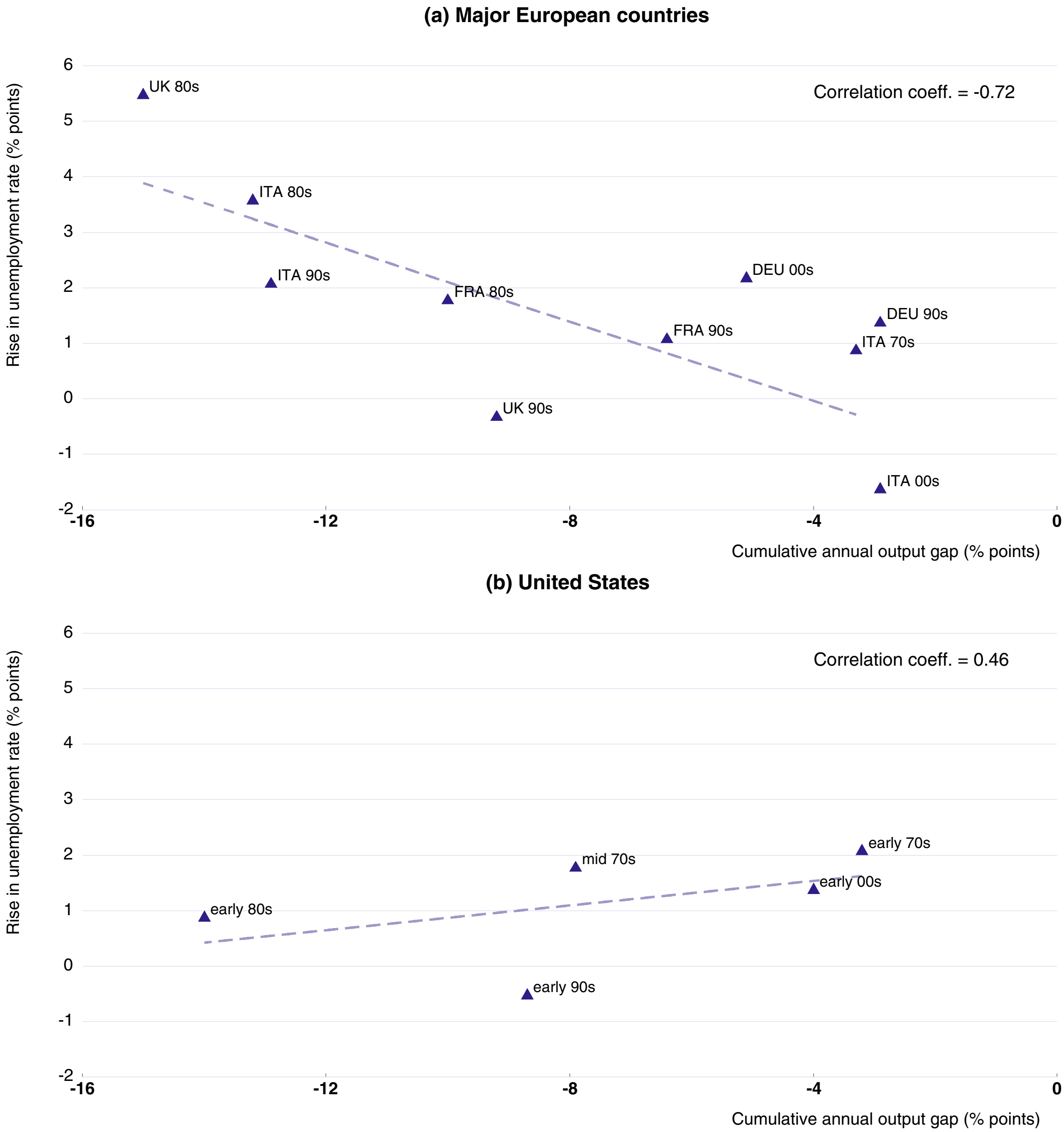
Source: Cournède, B. (2009), "Gauging the impact of higher capital and oil costs on trend growth", *OECD Economics Department Working Papers*, forthcoming.

adjusted accordingly. However, this procedure is likely to be inadequate for projecting structural unemployment over a period when labour markets experience such a severe adverse shock.

... and because of hysteresis-type effects in some countries

A particular concern is that much of the substantial increase in unemployment is transformed into higher structural unemployment as a result of so-called hysteresis' effects. Thus, following severe downturns in the major European economies over recent decades, even once output has returned to potential, there has been a rise in unemployment which is typically proportional to the severity of the recession (Figure 4.2).[6] Conversely, for most non-European economies, and in particular the United States, no such relationship appears to hold, or otherwise is much

Figure 4.2. **European unemployment ratchets up following severe recessions**



Note: The scatter plot shows the increase in the unemployment rate from the quarter when the output gap was closest to zero prior to a severe downturn to the quarter when the output gap was again closest to zero following it. Only downturns where the cumulative annual output gap exceeds 2 percentage points are considered.

Source: OECD Economic Outlook 85 database, OECD calculations.

StatLink http://dx.doi.org/10.1787/658338050564

6. A notable exception is the United Kingdom which, as illustrated in Figure 4.2, experienced a major downturn during the early 1990s, but once output had recovered, the unemployment rate was no higher than prior to the downturn. This is likely to reflect relatively flexible labour markets (Kongsrud and Wanner, 2005).

weaker. Such effects might arise because workers that remain unemployed for a long period may become less attractive to employers, as a result of declining human capital or because their intensity of job search diminishes (Machin and Manning, 1998). As a result, the long-term unemployed put less downward pressure on wages and inflation and so can contribute to the persistence of unemployment.

The incidence of long-term unemployment rises with higher unemployment

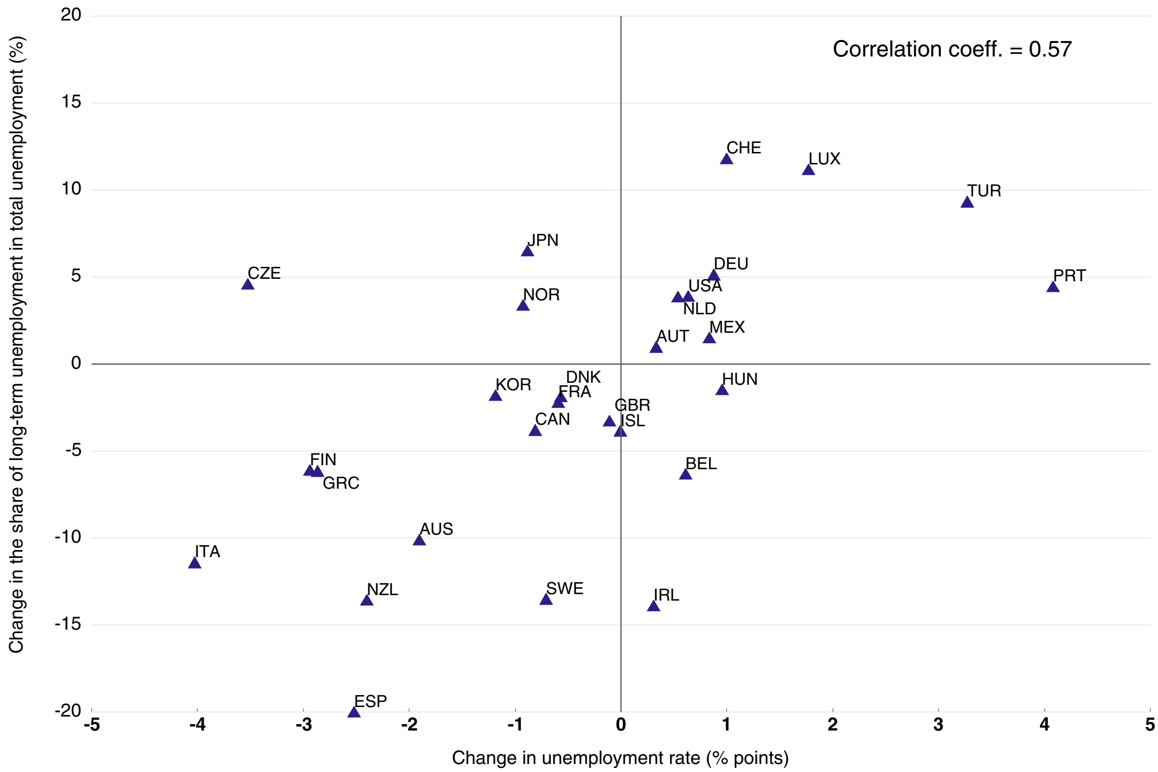
Long-term unemployment, which is thus a crucial element in hysteresis mechanisms, tends to rise with actual unemployment (after a little while). Indeed, a stylised feature of cross-country data is that changes in the incidence of long-term unemployment (*i.e.* the share of those unemployed for more than 12 months in total unemployment) are positively correlated with changes in the aggregate unemployment rate (Figure 4.3, see also OECD, 2002). This is also a general feature of a set of simple dynamic equations linking long-term unemployment to actual unemployment which are used to provide conditional projections of long-term unemployment, based on projections of aggregate unemployment.[7]

Long-term unemployment exerts less pressure on inflation

There is not, however, a one-to-one relationship between changes in long-term unemployment and changes in structural unemployment; the strength of this link depends *inter alia* on the relative effect of long- and short-term unemployment on wage bargaining and inflation. A number of studies suggest that across virtually all OECD countries the long-term unemployed exert significantly less pressure on wages than the short-term unemployed, but they do exert some effect. Llaudes (2005), which is the more recent of these studies, finds that the relative impact of the long-term unemployed on wages and prices varies across countries and is systematically much lower in continental Europe than in non-European countries. This implies that the share of the increase in long-term unemployment that is translated into structural unemployment is larger in Europe than elsewhere.[8]

7. Details of the equations used to project long-term unemployment can be found in a technical note "Adjustments to the OECD method of projecting the NAIRU" which is available online at *www.oecd.org/dataoecd/56/9/43098869.pdf*. This note also provides details of how the projections of unemployment have been translated into increases in long-term and structural unemployment.
8. For European countries, Llaudes (2005) typically finds that an increase in long-term unemployment only has one-quarter the inflationary effect of an equivalent increase in short-term unemployment. This result can be interpreted as showing that a 4 percentage point increase in long-term unemployment would be required to have the same effect on inflation as a 1 percentage point in short-term unemployment, so that three-quarters of the rise in long-term unemployment might be considered as increasing the NAIRU. To take into account that there have been important reforms in the European labour markets to increase their flexibility, NAIRU estimates in the present study are based on the assumption that the share of long-term unemployment that translates into increases in the NAIRU in Europe is two-thirds instead of three-quarters. In the case of the United Kingdom a lower share of one-third (similar to that for non-European countries) was used to take into account less tight employment protection and more flexible labour markets than in the rest of Europe.

Figure 4.3. **Changes in the incidence of long-term unemployment and aggregate unemployment, 2000-07**



Source: OECD Economic Outlook 85 database; OECD calculations.

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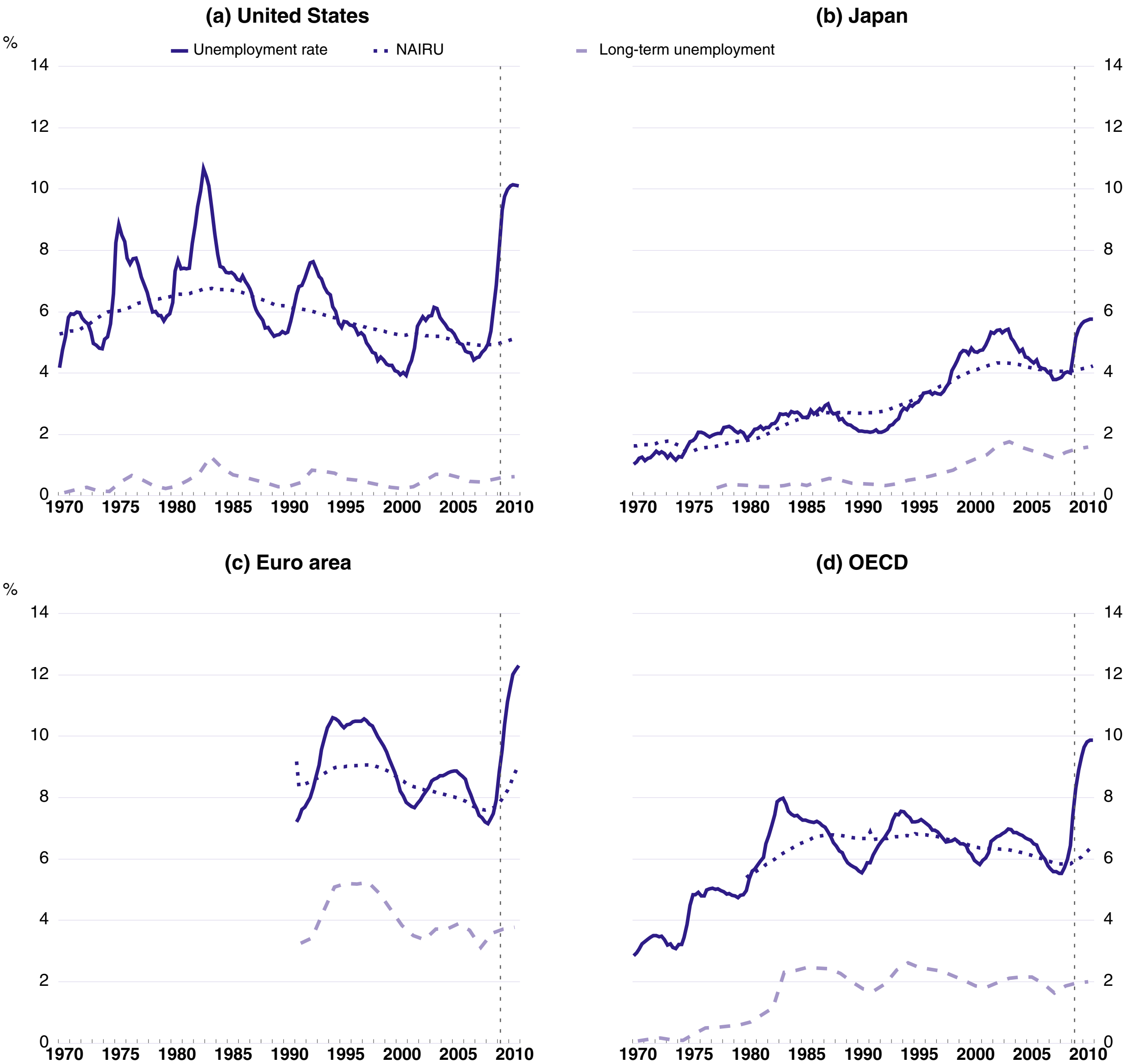
Projections of the NAIRU are derived from these results…

Based on this approach, increases in structural unemployment due to hysteresis-type effects were projected to 2010 and beyond. There are substantial cross-country differences in these projections resulting partly from different projections of the increase in actual unemployment, but also based on the differential responses of long-term unemployment and the proportion of the increase in long-term unemployment that becomes structural unemployment (Figure 4.4). In particular, on this basis, for the United States and Japan the expected increase in the structural unemployment rate is only 0.1-0.2 percentage points between the end of 2007 and end of 2010, while for the euro area as a whole the increase is much greater at 1½ percentage points, implying a structural rate of unemployment of 9%. To put the latter increase in perspective, on the basis of OECD estimates, it took more than a decade for the euro area structural unemployment rate to fall by a similar magnitude to a low of just over 7½ per cent in early 2008.

… but the size and timing of changes is uncertain

In practice there is of course great uncertainty not just about the magnitude of these effects but also about the speed with which they materialise. Thus, by 2010, while long-term unemployment will go up, the group of long-term unemployed may have been unemployed for a shorter

Figure 4.4. **Unemployment, long-term unemployment and NAIRUs, 1970-2010**



Source: OECD Economic Outlook 85 database; OECD calculations.

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period on average than was the case for the period over which wage responses to long-term unemployment were estimated. Hence, the long-term unemployed could still play a significant role in wage bargaining, implying that structural unemployment may be overestimated in 2010, with the run-up coming later than assumed. Beyond 2010, and even if unemployment peaks in that year, given the lags in the operation of hysteresis effects there is a further increase in structural unemployment in 2011 and 2012. However, on average, three-quarters of the estimated total capital stock adjustment (see Box 4.2) and three-quarters of the rise in structural unemployment due to hysteresis effects, will have already taken place.

Putting all the revisions together

The average revision to the level of potential in 2010 is more than 2%

The total effect of downward revisions to potential output since the previous *Economic Outlook* published in December 2008 are summarised and decomposed in Table 4.1.[9] For most countries the largest contribution to these revisions comes from changes to the contribution of capital,

Table 4.1. **Contributions to changes in potential output growth, 2009-10**

Percentage point pa differences in the potential growth rate

	2009				2010				
	from Potential Employment	from Total Factor Productivity	from Capital	Total	from Potential Employment	from Total Factor Productivity	from Capital	Total	Cumulative Contribution 2009-10
Australia	0.0	0.0	-0.1	-0.1	-0.2	0.0	-0.6	-0.7	-0.8
Austria	-0.2	-0.2	-0.8	-1.2	-0.3	-0.1	-1.2	-1.6	-2.8
Belgium	-0.1	0.0	0.3	0.1	-0.5	0.0	-0.1	-0.6	-0.5
Canada	-0.1	0.0	-0.4	-0.5	-0.1	0.0	-0.6	-0.8	-1.3
Denmark	0.1	0.0	-0.3	-0.1	-0.3	0.0	-0.5	-0.9	-1.0
Finland	0.1	0.0	-0.6	-0.5	-0.3	0.0	-1.2	-1.5	-2.0
France	-0.1	-0.1	-0.3	-0.5	-0.3	0.0	-0.5	-0.7	-1.2
Germany	0.0	0.0	-0.3	-0.3	-0.5	0.0	-0.6	-1.1	-1.4
Greece	-0.3	-0.2	-0.5	-1.0	-0.3	-0.2	-0.6	-1.1	-2.1
Ireland	-1.5	-1.1	-1.7	-4.3	-2.1	-1.1	-2.8	-6.1	-10.4
Italy	-0.3	0.0	-0.8	-1.1	-0.7	0.0	-1.0	-1.7	-2.7
Japan	-0.2	-0.1	-0.4	-0.6	-0.1	0.0	-0.5	-0.6	-1.2
Netherlands	-0.1	0.0	0.0	-0.1	-0.5	0.0	-0.3	-0.8	-0.9
New Zealand	0.0	0.0	-1.2	-1.2	0.0	0.0	-1.6	-1.6	-2.8
Poland	0.0	-0.3	-0.2	-0.4	-0.3	-0.1	-0.5	-0.9	-1.3
Portugal	-0.1	0.0	-0.4	-0.6	-0.5	0.0	-0.6	-1.1	-1.7
Spain	-1.4	0.0	0.1	-1.3	-1.3	0.1	-0.2	-1.4	-2.7
Sweden	-0.1	0.0	-0.3	-0.3	-0.3	0.0	-0.8	-1.1	-1.4
United Kingdom	-0.2	0.4	-0.2	0.0	-0.4	0.2	-0.7	-0.8	-0.8
United States	-0.1	0.0	-0.5	-0.6	-0.1	0.0	-0.8	-0.9	-1.5
Simple average	-0.2	-0.1	-0.4	-0.7	-0.4	-0.1	-0.8	-1.3	-2.0
Weighted average[1]	-0.2	0.0	-0.4	-0.6	-0.3	0.0	-0.7	-1.0	-1.5

Note: Differences are between current projections and those of the previous Economic Outlook (No.84).

1. Weight reflecting size of GDP.

Source: OECD Economic Outlook 85 and 84 databases.

StatLink http://dx.doi.org/10.1787/661861738301

9. For the *Interim Economic Outlook* published in March 2009 it was decided to keep estimates of potential output unchanged from those published in *Economic Outlook* of December 2008, although it was explicitly recognised that this probably implied an over-estimate of potential output.

which on average reduces potential output growth by about ½ and ¾ percentage point *per annum* in 2009 and 2010, respectively. The contribution of reduced potential employment growth (reflecting the higher NAIRU) to potential growth also tends to increase between 2009 and 2010 reflecting lags in the operation of hysteresis effects. As discussed, such effects are typically much larger for European economies; they are particularly large in Ireland and Spain, but for each of the largest European economies they reduce potential growth by ¼ to ½ per cent in 2010. The simple average across countries of the cumulative downward revision to the level of potential output in 2010 is about 2%, somewhat below the average of national authority revisions cited in Box 4.1. The implied downward revision to the level of OECD potential output in 2010 is about 1½ per cent, less than the simple average across all countries reflecting the smaller effect on potential employment in the larger non-European countries, especially the United States and Japan. By 2017 the reduction in OECD potential output is around 2¾ per cent (see below).

But there is great uncertainty surrounding these revisions

It should, however, be emphasised that not only is there great uncertainty surrounding the quantification of these reductions in potential output, but also that methodological issues concerning the use of statistical filters in the estimation of potential are particularly pertinent currently (Box 4.3). Furthermore, there are other mechanisms by which the crisis might impact on potential which have not been systematically considered at all, such as effects on labour force participation. As already mentioned, the fall in the value of their retirement pensions due to the financial crisis may induce some workers to stay longer than planned in the labour force

Box 4.3. **The sensitivity of output gap estimates to the end-point treatment**

A pervasive problem in estimating potential output and the output gap is the “end-point problem” which arises because most methods, even those that rely on a production function framework, use statistical filters to smooth at least some of the input series to identify the underlying trend. This is the case for series including labour force participation, working hours, and total factor productivity. The end-point problem arises because if the last historical value of a series is at a cyclical peak or cyclical trough, the corresponding filtered series can give a misleading representation of the underlying trend. To overcome this, a common approach is to apply the filter to the historical series supplemented by projected values.

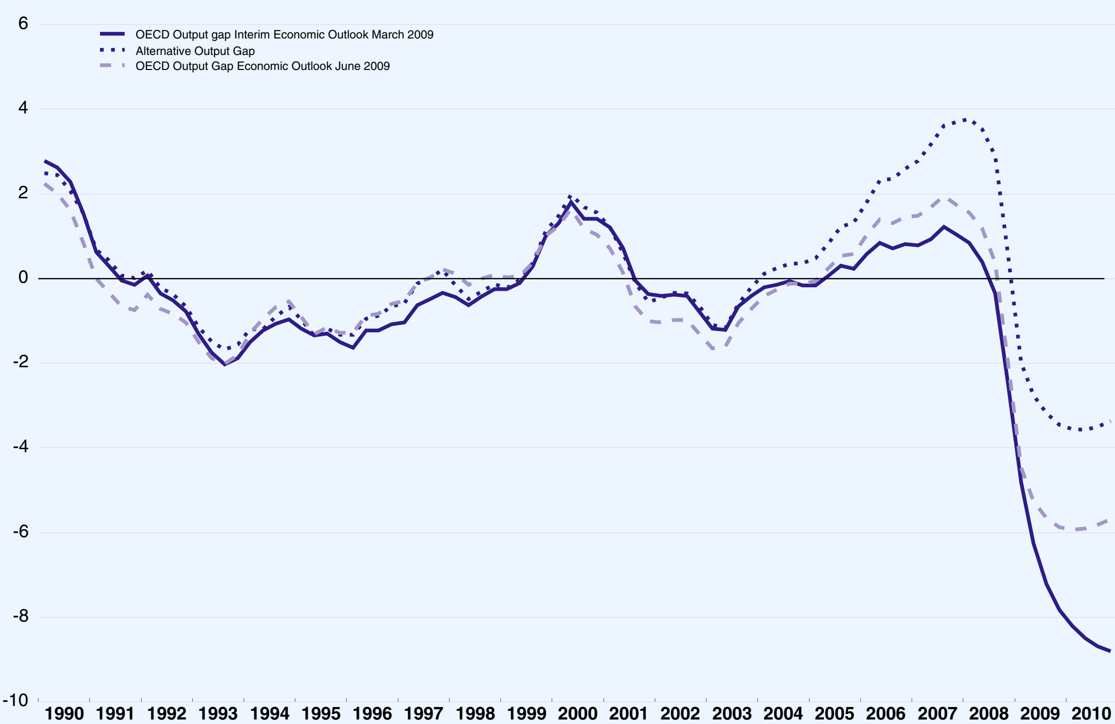
The treatment of the end-point is, however, of much greater importance than usual in the current conjuncture because of the abruptness of the collapse in output. Following the normal procedure (of filtering history supplemented with updated projections) drags down potential output estimates not only over the period when the crisis most affected output (*i.e.* from the fourth quarter of 2008) but also over preceding years, given the two-sided nature of the filter being used (as well as the severity of the downturn). If applied mechanically, this would imply a much larger positive output gap (*i.e.* output exceeding potential) in the period prior to the crisis than was previously estimated in the *March 2009 Interim Economic Outlook* (and previous *Economic Outlooks*), as illustrated by the “alternative output gap” in the Figure below. This scenario might be caricatured as a “pronounced global boom-bust”, in contrast with the “bust without boom” view, which suggests a sudden crash in the global economy occurred at the end of 2008 following limited excess demand pressure (represented by the *March 2009 Interim Economic Outlook* output gap in the figure below).[1]

Box 4.3. **The sensitivity of output gap estimates to the end-point treatment** *(cont.)*

These two extreme hypotheses have different implications for the role of macroeconomic policy errors in the crisis.[2] On the "boom-bust" view, an unsustainable positive output gap clearly had built up prior to the crisis. However, this hypothesis sits uneasily with the limited signs of substantial upward pressure on core measures of consumer price inflation prior to the crisis. Nonetheless, it might be argued that inflationary pressures instead materialised in the form of credit and asset market bubbles and pressure on commodity prices. Under this interpretation, monetary policy would have been overly easy before the crisis,[3] whereas no such implication flows from the "bust without boom" hypothesis.

The current estimates of potential output fall somewhere in between the two extremes. Thus, for the current estimates of potential, the historical values of the input series in question were supplemented with a vintage of projections that were made prior to the crisis. This results in a more abrupt fall in potential output, but only since the onset of the crisis. Relative to the *March 2009 Interim Economic Outlook,* the current estimates imply a slightly larger excess demand gap in the period preceding the crisis, and a smaller excess supply gap following it (Figure).

The sensitivity of output gap estimates to the end-point treatment



Source: OECD Economic Outlook database and OECD calculations.

StatLink http://dx.doi.org/10.1787/658433476067

1. This comparison is similar to the one conducted by R. Chote (2009), "A bust without a boom?" Institute for Fiscal Studies, April, (*www.ifs.org.uk/publications/4513*).
2. Monetary policy implications of measurement error in output gaps are discussed in Orphanides *et al.* (2000). A related issue, examined by Orphanides and van Norden (2002), is the inferior reliability of output gap estimates based on real-time data for predicting inflation.
3. This view is supported by the findings of Ahrend *et al.* (2008) and Taylor (2008).

in some countries. On the other hand, with high unemployment, discouraged workers may exit – or not join – the labour force. Another factor creating uncertainty over the direction of labour force changes is the response of migration flows to the economic downturn. Since international migration tends to be cyclical, a global economic downturn may reverse the inflow of migrant workers into many OECD countries observed over recent history, with consequences on labour supply and the NAIRU.[10] The crisis is also likely to lead to a reallocation of labour across sectors with potential effects on productivity and, to the extent the reallocation is unsuccessful, unemployment. Finally, policy responses may either mitigate or further exacerbate some of the adverse effects on potential output of the crisis, as discussed further in the following section.

A medium-term scenario to 2017

The starting point of the medium-term scenario is far from equilibrium

A medium-term scenario has been constructed by extending the short-term projections using a stylised framework (Box 4.4) underpinned by projections of potential output. While such an exercise is routinely carried out, the current set of short-term projections makes it more difficult than usual because the starting position (in 2010) for most countries is so far from macroeconomic equilibrium, particularly because of large output gaps. For this reason the horizon beyond the short-term projections has been extended to seven years rather than the customary five. Most of the assumptions underlying the scenario, tend to err on the optimistic side, including that: the crisis itself has no permanent adverse effect on the rate of growth of total factor productivity or potential output; output gaps are closed as a result of sustained above-trend-growth (despite significant fiscal consolidation); and most countries do not experience deflation despite continued negative output gaps over this period, and eventually experience a smooth return to targeted inflation by the end of the period. This is consistent with inflation expectations remaining fairly well anchored and with the operation of "speed-limit" effects. A less optimistic assumption is that the slow decrease in actual unemployment does not translate into lower structural unemployment over the period.

The crisis explains only a small part of slowing potential growth beyond 2010

From 2011 onwards the growth rate of area-wide potential output, recovers to average about 1¾ per cent per annum, but this is still below the growth rates of 2-2¼ per cent per annum achieved over the seven years preceding the crisis (Table 4.2). Most of this difference is explained by slower growth in potential employment rather than lower productivity growth. This in turn is due to slower growth both in participation rates and in the working-age population, partly reflecting ageing populations.

10. The effects of immigration on the NAIRU are uncertain and depend on how well immigrants integrate in the labour market. Several studies find evidence suggesting that increased immigration has likely reduced the natural rate of unemployment. For example, see Borjas (2001) for the United Kingdom, and Blanchflower *et al*. (2007) for the United States.

Box 4.4. **Assumptions underlying the medium-term stylised scenario**

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

- The gap between actual and potential output is eliminated by 2017 in all OECD countries.
- Unemployment returns to its estimated structural rate in all OECD countries by 2017. Estimates of the NAIRU are based on Gianella *et al.* (2008), but over the projection period incorporate hysteresis effects as described inthe main text.
- Oil and other commodity prices rise by 3% per annum in real terms beyond 2010.
- Exchange rates remain unchanged in nominal terms.
- Monetary policy rates remain low and are directed at avoiding deflation and, towards the end of the scenario, are normalised in order to bring inflation in line with medium-term objectives.
- Fiscal policies are based on the assumptions that fiscal stimulus packages in operation during 2010 are removed from 2011 onwards. Some further improvement in fiscal balances comes about as automatic stabilisers react to output gaps being closed. The scale of additional consolidation, over and above the removal of fiscal stimulus packages, is assumed to be dependent on the projected 2010 financial balance:
  - Those countries (Denmark, Finland, Hungary, Korea, Norway, Switzerland, Mexico and Sweden) with a financial deficit of less than half of the OECD average in 2010 (*i.e.* 4½ per cent of GDP) are assumed to have no fiscal consolidation over and above the removal of temporary fiscal stimulus packages (as represented by a stable underlying primary fiscal balance).
  - Those countries (United States, United Kingdom, Spain and Ireland) with a financial deficit of more than the OECD average of around 9% of GDP in 2010 are assumed to have a progressive fiscal consolidation of 1 percentage point of GDP (as reflected in an improvement in the underlying primary balance) each year from 2011.
  - Finally all other countries, namely those with a financial deficit of more than 4½ but less than 9% of GDP in 2010, are assumed to have a progressive fiscal consolidation of 1 percentage point of GDP for three years from 2011. These consolidation assumptions are necessarily stylised and do not take into account either initial debt levels or the future fiscal implications of ageing populations, and do not incorporate any official medium-term fiscal consolidation plans beyond 2010.

  It is further assumed that there are no further losses to government balance sheets as a result of asset purchases or guarantees made in dealing with the financial crisis.
- In those countries, where the usual cyclical rebound in corporate taxes from their depressed level in 2010 leaves them well still below historical norms, corporate taxes have been boosted to ensure that by 2017 the corporate tax-to-GDP ratio has at least reached the average experienced over the period 1998-2008.
- Consistent with the analysis set out in Box 4.2, potential growth has been adjusted down marginally from 2011 on for all member countries to reflect the remaining impact, over and above the adjustment in 2009-10, of higher financial risk premia on the supply side. As well, a further limited rise in NAIRUs above 2010 levels is implied by the assumed dynamic adjustment pattern.

The negative contribution to potential output growth from rising structural unemployment in Europe is small (about 0.1% per annum and only in 2011 and 2012). This might be contrasted with the decade prior to the crisis when falling structural unemployment, generally attributed to widespread labour market reforms (OECD, 2008a), was consistently making a (small) positive contribution to potential growth throughout the OECD. Taken together, these estimates of lower potential growth

Table 4.2. **Growth in total economy potential output and its components**

Annual averages, percentage points

	Output gap	Potential GDP growth			Potential labour productivity growth (output per employee)			Potential employment growth			Components of potential employment[1]: *Trend participation rate*			*Working age population*			*Structural unemployment*[2]		
	2010	2006-2008	2009-2010	2011-2017	2006-2008	2009-2010	2011-2017	2006-2008	2009-2010	2011-2017	2006-2008	2009-2010	2011-2017	2006-2008	2009-2010	2011-2017	2006-2008	2009-2010	2011-2017
Australia	-5.8	3.6	2.8	2.4	1.3	1.0	1.3	2.3	1.8	1.0	0.4	0.2	0.1	1.8	1.8	1.0	0.1	-0.2	0.0
Austria	-4.5	1.9	1.0	1.7	1.2	0.5	1.3	0.7	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.1	0.0	-0.4	0.0
Belgium	-7.6	2.5	1.8	1.0	1.3	1.2	1.2	1.2	0.6	-0.2	0.2	0.1	0.1	1.0	0.9	-0.1	0.0	-0.4	-0.1
Canada	-5.4	2.4	1.6	1.7	0.7	0.6	1.2	1.6	1.1	0.4	0.3	0.2	0.1	1.2	1.0	0.4	0.1	-0.1	0.0
Denmark	-5.2	1.7	0.5	1.1	0.8	0.7	1.3	0.8	-0.3	-0.2	0.4	0.0	0.0	0.3	0.0	-0.1	0.1	-0.3	-0.1
Finland	-7.3	3.2	1.8	1.7	2.0	1.6	2.3	1.3	0.3	-0.5	0.7	0.2	0.1	0.4	0.3	-0.5	0.2	-0.3	-0.1
France	-4.9	1.7	1.2	1.4	0.8	0.8	1.1	0.8	0.4	0.3	0.1	0.0	0.0	0.6	0.6	0.4	0.2	-0.3	0.0
Germany	-5.7	1.2	0.8	1.1	0.8	0.9	1.2	0.4	0.0	-0.1	0.7	0.4	0.2	-0.4	-0.1	-0.2	0.1	-0.3	-0.1
Greece	-6.2	3.6	2.7	2.9	2.3	2.3	2.8	1.2	0.4	0.2	0.6	0.5	0.4	0.5	0.3	-0.2	0.2	-0.4	0.0
Iceland	-9.0	5.0	0.8	1.5	2.1	0.8	1.2	2.8	0.0	0.4	-0.6	-0.1	0.0	3.4	0.5	0.4	0.0	-0.4	0.0
Ireland	-8.1	3.9	-1.9	1.6	1.0	-0.1	1.4	2.9	-1.8	0.2	0.5	0.3	0.0	2.4	-0.4	0.4	0.0	-1.7	-0.2
Italy	-5.8	0.9	-0.1	0.9	-0.2	0.3	1.0	1.1	-0.3	-0.1	0.5	0.4	0.2	0.5	0.1	-0.3	0.2	-0.8	-0.1
Japan	-6.1	1.0	0.6	0.8	1.3	1.2	1.6	-0.3	-0.6	-0.8	0.4	0.2	0.2	-0.8	-0.7	-0.9	0.0	-0.1	0.0
Mexico	-7.5	2.5	1.9	2.8	0.6	0.5	1.1	1.9	1.5	1.6	0.1	0.1	0.1	1.8	1.4	1.5	0.0	0.0	0.0
Netherlands	-5.8	2.0	1.3	1.3	1.2	1.1	1.2	0.8	0.1	0.1	0.6	0.4	0.4	0.2	0.2	-0.2	0.0	-0.4	-0.1
New Zealand	-5.1	2.6	1.0	1.8	0.7	-0.1	1.1	1.9	1.1	0.7	0.4	0.3	0.0	1.4	0.9	0.7	0.1	-0.1	0.0
Norway[3]	-3.8	4.0	3.2	2.9	2.2	2.5	2.5	1.7	0.7	0.4	0.2	0.3	0.1	1.3	0.6	0.3	0.2	-0.2	0.0
Poland	-3.8	4.6	4.4	2.1	2.5	2.6	2.7	2.1	1.7	-0.6	-0.5	-0.3	0.0	0.4	0.6	-0.6	2.3	1.4	0.0
Portugal	-5.7	0.8	0.2	0.7	0.3	0.3	0.7	0.5	-0.1	-0.1	0.4	0.2	0.0	0.1	0.1	0.0	-0.1	-0.4	-0.1
Spain	-8.2	3.1	1.2	2.1	0.3	1.7	1.7	2.8	-0.5	0.4	1.0	0.6	0.1	1.7	0.4	0.4	0.1	-1.4	-0.1
Sweden	-8.7	2.9	1.8	1.9	2.0	1.7	1.9	0.9	0.0	0.0	-0.3	-0.2	-0.1	1.1	0.4	0.1	0.1	-0.2	-0.1
Switzerland	-4.8	2.0	1.8	1.4	0.5	1.0	1.7	1.5	0.8	-0.3	0.5	0.1	-0.6	1.0	0.9	0.4	0.0	-0.1	0.0
United Kingdom	-6.4	2.2	1.3	1.7	1.4	1.3	1.6	0.8	0.0	0.1	0.0	0.0	0.0	0.8	0.3	0.2	0.0	-0.3	-0.1
United States	-5.4	2.4	1.5	2.0	1.7	1.0	1.5	0.7	0.5	0.5	-0.4	-0.6	-0.5	1.1	1.2	1.1	0.0	-0.1	0.0
Euro area	-6.0	1.7	0.9	1.3	0.7	0.9	1.2	1.1	0.0	0.1	0.5	0.3	0.2	0.4	0.2	0.0	0.1	-0.6	-0.1
Total of above OECD countries	-5.7	2.1	1.4	1.7	1.3	1.0	1.5	0.8	0.3	0.2	0.0	-0.1	-0.1	0.7	0.6	0.4	0.1	-0.2	0.0

1. Percentage point contributions to potential employment growth.
2. Estimates of the structural rate of unemployment are from Gianella *et al.* (2008), based on the concepts and methods described in OECD (2000).
3. Excluding the oil sector.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/661868767722

beyond 2010 than before the crisis embody effects which are mostly not new nor specifically related to the crisis. Compared to previous OECD medium-term projections (OECD, 2008b), the level of area-wide potential output is lower by about 2¾ per cent in 2017, but the growth rate by that year is little changed, as most of the hit to the level of potential output already took place in the crisis years.

But many underlying assumptions err on the cautious side

Given the assumption that large negative output gaps close, and despite slower potential growth, GDP growth is robust over the period 2011-17, with area-wide growth averaging 2¾ per cent per annum, compared to 2¼ per cent per annum over the period 2000-08 (Table 4.3). Unemployment is falling in all countries, from peaks in 2010, with the area-wide unemployment rate down from 9¾ per cent in 2010 to a rate of 6½ per cent by 2017. However, in most European countries the unemployment rate remains above pre-crisis levels. This stems from the assumption that hysteresis effects are asymmetric in the sense that they tend to raise the NAIRU when unemployment rises, but do not lower the NAIRU when unemployment falls.

Table 4.3. **Stylised medium-term scenario**

Per cent

	Real GDP growth	Inflation rate[1]		Unemployment rate[2]		Long-term interest rate	
	2011-2017	2010	2017	2010	2017	2010	2017
Australia	3.2	2.2	2.5	7.7	5.7	4.3	6.3
Austria	2.3	0.8	2.0	7.9	6.2	4.4	4.9
Belgium	2.2	0.9	2.0	10.6	9.6	4.7	5.0
Canada	2.5	0.9	2.1	9.8	6.9	3.9	5.1
Czech Republic	4.0	1.2	2.1	9.2	8.0	4.8	5.0
Denmark	1.8	1.4	2.0	7.9	5.2	4.2	4.9
Finland	2.9	1.7	2.0	10.8	8.4	4.1	4.8
France	2.1	0.5	2.0	11.2	9.0	4.1	4.8
Germany	1.9	0.4	2.0	11.6	9.7	4.0	4.7
Greece	3.9	1.8	2.0	10.3	9.7	5.6	5.5
Hungary	4.3	3.4	2.1	11.7	8.2	10.3	5.5
Iceland	2.9	2.4	2.8	9.9	3.9	7.7	7.0
Ireland	2.8	-1.4	2.1	14.8	9.4	5.0	5.2
Italy	1.7	1.2	2.0	10.2	8.5	4.8	5.1
Japan	1.7	-1.5	1.1	5.7	4.3	2.0	3.3
Korea	4.9	2.0	3.0	3.9	3.5	5.4	7.0
Luxembourg	5.5	1.2	2.0	7.2	4.4	4.4	4.9
Mexico	3.9	3.2	3.2	6.9	3.2	5.8	6.9
Netherlands	2.2	0.9	2.0	7.0	4.9	4.2	4.8
New Zealand	2.6	1.2	2.1	7.9	4.4	6.1	5.7
Norway	3.5[3]	1.3	2.1	4.3	3.9	3.9	4.7
Poland	2.6	1.7	2.1	11.6	10.2	4.9	5.6
Portugal	1.5	1.0	2.0	11.2	8.0	4.5	5.0
Slovak Republic	5.3	1.9	2.9	13.6	11.6	4.7	5.4
Spain	3.3	0.3	2.0	19.6	12.6	4.8	5.1
Sweden	3.2	0.9	2.0	11.4	7.8	4.0	4.8
Switzerland	2.1	0.6	1.1	5.1	4.1	2.9	3.1
United Kingdom	2.7	1.0	2.1	9.7	6.3	4.4	5.5
United States	2.8	0.8	2.0	10.1	5.2	4.1	5.2
Euro area	2.3	0.7	2.0	12.0	9.4	4.4	4.9
Total OECD	2.7	0.8	2.0	9.8	6.5	4.1	5.0

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

1. Percentage change from the previous period in the private consumption deflator.
2. Per cent of labour force.
3. Including oil-sector.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662001440381

For many countries fiscal consolidation is inevitable

In 2010 fiscal deficits in many countries are large, with a substantial component which is not explained by the cycle (Table 4.4). In these circumstances, the usual technical assumption that there is no further

Table 4.4. **Fiscal trends in the stylised medium-term scenario**

As a percentage of nominal GDP

	Consolidation incl. stimulus removal[1]	Financial balances[2]			Net financial liabilities[3]			Gross financial liabilities[4]		
	2010-2017	2007	2010	2017	2007	2010	2017	2007	2010	2017
No consolidation										
Denmark	2.2	4.5	-4.1	0.8	-4	2	3	32	51	53
Finland	1.7	5.2	-2.8	3.1	-71	-47	-44	41	52	55
Hungary	0.0	-4.9	-4.2	0.8	53	61	45	72	87	61
Korea	1.2	4.7	-2.3	1.1	-36	-31	-21	26	39	49
Norway	0.0	17.7	7.0	8.6	-143	-138	-142	58	72	66
Sweden	2.0	3.8	-4.5	1.5	-20	-6	-8	48	57	56
Switzerland	0.2	1.3	-2.5	-0.3	12	14	18	48	48	52
Three years of consolidation										
Australia	4.8	1.8	-5.0	1.4	-7	0	-1	15	21	21
Austria	3.3	-0.7	-6.1	-1.6	31	43	48	62	79	84
Belgium	3.7	-0.3	-6.1	2.6	73	86	61	88	106	81
Canada	5.0	1.6	-5.9	2.4	23	33	18	64	82	67
Czech Republic	4.2	-0.6	-4.9	2.3	-8	3	-5	38	39	18
France	3.2	-2.7	-7.9	-1.7	34	57	61	70	94	99
Germany	4.7	-0.2	-6.2	1.4	43	57	43	65	84	71
Greece	3.0	-3.9	-6.7	0.0	70	83	65	103	112	94
Iceland	3.0	5.4	-7.2	-0.2	-1	37	39	54	109	110
Italy	3.0	-1.5	-5.8	0.3	87	102	87	112	127	112
Japan	4.2	-2.5	-8.7	-3.2	80	107	114	167	200	208
Luxembourg	4.4	3.6	-4.9	2.7	-45	-42	-30	10	21	8
Netherlands	4.3	0.3	-7.0	3.3	28	38	24	51	77	63
New Zealand	4.5	5.0	-5.0	3.6	-13	-8	-17	26	33	24
Poland	3.3	-1.9	-7.6	-3.1	17	33	47	52	64	78
Portugal	3.0	-2.7	-6.5	-1.0	44	63	64	71	90	91
Slovak Republic	3.8	-1.9	-6.3	1.4	-1	7	1	32	41	21
Seven years of consolidation										
Ireland	7.0	0.2	-13.6	-5.0	0	38	82	28	80	125
Spain	7.9	2.2	-9.6	2.7	19	43	40	42	68	66
United Kingdom	7.1	-2.7	-14.0	-5.6	29	61	97	47	89	125
United States	9.4	-2.9	-11.2	-0.5	43	69	74	63	98	103
Euro area		-0.7	-7.0	0.7	44	58	53	71	89	85
Total of above countries		-1.4	-8.8	-0.5	39	60	63	74	100	104

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

The projections assume that fiscal stimulus packages in operation during 2010 are removed from 2011 onwards.The scale of additional consolidation, over and above the removal of fiscal stimulus packages, is assumed to be dependent on the initial financial balance. Those countries with a financial deficit of less than 4½ per cent of GDP in 2010 are assumed to have no additional fiscal consolidation. Those countries, with a financial deficit of more than 9% of GDP in 2010 are assumed to have a progressive additional fiscal consolidation of 1 percentage point of GDP (as reflected in an improvement in the underlying primary balance) each year from 2011, lasting seven years to 2017. Finally all other countries, namely those with a financial deficit of more than 4½ but less than 9% of GDP in 2010, are assumed to have a progressive additional fiscal consolidation of 1 percentage point of GDP each year from 2011, lasting three years. No attempt has been made to incorporate any official medium-term fiscal consolidation plans beyond 2010.

1. Assumed fiscal consolidation in terms of percentage points of GDP improvement in the underlying balance, including the removal of fiscal stimulus packages in operation in 2010.
2. General government fiscal surplus (+) or deficit (-) as a percentage of GDP.
3. Includes all financial liabilities minus financial assets, as defined by the System of National Accounts (where data availability permits) and covers the general government sector, which is a consolidation of central government, state and local government and the social security sector.
4. Includes all financial liabilities, as defined by the System of National Accounts (where data availability permits) and covers the general government sector, which is a consolidation of central government, state and local government and the social security sector. The definition of gross debt differs from the Maastricht definition used to assess EU fiscal positions.

Source: OECD Economic Outlook 85 database.

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fiscal consolidation over the medium term seems inappropriate. Indeed, fiscal consolidation is inevitable for many countries, as is already recognised by many OECD governments which have announced plans for moving back towards more sustainable fiscal positions (Box 4.5).

Box 4.5. **Medium term fiscal consolidation plans**

In reaction to the widening fiscal deficits and rising government debt resulting from policy responses to the financial crisis, governments of several countries have announced medium term plans to consolidate budget balances, which are not reflected in the current medium-term baseline scenario. Information provided on the specific measures proposed to achieve these plans varies by country, as well as the certainty with which they will be implemented, and are described below where available.

United States: Administration plans to consolidate fiscal balances aim to reduce the federal budget deficit to 3.5% of GDP in 2012. The proposed measures include the scheduled expiry of tax provisions originating in 2001 and 2003, an increase in tax rates on capital gains and dividends, an extension of estate taxes, and a reduction in itemised deductions.

Germany: A reformed fiscal rule has been adopted by Parliament and is to be implemented in 2011, requiring the structural budget deficit to not exceed 0.35% of GDP for the central government, and balanced structural budgets for the *Länder*. The planned transition path will allow higher, but steadily decreasing structural deficits until 2015 for the central government, and until 2019 for the *Länder*.

Italy: Fiscal plans intend to keep the underlying fiscal deficit constant at 2.9% of GDP in 2011, and increase the underlying primary surplus from 2.5% of GDP in 2010 to 2.8% of GDP in 2011, although no specific measures have been communicated.

United Kingdom: The UK Government foresees an annual average fiscal consolidation of 1⅓ per cent of GDP from 2010 to 2014, towards a target of reducing the structural deficit by 8¾ per cent of GDP by 2018. Specific consolidation measures announced up to date include tax increases on fuel, alcohol and tobacco, an increase in the top income tax rate, higher social security contributions, lower growth in current spending and reductions in public net investment.

Australia: A commitment to hold real growth in government spending below 2% per year has been announced, aiming to halve the budget deficit by 2012-13 and achieve a surplus by 2015-16.

Austria: An intention to reduce the budget deficit below 3% of GDP by 2012 has been announced.

Belgium: The medium term objective of a balanced budget in 2015 has been specified, involving a structural tightening of about 1% of GDP per year from 2010 onwards. The tightening in each individual year is to remain growth-dependent and no concrete measures to achieve the objective have been proposed.

Denmark: The tax reform package aims to begin removing fiscal stimulus in 2011, with measures phased in gradually to ensure the package is budget neutral by roughly 2013. Measures include higher taxes on pollution and energy consumption, and cuts to the tax deductibility of employment-related expenses and mortgage interest payments.

Ireland: Planned consolidation measures aim to achieve a fiscal deficit of 3% of GDP by 2013. A combination of spending and revenue measures amounting to over 2.5% of GDP is planned for each of 2010 and 2011, and further consolidation is planned for 2012 and 2013.

Netherlands: An announced spending cut is planned in 2011, conditional on growth, with plans to reduce the deficit by at least 0.5% of GDP per year beyond 2011. Expenditure reductions will in part affect childcare and health subsidies.

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Box 4.5. **Medium term fiscal consolidation plans** *(cont.)*

New Zealand: Plans to achieve fiscal sustainability involve overall savings of 4% of GDP, in large part over 2011-13. Proposed measures include a delay of the planned personal income tax cut over 2010-11 (until economic and budget conditions allow reconsideration), and a reduction of the operating allowance for new spending in future budgets.

Portugal: Fiscal consolidation plans (suspended since the financial crisis) are planned to resume upon the recovery of economic conditions, with the objective of reducing the structural budget deficit by 0.5% of GDP per year. Intentions include reforms to public administration, primarily through reducing public sector employment, as well as using public sector resources more efficiently.

Spain: An intention to reduce the budget deficit to 3% of GDP by 2012 has been announced. No specific decisions have yet been taken, but measures have been proposed to impose ceilings with respect to household income on the deductibility of interest and amortisation of new mortgages from owner occupiers' income tax liabilities, beginning in 2011.

The scale of action needs to be ambitious...

The extent of future fiscal consolidation depends, by assumption, on the initial financial balance.[11] Those countries with a financial deficit of less than half of the OECD average (*i.e.* 4½ per cent of GDP in 2010) are assumed to have no fiscal consolidation (as represented by a stable underlying primary fiscal balance after 2011) apart from the removal of stimulus packages introduced in response to the crisis. Those countries with a financial deficit of more than 4½ per cent of GDP but less than the OECD average (*i.e.* around 9% of GDP in 2010) are assumed to have a progressive fiscal consolidation, by which the underlying primary balance is strengthened by an additional 1 percentage point of GDP for three years. Finally, those countries with a financial deficit of more than the OECD average of around 9% of GDP in 2010 are also assumed to have a progressive fiscal consolidation of 1 percentage point of GDP each year, but for seven years. The form of these consolidation assumptions is necessarily stylised and does not take into account either initial debt levels or the future fiscal implications of ageing populations, and does not incorporate any official medium-term fiscal consolidation plans beyond 2010.[12] Furthermore, it is assumed that fiscal stimulus packages in operation during 2010 are removed and that there are no further losses to government balance sheets as a result of asset purchases or guarantees made in dealing with the financial crisis. Likewise, effects on public budgets from population ageing and continued upward pressures on health spending are not explicitly included or, put differently, implicitly assumed to be offset by other budgetary measures.

11. These fiscal consolidation assumptions are in addition to the removal, from 2011 onwards, of the effect of any fiscal stimulus package in 2010.
12. In those countries, where the usual cyclical rebound in corporate taxes from their depressed level in 2010 leaves them well still below historical norms, corporate taxes have been boosted to ensure that by 2017 the corporate tax-to-GDP ratio has at least reached the average experienced over the period 1998-2008.

... but is not unprecedented...

The scale of the assumed fiscal consolidations, judged by historical experience, is ambitious but not unprecedented. Most of the 85 fiscal consolidation episodes among 24 OECD countries identified by Guichard *et al.* (2007), were of short duration (the median duration was two years) and involved only modest gains (the median improvement of the underlying primary balance was 2.8% of potential GDP). Nevertheless, 31 lasted for at least three years including three lasting for at least seven years. 39 episodes involved an improvement of the underlying primary balance by at least 3% of potential GDP, including nine episodes involving an improvement of the underlying primary balance by at least 7% of potential GDP. Two episodes lasted for at least seven years and involved an average effort of 1% point per year; they both took place in Sweden after the second oil shock and then the banking crisis of the early 1990s. The assumed fiscal consolidation does, however, deviate from past patterns in being highly synchronised across countries, involving little compensatory effects from external demand during the adjustment, even in countries most open to trade.

... with an emphasis on expenditure cuts rather than higher taxes...

The assumed fiscal consolidation takes the form of lower government primary expenditures, partly because there is some evidence that this is more likely to achieve substantive and sustained fiscal consolidation, but also because raising tax revenues is likely to have adverse consequences on supply-side potential. Previous OECD work suggests that more successful fiscal consolidation episodes tend to be associated with clear prior commitment, for example embodied in credible fiscal targets or expenditure rules.[13] There is also evidence that the composition of fiscal consolidation is important for saving and growth, with spending based consolidation resulting in lower household saving and higher GDP growth (Bassanini *et al.*, 2001; Ardagna, 2004 and 2007). Cournède and Gonand (2006), in the context of a dynamic general equilibrium model with overlapping generations, argue that tax increases are a more costly way of achieving fiscal sustainability than spending restraint. However, given the size of the required adjustment in many countries, assuming that it will happen only through spending cuts alone, and that these will have no negative supply-side consequences, probably errs on the optimistic side. Insofar as tax increases may also become necessary, recent OECD evidence (Johansson *et al.*, 2008) finds that among taxes, corporate taxes are the most harmful for growth, followed by personal income taxes, then consumption taxes, with recurrent taxes on immovable property having the least impact.

13. For evidence regarding the relative effectiveness of previous fiscal consolidation efforts see Guichard *et al.* (2007), who find that fiscal rules with embedded expenditure targets tended to be associated with larger and longer adjustments. This could reflect that well designed fiscal rules are effective or, alternatively, that countries supplementing the objective to achieve fiscal balance with expenditure rules are in general more committed to pursuing fiscal consolidation, and in particular to addressing issues regarding spending control.

… and would contain the increase in debt levels

Under the assumptions made – including no further losses related to financial rescue programmes and health and ageing-based spending pressures being offset from within budgets – fiscal consolidation as described would be sufficient to return budgets to surplus or at least move a substantial part of the way. Moreover, virtually all countries would be running a surplus on the primary balance (the fiscal balance excluding net interest receipts) by 2017. For about half of all OECD countries it would also be sufficient to contain the increase in the gross government debt-to-GDP ratio to within 10 percentage points of pre-crisis (2007) levels. Important exceptions where gross debt increases by 40% of GDP or more include Iceland, Ireland, Japan, the United Kingdom and the United States. In Japan, even after fiscal consolidation, gross government debt would remain above 200% of GDP. Area-wide gross government debt in 2017 would rise by 30% of GDP relative to pre-crisis levels, but most of this increase would already have taken place by 2010, so that the fiscal consolidation outlined here would be sufficient to contain any further increase in OECD-wide debt during the recovery period.

Variants around the stylised medium-term scenario

Variant scenarios focus on the fiscal position and potential output

Given the uncertainties surrounding medium-term prospects, a number of variants are considered, with a focus on the sensitivity of the fiscal position to alternative assumptions concerning long-term interest rates, the underlying fiscal starting point and potential output (Table 4.5).

Higher long-term interest rates

Higher interest rates would further worsen fiscal positions

The sensitivity of interest rates to fiscal imbalances carries the risk that higher fiscal deficits and government debt will provoke an increase in long-term interest rates. A variant simulation, in which long-term interest rates rise by an additional 1 percentage point, focuses just on the effect that higher interest rates would have on government finances through higher debt service (a reduction in long-term interest rates by a similar amount would have the opposite effect). Hence, no supply-side ramifications are taken into account. Those countries that are more highly indebted are more vulnerable to any given rise in interest rates (and, by the same token, would have more to gain from any reduction in interest rates). Thus among the more heavily indebted countries, each additional percentage point rise in interest rates would add about 1¼ percentage points to fiscal deficits by 2017 with gross debt up by 5-6% of GDP. Of course, the effects would be more serious if there were adverse consequences for output, particularly if potential output was reduced. In practice some countries are likely to be more vulnerable than others to higher interest rates. Evidence reviewed in OECD (2009) suggests that for a given worsening in the fiscal position, effects on interest rates may be larger in those countries with a poor fiscal track record and for those countries which start from a weaker fiscal position, particularly those

Table 4.5. **Sensitivity of fiscal projections to alternative assumptions**

2017, as a percentage of nominal GDP

	Financial balance							Gross financial liabilities						
		Higher interest rates[1]		Higher initial balance[2]		Lower NAIRU[3]			Higher interest rates[1]		Higher initial balance[2]		Lower NAIRU[3]	
	Stylised scenario	Effect	New level	Effect	New level	Effect	New level	Stylised scenario	Effect	New level	Effect	New level	Effect	New level
Australia	1.4	-0.2	1.2	1.0	2.4	0.4	1.8	21.2	0.7	21.9	-5.7	15.6	-1.7	19.5
Austria	-1.6	-0.7	-2.3	1.4	-0.2	0.5	-1.1	84.2	2.7	86.9	-7.6	76.5	-2.5	81.6
Belgium	2.6	-0.9	1.8	1.3	3.9	0.4	3.1	81.3	4.0	85.3	-7.3	74.0	-1.9	79.4
Canada	2.4	-0.7	1.6	1.6	4.0	0.3	2.7	67.3	2.6	70.0	-8.5	58.8	-1.9	65.4
Czech Republic	2.3	-0.1	2.3	1.4	3.8	0.3	2.6	17.8	0.0	17.8	-7.4	10.4	-2.0	15.8
Denmark	0.8	0.1	0.9	1.0	1.8	0.4	1.2	52.7	-0.2	52.4	-5.8	46.8	-2.2	50.5
Finland	3.1	0.4	3.4	1.1	4.1	0.2	3.3	55.2	-2.1	53.0	-6.2	48.9	-1.3	53.8
France	-1.7	-0.8	-2.5	1.2	-0.5	0.5	-1.2	98.7	3.4	102.1	-6.9	91.8	-2.8	95.9
Germany	1.4	-0.7	0.8	1.2	2.7	0.3	1.8	70.8	2.9	73.7	-7.0	63.7	-2.1	68.7
Greece	0.0	-1.0	-1.0	1.3	1.3	0.4	0.4	93.6	4.2	97.8	-6.8	86.9	-2.2	91.4
Hungary	0.8	-0.7	0.1	1.1	1.9	0.5	1.3	60.6	2.6	63.2	-5.9	54.7	-3.1	57.5
Iceland	-0.2	-0.9	-1.1	1.9	1.6	0.6	0.4	110.2	3.1	113.3	-10.1	100.2	-3.0	107.2
Ireland	-5.0	-0.8	-5.8	1.3	-3.7	0.4	-4.6	124.5	2.8	127.4	-7.3	117.2	-2.1	122.4
Italy	0.3	-1.2	-0.8	1.3	1.7	0.4	0.8	112.0	5.3	117.3	-7.4	104.5	-2.9	109.1
Japan	-3.2	-1.3	-4.6	1.2	-2.1	0.3	-2.9	207.7	5.9	213.6	-6.7	201.0	-2.3	205.4
Korea	1.1	0.1	1.2	1.0	2.2	0.0	1.2	49.4	-0.6	48.8	-5.6	43.8	-0.4	49.0
Luxembourg	2.7	0.2	2.9	1.0	3.7	0.2	2.9	7.9	-1.5	6.4	-5.5	2.4	-1.5	6.4
Netherlands	3.3	-0.6	2.8	1.4	4.7	0.3	3.6	63.2	2.2	65.4	-7.8	55.4	-1.9	61.3
Norway	8.6	1.0	9.6	1.0	9.6	0.2	8.8	65.5	-5.0	60.6	-4.0	61.5	-0.3	65.3
Poland	-3.1	-0.6	-3.7	1.3	-1.8	0.3	-2.7	77.8	2.4	80.2	-7.3	70.5	-1.9	75.9
Portugal	-1.0	-0.9	-1.9	1.3	0.3	0.5	-0.5	91.3	3.6	95.0	-7.3	84.0	-3.0	88.3
Slovak Republic	1.4	-0.4	1.0	1.4	2.8	0.6	2.0	21.1	1.1	22.2	-7.4	13.7	-2.9	18.2
Spain	2.7	-0.8	2.0	1.2	3.9	0.4	3.1	66.0	3.0	69.0	-6.7	59.4	-2.2	63.8
Sweden	1.5	0.0	1.6	1.0	2.5	0.1	1.6	56.1	-0.2	56.0	-5.8	50.3	-0.9	55.2
Switzerland	-0.3	-0.2	-0.5	1.5	1.2	0.3	0.0	51.6	1.0	52.6	-8.4	43.2	-1.5	50.1
United Kingdom	-5.6	-1.3	-6.9	1.3	-4.3	0.4	-5.2	125.2	4.8	130.0	-7.3	118.0	-2.4	122.8
United States	-0.5	-1.2	-1.7	1.2	0.7	0.3	-0.2	102.6	5.1	107.7	-6.6	96.0	-2.0	100.6

1. The higher interest rate scenario calculates the effect of an increase in long-term government bond rates by 100 basis points on government finances otherwise ignoring effects on the real economy.
2. The higher initial balance scenario assumes the initial underlying primary balance is 1 per cent of GDP higher than in the reference scenario in 2010.
3. The lower NAIRU scenario assumes a fall in the NAIRU by one percentage point.

Source: OECD calculations.

StatLink http://dx.doi.org/10.1787/662052732735

where expected future fiscal deficits over the medium term are large and (again) those where initial debt levels are high.

Sensitivity to initial fiscal balances

Medium-term fiscal projections are sensitive to the starting point

There is considerable uncertainty about the magnitude of fiscal deficits over the next two years. Moreover, the assessment of the underlying fiscal position in 2010 does have important implications for how the fiscal situation evolves in the medium term, particularly in respect of the accumulation of debt. This is underlined by a variant simulation in which the underlying primary balance in 2010 is assumed to be better (*i.e.* more positive) by 1 percentage point of GDP. Reflecting the accumulation of reduced net interest payments the different starting position typically improves the financial balance by about 1¼ to 1½ per cent of GDP, with an improvement in the gross debt position by around 6-8% of GDP by 2017. Of course, there is uncertainty in both directions so the signs of the variant simulation could equally be reversed to consider the effect of a worse initial underlying balance.

Differences in potential output

Uncertainty about potential output has implications for fiscal positions

Given the uncertainty surrounding the long-term effects of the crisis, a third variant scenario considers the effect of different levels of potential output. The discussion here, as well as the reported simulation, is couched in terms of the effects of higher potential output, but might equally well be applied to the effects of lower potential (reversing the signs of the simulation results in Table 4.5). Clearly, a primary effect would be to raise future living standards, but higher potential output will also improve the state of government finances. The magnitude of the latter effect would depend on the cause of the change in potential output. In particular, if it was caused by a fall in structural unemployment it might have a larger impact than if it occurred as a consequence of a rise in labour productivity. In the latter case, higher productivity might be expected to be reflected in higher wages, including those of government employees, and transfers so that there might be some offset on the expenditure side to the extra tax revenues resulting from permanently higher output.[14] Conversely, if the rise in potential arose from a fall in structural unemployment there would be no induced rise in government wages and transfers and fiscal balances would further improve due to lower expenditure on welfare benefits.[15] Against that background, the potential output variant is assuming a fall in structural unemployment by 1 percentage point, translating into a corresponding rise in potential output.

Structural policy responses to the crisis matter…

As well as uncertainty about the permanent effects of the crisis, a further reason for considering the effect of a fall in structural unemployment on fiscal positions is to gauge the scale of possible effects that structural policy responses to the crisis might have. In particular, policy changes that result in tighter labour and product market regulations could amplify the impact of the crisis on structural unemployment while an easing of such regulation could help to mitigate

14. Even if government wages were to fully adjust to higher productivity, it is likely that the adjustment would take several years, during which time the fiscal balance would temporarily improve, implying a permanent reduction in the government debt burden. In the simulations considered here it is assumed that government wages fully adjust to any change in (whole-economy) productivity, and non-wage government expenditures (excluding welfare benefits) fully adjust to any change in GDP, but that these changes occurs gradually over a period of five years.
15. To quantify the effect of permanent fall in unemployment on welfare expenditure, the variants reported here use the elasticities reported in Andre *et al.* (2005).

the impact of the crisis, including on fiscal positions. More effective active labour market policies could also reduce structural unemployment but to the extent additional spending is involved the impact on government budgets is unclear. As a necessary short-term response to the crisis, unemployment benefits have been made more generous in coverage and, sometimes in level but were such policies to remain in place over the longer term both government spending and structural unemployment would be durably higher. Finally, the need for future fiscal consolidation raises the possibility that the tax wedge might rise, with negative effects for structural unemployment.

... although to address fiscal imbalances other measures would be needed

For most countries, a fall in structural unemployment by 1 percentage point generates an improvement in government fiscal balances on the order of ¼ to ½ per cent of GDP, with improvements in gross debt of up to 3% of GDP by 2017. This implies that structural reform measures (which do not in themselves imply direct savings on public finances), on their own, are unlikely to be the solution to the major fiscal imbalances which many countries face. On the other hand, the medium-term effects of ambitious structural reforms on public finances are not trivial either and could make some contribution as part of a wider package of more conventional fiscal consolidation measures. In addition, structural reform may help to boost living standards and so facilitate fiscal consolidation.

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STATISTICAL ANNEX

This annex contains data on some main economic series which are intended to provide a background to the recent economic developments in the OECD area described in the main body of this report. Data for 2008 to 2010 are OECD estimates and projections. The data on some of the tables have been adjusted to internationally agreed concepts and definitions in order to make them more comparable as between countries, as well as consistent with historical data shown in other OECD publications. Regional totals and sub-totals are based on those countries in the table for which data are shown. Aggregate measures contained in the Annex, except the series for the euro area (see below), are computed on the basis of 2005 GDP weights expressed in 2005 purchasing power parities (see following page for weights). Aggregate measures for external trade and payments statistics, on the other hand, are based on current year exchange rates for values and base-year exchange rates for volumes.

The OECD projection methods and underlying statistical concepts and sources are described in detail in documentation that can be downloaded from the OECD Internet site:

- *OECD Economic Outlook* Sources and Methods (*www.oecd.org/eco/sources-and-methods*).
- *OECD Economic Outlook* Database Inventory (*www.oecd.org/pdf/M00024000/M00024521.pdf*).
- "The construction of macroeconomic data series of the euro area" (*www.oecd.org/pdf/M00017000/M00017861.pdf*).

Corrigenda for the current and earlier issues, as applicable, can be found at *www.oecd.org/document/53/0,2340,en_2649_33733_37352309_1_1_1_1,00.html*.

NOTE ON NEW FORECASTING FREQUENCIES

OECD is now making quarterly projections on a seasonal and working day-adjusted basis for selected key variables. This implies that differences between adjusted and unadjusted annual data may occur, though these in general are quite small. In some countries, official forecasts of annual figures do not include working-day adjustment. Even when official forecasts do adjust for working days, the size of the adjustment may in some cases differ from that used by the OECD. The cut-off date for information used in the compilation of the projections is 11 June 2009.

Country classification

	OECD
Seven major OECD countries	Canada, France, Germany, Italy, Japan, United Kingdom and United States.
Euro area OECD countries	Euro area countries in December 2008 that are members of the OECD: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal 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	1.94	Mexico	3.75
Austria	0.80	Netherlands	1.65
Belgium	0.97	New Zealand	0.29
Canada	3.27	Norway	0.63
Czech Republic	0.60	Poland	1.52
Denmark	0.52	Portugal	0.63
Finland	0.46	Slovak Republic	0.25
France	5.39	Spain	3.43
Germany	7.46	Sweden	0.84
Greece	0.80	Switzerland	0.77
Hungary	0.49	Turkey	2.26
Iceland	0.03	United Kingdom	5.69
Ireland	0.46	United States	35.87
Italy	4.76	Total OECD	100.00
Japan	11.18	*Memorandum items:*	
Korea	3.17	European Union (15)	33.97
Luxembourg	0.09	Euro area (12)	26.92

Note: Based on 2005 GDP and purchasing power parities (PPPs).

Irrevocable euro conversion rates

National currency unit per euro

Austria	13.7603	Ireland	0.787564
Belgium	40.3399	Italy	1 936.27
Finland	5.94573	Luxembourg	40.3399
France	6.55957	Netherlands	2.20371
Germany	1.95583	Portugal	200.482
Greece	340.750	Spain	166.386

Source: European Central Bank.

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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 (1959q3-2009q1)	SNA93 (1959q3-2009q1)	SNA93 (1959q3-2009q1)	NO	2005/2006
Austria	ESA95 (1996q1-2009q1)	ESA95 (1995-2007)	ESA95 (1976-2008)	YES	2000
Belgium	ESA95 (1995q1-2009q1)	ESA95 (1985-2007)	ESA95 (1985-2008)	YES	2006
Canada	SNA93 (1961q1-2009q1)	SNA93 (1961q1-2009q1)	SNA93 (1961q1-2009q1)	YES	2002
Czech Republic	ESA95 (1995q1-2009q1)	ESA95 (1995-2007)	ESA95 (1995-2008)	YES	2000
Denmark	ESA95 (1990q1-2008q4)	ESA95 (1990-2007)	ESA95 (1990-2008)	YES	2000
Finland	ESA95 (1990q1-2009q1)	ESA95 (1975-2008)	ESA95 (1975-2008)	NO	2000
France	ESA95 (1978q1-2009q1)	ESA95 (1978q1-2008q4)	ESA95 (1978-2008)	YES	2000
Germany[1]	ESA95 (1991q1-2009q1)	ESA95 (1991-2008)	ESA95 (1991-2008)	YES	2000
Greece	ESA95 (2000q1-2009q1)	..	ESA95 (2000-2008)	NO	2000
Hungary	ESA95 (1995q1-2009q1)	ESA95 (2000-2007)	ESA95 (2000-2008)	YES	2000
Iceland	SNA93 (1997q1-2009q1)	..	SNA93 (1998-2008)	YES	2000
Ireland	ESA95 (1997q1-2008q4)	ESA95 (2002-2007)	ESA95 (1990-2008)	YES	2006
Italy	ESA95 (1980q1-2009q1)	ESA95 (1990-2007)	ESA95 (1980-2008)	YES	2000
Japan	SNA93 (1994q1-2009q1)	SNA93 (1980-2007)	SNA93 (1980-2007)	YES	2000
Korea	SNA93 (2000q1-2009q1)	SNA93 (2000-2008)	SNA93 (2000-2007)	YES	2005
Luxembourg	ESA95 (1995q1-2008q4)	..	ESA95 (1990-2008)	YES	2000
Mexico	SNA93 (1978q1-2008q4)	..	..	NO	2003
Netherlands	ESA95 (1987q1-2009q1)	ESA95 (1980-2007)	ESA95 (1969-2008)	YES	2000
New Zealand	SNA93 (1987q2-2008q4)	..	SNA93 (1986-2007)	YES	1995/1996
Norway	SNA93 (1978q1-2009q1)	SNA93 (1978-2008)	SNA93 (1991-2008)	YES	2006
Poland	ESA95 (1995q1-2009q1)	ESA95 (1995-2007)	ESA95 (1995-2008)	YES	2000
Portugal	ESA95 (1995q1-2009q1)	ESA95 (1995-2007)	ESA95 (1995-2008)	NO	2000
Slovak Republic	ESA95 (1997q1-2009q1)	ESA95 (1995q1-2006q4)	ESA95 (1993-2008)	YES	2000
Spain	ESA95 (1995q1-2009q1)	ESA95 (2000-2007)	ESA95 (1995-2008)	YES	2000
Sweden	ESA95 (1980q1-2009q1)	ESA95 (1993q1-2009q1)	ESA95 (1993-2008)	YES	2000
Switzerland	SNA93 (1981q1-2009q1)	SNA93 (1990-2006)	SNA93 (1990-2006)	YES	2000
Turkey	SNA93 (1998q1-2008q4)	..	..	YES	1998
United Kingdom	ESA95 (1955q1-2009q1)	ESA95 (1987q1-2009q1)	ESA95 (1987q1-2009q1)	YES	2003
United-States	NIPA (SNA93) (1955q1-2009q1)	NIPA (SNA93) (1959q1-2009q1)	NIPA (SNA93) (1955q1-2009q1)	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

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Annex Table 1. **Real GDP**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	Fourth quarter 2009	Fourth quarter 2010
Australia	3.2	3.9	4.0	3.9	5.1	4.5	3.5	2.1	4.0	3.4	3.2	3.1	2.6	4.2	2.3	-0.4	1.2	0.7	-0.3	2.4
Austria	2.6	2.4	2.3	2.3	3.7	3.7	3.3	0.8	1.5	0.8	2.5	3.3	3.3	3.0	1.7	-4.3	-0.1	0.4	-4.7	1.2
Belgium	2.3	2.4	0.9	3.7	1.7	3.4	3.8	0.8	1.5	1.0	2.8	2.2	3.0	2.6	1.0	-4.1	-0.5	-1.0	-3.6	0.8
Canada	2.5	2.8	1.6	4.2	4.1	5.5	5.2	1.8	2.9	1.9	3.1	3.0	2.9	2.5	0.4	-2.6	0.7	-1.0	-2.1	1.6
Czech Republic	..	5.9	4.2	-0.7	-0.7	1.2	3.9	2.4	1.8	3.6	4.4	6.4	7.0	6.1	2.8	-4.2	1.4	-0.1	-3.7	2.6
Denmark	2.0	3.1	2.8	3.2	2.2	2.6	3.5	0.7	0.5	0.4	2.3	2.4	3.3	1.6	-1.1	-4.0	0.1	-3.6	-2.4	1.0
Finland	1.2	3.9	3.7	5.8	5.2	4.0	5.0	2.5	1.5	2.0	3.7	3.0	4.9	4.1	0.7	-4.7	0.8	-2.8	-2.6	1.3
France	2.2	2.3	1.0	2.2	3.5	3.2	4.1	1.8	1.1	1.1	2.3	1.9	2.4	2.3	0.3	-3.0	0.2	-1.7	-2.0	1.1
Germany	2.8	2.0	1.0	1.9	1.8	1.9	3.5	1.4	0.0	-0.2	0.7	0.9	3.2	2.6	1.0	-6.1	0.2	-1.8	-4.3	0.7
Greece	1.3	2.1	2.4	3.6	3.4	3.4	4.5	4.2	3.4	5.6	4.9	2.9	4.5	4.0	2.9	-1.3	0.3	2.4	-2.4	1.4
Hungary	..	1.5	1.2	4.7	4.8	4.1	5.2	4.3	4.4	4.2	4.4	4.1	4.1	1.2	0.4	-6.1	-2.2	-2.2	-6.2	0.4
Iceland	2.0	0.1	4.8	4.9	6.3	4.1	4.3	3.9	0.1	2.4	7.7	7.4	4.5	5.5	0.3	-7.0	-0.8	-1.3	-9.6	2.8
Ireland	4.0	9.6	8.1	11.5	8.4	10.7	9.2	5.8	6.4	4.5	4.7	6.4	5.7	6.0	-2.3	-9.8	-1.5	-7.4	-6.4	0.5
Italy	2.2	2.9	1.0	1.9	1.3	1.4	3.9	1.7	0.5	0.1	1.4	0.8	2.1	1.5	-1.0	-5.5	0.4	-3.0	-3.8	1.3
Japan	3.5	2.0	2.7	1.6	-2.0	-0.1	2.9	0.2	0.3	1.4	2.7	1.9	2.0	2.3	-0.7	-6.8	0.7	-4.4	-3.6	0.8
Korea	8.5	9.2	7.0	4.7	-6.9	9.5	8.5	4.0	7.2	2.8	4.6	4.0	5.2	5.1	2.2	-2.2	3.5	-3.4	2.6	3.9
Luxembourg	5.8	1.4	1.5	5.9	6.5	8.4	8.4	2.5	4.1	1.6	4.6	5.2	6.4	5.2	-0.9	-4.0	-0.4	..	..	..
Mexico	2.5	-6.2	5.1	6.8	4.9	3.9	6.6	-0.2	0.8	1.4	4.0	3.2	5.1	3.3	1.4	-8.0	2.8	-1.7	-6.1	4.4
Netherlands	2.8	3.1	3.4	4.3	3.9	4.7	3.9	1.9	0.1	0.3	2.2	2.0	3.4	3.5	2.1	-4.9	-0.4	-0.8	-4.3	0.5
New Zealand	1.6	4.3	3.3	2.9	0.8	4.7	3.8	2.4	4.7	4.4	4.4	2.8	2.6	3.0	-1.6	-3.0	0.6	-2.9	-2.2	1.7
Norway	2.8	4.2	5.1	5.4	2.7	2.0	3.3	2.0	1.5	1.0	3.9	2.7	2.3	3.1	2.1	-1.0	0.8	0.6	-1.5	2.1
Poland	..	7.0	6.2	7.1	5.0	4.5	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.8	4.9	-0.4	0.6	2.7	-1.7	2.3
Portugal	3.5	4.3	3.6	4.2	4.9	3.8	3.9	2.0	0.8	-0.8	1.5	0.9	1.4	1.9	0.0	-4.5	-0.5	-2.0	-3.8	0.8
Slovak Republic	..	5.8	6.9	5.7	4.4	0.0	1.4	3.4	4.8	4.7	5.2	6.5	8.5	10.4	6.4	-5.0	3.1	2.4	-6.1	2.3
Spain	2.9	2.8	2.4	3.9	4.5	4.7	5.0	3.6	2.7	3.1	3.3	3.6	3.9	3.7	1.2	-4.2	-0.9	-0.7	-4.3	0.3
Sweden	1.4	4.2	1.5	2.7	3.7	4.3	4.5	1.2	2.4	2.0	3.5	3.3	4.5	2.7	-0.4	-5.5	0.2	-5.1	-2.0	1.3
Switzerland	1.8	0.4	0.6	2.1	2.6	1.3	3.6	1.2	0.4	-0.2	2.5	2.5	3.4	3.3	1.6	-2.7	-0.2	-0.4	-3.1	1.3
Turkey	4.1	7.2	7.0	7.5	3.1	-3.4	6.8	-5.7	6.2	5.3	9.4	8.4	6.9	4.7	1.1	-5.9	2.6	..	..	..
United Kingdom	2.5	3.0	2.9	3.3	3.6	3.5	3.9	2.5	2.1	2.8	2.8	2.1	2.8	3.0	0.7	-4.3	0.0	-2.0	-3.3	1.1
United States	3.0	2.5	3.7	4.5	4.2	4.4	3.7	0.8	1.6	2.5	3.6	2.9	2.8	2.0	1.1	-2.8	0.9	-0.8	-1.7	1.5
Euro area	2.5	2.5	1.5	2.6	2.7	2.9	4.0	1.9	0.9	0.8	1.9	1.8	3.0	2.6	0.5	-4.8	0.0	-1.7	-3.6	0.9
Total OECD	3.0	2.6	3.1	3.7	2.7	3.4	4.1	1.1	1.7	2.0	3.2	2.7	3.1	2.7	0.8	-4.1	0.7	-1.7	-2.6	1.5

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries are using chain-weighted price indices to calculate real GDP and expenditures components. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* These numbers are working-day adjusted and hence may differ from the basis used for official projections.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662053280818

Annex Table 2. **Nominal GDP**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter		
																		2008	2009	2010
Australia	8.0	5.7	6.3	5.4	5.4	4.9	7.9	6.1	7.0	6.3	7.5	7.5	7.4	8.3	8.9	0.6	2.0	8.1	-1.6	4.0
Austria	5.6	4.3	3.3	2.1	3.8	3.9	4.8	2.5	2.8	2.1	4.2	5.1	5.3	5.3	4.1	-3.0	0.9	1.5	-2.6	1.6
Belgium	5.5	3.6	1.4	4.8	3.8	3.7	5.7	2.8	3.4	2.7	5.2	4.7	5.3	5.0	2.7	-3.1	0.2	0.7	-2.8	1.5
Canada	5.5	5.1	3.3	5.5	3.7	7.4	9.6	2.9	4.0	5.2	6.4	6.4	5.5	5.8	4.4	-3.8	2.2	0.7	-1.1	2.5
Czech Republic	..	16.8	14.8	7.6	10.3	4.1	5.4	7.4	4.7	4.6	9.1	6.1	8.1	9.7	4.4	0.1	2.7	1.7	-0.2	3.9
Denmark	5.0	4.4	4.9	5.3	3.4	4.3	6.6	3.2	2.8	2.0	4.7	5.4	5.4	3.6	3.1	-2.1	2.5	-0.4	-0.8	3.9
Finland	5.3	8.8	3.6	8.3	8.8	4.8	7.7	5.5	2.8	1.6	4.4	3.2	6.6	7.4	3.6	-4.2	2.2	-0.4	-2.4	3.4
France	5.2	3.6	2.7	3.2	4.5	3.3	5.5	3.8	3.5	3.0	3.9	4.0	4.9	4.8	2.8	-2.1	0.8	0.5	-1.4	1.5
Germany	5.7	3.9	1.5	2.2	2.4	2.2	2.8	2.6	1.4	0.9	1.7	1.6	3.7	4.5	2.5	-4.8	0.7	0.4	-3.7	1.1
Greece	18.0	12.1	9.9	10.7	8.8	6.5	8.0	7.4	7.0	9.4	8.4	6.3	7.9	7.0	6.5	0.2	2.5	5.6	-0.5	2.9
Hungary	..	28.6	22.8	23.9	18.1	12.9	18.6	12.8	12.5	10.3	9.4	6.3	8.1	7.2	4.5	-3.6	0.5	1.5	-3.3	2.4
Iceland	17.3	3.1	7.4	8.0	11.8	7.5	8.1	12.9	5.8	3.0	10.4	10.5	13.8	11.4	12.6	1.5	2.7	19.3	-5.4	4.3
Ireland	7.5	13.0	10.6	15.8	15.6	15.1	15.9	11.6	11.3	7.1	6.9	8.9	9.4	7.5	-2.6	-9.3	-2.6	-6.6	-7.6	-0.5
Italy	8.7	8.0	5.8	4.6	3.9	3.2	5.9	4.8	3.7	3.2	4.0	2.9	4.0	3.9	1.8	-3.1	1.6	0.0	-1.9	2.1
Japan	4.9	1.4	2.2	2.2	-2.0	-1.4	1.1	-1.0	-1.3	-0.2	1.6	0.7	1.1	1.7	-1.6	-5.6	-0.8	-3.9	-3.8	-0.5
Korea	16.3	17.2	12.5	9.5	-1.4	9.4	9.3	8.0	10.6	6.5	7.8	4.6	5.0	7.3	5.0	2.9	6.3	-0.9	8.7	4.8
Luxembourg	8.7	3.8	4.7	3.9	6.1	14.2	10.6	2.6	6.3	7.7	6.6	9.8	12.2	7.4	0.8	-3.3	0.7	..	..	..
Mexico	46.6	29.3	37.5	25.7	21.1	19.6	19.5	5.7	7.8	10.0	13.4	8.0	12.2	8.0	8.1	-4.7	6.3	2.8	-2.2	7.9
Netherlands	4.3	5.2	4.7	7.0	5.9	6.5	8.2	7.1	3.9	2.5	3.0	4.5	5.2	5.0	4.9	-3.6	0.5	3.4	-4.7	1.2
New Zealand	8.2	6.6	5.9	3.5	1.5	5.0	6.5	6.8	5.9	5.9	8.3	4.8	4.9	7.3	3.0	-2.8	1.6	0.6	-4.1	3.8
Norway	5.8	7.4	9.5	8.3	1.9	8.8	19.4	3.8	-0.3	4.0	9.4	11.6	11.0	5.4	11.9	-2.1	4.6	4.5	0.4	6.4
Poland	..	36.9	25.3	22.0	16.6	10.8	11.8	4.7	3.7	4.3	9.7	6.4	7.8	11.0	8.1	2.9	2.1	6.0	0.8	3.7
Portugal	16.2	7.9	6.3	8.2	8.8	7.2	7.1	5.8	4.7	2.3	4.0	3.5	4.2	5.0	1.9	-4.2	0.7	0.1	-4.3	1.8
Slovak Republic	..	16.3	11.4	10.9	9.7	7.4	10.9	8.6	8.8	10.3	11.3	9.1	11.7	11.7	9.5	-6.1	3.6	5.7	-5.9	3.8
Spain	9.9	7.8	6.0	6.3	7.1	7.5	8.7	8.0	7.1	7.4	7.4	8.1	8.1	7.0	4.2	-3.6	-0.6	1.8	-4.0	0.4
Sweden	7.2	7.8	2.3	4.0	4.4	5.6	5.9	3.4	4.1	3.9	4.4	4.2	6.1	5.6	3.0	-3.5	1.0	-1.2	-2.0	2.4
Switzerland	4.8	1.1	0.8	1.9	2.9	1.9	4.8	2.0	0.9	0.8	3.1	2.6	5.2	5.2	3.9	-2.1	0.2	1.4	-2.7	1.5
Turkey	67.7	100.7	90.3	95.2	81.1	49.0	59.3	44.1	45.9	29.8	22.9	16.1	16.9	11.2	12.7	0.3	9.2	..	..	..
United Kingdom	7.7	5.8	6.6	6.2	5.9	5.6	5.1	4.6	5.3	6.0	5.3	4.3	5.5	6.0	3.0	-2.9	0.9	0.0	-2.2	2.1
United States	6.0	4.6	5.7	6.2	5.3	6.0	5.9	3.2	3.4	4.7	6.6	6.3	6.1	4.8	3.3	-1.2	1.6	1.2	-0.4	2.0
Euro area	6.8	5.3	3.4	4.1	4.3	3.9	5.4	4.4	3.5	3.0	3.8	3.8	5.0	5.0	2.9	-3.5	0.7	0.7	-2.9	1.4
Total OECD	10.0	8.8	8.3	8.2	6.5	6.3	7.4	4.5	4.4	4.6	5.9	5.1	5.7	5.2	3.4	-2.4	1.6	0.7	-1.3	2.2

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)*. Working-day adjusted -- see note to table on Real GDP.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662066212348

Annex Table 3. **Real private consumption expenditure**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	Fourth quarter 2009	Fourth quarter 2010
Australia	2.7	4.8	2.8	3.7	4.4	5.2	3.9	2.9	3.8	3.6	5.9	3.0	3.2	4.3	2.2	1.3	1.5	0.8	1.5	2.1
Austria	2.9	0.9	2.9	0.0	2.0	2.0	2.8	0.3	1.5	1.2	2.0	2.6	2.5	0.9	0.8	-0.1	0.4	0.2	0.2	0.4
Belgium	2.1	0.9	1.1	2.1	2.7	2.1	3.7	1.1	0.9	0.9	1.1	1.5	2.1	2.0	0.8	-1.1	0.5	-0.1	-0.6	0.8
Canada	2.6	2.1	2.6	4.6	2.8	3.8	4.0	2.3	3.6	3.0	3.3	3.7	4.1	4.6	3.0	-0.9	0.9	0.2	-0.4	1.6
Czech Republic	..	5.9	8.9	2.1	-0.7	2.6	1.3	2.1	2.2	6.0	2.9	2.6	5.2	4.9	2.6	0.8	0.0	2.3	-0.2	1.0
Denmark	1.8	1.6	2.2	3.0	2.3	-0.4	0.2	0.1	1.5	1.0	4.7	3.8	4.4	2.4	-0.1	-2.3	0.5	-5.0	1.5	0.4
Finland	1.2	3.9	3.9	4.1	4.1	3.1	2.2	2.8	2.2	4.7	2.7	3.7	4.2	3.3	1.5	-3.0	0.4	-0.8	-2.2	1.3
France	2.0	1.9	1.6	0.4	3.9	3.5	3.7	2.5	2.3	2.1	2.3	2.5	2.6	2.4	1.0	0.1	-0.1	0.2	-0.6	0.9
Germany	2.9	2.3	1.3	0.9	1.4	2.9	2.5	1.9	-0.8	0.1	-0.2	0.2	1.2	-0.3	-0.1	0.4	-0.3	-0.6	0.5	-0.2
Greece	2.3	2.6	2.4	2.7	3.5	2.5	2.2	5.0	4.7	3.3	3.7	4.3	4.8	3.0	2.2	-0.2	1.3	..	..	..
Hungary	..	-7.1	-3.5	1.9	4.9	5.6	5.5	6.3	10.6	8.3	2.7	3.4	1.7	0.6	-0.5	-6.9	-1.9	-3.4	-6.8	0.7
Iceland	1.2	2.2	5.7	6.3	10.2	7.9	4.2	-2.8	-1.5	6.1	7.0	12.9	3.9	5.6	-7.7	-16.2	-1.9	-23.8	-4.3	1.5
Ireland	3.4	3.4	6.8	7.8	7.5	8.9	9.6	4.9	3.9	2.9	3.7	7.2	7.0	6.0	-0.8	-7.2	-3.6	-4.1	-7.6	-1.9
.	2.3	1.5	1.0	3.2	3.5	2.6	2.3	0.7	0.2	1.0	0.8	1.2	1.3	1.2	-0.9	-2.6	0.0	-1.6	-2.1	0.8
Japan	3.5	1.9	2.5	0.7	-0.9	1.0	0.7	1.6	1.1	0.4	1.6	1.3	1.5	0.7	0.6	-1.7	0.1	-0.2	-1.1	0.5
Korea	8.0	9.9	6.7	3.3	-13.4	11.5	8.4	5.7	8.9	-0.4	0.3	4.6	4.7	5.1	0.9	-2.6	3.0	-3.8	1.8	3.7
Luxembourg	3.5	1.9	2.7	4.1	5.5	3.5	4.6	3.2	5.9	-5.3	2.5	2.2	2.9	2.0	1.5	0.5	1.1	..	..	..
Mexico	3.1	-9.5	2.2	6.5	5.5	4.3	8.2	2.5	1.6	2.3	5.6	4.8	5.7	3.9	1.6	-6.8	1.0	-1.1	-6.3	3.2
Netherlands	2.0	2.7	4.3	3.5	5.1	5.3	3.7	1.8	0.9	-0.2	1.0	1.0	0.0	2.1	1.6	-2.5	-0.2	0.6	-2.9	-0.1
New Zealand	1.8	4.5	4.9	2.5	2.7	3.6	1.8	2.0	4.5	5.9	5.9	4.8	2.6	4.0	0.1	-1.9	-0.3	-0.8	-2.2	0.4
Norway	2.1	3.6	6.3	3.1	2.8	3.7	4.2	2.1	3.1	2.8	5.6	4.0	4.8	6.0	1.4	-0.9	1.1	-1.7	0.5	1.2
Poland	..	3.7	8.8	7.2	5.0	5.7	3.1	2.2	3.4	2.1	4.7	2.1	5.0	4.9	5.4	4.0	1.8	5.9	2.4	2.1
Portugal	3.9	0.6	3.2	3.7	5.0	5.3	3.7	1.3	1.3	-0.1	2.5	2.0	1.9	1.6	1.7	-2.4	0.0	1.1	-2.9	0.7
Slovak Republic	..	5.4	9.3	7.3	6.6	0.3	2.2	5.5	5.5	1.7	4.6	6.5	5.8	7.0	6.1	-0.6	0.7	4.6	-1.3	1.5
Spain	2.9	1.7	2.3	3.2	4.8	5.3	5.0	3.4	2.8	2.9	4.2	4.2	3.9	3.5	0.1	-4.4	-1.1	-2.2	-3.7	-0.2
Sweden	1.5	1.1	1.7	2.7	3.0	3.9	5.2	0.5	2.6	2.0	2.3	2.7	2.5	3.1	-0.4	-2.2	-0.3	-2.8	-1.3	0.5
Switzerland	1.7	0.6	1.1	1.4	2.2	2.3	2.4	2.3	0.1	0.9	1.6	1.8	1.6	2.1	1.7	0.2	0.4	0.8	0.1	0.7
Turkey	2.6	4.8	8.5	8.4	0.6	0.1	5.9	-6.6	4.7	10.2	11.0	7.9	4.6	4.6	0.3	-4.4	1.7	..	..	..
United Kingdom	3.2	1.9	3.9	3.8	4.3	5.2	4.7	3.1	3.5	3.0	2.9	1.9	2.1	3.1	1.4	-3.4	-0.3	-0.8	-3.3	1.3
United States	3.2	2.7	3.4	3.8	5.0	5.1	4.7	2.5	2.7	2.8	3.6	3.0	3.0	2.8	0.2	-1.0	0.5	-1.5	0.2	0.9
Euro area	2.5	2.0	1.7	1.8	3.1	3.4	3.2	2.0	0.9	1.2	1.4	1.8	2.1	1.5	0.3	-1.3	-0.2	-0.7	-1.2	0.4
Total OECD	3.1	2.2	3.1	3.1	2.9	4.1	4.0	2.2	2.4	2.2	3.0	2.7	2.8	2.5	0.7	-1.5	0.4	-1.0	-0.8	1.1

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries are using chain-weighted price indices to calculate real GDP and expenditures components. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to table on Real GDP.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662081241264

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Annex Table 4. **Real public consumption expenditure**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	Fourth quarter 2009	Fourth quarter 2010
Australia	3.0	4.1	3.2	3.0	3.2	3.2	4.4	1.7	3.0	3.7	3.9	3.0	3.2	2.4	3.8	2.0	2.2	2.6	2.0	2.2
Austria	1.9	2.9	2.0	3.5	3.1	3.4	0.3	-0.6	0.7	1.0	1.1	1.5	2.2	1.9	2.0	1.4	0.7	1.3	0.5	1.0
Belgium	1.3	1.5	1.6	0.4	0.9	3.3	2.9	2.4	2.9	2.1	1.8	0.4	0.1	2.3	2.1	1.9	1.6	2.3	1.4	1.7
Canada	2.1	-0.6	-1.2	-1.0	3.2	2.1	3.1	3.9	2.5	3.1	2.0	1.4	3.0	3.3	3.7	2.2	2.9	3.1	2.8	2.1
Czech Republic	..	-4.3	1.5	3.0	-1.6	3.7	0.7	3.6	6.7	7.1	-3.5	2.9	1.2	0.7	1.7	3.3	0.9	0.5	1.8	1.1
Denmark	1.3	2.4	3.6	0.7	3.5	2.4	2.3	2.2	2.1	0.7	1.8	1.3	2.1	1.3	1.1	1.5	1.0	1.5	0.4	1.4
Finland	1.3	1.9	2.8	2.8	1.6	1.5	0.4	1.1	2.3	1.5	2.5	2.1	0.6	0.6	1.4	1.3	2.1	2.2	1.3	2.1
France	2.7	0.0	2.0	1.2	-0.6	1.4	2.0	1.1	1.9	2.0	2.2	1.3	1.4	1.5	1.1	1.2	1.3	1.5	1.3	0.8
Germany	1.6	1.9	2.1	0.5	1.8	1.2	1.4	0.5	1.5	0.4	-0.7	0.4	0.6	2.2	1.8	1.1	2.0	1.5	1.8	1.8
Greece	0.0	5.6	0.9	3.0	1.7	2.1	14.8	0.7	7.2	-1.0	2.9	1.2	0.0	7.7	3.2	2.4	0.5	..	..	..
Hungary	..	-5.7	-2.4	3.2	1.7	1.5	1.9	2.9	5.7	5.1	1.6	2.1	3.8	-7.5	0.7	-2.1	-1.8	-0.7	-3.8	0.0
Iceland	4.1	1.7	1.0	2.6	4.2	4.4	3.8	4.6	5.3	1.8	2.2	3.5	4.0	4.2	2.8	-2.2	-3.3	3.5	-5.6	-2.8
Ireland	0.8	3.9	3.1	5.5	5.6	5.8	9.2	10.4	7.0	1.8	2.3	3.1	5.3	6.8	1.8	-1.1	1.5	0.1	-0.9	3.3
Italy	1.6	-3.3	0.8	0.5	0.4	1.4	2.2	3.9	2.4	1.9	2.2	1.9	0.5	1.0	0.6	0.0	0.2	0.7	-0.1	0.2
Japan	3.1	3.9	2.9	0.8	1.8	4.2	4.3	3.0	2.4	2.3	1.9	1.6	0.4	1.9	0.8	2.6	3.0	0.2	3.3	2.2
Korea	7.1	5.0	8.0	2.6	2.3	2.9	1.6	5.0	4.9	4.4	3.8	4.3	6.6	5.4	4.2	6.9	4.0	4.8	7.0	3.7
Luxembourg	5.0	4.7	5.7	3.8	1.4	8.1	3.8	6.3	4.6	4.1	4.1	4.0	2.7	2.6	0.9	5.0	2.5	..	..	..
Mexico	1.8	-1.8	-0.2	2.6	2.5	4.5	2.6	-2.4	-0.2	1.0	-2.8	2.4	1.7	2.1	0.6	4.6	3.3	0.0	6.5	1.4
Netherlands	2.9	2.5	-0.7	2.5	2.5	2.8	2.0	4.6	3.3	2.9	-0.1	0.5	9.0	3.0	2.1	2.0	1.0	2.4	1.4	1.0
New Zealand	1.3	4.5	2.0	6.3	-0.3	6.8	-2.4	4.2	1.4	3.4	5.6	3.9	4.6	3.9	4.0	3.2	3.1	4.3	2.3	3.6
Norway	3.1	0.6	2.7	3.3	3.4	3.1	1.9	4.6	3.1	1.7	1.5	0.7	1.9	3.4	3.8	5.8	3.8	4.1	6.5	2.3
Poland	..	4.8	2.2	3.1	1.9	2.5	2.1	2.7	1.4	4.9	3.1	5.2	6.1	3.7	7.6	1.0	1.2	13.3	-5.7	1.5
Portugal	4.9	1.0	3.8	2.0	6.2	4.1	3.5	3.3	2.6	0.2	2.6	3.2	-1.4	0.0	0.6	0.4	-0.2	0.8	-0.5	0.4
Slovak Republic	..	3.6	11.1	0.2	5.8	-7.3	4.6	5.3	3.9	4.1	-2.2	3.3	10.2	-1.3	4.3	-0.1	1.8	2.1	1.8	1.1
Spain	4.9	2.4	1.3	2.5	3.5	4.0	5.3	3.9	4.5	4.8	6.3	5.5	4.6	4.9	5.3	3.4	2.9	6.3	1.9	3.0
Sweden	1.6	-0.1	0.7	-0.5	3.3	1.4	-1.1	1.0	2.2	0.6	-0.9	0.4	2.3	0.6	1.1	2.0	0.8	0.8	1.9	0.6
Switzerland	3.2	0.2	1.6	0.4	-1.1	0.5	2.3	4.5	1.2	1.9	0.8	1.0	-0.9	-1.1	0.0	3.2	0.9	3.4	1.8	1.1
Turkey	4.9	6.8	8.6	4.1	7.8	4.0	5.7	-1.1	5.8	-2.6	6.0	2.5	8.4	6.5	1.8	3.0	2.2	..	..	..
United Kingdom	0.8	1.3	0.7	-0.5	1.1	3.6	3.1	2.4	3.4	3.5	3.4	1.7	1.6	1.5	3.4	4.8	1.0	4.4	5.4	-2.1
United States	2.1	0.2	0.4	1.8	1.6	3.1	1.7	3.1	4.3	2.5	1.5	0.3	1.6	1.9	2.8	2.0	2.6	3.3	1.9	1.8
Euro area	2.2	0.8	1.7	1.2	1.2	1.9	2.4	2.0	2.4	1.7	1.6	1.5	1.8	2.3	1.8	1.3	1.4	2.0	1.2	1.4
Total OECD	2.4	1.2	1.6	1.5	1.8	2.9	2.5	2.5	3.2	2.3	1.7	1.4	2.0	2.2	2.4	2.3	2.2	2.7	2.3	1.6

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries are using chain-weighted price indices to calculate real GDP and expenditures components. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to table on Real GDP.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662101101022

Annex Table 5. **Real total gross fixed capital formation**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	2009	2010
Australia	3.2	3.0	6.1	10.7	5.6	5.8	1.5	-4.8	17.0	9.3	6.9	8.7	4.8	9.5	9.1	-7.4	0.5	7.5	-10.0	4.4
Austria	4.1	0.6	1.6	0.8	2.4	2.4	3.6	-1.1	-2.9	2.2	2.0	2.5	2.8	3.8	1.0	-8.9	-0.3	-1.2	-9.4	2.8
Belgium	4.2	3.4	1.0	7.4	3.7	4.1	4.4	0.4	-2.2	-0.7	6.8	7.3	4.8	6.1	5.1	-5.2	-4.8	2.1	-7.5	-3.5
Canada	3.1	-2.1	4.4	15.2	2.4	7.3	4.7	4.0	1.6	6.2	7.8	9.3	6.9	3.7	0.9	-10.1	1.3	-3.7	-8.4	4.7
Czech Republic	..	19.8	7.6	-5.7	-0.9	-3.3	5.1	6.6	5.1	0.4	3.9	1.8	6.0	10.8	-0.1	-7.0	-1.8	-2.1	-7.9	2.0
Denmark	2.9	11.9	5.8	10.3	8.1	-0.1	7.6	-1.4	0.1	-0.2	3.9	4.7	13.5	3.1	-3.6	-8.3	-3.2	-8.9	-5.9	-2.2
Finland	-3.0	13.1	6.2	13.6	11.2	2.8	5.9	4.1	-3.1	3.9	3.5	3.5	4.8	8.6	1.1	-9.2	-2.0	-3.1	-11.2	3.6
France	2.4	2.1	0.6	0.4	7.2	8.1	7.5	2.3	-1.7	2.2	3.3	4.5	4.4	6.5	0.4	-7.4	-0.3	-4.1	-6.3	2.9
Germany	3.6	0.1	-0.5	0.8	3.6	4.4	3.7	-3.4	-6.2	-0.3	-1.3	1.3	8.5	4.5	3.6	-10.9	0.2	-0.5	-9.5	1.7
Greece	1.0	4.1	8.4	6.8	10.6	11.0	8.0	4.8	9.5	13.2	1.9	-0.5	9.2	4.9	-11.5	-8.4	-2.6	..	..	..
Hungary	..	-4.3	6.8	9.2	13.2	5.9	7.7	4.7	10.4	2.2	7.9	5.8	-3.7	1.8	-2.6	-6.8	-3.3	-3.8	-7.6	-0.3
Iceland	-0.8	-1.7	25.0	9.3	34.4	-4.1	11.8	-4.3	-14.0	11.1	28.1	35.7	21.7	-12.8	-21.8	-51.3	7.0	-25.0	-51.0	39.5
Ireland	1.4	15.8	15.9	17.4	14.3	14.4	6.3	0.1	3.0	5.7	9.1	14.3	4.0	1.0	-20.1	-34.9	-15.6	-29.9	-31.3	-7.6
Italy	1.2	7.3	1.8	1.9	3.6	3.7	7.1	2.4	3.7	-0.9	1.5	1.4	3.2	1.6	-2.9	-12.7	1.5	-8.7	-9.0	4.6
Japan	4.4	0.9	4.6	-0.3	-7.2	-0.8	1.2	-0.9	-4.9	-0.5	1.4	3.1	0.5	0.8	-5.0	-12.3	0.0	-7.6	-8.0	0.0
Korea	12.3	13.1	8.4	-2.3	-22.9	8.3	12.2	0.3	7.1	4.4	2.1	1.9	3.4	4.2	-1.7	-5.1	6.6	-7.9	0.5	9.0
Luxembourg	7.9	-1.5	5.3	10.1	6.1	22.2	-4.3	8.8	5.5	6.2	0.9	3.0	1.0	11.8	2.0	-12.2	-7.4	..	..	..
Mexico	4.7	-29.0	16.3	21.1	10.5	7.7	11.4	-5.6	-0.7	0.4	8.0	7.5	9.8	7.2	5.0	-11.9	5.8	0.7	-10.9	10.3
Netherlands	2.9	5.9	8.5	8.5	6.8	8.7	0.6	0.2	-4.5	-1.5	-1.6	3.7	7.5	4.9	5.3	-10.3	-3.1	-0.9	-7.6	-1.9
New Zealand	1.3	12.4	7.2	1.2	-3.4	6.8	8.4	-1.1	10.8	10.2	13.4	3.5	-0.4	5.0	-5.7	-18.8	-2.5	-15.0	-14.4	2.7
Norway	-0.9	3.9	10.2	15.8	13.6	-5.4	-3.5	-1.1	-1.1	0.2	10.2	13.3	11.7	8.4	3.9	-7.5	-0.5	-1.0	-8.6	-0.2
Poland	..	16.6	19.7	21.8	14.0	6.6	2.7	-9.7	-6.3	-0.1	6.4	6.5	14.9	17.2	8.2	-9.1	-6.2	3.9	-15.6	1.6
Portugal	5.4	6.6	5.6	14.3	11.7	6.2	3.5	1.0	-3.5	-7.4	0.2	-0.9	-0.7	3.1	-0.7	-18.7	-1.2	-7.9	-16.6	2.5
Slovak Republic	..	0.6	30.1	14.0	9.4	-15.7	-9.6	12.9	0.2	-2.7	4.8	17.6	9.3	8.7	6.8	-2.1	3.7	1.8	0.1	4.5
Spain	4.9	7.7	2.6	5.0	11.3	10.4	6.6	4.8	3.4	5.9	5.1	7.0	7.1	5.3	-3.0	-13.5	-4.6	-9.3	-11.1	-1.8
Sweden	0.3	10.3	4.8	0.2	7.9	8.2	6.4	-0.3	-1.8	1.5	5.1	8.9	9.5	7.7	2.4	-12.8	-4.2	-3.5	-13.2	0.5
Switzerland	2.3	4.8	-1.7	2.1	6.4	1.5	4.2	-3.5	-0.5	-1.2	4.5	3.8	4.7	5.4	-1.7	-5.0	0.2	-5.4	-2.0	1.6
Turkey	8.8	9.1	14.1	14.8	-3.9	-16.2	17.5	-30.0	14.7	14.2	28.4	17.4	13.3	5.4	-4.6	-18.3	8.6	..	..	..
United Kingdom	2.8	2.9	5.4	6.8	13.7	3.0	2.7	2.6	3.6	1.1	4.9	2.2	6.0	6.8	-3.1	-12.5	-4.2	-8.0	-14.5	1.6
United States	2.9	5.7	8.1	8.0	9.1	8.2	6.1	-1.7	-3.5	3.2	6.1	5.8	2.0	-2.0	-3.5	-16.0	-0.6	-6.8	-14.3	3.3
Euro area	2.9	3.1	1.4	2.8	5.7	6.1	5.3	0.6	-1.4	1.3	1.8	3.5	5.7	4.6	-0.3	-11.1	-1.3	-5.1	-9.5	1.4
Total OECD	3.6	3.3	6.2	6.3	4.9	5.3	5.5	-1.4	-1.1	2.4	4.9	5.1	4.2	2.3	-1.7	-12.8	-0.3	-5.9	-11.1	3.1

Note: The adoption national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries are using chain-weighted price indices to calculate real GDP and expenditures components. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*
Working-day adjusted -- see note to table on Real GDP.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662106373883

Annex Table 6. **Real gross private non-residential fixed capital formation**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	2009	2010
Australia	2.8	10.8	15.2	9.4	3.2	5.3	0.2	-3.1	14.7	13.5	8.6	14.2	7.7	11.7	11.1	-8.9	-2.4	10.2	-14.2	3.1
Austria	5.0	-1.4	2.6	7.9	5.4	4.9	8.2	2.6	-3.3	4.7	3.1	2.4	2.3	4.3	1.5	-9.3	-0.7	-1.1	-10.0	2.5
Belgium	4.3	4.2	6.1	7.0	5.6	2.0	5.7	3.6	-3.1	-2.4	6.5	5.2	5.6	8.5	7.1	-7.4	-7.1	2.0	-10.3	-5.5
Canada	3.3	4.8	4.4	22.6	5.3	7.2	4.7	0.2	-4.1	6.9	8.2	12.4	10.0	3.7	0.2	-12.4	0.1	-4.3	-11.2	4.1
Denmark	5.0	12.3	5.2	12.1	11.9	-1.5	6.7	-0.3	0.7	-3.0	-0.3	-0.2	14.3	4.2	-1.6	-10.1	-3.6	-6.7	-10.0	-0.1
Finland	-3.5	26.5	6.3	9.8	15.1	1.2	9.0	10.3	-7.3	0.5	0.5	6.9	7.0	13.6	6.2	-10.2	-3.4	-0.2	-14.2	4.0
France	2.9	3.9	0.6	2.1	10.4	9.1	8.7	3.3	-3.0	1.2	3.8	3.1	5.6	7.5	2.6	-9.2	-0.9	-2.1	-9.7	4.6
Germany	3.2	2.0	-0.2	2.8	6.0	5.8	7.9	-2.6	-7.0	0.7	0.7	4.4	10.1	6.5	5.3	-15.2	-3.0	-0.6	-15.4	0.4
Greece	4.1	3.0	20.9	5.1	13.0	20.7	13.3	5.8	9.4	13.3	2.7	4.7	-2.4	14.5	-4.4	-3.6	-2.1	..	..	..
Iceland	-3.0	9.6	49.2	17.6	46.2	-7.4	11.1	-11.3	-20.2	20.9	33.9	60.2	23.1	-24.5	-27.2	-50.9	23.5	-23.3	-48.6	63.0
Ireland	1.8	18.5	16.1	19.9	20.0	14.3	2.5	-9.1	0.6	4.0	14.0	20.3	4.8	19.0	-31.3	-30.5	-12.6	-45.3	-23.4	-4.0
Italy	2.0	12.2	1.5	3.4	4.0	4.1	8.4	2.0	4.5	-3.4	1.1	-0.3	3.4	2.1	-5.0	-18.4	1.8	-12.9	-13.3	6.0
Japan	4.6	3.0	1.6	8.4	-6.5	-4.3	7.5	1.3	-5.2	4.4	5.6	9.2	2.3	5.7	-4.0	-19.7	0.2	-11.7	-15.2	4.7
Korea	12.5	15.8	8.4	-3.6	-29.6	13.6	18.6	-3.3	8.1	2.3	1.9	2.0	7.6	7.0	0.2	-7.7	7.8	-6.9	-2.8	11.8
Netherlands	3.5	9.3	10.4	13.5	8.3	11.3	-2.0	-3.0	-7.6	-1.0	-2.7	2.2	10.4	4.8	9.6	-14.1	-5.9	2.2	-12.4	-3.7
New Zealand	3.0	15.5	6.5	-5.9	-1.1	7.0	19.4	-3.0	-1.0	13.0	13.3	11.2	-0.3	5.1	3.5	-19.1	-3.2	-6.0	-18.6	4.3
Norway	-1.3	2.3	13.1	16.1	16.0	-8.3	-3.9	-4.3	-1.9	-2.9	10.3	17.3	14.5	9.5	7.4	-10.4	-3.2	5.4	-15.4	0.7
Spain	5.4	12.4	3.9	6.5	11.4	11.7	7.9	3.2	1.2	5.3	6.8	7.7	7.8	5.7	-0.5	-15.4	-3.3	-7.1	-14.1	1.3
Sweden	1.5	21.2	8.4	5.0	9.6	8.5	9.2	-1.7	-5.9	1.8	3.9	8.8	9.1	8.7	4.0	-15.3	-7.0	-1.6	-17.8	-0.3
Switzerland	..	8.9	0.8	2.5	8.2	4.4	5.4	-2.3	-0.5	-4.4	4.7	6.4	7.2	7.3	-2.3	-7.7	1.2	-7.2	-3.9	4.0
United Kingdom	3.3	7.8	10.4	10.0	19.3	4.1	4.4	1.5	1.2	-1.0	1.0	17.3	-7.2	9.9	0.1	-14.5	-6.0	-4.5	-18.8	1.2
United States	3.0	10.5	9.3	12.1	11.1	9.2	8.7	-4.2	-9.2	1.0	5.8	7.2	7.5	4.9	1.6	-19.2	-2.1	-5.2	-18.3	3.9
Euro area	3.2	5.9	2.2	4.9	7.8	7.2	7.3	0.9	-2.3	0.6	2.5	3.7	6.4	6.0	1.1	-13.7	-2.1	-4.8	-13.0	2.1
Total OECD	3.6	8.1	6.2	9.0	6.4	6.4	7.9	-1.4	-4.6	1.7	4.6	7.7	6.2	5.9	0.8	-16.3	-1.7	-5.5	-15.3	3.5

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries are using chain-weighted price indices to calculate real GDP and expenditures components. Some countries (e.g. United States, Canada and France) use hedonic price indices to deflate current-price values of investment in certain information and communication technology products such as computers. 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 85 database.

StatLink http://dx.doi.org/10.1787/662122857405

Annex Table 7. **Real gross residential fixed capital formation**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	Fourth quarter 2009	Fourth quarter 2010
Australia	3.7	-7.6	-9.5	16.5	11.6	5.9	1.2	-10.9	25.9	4.6	2.9	-3.5	-2.5	2.7	2.5	-7.3	2.0	1.4	-6.3	3.7
Austria	3.2	8.7	2.5	-1.6	-3.0	-2.0	-4.9	-6.5	-5.0	-3.8	-0.2	2.4	6.0	4.0	-0.7	-9.2	0.8	-2.0	-9.6	4.0
Belgium	7.9	4.3	-8.6	10.2	-0.4	5.0	1.0	-4.3	-0.7	3.8	9.8	10.0	7.9	1.3	1.0	-2.0	-0.8	0.4	-2.6	0.0
Canada	2.0	-14.9	9.7	8.2	-3.6	3.6	5.2	10.5	14.1	5.4	7.5	3.3	2.1	2.8	-2.7	-13.8	-2.9	-9.1	-11.2	1.0
Denmark	-2.3	14.5	6.7	9.7	1.9	4.3	10.3	-9.3	0.8	11.8	11.9	17.3	11.2	4.8	-9.8	-10.6	-4.2	-13.3	-9.6	-1.0
Finland	-3.9	-2.9	5.2	22.1	9.6	9.0	5.3	-9.7	0.9	9.5	9.8	5.2	6.1	0.1	-8.9	-13.0	-1.8	-10.4	-11.4	3.0
France	0.3	2.3	0.5	1.0	3.7	7.1	2.5	1.4	1.3	2.1	3.2	5.8	6.2	5.6	-1.2	-6.9	-2.0	-6.2	-4.9	-0.7
Germany	4.4	0.8	-0.3	0.1	0.2	1.6	-1.8	-5.9	-6.0	-0.9	-3.6	-3.7	6.5	0.4	-0.1	-4.2	0.5	-1.2	-2.3	0.6
Greece	-0.7	2.6	-1.2	6.6	8.8	3.8	-4.3	4.3	15.2	12.3	-1.9	0.0	29.1	-6.8	-29.1	-17.2	-6.5	..	..	..
Iceland	-0.9	-8.7	7.1	-9.3	1.0	0.6	12.8	12.3	12.4	3.7	14.2	11.9	16.5	13.2	-23.1	-52.7	-14.4	-38.6	-50.6	0.0
Ireland	3.2	14.5	18.3	15.8	6.4	12.9	7.6	1.9	5.4	18.3	10.7	13.7	1.8	-15.2	-28.3	-54.4	-27.6	-39.2	-48.8	-13.9
Italy	0.4	0.5	-3.1	-2.4	-1.2	1.3	5.1	1.5	2.5	3.5	2.4	5.3	4.1	1.1	-0.9	-6.9	1.7	-4.8	-4.4	4.6
Japan	4.1	-4.8	11.8	-12.1	-14.3	0.2	0.9	-5.3	-4.0	-1.0	1.9	-1.5	0.5	-9.7	-7.6	-5.8	3.1	12.2	-12.1	7.7
Korea	13.9	9.9	2.8	-4.9	-13.4	-6.1	-9.3	12.5	11.2	8.6	3.6	2.4	-2.4	-3.0	-7.2	-4.0	2.2	-17.5	7.6	2.7
Netherlands	2.4	0.1	3.9	5.6	3.0	2.8	1.6	3.2	-6.5	-3.7	4.1	5.0	5.0	5.0	0.9	-12.1	-3.0	-5.0	-9.0	-2.1
New Zealand	2.9	3.5	5.2	6.8	-12.8	7.5	0.5	-11.7	21.3	19.8	5.4	-4.5	-3.3	5.3	-19.0	-34.9	-10.0	-32.7	-28.5	0.4
Norway	-3.5	10.5	2.8	12.1	7.7	3.0	5.6	8.2	-0.7	1.9	16.3	10.8	4.1	5.3	-8.1	-10.9	-4.4	-11.6	-8.0	-3.2
Spain	2.3	7.1	12.3	2.2	10.9	11.4	10.3	7.5	7.0	9.3	5.9	6.1	6.0	3.8	-10.9	-26.0	-18.4	-19.6	-28.2	-9.5
Sweden	-7.1	-23.6	8.5	-11.9	-0.7	11.1	10.3	4.4	10.0	5.5	15.4	15.9	13.8	8.5	-5.1	-21.1	-1.5	-14.7	-14.1	0.7
Switzerland	..	-2.0	-8.7	-0.1	2.8	-5.5	-2.7	-4.1	-3.7	14.4	7.0	1.1	-1.6	0.1	-1.6	-0.5	-1.7	..	..	..
United Kingdom	1.1	-2.2	4.9	6.8	3.7	1.7	0.5	0.3	6.9	0.7	13.1	-4.7	8.9	0.3	-21.0	-15.5	-3.7	-25.5	-9.2	0.1
United States	2.2	-3.2	8.0	1.9	7.6	6.0	0.8	0.4	4.8	8.4	10.0	6.3	-7.1	-17.9	-20.8	-20.7	0.4	-19.4	-15.4	4.0
Euro area	2.4	1.8	0.5	1.2	1.9	3.7	1.5	-1.1	-0.7	2.7	1.8	3.3	6.4	1.6	-4.5	-11.2	-3.4	-8.3	-9.3	-0.7
Total OECD	2.8	-1.8	5.4	0.9	1.8	4.0	1.2	-0.3	3.4	4.8	6.5	3.5	-0.2	-7.6	-12.1	-14.2	-0.9	-11.7	-11.5	2.4

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries 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 85 database.

StatLink http://dx.doi.org/10.1787/662131354321

Annex Table 8. **Real total domestic demand**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	2009	2010
Australia	2.8	4.6	3.5	3.6	6.0	5.3	2.9	0.6	6.3	6.2	5.4	4.7	2.8	6.0	3.8	-2.1	1.4	1.2	-1.6	2.7
Austria	2.8	2.1	2.6	1.3	2.4	3.0	2.0	0.7	0.1	1.4	2.3	2.8	2.1	1.9	1.9	0.3	0.3	1.9	-0.7	1.0
Belgium	2.8	3.3	0.8	2.4	2.1	2.9	4.1	0.1	0.5	1.1	2.5	2.7	2.9	3.0	1.9	-2.2	-0.4	0.4	-2.4	0.2
Canada	2.6	1.8	1.3	6.1	2.5	4.2	4.7	1.3	3.2	4.5	4.1	4.9	4.3	4.3	2.4	-3.6	1.6	-1.0	-2.5	2.4
Czech Republic	..	8.2	7.8	-1.0	-1.3	1.1	3.7	3.7	3.8	4.2	3.1	1.7	5.5	5.2	1.1	-3.7	0.0	1.6	-5.4	1.3
Denmark	1.8	4.5	2.5	4.7	3.7	-0.6	3.2	0.0	1.7	0.2	4.3	3.4	5.3	1.9	-0.5	-2.9	-0.1	-3.2	-0.6	0.2
Finland	0.5	4.7	2.4	6.1	5.5	1.7	3.5	2.1	1.1	3.7	3.3	4.5	3.1	4.0	0.2	-3.9	0.5	-1.9	-3.2	1.9
France	2.2	2.0	0.7	1.0	4.2	3.7	4.5	1.7	1.1	1.8	2.9	2.7	2.7	3.1	0.6	-2.4	0.3	-0.9	-1.9	1.3
Germany	2.9	2.0	0.4	0.9	2.2	2.6	2.4	-0.4	-2.0	0.6	-0.6	0.2	2.3	1.2	1.6	-1.7	0.1	1.9	-2.1	0.6
Greece	1.7	3.5	3.2	3.4	4.4	3.7	5.6	4.1	4.4	5.3	2.8	2.2	4.8	5.1	0.7	-1.6	0.1	..	..	..
Hungary	..	-5.8	0.1	4.8	8.2	4.9	4.4	2.2	6.2	6.3	4.4	1.5	1.6	-1.0	0.4	-9.5	-2.2	-3.0	-8.5	0.3
Iceland	1.5	1.9	6.9	5.5	13.8	4.2	5.9	-2.1	-2.3	5.8	9.9	15.8	9.4	-0.6	-9.3	-18.6	-0.8	-18.8	-11.3	5.2
Ireland	2.5	6.3	7.9	9.7	9.1	8.9	9.0	4.0	4.3	3.9	4.3	8.6	6.1	3.6	-5.9	-12.1	-4.1	-13.1	-8.6	-1.6
Italy	2.1	1.9	0.6	2.6	2.8	2.7	3.2	1.5	1.3	0.8	1.3	1.0	2.0	1.3	-1.3	-4.4	0.5	-2.4	-3.2	1.4
Japan	3.7	2.6	3.3	0.5	-2.4	0.0	2.4	1.0	-0.4	0.8	1.9	1.7	1.2	1.2	-0.9	-3.4	0.6	-1.7	-2.4	0.7
Korea	9.3	9.4	8.3	0.0	-17.8	13.9	8.2	3.7	7.9	1.5	1.5	3.8	4.9	4.7	1.4	-4.6	5.6	-5.3	2.8	5.2
Luxembourg	4.4	2.0	4.3	6.1	6.2	7.9	4.2	4.3	2.5	1.0	3.0	4.8	1.5	3.9	1.6	-2.0	-0.8	..	..	..
Mexico	3.2	-12.0	5.4	8.8	5.8	4.2	7.9	0.3	0.8	0.8	3.9	3.7	5.7	3.8	2.3	-8.1	2.8	-1.4	-6.0	4.7
Netherlands	2.4	3.3	3.9	4.5	5.1	4.9	2.7	2.3	-0.4	0.4	0.5	1.3	3.7	2.7	3.1	-3.4	-0.4	1.8	-3.5	-0.1
New Zealand	1.5	5.8	4.4	2.5	0.5	5.9	1.9	1.7	5.7	6.1	7.7	4.2	1.4	4.5	-0.3	-7.0	0.0	-3.0	-5.7	1.5
Norway	1.7	4.4	4.4	6.8	5.8	0.4	2.9	0.6	2.3	1.7	6.7	5.5	5.6	5.0	3.3	-0.9	1.4	-1.5	1.1	1.1
Poland	..	7.4	9.6	9.3	6.4	5.2	3.1	-1.3	1.0	2.8	6.2	2.5	7.3	8.7	5.4	-2.4	0.2	3.9	-4.1	1.8
Portugal	4.4	4.1	3.6	5.5	7.0	5.7	3.3	1.7	0.0	-2.1	2.7	1.6	0.7	1.7	1.2	-6.0	-0.1	-0.9	-5.7	0.9
Slovak Republic	..	9.9	17.2	6.1	4.7	-6.2	1.2	8.2	4.1	-0.7	5.9	8.4	6.5	6.4	6.4	-0.7	2.0	1.3	-1.1	2.1
Spain	3.7	3.1	2.1	3.4	6.2	6.4	5.3	3.8	3.2	3.8	4.8	5.1	5.1	4.2	0.1	-5.6	-1.2	-2.8	-4.7	0.1
Sweden	1.4	2.4	1.0	1.4	4.3	3.5	4.0	0.1	1.4	1.7	1.6	3.1	3.9	4.1	0.0	-5.0	-0.4	-3.3	-3.1	0.5
Switzerland	2.0	1.4	0.6	0.6	3.7	0.2	2.2	2.0	0.1	0.5	1.9	1.9	1.4	1.1	0.2	1.8	-0.3	-0.1	-0.4	1.0
Turkey	4.5	10.5	7.8	8.9	0.9	-1.9	7.8	-11.5	8.7	8.6	11.5	9.2	6.7	5.6	-0.3	-8.9	3.1	..	..	..
United Kingdom	2.6	1.9	3.1	3.5	5.2	4.6	3.9	3.0	3.2	2.9	3.4	1.9	2.6	3.5	0.6	-5.0	-0.5	-2.9	-3.6	0.6
United States	2.9	2.4	3.8	4.8	5.3	5.3	4.4	0.9	2.2	2.8	4.1	3.0	2.6	1.4	-0.3	-3.5	0.8	-1.9	-2.2	1.4
Euro area	2.5	2.3	1.2	2.1	3.5	3.5	3.6	1.3	0.4	1.4	1.7	2.0	2.9	2.4	0.6	-3.1	0.0	-0.6	-2.8	0.8
Total OECD	3.1	2.3	3.3	3.6	3.0	4.0	4.2	0.9	1.9	2.3	3.3	2.8	3.0	2.4	0.4	-3.7	0.8	-1.7	-2.5	1.5

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries are using chain-weighted price indices to calculate real GDP and expenditures components. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)*. Working-day adjusted -- see note to table on Real GDP.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662148871558

Annex Table 9. **Foreign balance contributions to changes in real GDP**

Per cent

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter[1] 2008	2009	2010
Australia	0.5	-0.1	1.0	1.0	-0.9	-0.4	1.0	1.2	-1.6	-2.1	-1.7	-1.1	-0.8	-1.8	-1.5	3.2	-0.3	6.9	0.0	-0.4
Austria	-0.2	-0.3	-0.5	1.3	1.2	0.7	1.2	0.6	1.6	0.7	-0.2	0.0	1.3	1.2	1.1	-2.9	-0.3	-1.8	-0.5	0.5
Belgium	-0.3	0.4	0.3	1.0	-0.4	0.6	0.0	0.6	0.8	0.1	0.4	-0.6	0.1	-0.3	-1.0	-1.8	-0.2	-5.1	-0.4	1.2
Canada	-0.1	1.0	0.3	-1.7	1.7	1.4	0.6	0.7	-0.1	-2.5	-0.9	-1.7	-1.3	-1.6	-1.9	0.4	-0.9	1.9	-0.5	-0.6
Czech Republic	-3.9	-2.7	-3.9	0.3	0.7	0.1	0.1	-1.4	-2.1	-0.6	1.2	4.7	1.7	1.1	1.8	-0.7	1.4	-7.5	-0.1	1.2
Denmark	0.2	-1.2	0.5	-1.3	-1.4	3.2	0.5	0.7	-1.1	0.2	-1.8	-0.8	-1.7	-0.2	-0.7	-1.1	0.2	2.7	0.0	0.4
Finland	0.2	0.6	0.1	1.4	0.9	3.0	1.1	0.2	0.1	-1.7	1.1	-1.2	2.4	1.4	-0.2	-3.2	0.5	-5.4	1.0	-0.5
France	-0.1	0.3	0.4	1.3	-0.5	-0.4	-0.3	0.1	0.0	-0.7	-0.6	-0.7	-0.3	-0.8	-0.3	-0.5	-0.1	-1.4	0.1	-0.4
Germany	0.1	0.0	0.6	0.9	-0.3	-0.6	1.1	1.8	2.0	-0.8	1.3	0.8	1.0	1.4	-0.5	-4.5	0.0	-8.5	0.0	0.3
Greece	-0.5	-1.7	-1.2	-0.4	-1.7	-1.1	-2.0	-0.4	-1.5	-0.4	1.7	0.5	-0.8	-1.6	2.1	0.4	0.1	..	..	..
Hungary	0.6	5.2	1.2	-0.2	-3.2	-0.8	0.5	1.8	-2.2	-2.2	0.3	2.5	2.3	2.2	0.2	3.2	-0.1	4.6	-0.1	0.5
Iceland	0.4	-1.9	-1.7	-0.8	-7.5	-0.3	-1.9	6.2	2.5	-3.3	-2.5	-9.2	-6.1	6.2	10.6	12.1	-0.1	70.8	2.5	-3.0
Ireland	1.7	4.2	1.4	2.7	0.0	4.2	1.6	2.6	3.0	1.7	0.6	-1.2	0.3	2.6	2.7	1.6	2.0	1.2	2.7	1.5
Italy	0.1	1.0	0.4	-0.6	-1.4	-1.2	0.8	0.2	-0.8	-0.8	0.1	-0.2	0.1	0.2	0.2	-1.0	-0.1	-1.8	-0.5	0.0
Japan	-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	1.1	0.2	-3.4	0.1	-13.0	0.0	0.0
Korea	-0.3	0.2	-0.7	4.7	10.7	-2.4	0.9	0.4	-0.5	1.3	3.1	0.4	0.3	0.5	0.9	2.3	-2.0	13.4	-0.7	-0.9
Luxembourg	1.8	1.2	-2.1	1.2	1.3	1.8	4.7	-1.1	1.9	1.2	2.1	1.6	5.3	2.6	-2.1	-2.6	0.1	..	..	..
Mexico	-0.7	6.2	-0.1	-1.8	-0.8	-0.3	-1.3	-0.5	0.0	0.5	0.0	-0.6	-0.7	-0.6	-1.0	0.4	-0.1	4.3	0.2	-0.5
Netherlands	0.4	0.0	-0.2	0.0	-0.9	0.1	1.3	-0.2	0.5	-0.1	1.7	0.8	0.0	1.0	-0.7	-1.4	0.0	-6.2	-0.2	0.9
New Zealand	0.1	-1.3	-1.0	0.5	0.1	-1.2	2.2	0.5	-0.9	-1.9	-2.8	-1.7	1.3	-1.5	-1.2	4.1	0.6	4.2	1.4	-0.4
Norway	1.3	0.0	1.0	-0.8	-2.6	1.6	0.6	1.5	-0.4	-0.5	-2.0	-2.0	-2.4	-0.9	-0.7	-0.6	-0.4	8.9	-1.2	2.0
Poland	0.5	0.2	-2.8	-2.3	-1.7	-1.1	0.9	2.6	0.5	1.0	-1.0	1.1	-1.1	-2.0	-0.7	1.5	0.3	1.3	0.7	0.4
Portugal	-0.9	-0.1	-0.2	-1.6	-2.6	-2.5	0.3	0.2	0.7	1.5	-1.4	-0.8	0.6	0.0	-1.3	2.1	-0.3	-0.7	-0.5	-0.2
Slovak Republic	11.2	-3.6	-10.5	-1.2	-0.8	6.9	0.1	-5.0	0.4	5.5	-0.9	-2.1	1.7	3.8	-0.2	-1.1	0.1	-2.3	0.0	-0.1
Spain	-1.2	-0.3	0.3	0.5	-1.7	-1.7	-0.4	-0.2	-0.6	-0.8	-1.7	-1.7	-1.5	-0.8	1.0	1.7	0.3	4.7	0.0	0.1
Sweden	0.0	1.7	0.5	1.3	-0.2	1.2	0.9	1.0	1.0	0.4	2.1	0.8	0.6	-1.1	-0.5	-1.2	0.5	-3.3	0.7	0.9
Switzerland	0.0	-1.0	0.0	1.4	-0.9	1.1	1.4	-0.7	0.4	-0.8	0.6	0.7	2.1	2.3	1.4	-4.4	0.0	-11.0	-1.2	0.6
Turkey	0.2	-2.9	0.2	-0.9	2.1	-1.5	-1.1	6.5	-3.0	-3.8	-2.4	-1.3	-0.3	-1.3	1.4	3.4	-0.6	..	..	..
United Kingdom	0.0	0.9	0.0	-0.2	-1.4	-1.0	0.0	-0.5	-1.1	-0.1	-0.7	0.1	0.1	-0.7	0.2	0.8	0.5	2.9	0.2	0.4
United States	0.1	0.1	-0.1	-0.4	-1.2	-1.0	-0.8	-0.2	-0.7	-0.4	-0.7	-0.2	0.0	0.6	1.3	1.0	0.0	-0.1	0.1	0.0
Euro area	0.0	0.2	0.3	0.6	-0.7	-0.6	0.4	0.6	0.5	-0.6	0.2	-0.2	0.2	0.3	0.0	-1.7	0.0	-3.5	-0.1	0.1
Total OECD	0.0	0.3	-0.1	0.1	-0.3	-0.6	-0.1	0.2	-0.2	-0.4	-0.2	-0.2	0.1	0.3	0.4	-0.2	0.0	-1.2	0.1	-0.1

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries are using chain-weighted price indices to calculate real GDP and expenditures components. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to table on Real GDP.

1. Contributions to per cent change from the previous quarter, seasonnally adjusted at annual rates.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662175304024

Annex Table 10. **Output gaps**

Deviations of actual GDP from potential GDP as a per cent of potential GDP

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	-3.5	-3.5	-2.3	-0.7	-0.6	-0.5	-0.5	0.7	1.3	0.9	-0.4	0.3	0.4	0.4	0.4	-0.3	0.2	-1.2	-4.6	-5.8
Austria	1.8	1.0	-1.5	-1.3	-1.3	-1.2	-1.2	0.1	1.2	1.9	0.1	-0.9	-2.4	-2.0	-0.5	1.0	2.1	1.8	-3.7	-4.5
Belgium	1.3	0.5	-2.4	-1.2	-0.8	-1.9	-0.5	-1.0	0.0	1.5	0.0	-0.4	-0.8	0.6	1.2	2.0	2.0	0.3	-5.9	-7.6
Canada	-3.4	-4.6	-4.2	-1.9	-1.6	-2.8	-1.8	-1.2	0.7	2.2	0.6	0.7	0.0	0.4	0.9	1.2	1.5	-0.4	-4.7	-5.4
Czech Republic	..	..	..	-1.2	2.0	4.0	1.2	-1.3	-2.1	-0.7	-0.8	-2.0	-2.0	-1.7	0.2	2.5	3.8	2.0	-5.5	-6.6
Denmark	-2.2	-2.0	-3.9	-0.7	-0.2	0.2	0.8	0.4	0.6	1.9	0.8	-0.4	-1.4	-0.3	0.8	2.5	2.4	-0.4	-5.2	-5.2
Finland	-3.3	-7.6	-8.9	-6.4	-4.6	-3.7	-1.2	0.2	0.4	1.9	0.7	-0.7	-1.5	-0.3	0.3	2.3	2.9	0.1	-6.8	-7.3
France	1.2	0.6	-1.8	-1.1	-0.7	-1.5	-1.3	0.0	0.6	1.9	1.0	-0.1	-0.8	-0.1	0.2	1.1	1.8	0.2	-4.1	-4.9
Germany	1.1	0.7	-1.9	-0.7	-0.4	-0.9	-0.7	-0.5	-0.5	1.1	0.8	-0.5	-1.6	-1.6	-1.3	1.0	2.6	1.9	-5.4	-5.7
Greece	1.2	0.2	-3.0	-2.8	-2.5	-2.3	-1.4	-0.9	-1.1	-0.8	-0.8	-1.3	0.1	0.6	-0.6	0.3	0.4	0.0	-4.0	-6.2
Hungary	..	..	0.3	0.0	-1.6	-3.6	-2.5	-1.4	-1.0	0.1	0.4	0.9	1.3	2.1	2.8	3.7	2.0	0.0	-7.7	-11.0
Iceland	-1.3	-5.4	-4.7	-2.2	-3.4	-0.9	0.7	2.2	1.6	1.0	1.2	-1.2	-1.6	2.2	5.0	2.7	3.5	0.3	-7.5	-9.0
Ireland	0.4	-1.7	-4.1	-4.2	-1.7	-1.2	1.6	1.3	3.2	3.8	1.9	1.6	0.7	0.5	1.8	2.8	4.5	-0.6	-9.5	-8.1
Italy	0.4	-1.0	-3.4	-2.4	-0.9	-1.5	-1.0	-1.3	-1.4	0.6	0.8	-0.1	-1.3	-0.8	-0.7	0.7	1.2	-0.9	-6.5	-5.8
Japan	3.7	2.1	0.2	-0.3	-0.1	1.1	1.5	-1.7	-2.9	-1.1	-2.0	-2.6	-2.2	-0.5	0.8	2.0	3.3	1.3	-6.1	-6.1
Luxembourg	6.6	2.9	2.1	1.1	-2.1	-5.2	-4.1	-2.8	0.3	3.7	1.5	1.4	-1.0	-0.5	0.7	3.2	4.9	0.3	-6.3	-8.6
Mexico	..	2.1	1.1	2.7	-6.4	-4.5	-1.1	0.5	1.1	4.5	1.3	-0.8	-2.2	-1.1	-0.6	1.9	2.7	1.7	-8.5	-7.5
Netherlands	0.9	-0.3	-1.8	-1.6	-1.2	-0.7	0.3	0.9	2.2	2.8	1.7	-0.7	-2.2	-1.6	-1.1	0.6	2.0	1.9	-4.7	-5.8
New Zealand	-4.4	-4.8	-1.7	1.0	1.5	1.7	0.5	-2.3	-1.0	-0.2	-0.3	1.1	1.2	1.8	1.3	0.2	0.9	-0.9	-5.0	-5.1
Norway[1]	-5.0	-3.3	-1.5	0.1	0.9	2.0	3.9	5.2	4.5	3.8	2.7	0.8	-1.1	0.2	1.5	2.6	4.8	3.1	-2.0	-3.8
Poland	..	..	..	..	-2.4	-1.4	0.6	0.5	0.6	0.9	-1.5	-2.9	-1.9	0.4	0.8	2.9	4.8	4.6	-0.6	-3.8
Portugal	6.2	3.8	-1.3	-3.2	-1.9	-1.3	-0.3	1.2	1.9	3.0	2.3	1.0	-1.3	-1.0	-1.1	-0.3	0.7	-0.3	-5.3	-5.7
Spain	2.2	0.0	-3.5	-3.4	-3.2	-3.5	-2.5	-1.0	0.3	1.6	1.5	0.4	-0.2	-0.3	-0.2	0.2	0.5	-0.9	-6.5	-8.2
Sweden	-0.1	-2.3	-5.3	-3.2	-1.0	-1.5	-1.0	-0.1	1.1	2.1	0.1	-0.2	-0.4	0.9	1.8	3.5	3.4	-0.1	-7.7	-8.7
Switzerland	0.9	-0.4	-1.4	-1.1	-1.6	-2.1	-1.1	0.3	0.1	1.8	1.1	-0.3	-2.2	-1.3	-0.4	1.0	2.1	1.7	-2.9	-4.8
United Kingdom	-1.5	-3.2	-2.9	-1.0	-0.4	-0.2	0.2	0.5	0.5	1.0	0.3	-0.3	0.1	0.7	0.5	1.1	1.9	0.4	-5.4	-6.4
United States	-2.2	-1.7	-1.8	-0.7	-1.2	-0.7	0.2	0.8	1.5	1.5	-0.8	-1.7	-1.4	0.1	0.7	1.2	0.9	-0.5	-4.9	-5.4
Euro area	1.2	0.2	-2.4	-1.6	-1.0	-1.5	-0.9	-0.4	0.0	1.4	0.9	-0.2	-1.2	-0.8	-0.5	0.9	1.8	0.4	-5.5	-6.0
Total OECD	-0.4	-0.8	-1.8	-0.9	-1.2	-0.9	-0.1	0.0	0.4	1.3	-0.2	-1.1	-1.3	-0.2	0.3	1.3	1.7	0.3	-5.3	-5.8

Note: Potential output for countries where data availability permits follows the methodology outlined in Beffy, P.O., Olivaud, P., Richardson, P., and F. Sedillot (2006), "New OECD Methods for Supply-Side and Medium-Term Assessments: A Capital Services Approach", Economics Department Working Papers No. 482. Revisions to this method are discussed in Chapter 4 of *OECD Economic Outlook 85* "Beyond the crisis: medium-term challenges relating to potential output, employment and fiscal positions". In countries where extensive data are not available, more simplified methodologies are used.

1. Mainland Norway.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662175741640

Annex Table 11. **Compensation per employee in the private sector**

Percentage change from previous period

	Average 1981-1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	7.3	4.7	2.7	2.9	3.1	5.5	4.6	3.0	3.4	3.1	4.5	3.0	3.9	6.6	4.8	5.1	5.5	5.8	3.7	3.7
Austria	4.8	5.7	4.5	3.5	1.4	1.3	1.2	2.8	1.9	2.4	2.1	2.1	1.9	1.9	2.5	3.3	2.3	2.8	2.2	1.2
Belgium	6.1	4.5	4.3	3.9	0.4	1.3	3.1	1.2	3.5	2.0	3.7	3.4	1.4	2.0	1.7	3.2	4.0	2.8	-0.5	1.7
Canada	5.4	3.5	2.1	0.3	1.9	2.8	5.8	2.6	3.3	5.3	2.1	0.8	1.8	5.2	5.0	4.5	3.8	4.0	2.0	1.1
Czech Republic	..	..	..	..	..	16.5	9.2	9.7	7.9	7.4	7.2	7.0	8.7	6.1	4.8	6.2	6.3	6.2	3.9	2.2
Denmark	6.6	5.3	1.9	1.7	2.2	4.0	3.8	4.0	3.7	3.1	4.1	3.7	3.5	3.2	4.5	3.5	3.3	4.4	3.6	2.3
Finland	8.7	1.5	2.6	4.8	4.5	2.3	2.7	4.4	2.2	4.1	5.1	1.4	2.6	3.3	3.5	2.9	3.4	5.1	4.0	3.5
France	6.5	3.7	2.1	1.1	1.4	1.4	1.4	1.4	1.9	2.3	2.4	3.4	3.0	3.9	3.0	3.7	2.7	2.4	1.4	1.3
Germany	3.5	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	1.8	-0.9	0.4
Greece	18.7	12.6	8.9	11.7	12.6	10.8	11.6	4.8	6.8	5.6	3.1	11.5	4.9	2.2	5.0	3.8	6.6	7.8	5.9	5.1
Hungary	..	..	..	..	24.2	21.4	18.7	12.4	1.7	15.5	13.8	10.3	6.9	13.6	7.4	4.3	7.2	5.4	1.9	1.1
Iceland	31.6	0.6	-3.7	3.7	4.9	5.1	3.8	9.4	8.5	9.8	5.8	7.6	0.7	12.3	9.9	13.3	5.5	5.2	6.3	4.3
Ireland	7.1	7.9	4.9	1.5	3.4	4.3	4.2	4.9	4.0	8.6	6.6	3.1	5.0	4.7	6.5	4.6	6.1	5.7	-2.7	-3.2
Italy	10.0	5.8	4.3	4.4	5.4	4.2	3.6	-1.0	1.9	1.9	2.4	1.8	1.8	3.2	2.7	1.7	2.7	2.3	1.0	2.3
Japan	3.5	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	0.0	0.4	-0.9	-0.1	-2.1	-0.7
Korea	12.1	11.8	12.9	11.9	15.0	12.0	4.1	4.4	2.1	3.1	7.5	6.1	7.5	4.8	5.5	3.5	4.4	3.6	2.0	3.5
Luxembourg	5.2	6.5	5.5	4.1	0.4	1.1	2.0	1.4	4.6	6.1	3.5	2.4	0.5	3.6	3.5	3.1	3.7	1.6	2.1	2.5
Mexico	..	20.5	10.3	9.3	8.1	19.1	23.4	16.1	17.8	11.6	9.2	3.9	3.6	2.4	5.6	3.0	4.4	4.5	3.7	3.1
Netherlands	2.0	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	0.8	2.7	3.1	3.4	3.2	2.5
Norway	7.6	4.3	2.7	3.1	3.2	2.5	2.5	7.5	6.1	4.5	7.0	3.9	2.5	4.4	5.5	8.2	5.9	4.5	4.0	3.0
Poland	..	..	..	..	..	29.0	20.5	14.7	12.6	10.2	9.5	0.5	0.3	1.6	0.5	0.8	2.8	6.7	5.1	3.4
Portugal	16.9	16.2	7.2	6.0	6.8	7.2	6.7	2.4	2.3	4.0	2.9	2.8	5.3	1.6	3.3	2.1	5.3	3.6	1.6	1.0
Slovak Republic	..	..	..	..	..	11.8	18.6	9.6	7.1	15.7	4.6	7.8	8.5	10.0	12.0	6.5	10.6	9.2	4.2	1.9
Spain	9.9	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	2.8	2.2	2.9	4.4	3.3	0.7
Sweden	8.4	1.7	6.4	6.8	2.2	7.2	5.4	2.8	1.2	6.8	4.1	2.6	2.5	4.6	3.2	2.0	5.2	0.6	1.7	2.9
Switzerland	4.7	4.0	2.8	2.5	2.6	0.6	2.9	0.3	1.6	2.7	3.8	1.4	-0.5	-0.9	3.3	3.8	2.3	1.4	0.0	1.1
United Kingdom	7.7	4.8	2.3	3.4	2.6	2.2	4.0	7.2	4.5	5.8	4.8	2.8	4.6	3.6	3.8	4.0	3.5	2.0	0.6	1.1
United States	4.5	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	3.9	4.1	3.2	2.8	1.7
Euro area	6.5	7.5	3.9	3.1	2.9	1.9	2.0	1.1	1.7	2.4	2.4	2.3	2.4	1.5	1.5	2.2	2.4	2.4	1.1	1.3
Total OECD	5.6	6.4	3.1	3.0	3.1	3.9	4.3	4.0	3.5	4.8	2.9	2.4	2.7	3.0	2.8	3.0	3.1	2.8	1.7	1.5

Note: The private sector in the OECD terminology is defined as total economy less the public sector. Hence private sector employees are defined as total employees less public sector employees. See also *OECD Economic Outlook Sources and Methods (http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662212021583

Annex Table 12. **Labour productivity for the total economy**

Percentage change from previous period

	Average 1981-1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	0.8	3.0	3.5	1.8	-0.4	2.7	3.0	3.3	2.8	0.8	0.9	2.0	1.1	1.5	-0.3	0.1	1.3	0.3	-0.4	1.5
Austria	2.1	1.8	0.9	2.6	2.5	2.0	1.7	2.7	2.0	1.9	0.3	1.4	0.6	2.5	2.2	2.1	1.5	-0.1	-2.9	1.7
Belgium	1.8	1.7	-0.3	3.6	1.7	0.6	3.2	0.2	2.0	1.8	-0.7	1.6	1.0	2.1	0.9	1.6	0.8	-0.6	-3.2	1.3
Canada	0.9	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	1.6	0.9	0.2	-1.1	-0.7	1.1
Czech Republic	..	..	..	1.3	5.2	3.2	-0.9	0.8	4.8	4.1	2.0	1.3	5.0	4.0	5.3	4.9	3.4	1.2	-2.0	3.9
Denmark	1.8	3.1	1.4	3.8	2.3	1.9	1.8	0.7	1.7	3.0	-0.2	0.4	1.5	2.9	1.4	1.3	-1.0	-2.2	-0.9	3.8
Finland	2.5	3.3	5.3	5.0	2.1	2.3	2.5	3.2	1.5	2.7	1.0	0.5	1.9	3.2	1.6	3.1	1.9	-0.7	-2.0	3.9
France	2.1	1.8	0.4	2.0	1.4	0.7	1.8	2.0	1.2	1.4	0.0	0.4	1.0	2.2	1.4	1.4	0.9	-0.2	-1.4	1.4
Germany	1.7	3.4	0.5	2.8	1.7	1.3	2.0	0.6	0.5	1.5	0.9	0.6	0.7	0.3	1.0	2.5	0.9	-0.5	-4.3	3.4
Greece	0.9	-0.8	-2.4	0.1	1.2	1.1	4.0	-1.0	3.1	3.0	4.3	1.2	3.1	4.0	1.6	2.4	2.8	1.8	0.3	0.7
Hungary	..	..	..	..	5.1	1.7	4.5	3.0	0.7	3.8	4.1	4.4	2.9	5.1	4.1	3.4	1.4	1.8	-2.7	-0.7
Iceland	1.0	-3.4	1.5	2.8	-2.9	4.8	4.9	2.1	0.4	2.3	2.2	1.6	2.3	8.3	4.0	-0.7	0.9	-0.4	1.9	0.2
Ireland	3.4	2.8	1.2	2.4	4.5	4.4	5.6	-0.2	4.2	4.4	2.7	4.6	2.5	1.6	1.6	1.4	2.4	-1.4	-2.2	2.4
Italy	1.7	1.4	1.8	4.0	3.1	0.4	1.6	0.3	0.3	1.9	-0.3	-1.2	-1.4	0.9	0.2	0.1	0.2	-1.4	-3.8	2.4
Japan	2.6	-0.1	0.0	1.0	1.9	2.3	0.5	-1.4	0.7	3.1	0.7	1.5	1.6	2.5	1.5	1.6	1.9	-0.3	-5.4	1.8
Korea	6.0	3.9	4.9	5.2	6.1	4.7	2.9	-0.9	7.6	4.0	2.0	4.3	2.9	2.7	2.6	3.8	3.8	1.6	-1.1	2.9
Luxembourg	3.7	-0.7	2.4	1.2	-1.6	-1.0	2.8	1.9	3.3	2.7	-2.9	0.9	-0.2	2.3	2.2	2.7	0.7	-5.3	-3.9	0.5
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	0.5	2.6	1.6	1.6	-0.9	-6.9	3.4
Netherlands	0.8	0.4	0.9	2.3	0.8	1.2	1.2	1.3	2.1	1.7	-0.1	-0.4	0.8	3.1	1.4	1.6	1.2	0.6	-4.0	3.2
New Zealand	1.3	0.5	3.1	1.5	-0.3	0.8	1.6	0.6	2.8	1.8	0.1	1.6	1.5	1.0	-0.2	-0.4	1.3	-0.4	-0.4	2.4
Norway	2.3	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	-0.9	-0.3	-1.1	-0.2	1.3
Poland	..	..	..	7.0	6.0	5.0	5.6	3.8	8.8	5.9	3.5	4.6	5.1	4.0	1.3	2.7	2.3	1.2	1.0	3.6
Portugal	1.8	0.2	0.0	1.1	4.9	3.1	2.3	2.3	2.4	1.6	0.2	0.1	-0.3	1.4	0.8	0.7	1.8	-0.7	-1.7	1.5
Slovak Republic	..	..	..	..	4.0	4.8	6.8	4.9	2.6	3.4	2.8	4.7	3.6	5.4	5.1	6.1	8.1	3.5	-2.5	5.4
Spain	1.8	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	-0.5	0.0	0.6	1.6	3.1	2.4
Sweden	1.5	3.4	3.2	4.8	2.6	2.3	4.1	2.0	2.2	2.0	-0.8	2.4	2.6	4.3	3.0	2.8	0.5	-1.3	-2.6	4.3
Switzerland	0.1	0.5	0.6	1.9	0.4	0.7	2.0	1.2	0.5	2.5	-0.5	-0.1	0.2	2.2	1.7	0.9	0.8	-0.2	-2.4	0.5
Turkey	2.9	5.1	13.5	-12.4	4.2	4.0	7.5	0.4	-4.5	9.0	-5.7	6.5	6.1	7.3	6.8	5.5	3.2	-0.4	-3.1	2.4
United Kingdom	2.0	2.6	3.2	3.5	1.8	1.9	1.5	2.6	2.1	2.7	1.6	1.3	1.9	1.7	1.0	1.9	2.3	0.0	-2.1	2.7
United States	1.3	3.3	0.7	1.0	0.2	1.8	2.1	1.9	2.4	1.9	0.9	2.8	2.5	2.6	1.3	1.0	1.1	1.7	0.6	0.9
Euro area	1.9	2.1	0.9	2.9	1.8	0.8	1.8	0.9	0.9	1.5	0.3	0.2	0.4	0.9	0.7	1.4	0.8	-0.4	-2.3	2.5
Total OECD	1.8	2.4	1.3	1.7	1.2	1.7	2.0	1.2	1.9	2.4	0.6	1.7	1.7	2.1	1.4	1.5	1.4	0.4	-1.6	1.8

Note: See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662244724862

Annex Table 13. **Unemployment rates: commonly used definitions**

Per cent of labour force

	2005 Unemployment thousands	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	2009	2010
Australia	531	8.2	8.2	8.2	7.7	6.9	6.3	6.7	6.3	5.9	5.4	5.0	4.8	4.4	4.2	6.2	7.7	4.5	7.0	7.9
Austria	253	5.5	5.9	5.9	5.9	5.5	4.8	4.9	5.6	5.8	5.9	6.0	5.6	5.1	4.9	6.1	7.9	5.0	7.0	8.3
Belgium	397	9.7	9.6	9.2	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.5	8.2	7.5	7.0	8.3	10.6	7.0	9.3	11.2
Canada	1 172	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	6.1	8.6	9.8	6.4	9.3	9.8
Czech Republic	410	4.1	3.9	4.8	6.5	8.8	8.9	8.2	7.3	7.8	8.3	7.9	7.2	5.3	4.4	6.9	9.2	4.4	8.7	9.3
Denmark	139	6.7	6.3	5.2	4.8	5.0	4.3	4.4	4.5	5.3	5.5	4.8	3.9	3.6	3.3	6.0	7.9	3.8	7.0	8.1
Finland	219	16.7	15.9	12.8	11.4	10.3	9.8	9.1	9.1	9.0	8.8	8.4	7.7	6.9	6.4	8.7	10.8	6.6	9.8	11.2
France	2 427	10.1	10.6	10.8	10.3	10.0	8.6	7.8	7.9	8.5	8.8	8.9	8.8	8.0	7.4	9.7	11.2	7.6	10.6	11.3
Germany	4 573	7.9	8.6	9.3	8.9	8.2	7.4	7.5	8.3	9.2	9.7	10.5	9.8	8.3	7.3	8.7	11.6	7.1	10.3	11.8
Greece	477	10.4	10.7	10.6	11.2	12.1	11.4	10.8	10.3	9.7	10.5	9.9	8.9	8.3	7.7	9.5	10.3	..	..	..
Hungary	304	10.4	10.1	8.9	7.9	7.1	6.5	5.8	5.9	5.9	6.2	7.3	7.5	7.4	7.9	10.7	11.7	8.0	11.7	11.7
Iceland	4	4.7	3.7	3.9	2.7	2.0	2.3	2.3	3.3	3.4	3.1	2.6	2.9	2.3	3.0	8.4	9.9	4.1	9.3	10.3
Ireland	89	12.3	11.8	10.7	7.6	5.6	4.3	3.9	4.4	4.6	4.5	4.3	4.4	4.6	6.0	12.2	14.8	7.5	13.7	15.1
Italy	1 881	11.3	11.4	11.4	11.5	11.1	10.2	9.2	8.8	8.6	8.1	7.8	6.8	6.2	6.8	8.4	10.2	7.0	9.4	10.5
Japan	2 942	3.1	3.4	3.4	4.1	4.7	4.7	5.0	5.4	5.3	4.7	4.4	4.1	3.9	4.0	5.2	5.7	4.0	5.6	5.8
Korea	887	2.1	2.0	2.6	7.0	6.6	4.4	4.0	3.3	3.6	3.7	3.7	3.5	3.2	3.2	3.9	3.9	3.2	4.1	3.8
Luxembourg	10	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	4.4	6.0	7.2	4.6	6.7	7.5
Mexico[1]	1 470	6.9	5.2	4.1	3.6	2.5	2.6	2.5	2.9	3.0	3.7	3.5	3.2	3.4	3.5	5.7	6.9	3.6	6.4	6.8
Netherlands	427	7.2	6.6	5.7	4.5	3.7	2.8	2.5	2.9	4.0	4.9	4.9	4.1	3.3	2.9	4.0	7.0	2.8	5.2	7.6
New Zealand	83	6.4	6.3	6.9	7.7	7.0	6.1	5.5	5.3	4.8	4.0	3.8	3.9	3.7	4.2	6.3	7.9	4.7	7.1	8.4
Norway	110	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	2.6	3.7	4.3	2.9	4.1	4.3
Poland	3 045	13.3	12.3	11.2	10.6	14.0	16.1	18.2	19.9	19.6	19.0	17.7	13.8	9.6	7.1	9.0	11.6	6.7	10.2	12.5
Portugal	422	7.2	7.3	6.7	5.0	4.4	4.0	4.0	5.0	6.3	6.7	7.7	7.7	8.0	7.6	9.6	11.2	7.8	10.3	11.7
Slovak Republic	427	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	9.6	11.8	13.6	8.8	12.8	13.8
Spain	1 913	18.7	17.5	16.3	14.6	12.2	10.8	10.1	11.0	11.0	10.5	9.2	8.5	8.3	11.3	18.1	19.6	13.9	19.1	19.8
Sweden	364	10.6	11.6	11.8	9.9	8.3	6.9	5.9	6.1	6.8	7.7	7.7	7.1	6.1	6.2	8.7	11.4	6.7	9.9	12.0
Switzerland	187	3.5	3.9	4.2	3.5	3.0	2.6	2.6	3.2	4.3	4.4	4.4	4.0	3.6	3.5	4.5	5.1	3.6	4.9	5.3
Turkey	2 343	7.5	6.5	6.7	6.7	7.5	6.3	8.2	10.1	10.3	10.0	10.0	9.7	9.6	10.4	15.2	16.4	..	..	..
United Kingdom	1 465	8.6	8.1	7.0	6.3	6.0	5.5	5.1	5.2	5.0	4.8	4.8	5.4	5.4	5.7	8.2	9.7	6.3	9.1	9.8
United States	7 578	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	5.8	9.3	10.1	6.9	10.0	10.1
Euro area	13 087	10.4	10.5	10.5	9.9	9.2	8.2	7.7	8.1	8.6	8.8	8.8	8.2	7.4	7.5	10.0	12.0	7.9	11.1	12.3
Total OECD	36 548	7.2	7.0	6.7	6.6	6.4	6.0	6.2	6.7	6.9	6.8	6.6	6.0	5.6	5.9	8.5	9.8	6.4	9.4	9.9

Note: Labour market data are subject to differences in definitions across countries and to many series breaks, though the latter are often of a minor nature. For information about definitions, sources, data coverage, breaks in series and rebasings, see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Based on National Employment Survey.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662320250365

Annex Table 14. **Harmonised unemployment rates**

Per cent of civilian labour force

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	6.7	9.3	10.5	10.6	9.5	8.2	8.2	8.3	7.7	6.9	6.3	6.8	6.4	5.9	5.4	5.0	4.8	4.4	4.2
Austria	..	..	..	4.0	3.8	3.9	4.3	4.4	4.5	3.9	3.6	3.6	4.2	4.3	4.9	5.2	4.7	4.4	3.9
Belgium	6.6	6.4	7.1	8.6	9.8	9.7	9.6	9.2	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.5	8.3	7.5	7.0
Canada	8.1	10.3	11.2	11.4	10.4	9.5	9.6	9.1	8.3	7.6	6.8	7.2	7.7	7.6	7.2	6.8	6.3	6.0	6.1
Czech Republic	..	..	..	4.4	4.3	4.1	3.9	4.8	6.4	8.6	8.7	8.0	7.3	7.8	8.3	8.0	7.1	5.3	4.4
Denmark	7.2	7.9	8.6	9.5	7.7	6.8	6.3	5.2	4.9	5.1	4.3	4.5	4.6	5.4	5.5	4.8	3.9	3.8	3.4
Finland	3.2	6.7	11.6	16.2	16.8	15.1	14.9	12.7	11.4	10.3	9.6	9.1	9.1	9.1	8.9	8.3	7.7	6.8	6.4
France	8.4	8.9	9.8	11.0	11.6	11.0	11.5	11.4	11.0	10.4	9.0	8.3	8.6	9.0	9.2	9.3	9.2	8.3	7.8
Germany[1]	4.8	4.2	6.3	7.6	8.2	8.0	8.7	9.4	9.1	8.3	7.5	7.6	8.4	9.3	9.8	10.6	9.8	8.4	7.3
Greece	6.3	6.9	7.8	8.6	8.8	9.0	9.7	9.6	11.1	12.0	11.3	10.7	10.3	9.8	10.5	9.9	8.9	8.3	7.7
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	7.3	7.8
Iceland	..	2.5	4.3	5.3	5.3	4.9	3.7	3.9	2.7	2.0	2.3	2.3	3.3	3.4	3.1	2.6	2.9	2.3	3.0
Ireland	13.4	14.7	15.4	15.6	14.4	12.3	11.7	9.9	7.6	5.7	4.3	4.0	4.5	4.7	4.5	4.4	4.5	4.6	6.3
Italy	8.9	8.5	8.8	9.8	10.6	11.2	11.2	11.3	11.4	11.0	10.2	9.1	8.6	8.5	8.1	7.7	6.8	6.1	6.8
Japan	2.1	2.1	2.2	2.5	2.9	3.1	3.4	3.4	4.1	4.7	4.7	5.0	5.4	5.3	4.7	4.4	4.1	3.9	4.0
Korea	2.4	2.4	2.5	2.9	2.5	2.1	2.0	2.6	7.0	6.6	4.4	4.0	3.3	3.6	3.7	3.7	3.5	3.2	3.2
Luxembourg	1.7	1.6	2.1	2.6	3.2	2.9	2.9	2.7	2.7	2.4	2.2	1.9	2.6	3.8	5.0	4.6	4.6	4.2	4.9
Mexico	2.7	2.6	2.8	3.4	3.7	6.2	5.5	3.7	3.2	2.5	2.5	2.8	3.0	3.4	3.9	3.6	3.6	3.7	4.0
Netherlands	5.9	5.5	5.3	6.2	6.8	6.6	6.0	4.9	3.8	3.2	2.8	2.2	2.8	3.7	4.6	4.7	3.9	3.2	2.8
New Zealand	8.0	10.6	10.6	9.8	8.4	6.5	6.3	6.8	7.7	7.0	6.1	5.4	5.3	4.8	4.0	3.8	3.8	3.7	4.2
Norway	5.8	6.0	6.5	6.6	6.0	5.5	4.8	3.9	3.1	3.0	3.2	3.4	3.7	4.2	4.3	4.5	3.4	2.6	2.5
Poland	..	..	..	16.3	16.9	15.4	14.1	10.9	10.2	13.4	16.2	18.3	19.9	19.7	19.0	17.8	13.9	9.6	7.2
Portugal	4.7	4.2	4.1	5.5	6.8	7.2	7.3	6.8	5.0	4.5	4.0	4.0	5.1	6.4	6.7	7.7	7.8	8.1	7.8
Slovak Republic	..	..	..	..	13.7	13.1	11.3	11.9	12.6	16.4	18.7	19.3	18.7	17.6	18.2	16.2	13.4	11.2	9.6
Spain	13.0	13.0	14.7	18.4	19.5	18.4	17.8	16.7	15.0	12.5	11.1	10.4	11.1	11.1	10.6	9.2	8.5	8.3	11.4
Sweden	1.7	3.1	5.6	9.0	9.3	8.8	9.5	9.9	8.2	6.7	5.6	4.9	4.9	5.6	6.3	7.3	7.0	6.2	6.1
Switzerland	..	1.9	3.1	4.0	3.8	3.5	3.9	4.2	3.5	3.0	2.6	2.6	3.2	4.3	4.4	4.4	4.0	3.6	3.5
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	8.4	8.6	9.4
United Kingdom	6.9	8.6	9.8	10.2	9.3	8.5	7.9	6.8	6.1	5.9	5.4	5.0	5.1	5.0	4.7	4.8	5.4	5.3	5.6
United States	5.6	6.8	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	5.8
Euro area	..	7.8	8.5	10.0	10.7	10.4	10.6	10.6	10.1	9.3	8.5	8.0	8.4	8.8	9.0	9.0	8.3	7.5	7.6
Total OECD	6.1	6.8	7.4	7.8	7.7	7.3	7.2	6.9	6.8	6.7	6.2	6.5	7.1	7.3	7.1	6.8	6.2	5.7	6.0

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, either quarterly or monthly. In countries with quarterly surveys, monthly estimates may be obtained by interpolation/extrapolation and by incorporating trends in administrative and other data, as available. For EU countries, the procedures are those used to derive the Harmonised Unemployment Rates (HURs) of the Statistical Office of the European Communities. Minor differences between these and nationally published series may appear mainly because of various methods of calculating and applying adjustment factors. Annual figures are calculated by averaging the monthly and/or quarterly estimates (for both unemployed and the labour force). Further information is available from OECD.stat *(http://stats.oecd.org/index.aspx),* see the metadata relating to the HURs.

1. Prior to July 1991 data refers to Western Germany.

Source: OECD, Main Economic Indicators

StatLink http://dx.doi.org/10.1787/662357706141

Annex Table 15. **Labour force, employment and unemployment**

Millions

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Labour force																			
Major seven countries	325.4	326.6	329.0	330.8	333.7	337.5	340.0	342.7	347.2	349.2	351.0	353.3	355.3	358.4	361.6	364.3	366.6	367.6	368.7
Total of smaller countries	138.6	166.1	172.1	174.8	177.2	180.1	182.3	184.2	186.2	188.4	191.5	192.9	196.5	199.1	202.3	205.2	208.6	210.1	210.7
Euro area	132.3	132.3	133.0	133.7	134.8	135.8	137.4	138.8	140.8	142.3	144.0	145.3	147.0	148.7	150.1	151.4	153.1	153.4	153.2
Total OECD	464.0	492.6	501.1	505.5	510.9	517.6	522.3	526.9	533.4	537.7	542.6	546.2	551.8	557.5	563.9	569.5	575.2	577.7	579.4
Employment																			
Major seven countries	303.1	303.6	306.4	309.1	311.7	315.9	318.9	322.2	327.8	328.9	328.5	330.0	332.8	336.4	340.7	344.6	345.2	337.1	333.6
Total of smaller countries	129.5	152.4	157.7	159.9	163.3	166.9	168.9	171.0	173.8	175.4	177.4	178.4	181.6	184.6	189.1	193.1	195.9	191.5	189.1
Euro area	121.4	119.4	119.0	119.9	120.7	121.6	123.8	126.1	129.3	131.3	132.3	132.8	134.1	135.6	137.8	140.2	141.6	138.1	134.8
Total OECD	432.6	456.0	464.1	468.9	475.0	482.8	487.8	493.1	501.6	504.4	506.0	508.4	514.4	521.0	529.9	537.6	541.1	528.6	522.7
Unemployment																			
Major seven countries	22.3	23.0	22.5	21.7	22.0	21.6	21.1	20.6	19.3	20.3	22.5	23.3	22.5	22.0	20.9	19.7	21.4	30.6	35.1
Total of smaller countries	9.1	13.6	14.4	14.9	13.9	13.2	13.4	13.2	12.4	13.0	14.1	14.5	14.9	14.5	13.2	12.1	12.7	18.5	21.6
Euro area	10.9	12.8	14.0	13.8	14.1	14.2	13.6	12.7	11.5	11.0	11.7	12.5	12.9	13.1	12.3	11.2	11.4	15.3	18.4
Total OECD	31.4	36.6	37.0	36.6	35.9	34.8	34.5	33.8	31.7	33.3	36.6	37.8	37.4	36.5	34.0	31.9	34.1	49.1	56.7

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662360140770

Annex Table 16. **GDP deflators**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	Fourth quarter 2009	Fourth quarter 2010
Australia	4.6	1.7	2.2	1.5	0.3	0.4	4.3	3.9	2.9	2.8	4.1	4.2	4.7	3.9	6.4	1.0	0.8	7.3	-1.3	1.6
Austria	2.9	1.9	1.0	-0.3	0.1	0.2	1.4	1.6	1.3	1.3	1.6	1.8	1.9	2.2	2.4	1.4	0.9	1.1	2.3	0.5
Belgium	3.1	1.2	0.5	1.1	2.0	0.3	1.9	2.1	1.8	1.6	2.3	2.5	2.3	2.4	1.7	1.0	0.7	1.7	0.8	0.7
Canada	3.0	2.3	1.6	1.2	-0.4	1.7	4.1	1.1	1.1	3.3	3.2	3.3	2.6	3.2	3.9	-1.2	1.6	1.6	1.0	0.9
Czech Republic	..	10.2	10.2	8.4	11.1	2.9	1.5	4.9	2.8	0.9	4.5	-0.3	1.1	3.4	1.6	4.5	1.4	1.8	3.6	1.2
Denmark	3.0	1.3	2.0	2.0	1.2	1.7	3.0	2.5	2.3	1.6	2.3	2.9	2.0	2.0	4.3	1.9	2.3	3.4	1.7	2.9
Finland	4.0	4.7	-0.1	2.4	3.5	0.7	2.6	2.9	1.3	-0.4	0.7	0.2	1.6	3.1	2.9	0.6	1.4	2.5	0.1	2.1
France	3.0	1.3	1.6	1.0	0.9	0.0	1.4	2.0	2.4	1.9	1.6	2.0	2.4	2.5	2.5	0.9	0.6	2.2	0.6	0.4
Germany	2.8	1.9	0.5	0.3	0.6	0.3	-0.7	1.2	1.4	1.2	1.0	0.7	0.5	1.9	1.5	1.3	0.6	2.2	0.6	0.3
Greece	16.5	9.8	7.4	6.8	5.2	3.0	3.4	3.1	3.4	3.7	3.3	3.4	3.2	2.9	3.4	1.6	2.2	3.1	1.9	1.5
Hungary	..	26.7	21.4	18.3	12.7	8.5	12.8	8.1	7.8	5.9	4.8	2.1	3.9	5.9	4.1	2.7	2.7	3.8	3.0	2.0
Iceland	15.0	3.0	2.5	2.9	5.1	3.3	3.6	8.6	5.6	0.6	2.5	2.8	9.0	5.6	12.2	9.2	3.6	20.9	4.6	1.4
Ireland	3.3	3.0	2.3	3.8	6.6	4.0	6.1	5.5	4.6	2.5	2.0	2.3	3.4	1.4	-0.3	0.5	-1.2	0.9	-1.2	-1.0
Italy	6.3	5.0	4.8	2.6	2.6	1.8	1.9	3.0	3.3	3.1	2.6	2.1	1.8	2.4	2.8	2.5	1.2	3.0	2.0	0.8
Japan	1.4	-0.5	-0.6	0.6	0.0	-1.3	-1.7	-1.2	-1.5	-1.6	-1.1	-1.2	-0.9	-0.7	-0.9	1.3	-1.5	0.6	-0.3	-1.3
Korea	7.2	7.4	5.1	4.6	5.8	-0.1	0.7	3.9	3.2	3.6	3.0	0.7	-0.1	2.1	2.7	5.3	2.7	2.6	5.9	0.9
Luxembourg	2.7	2.3	3.1	-1.9	-0.4	5.3	2.0	0.1	2.1	6.0	1.9	4.4	5.4	2.1	1.7	0.7	1.2	..	..	..
Mexico	43.0	37.8	30.7	17.7	15.4	15.1	12.1	5.9	6.9	8.5	9.1	4.6	6.7	4.5	6.6	3.6	3.4	4.5	4.1	3.3
Netherlands	1.5	2.1	1.3	2.6	1.9	1.8	4.1	5.1	3.8	2.2	0.7	2.4	1.7	1.5	2.7	1.3	0.8	4.2	-0.4	0.7
New Zealand	6.5	2.2	2.5	0.6	0.8	0.4	2.5	4.3	1.1	1.4	3.8	1.9	2.2	4.2	4.7	0.2	0.9	3.6	-1.9	2.1
Norway	2.9	3.0	4.2	2.8	-0.8	6.6	15.7	1.7	-1.8	3.0	5.3	8.7	8.5	2.2	9.6	-1.1	3.8	3.8	2.0	4.3
Poland	..	28.0	17.9	13.9	11.1	6.0	7.3	3.5	2.2	0.4	4.1	2.6	1.5	4.0	3.0	3.3	1.5	3.2	2.6	1.4
Portugal	12.2	3.4	2.6	3.8	3.8	3.3	3.0	3.7	3.9	3.2	2.4	2.5	2.8	3.0	1.9	0.3	1.2	2.1	-0.6	1.0
Slovak Republic	..	9.9	4.2	4.9	5.1	7.4	9.4	5.0	3.9	5.3	5.9	2.4	2.9	1.1	2.9	-1.1	0.5	3.2	0.2	1.5
Spain	6.7	4.9	3.5	2.4	2.5	2.6	3.5	4.2	4.3	4.1	4.0	4.3	4.0	3.2	3.0	0.7	0.3	2.5	0.4	0.0
Sweden	5.7	3.4	0.9	1.3	0.7	1.2	1.4	2.1	1.6	1.8	0.8	0.9	1.4	2.8	3.4	2.1	0.8	4.1	-0.1	1.1
Switzerland	2.9	0.7	0.2	-0.1	0.3	0.6	1.1	0.8	0.5	1.0	0.6	0.1	1.7	1.8	2.2	0.6	0.5	1.9	0.4	0.2
Turkey	61.1	87.2	77.8	81.5	75.7	54.2	49.2	52.9	37.4	23.3	12.4	7.1	9.3	6.2	11.5	6.6	6.5	..	..	..
United Kingdom	5.0	2.7	3.6	2.8	2.2	2.1	1.2	2.1	3.1	3.1	2.5	2.2	2.6	2.8	2.3	1.5	0.9	2.0	1.2	1.0
United States	2.9	2.0	1.9	1.7	1.1	1.4	2.2	2.4	1.7	2.1	2.9	3.3	3.2	2.7	2.2	1.7	0.7	2.1	1.3	0.5
Euro area	4.2	2.7	1.9	1.4	1.6	1.0	1.4	2.4	2.5	2.2	1.9	2.0	1.9	2.3	2.3	1.3	0.7	2.4	0.8	0.5
Total OECD	6.8	6.0	5.0	4.3	3.7	2.8	3.2	3.3	2.7	2.6	2.7	2.4	2.5	2.4	2.5	1.7	0.9	2.5	1.3	0.7

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662387516288

Annex Table 17. **Private consumption deflators**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	2009	2010
Australia	5.4	2.2	2.1	1.7	1.3	0.5	2.9	3.7	2.7	2.2	1.2	1.7	2.8	2.8	3.9	2.8	2.2	4.0	2.4	2.0
Austria	2.7	2.1	1.9	1.5	0.5	0.5	2.5	1.8	0.7	1.6	2.0	2.2	1.8	2.3	2.8	1.0	0.8	1.9	1.1	0.5
Belgium	2.9	2.1	1.0	1.5	1.2	0.1	3.5	2.2	1.3	1.6	2.6	2.9	2.8	2.8	4.3	0.2	0.9	3.0	0.4	0.6
Canada	3.5	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	1.7	0.8	0.9	1.6	1.0	0.6
Czech Republic	..	9.2	7.6	9.0	8.9	1.9	3.1	3.9	1.2	-0.4	3.3	0.8	1.4	2.9	5.5	0.6	1.2	3.8	0.1	1.1
Denmark	2.8	1.8	1.6	2.0	1.4	1.9	2.7	2.3	1.7	1.3	1.3	1.5	1.9	1.8	3.1	1.3	1.4	3.1	1.1	1.3
Finland	4.2	1.2	0.3	1.6	2.3	1.4	4.2	2.8	2.1	-0.3	1.0	0.5	1.5	2.3	3.6	1.5	1.7	3.7	1.1	1.7
France	3.0	1.0	1.6	0.9	0.2	-0.5	2.3	1.7	1.0	1.9	1.9	1.8	2.1	2.1	2.8	0.0	0.5	1.6	0.2	0.3
Germany	2.2	1.3	0.9	1.4	0.5	0.3	0.9	1.8	1.2	1.5	1.3	1.5	1.3	1.7	2.1	-0.5	0.4	1.3	-0.3	0.2
Greece	16.8	9.0	8.2	5.6	4.5	2.3	3.1	2.7	2.6	3.4	3.3	3.4	3.5	3.2	4.1	1.3	1.8	..	..	..
Hungary	..	28.3	22.9	18.0	13.6	10.3	11.9	8.2	3.9	4.1	4.6	3.8	3.4	6.2	5.6	3.4	3.4	3.9	4.0	2.8
Iceland	15.1	2.2	2.5	0.8	1.5	2.8	5.0	7.8	4.8	1.3	3.0	1.9	7.5	4.7	14.0	11.4	2.4	20.4	4.9	1.4
Ireland	3.2	2.8	2.6	2.6	3.6	2.6	6.3	4.2	5.1	3.9	1.6	1.5	2.2	3.0	3.1	-2.2	-1.4	0.9	-2.2	-1.4
Italy	6.2	6.0	4.1	2.2	1.8	1.8	3.4	2.6	2.9	2.8	2.6	2.3	2.7	2.2	3.2	-0.3	1.2	2.2	0.2	0.8
Japan	1.3	-0.2	0.0	1.3	0.2	-0.5	-1.1	-1.1	-1.4	-0.9	-0.7	-0.8	-0.2	-0.4	0.5	-1.7	-1.5	-0.2	-1.7	-1.5
Korea	6.7	6.6	6.2	6.0	6.7	3.3	4.8	4.3	3.1	3.2	3.2	2.3	1.5	2.0	4.2	2.7	2.0	4.3	1.8	2.0
Luxembourg	2.9	2.0	1.1	1.7	1.7	2.5	3.7	2.3	0.5	2.2	2.1	2.9	2.2	2.1	4.7	0.5	1.2	..	..	..
Mexico	44.2	34.0	30.9	16.6	20.4	14.0	10.3	7.1	5.3	7.1	6.5	3.3	3.4	4.8	6.9	7.7	3.2	11.3	3.8	3.1
Netherlands	1.9	2.1	2.0	2.3	2.0	1.9	3.8	4.5	3.0	2.4	1.0	2.1	1.9	1.6	2.3	1.5	0.9	2.2	1.4	0.7
New Zealand	6.6	2.1	2.4	1.8	1.9	0.7	2.2	2.4	1.9	0.5	1.1	1.7	2.8	1.6	3.4	1.8	1.2	3.8	1.2	0.9
Norway	4.5	2.3	1.3	2.4	2.5	2.0	2.9	2.2	1.4	3.0	0.7	1.1	1.9	0.7	3.9	2.8	1.3	4.9	1.7	1.0
Poland	..	27.2	18.6	14.7	10.5	6.1	10.0	3.8	3.3	0.4	3.0	2.1	1.2	2.4	3.9	1.6	1.7	2.6	2.4	1.3
Portugal	11.2	4.3	2.9	2.9	2.3	2.2	3.4	3.4	3.0	2.9	2.5	2.7	3.1	2.7	2.6	-1.0	1.0	1.3	-0.2	0.8
Slovak Republic	..	9.2	4.0	4.8	5.7	9.9	8.3	5.6	2.8	6.5	7.3	2.6	4.9	2.6	4.4	-0.2	1.9	5.1	-2.0	1.7
Spain	6.4	4.8	3.2	2.7	1.9	2.3	3.7	3.4	2.8	3.1	3.6	3.4	3.4	3.2	3.8	0.1	0.3	2.4	-0.1	-0.1
Sweden	6.1	2.9	1.0	1.4	0.5	1.5	0.9	2.1	1.7	1.7	1.1	1.2	0.8	1.1	3.0	2.1	0.9	2.7	2.1	0.6
Switzerland	2.7	1.4	1.3	0.8	-0.1	0.4	0.8	0.7	0.9	0.4	0.8	0.5	1.3	1.1	1.7	0.5	0.6	1.2	0.8	-0.1
Turkey	62.2	92.4	67.8	82.1	83.0	53.4	54.9	49.7	38.5	23.4	10.8	8.3	9.8	6.8	10.5	6.5	6.2	..	..	..
United Kingdom	5.0	3.2	3.5	2.5	2.4	1.2	1.1	2.0	1.5	1.9	1.6	2.5	2.3	2.4	2.4	1.1	1.0	2.0	1.2	0.9
United States	3.3	2.1	2.2	1.7	0.9	1.7	2.5	2.1	1.4	2.0	2.6	2.9	2.8	2.6	3.3	0.2	0.8	1.9	0.7	0.5
Euro area	4.1	2.6	2.1	1.7	1.1	0.8	2.4	2.4	1.8	2.1	2.0	2.1	2.2	2.2	2.9	0.0	0.7	1.9	0.1	0.4
Total OECD	7.0	6.0	5.0	4.5	4.0	2.9	3.7	3.2	2.3	2.4	2.3	2.2	2.3	2.3	3.2	0.6	0.8	2.4	0.7	0.6

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662388684828

Annex Table 18. **Consumer price indices**

Percentage change from previous year

	Average 1984-94	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	Fourth quarter 2009	Fourth quarter 2010
Australia	5.4	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	4.4	1.9	2.3	3.7	2.2	1.9
Austria	..	1.6	1.8	1.2	0.8	0.5	2.0	2.3	1.7	1.3	2.0	2.1	1.7	2.2	3.2	0.6	0.8	2.2	0.5	0.5
Belgium	..	1.3	1.8	1.5	0.9	1.1	2.7	2.4	1.6	1.5	1.9	2.5	2.3	1.8	4.5	0.3	0.7	3.6	-0.1	0.6
Canada	3.5	2.1	1.6	1.6	1.0	1.7	2.7	2.5	2.3	2.8	1.9	2.2	2.0	2.1	2.4	0.1	1.0	1.9	0.7	0.7
Czech Republic	..	9.1	8.8	8.5	10.7	2.1	3.9	4.7	1.8	0.1	2.8	1.9	2.6	3.0	6.3	1.6	0.3	4.6	1.5	0.4
Denmark	3.2	2.1	2.1	2.2	1.8	2.5	2.9	2.3	2.4	2.1	1.2	1.8	1.9	1.7	3.4	1.3	1.5	2.9	1.4	1.3
Finland	..	0.4	1.1	1.2	1.3	1.3	2.9	2.7	2.0	1.3	0.1	0.8	1.3	1.6	3.9	1.6	1.0	3.8	1.4	0.9
France	..	1.8	2.1	1.3	0.7	0.6	1.8	1.8	1.9	2.2	2.3	1.9	1.9	1.6	3.2	0.3	0.7	2.0	0.5	0.4
Germany	..	..	1.2	1.5	0.6	0.6	1.4	1.9	1.4	1.0	1.8	1.9	1.8	2.3	2.8	0.3	0.4	1.7	0.4	0.2
Greece	16.6	8.9	7.9	5.4	4.5	2.1	2.9	3.7	3.9	3.4	3.0	3.5	3.3	3.0	4.2	1.3	1.7	3.1	1.5	1.4
Hungary	..	28.3	23.5	18.3	14.2	10.0	9.8	9.1	5.3	4.7	6.7	3.6	3.9	8.0	6.0	4.5	4.1	4.2	7.0	1.9
Iceland[1]	14.6	1.7	2.3	1.8	1.7	3.2	5.1	6.4	5.2	2.1	3.2	4.0	6.7	5.1	12.7	10.8	2.4	17.1	5.5	1.4
Ireland	..	..	2.2	1.3	2.1	2.5	5.3	4.0	4.7	4.0	2.3	2.2	2.7	2.9	3.1	-1.3	-1.5	2.1	-2.0	-1.5
Italy	..	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	3.5	1.1	1.2	2.9	1.1	0.8
Japan	1.6	-0.1	0.0	1.7	0.7	-0.3	-0.5	-0.8	-0.9	-0.2	0.0	-0.6	0.2	0.1	1.4	-1.4	-1.4	1.0	-2.0	-1.3
Korea	5.6	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	4.7	2.5	2.0	4.5	1.8	2.0
Luxembourg	..	..	1.2	1.4	1.0	1.0	3.8	2.4	2.1	2.5	3.2	3.8	3.0	2.7	4.1	-0.3	1.2	..	..	..
Mexico	43.4	35.0	34.4	20.6	15.9	16.6	9.5	6.4	5.0	4.5	4.7	4.0	3.6	4.0	5.1	5.4	3.1	6.2	3.9	2.9
Netherlands	..	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	2.2	1.4	0.9	2.0	1.3	0.7
New Zealand	6.8	3.8	2.3	1.2	1.3	-0.1	2.6	2.6	2.7	1.8	2.3	3.0	3.4	2.4	4.0	1.9	1.8	3.4	2.0	1.5
Norway	4.6	2.4	1.2	2.6	2.3	2.3	3.1	3.0	1.3	2.5	0.5	1.5	2.3	0.7	3.8	2.4	1.3	3.6	2.0	1.0
Poland	..	28.0	19.8	14.9	11.6	7.2	9.9	5.4	1.9	0.7	3.4	2.2	1.3	2.5	4.2	3.5	1.8	3.6	3.6	1.3
Portugal	..	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	2.7	-0.2	1.0	1.6	0.3	0.8
Slovak Republic	..	9.8	5.8	6.1	6.7	10.6	12.0	7.3	3.1	8.6	7.5	2.7	4.5	2.8	4.6	1.8	1.8	4.7	0.9	1.7
Spain	6.2	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	4.1	-0.1	0.3	2.5	0.0	-0.1
Sweden	5.7	2.5	0.5	0.7	-0.3	0.5	0.9	2.4	2.2	1.9	0.4	0.5	1.4	2.2	3.4	-0.4	0.9	2.4	-0.7	0.7
Switzerland	3.0	1.8	0.8	0.5	0.0	0.8	1.6	1.0	0.6	0.6	0.8	1.2	1.1	0.7	2.4	-0.2	0.7	1.6	0.1	-0.1
Turkey	60.7	89.1	80.4	85.7	84.6	64.9	54.9	54.4	45.0	21.6	8.6	8.2	9.6	8.8	10.4	6.3	5.9	..	..	..
United Kingdom[2]	..	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	3.6	1.9	1.2	3.9	1.4	1.0
United States[3]	3.6	2.8	2.9	2.3	1.5	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.9	3.8	-0.6	1.0	1.5	0.5	0.7
Euro area	..	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	3.3	0.5	0.7	2.3	0.5	0.4

Note: For the euro area countries, the euro area aggregate and the United Kingdom: harmonised index of consumer prices (HICP).

1. Excluding rent, but including imputed rent.
2. 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 85 database.

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Annex Table 19. **Oil and other primary commodity markets**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Oil market conditions[1]	Million barrels per day																	
Demand																		
OECD[2]	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	47.5	45.1	..
of which: North America	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	24.3	23.2	..
Europe[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	15.3	15.2	14.6	..
Pacific	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	8.3	8.0	7.3	..
Non-OECD[4]	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	35.5	36.8	38.3	38.1	..
Total	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	84.9	86.0	85.8	83.2	..
Supply																		
OECD[2]	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	19.4	18.9	..
OPEC total	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	34.9	35.9	..	..
Former USSR	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	12.8	12.8	12.7	..
Other non-OECD[4]	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	18.8	18.1	18.5	..	..
Total	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	85.4	85.7	86.5	..	..
Trade																		
OECD net imports[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	29.1	28.5	26.3	..
Former USSR net exports	2.0	2.7	2.8	3.1	3.4	3.6	3.9	4.3	4.9	5.9	6.7	7.5	7.8	8.2	8.7	8.6	8.7	..
Other non-OECD net exports[4]	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	21.4	20.4	19.9	17.6	..
Prices[5]	cif, $ per bl																	
Brent crude oil price	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	72.5	97.0	58.0	65.0
Prices of other primary commodities[5]	$ indices																	
Food and tropical beverages	91	115	120	126	126	106	86	80	75	84	91	101	100	111	140	188	165	171
Agricultural raw materials	86	104	122	102	98	84	82	87	74	74	90	99	100	112	135	130	96	97
Minerals, ores and metals	52	62	74	64	66	55	53	60	54	53	60	82	100	148	167	174	120	124
Total[6]	88	103	112	116	112	93	80	80	74	80	90	103	100	116	147	184	150	155

1. Based on data published in various issues of International Energy Agency, Oil Market Report and Annual Statistical Supplement, August 2008.
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 2008 are based on data compiled by International Energy Agency for oil and by Hamburg Institute of International Economics for the prices of other primary commodities; OECD estimates and projections for 2009 and 2010.
6. OECD calculations. The total price index for non-energy primary commodities is a weighted average of the individual HWWI non-oil commodities indices with the weights drawn from the commodities' share in total non-energy commodities world trade.

Source: OECD Economic Outlook 85 database.

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Annex Table 20. **Employment rates, participation rates and labour force**

	Employment rates						Labour force participation rates						Labour force					
	Average 1987-89	Average 1997-99	2007	2008	2009	2010	Average 1987-89	Average 1997-99	2007	2008	2009	2010	Average 1987-96	Average 1997-06	2007	2008	2009	2010
	Per cent						*Per cent*						*Percentage change*					
Australia	67.7	69.2	74.3	74.6	73.2	71.7	72.7	74.8	77.7	77.9	78.0	77.7	1.8	1.7	2.4	1.9	2.0	1.4
Austria	69.9	71.1	73.1	74.1	72.8	71.1	73.0	75.5	77.1	77.9	77.5	77.2	0.8	0.7	1.1	1.5	-0.1	0.2
Belgium	57.2	59.7	63.1	63.4	62.4	60.8	62.7	65.6	68.2	68.2	68.1	68.0	0.5	0.9	1.0	1.1	0.8	0.7
Canada	70.8	70.0	75.2	75.5	73.3	72.3	76.9	76.4	80.0	80.4	80.2	80.1	1.0	1.7	2.0	1.7	0.7	0.9
Czech Republic	..	67.5	66.8	67.2	65.6	63.9	..	72.4	70.5	70.3	70.4	70.4	..	0.1	0.0	0.6	0.4	0.1
Denmark	77.7	76.5	80.4	81.0	78.4	75.7	82.4	80.5	83.5	83.7	83.3	82.2	0.0	0.4	2.4	0.7	-0.4	-1.5
Finland	72.7	64.5	70.5	71.3	68.7	66.3	76.3	72.9	75.7	76.2	75.3	74.3	-0.3	0.7	1.0	1.1	-0.8	-1.0
France	61.7	61.2	63.5	64.0	62.7	61.6	67.6	68.3	69.1	69.1	69.4	69.3	0.4	0.7	0.8	0.7	1.2	0.5
Germany	67.3	67.8	73.0	74.2	73.0	70.7	71.3	74.3	79.6	80.0	80.0	79.9	0.8	0.5	0.1	0.3	-0.3	-0.1
Greece	55.6	56.6	62.6	63.0	61.8	61.4	60.3	63.8	68.2	68.3	68.3	68.4	1.2	1.4	0.5	0.4	0.4	0.4
Hungary	..	52.4	56.2	55.6	53.8	53.0	..	56.9	60.7	60.4	60.2	60.0	..	0.8	0.0	-0.7	-0.3	-0.4
Iceland	87.1	83.1	84.4	82.5	74.8	73.7	88.6	85.6	86.4	85.0	81.6	81.8	0.2	1.9	3.9	1.4	-3.4	0.6
Ireland	53.7	62.3	70.8	69.4	63.5	61.6	64.1	67.6	74.2	73.8	72.3	72.4	1.3	3.2	3.8	1.0	-1.9	-0.7
Italy	54.2	52.1	59.0	59.1	58.1	57.0	60.4	58.8	62.9	63.4	63.4	63.5	-0.3	0.9	0.3	1.5	0.1	0.0
Japan	70.8	74.9	77.2	77.5	77.0	76.5	72.6	78.1	80.3	80.7	81.2	81.2	1.1	-0.2	0.2	-0.3	-0.3	-0.5
Korea	59.2	61.9	67.1	67.1	65.9	65.8	60.9	65.4	69.4	69.3	68.5	68.5	2.6	1.1	1.0	0.5	-0.4	0.7
Luxembourg	60.4	61.0	64.7	65.4	64.9	63.7	61.4	63.0	67.7	68.3	69.1	68.7	1.1	2.2	2.2	3.1	2.5	0.3
Mexico	..	62.4	62.3	62.7	..	..	..	64.6	64.5	65.0	..	..	..	1.8	1.9	2.4	1.0	0.7
Netherlands	62.3	72.4	77.8	78.9	77.9	75.1	67.4	75.9	80.5	81.2	81.1	80.7	1.7	1.0	1.7	1.0	0.2	-0.4
New Zealand	72.2	70.2	77.3	77.0	..	..	76.6	75.7	80.2	80.3	..	..	1.0	1.9	1.7	1.2	-0.3	0.0
Norway	77.0	78.0	78.5	79.9	78.5	77.8	79.7	80.8	80.5	82.0	81.5	81.3	0.4	0.8	2.5	3.4	0.3	0.1
Poland	..	58.2	56.4	58.3	57.1	55.0	..	66.0	62.4	62.7	62.7	62.3	..	-0.1	-0.5	0.9	0.5	0.0
Portugal	65.8	69.8	72.0	72.3	70.2	68.8	70.1	73.8	78.3	78.3	77.7	77.5	1.0	1.1	0.5	0.2	-0.6	-0.1
Slovak Republic	..	59.5	60.6	62.3	60.7	59.3	..	68.8	68.1	68.9	68.7	68.6	..	0.7	-0.2	1.6	-0.1	-0.1
Spain	49.5	53.0	67.0	65.8	60.8	58.8	58.0	61.9	73.1	74.2	74.3	73.2	1.2	3.3	2.8	3.0	0.6	-1.3
Sweden	82.5	72.1	75.6	75.9	..	..	84.4	80.1	80.5	80.9	..	..	0.1	0.5	1.5	1.2	-0.5	-1.0
Switzerland	79.4	80.5	81.8	82.2	81.1	80.1	79.9	83.4	84.9	85.2	84.9	84.4	1.3	0.8	1.9	1.6	0.7	0.2
Turkey	53.7	49.7	44.4	44.3	42.3	41.6	58.5	53.4	49.1	49.4	49.9	49.8	1.9	1.0	1.4	2.3	2.6	1.6
United Kingdom	69.8	70.7	72.2	72.3	70.4	68.4	76.4	75.6	76.3	76.7	76.7	75.7	0.1	0.8	0.6	1.1	0.4	-1.1
United States	71.0	72.4	72.1	71.2	..	..	75.2	75.8	75.6	75.6	..	..	1.2	1.2	1.1	0.8	0.5	1.0
Euro area	59.9	61.2	67.1	67.5	65.6	63.9	65.6	67.9	72.5	72.9	72.9	72.7	0.6	1.1	0.9	1.1	0.2	-0.1
Total OECD	61.2	66.2	68.1	68.1	65.8	64.4	65.3	70.8	72.1	72.4	71.9	71.6	1.1	1.0	1.0	1.0	0.4	0.3

Note: Employment rates are calculated as the ratio of total employment to the population of working age. The working age population concept used here and for the labour force participation rate is defined as all persons of the age 15 to 64 years (16 to 64 years for Spain). This definition does not correspond to the commonly-used working age population concepts for Mexico (15 years and above), the United States and New Zealand (16 years and above) and Sweden (15-74). Hence for these countries no projections are available. For information about sources and definitions, see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)*.

Source: OECD Economic Outlook 85 database.

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Annex Table 21. **Potential GDP, employment and capital stock**

Percentage change from previous period

	Potential GDP						Employment						Capital stock[1]					
	Average 1987-96	Average 1997-06	2007	2008	2009	2010	Average 1987-96	Average 1997-06	2007	2008	2009	2010	Average 1987-96	Average 1997-06	2007	2008	2009	2010
Australia	3.2	3.5	3.7	3.8	3.1	2.5	1.8	2.1	2.9	2.1	0.0	-0.3	2.9	4.6	5.5	5.8	2.8	2.7
Austria	2.6	2.3	2.0	2.0	1.2	0.8	0.6	0.8	1.5	1.8	-1.4	-1.8	2.8	2.6	1.8	0.8	-1.8	-2.5
Belgium	2.2	2.0	2.6	2.7	2.3	1.4	0.5	1.1	1.8	1.6	-0.6	-1.8	3.1	2.6	3.8	4.0	2.8	1.7
Canada	2.5	3.0	2.2	2.3	1.8	1.5	0.9	2.1	2.3	1.5	-1.9	-0.4	4.7	4.7	4.3	4.1	2.1	2.2
Czech Republic	..	3.2	4.8	4.6	3.3	2.6	..	-0.2	2.0	1.6	-2.1	-2.4	..	..	..	..	..	..
Denmark	2.0	1.8	1.8	1.7	0.8	0.1	-0.2	0.6	2.7	1.1	-3.1	-3.5	3.3	3.8	3.7	3.2	2.0	1.5
Finland	1.7	3.1	3.4	3.5	2.4	1.3	-1.6	1.3	2.0	1.6	-3.2	-3.3	2.7	2.4	3.0	2.5	-1.2	-1.3
France	2.0	2.1	1.5	1.9	1.4	1.0	0.2	1.0	1.7	1.4	-1.3	-1.2	2.8	3.4	3.4	2.9	1.5	1.3
Germany	2.2	1.3	1.1	1.6	1.1	0.5	0.7	0.5	1.7	1.4	-1.9	-3.2	2.9	2.0	1.7	2.0	0.1	0.0
Greece	1.6	3.9	4.0	3.3	2.8	2.7	0.8	1.6	1.2	1.1	-1.6	-0.4	2.4	5.2	3.7	2.9	2.6	2.5
Hungary	..	3.7	2.9	2.4	1.7	1.5	..	1.0	0.1	-1.2	-3.4	-1.5	..	..	..	..	..	..
Iceland	1.7	4.3	4.7	3.4	0.8	0.8	-0.1	2.0	4.5	0.7	-8.8	-1.0	..	..	..	..	..	..
Ireland	5.4	6.7	4.2	2.8	-0.9	-2.9	2.0	4.0	3.6	-0.5	-8.4	-3.7	2.6	8.0	7.4	4.1	-2.2	-3.6
Italy	2.0	1.3	1.0	1.1	0.2	-0.3	-0.4	1.4	1.0	0.8	-1.5	-2.0	3.1	3.1	2.6	2.0	0.1	0.2
Japan	2.7	1.0	1.1	1.2	0.5	0.7	1.0	-0.3	0.5	-0.4	-1.5	-1.1	4.4	1.6	1.2	0.5	-1.0	-1.0
Korea	..	..	..	..	..	..	2.7	1.0	1.2	0.6	-1.1	0.6	..	..	..	..	..	..
Luxembourg	5.4	4.4	3.5	3.6	2.8	2.1	0.9	2.1	2.3	3.2	0.8	-1.0	..	..	..	..	..	..
Mexico	..	2.9	2.5	2.4	2.2	1.7	..	1.9	1.7	2.3	-1.2	-0.6	..	..	..	..	..	..
Netherlands	2.8	2.5	2.1	2.2	1.7	0.8	1.8	1.2	2.5	1.5	-1.0	-3.5	3.0	3.0	2.7	3.3	1.6	1.0
New Zealand	2.0	3.3	2.4	2.1	1.3	0.7	0.8	2.2	1.9	0.6	-2.5	-1.7	3.2	4.9	4.1	3.0	0.5	0.3
Norway	1.3	3.3	3.9	4.3	3.6	2.8	0.0	0.8	3.4	3.3	-0.8	-0.5	..	..	..	..	..	..
Poland	..	3.7	4.9	5.1	4.8	3.9	..	-0.4	4.4	3.7	-1.5	-2.9	..	..	..	..	..	..
Portugal	3.2	2.0	0.9	1.0	0.5	0.0	1.0	1.0	0.1	0.6	-2.8	-1.9	3.3	4.0	1.1	1.1	-0.5	-0.6
Slovak Republic	..	..	..	..	..	..	..	0.5	2.4	3.2	-2.5	-2.2	..	..	..	..	..	..
Spain	2.9	3.5	3.3	2.6	1.5	1.0	1.0	4.4	3.1	-0.5	-7.0	-3.2	5.1	5.8	5.4	4.6	4.1	4.9
Sweden	1.7	2.8	2.8	3.1	2.3	1.3	-1.0	1.1	2.5	1.2	-3.1	-3.9	3.5	3.9	3.7	3.9	1.5	0.3
Switzerland	1.6	1.7	2.2	2.0	2.0	1.7	0.9	0.8	2.3	1.7	-0.4	-0.5	..	..	..	..	..	..
Turkey	..	..	..	..	..	..	2.1	0.6	1.4	1.5	-3.0	0.2	..	..	..	..	..	..
United Kingdom	2.4	2.8	2.3	2.2	1.6	1.1	0.4	1.0	0.7	0.8	-2.3	-2.6	4.3	4.9	4.2	3.8	1.7	1.1
United States	2.9	2.8	2.4	2.5	1.8	1.3	1.3	1.2	1.1	-0.5	-3.2	0.1	3.9	4.8	4.0	3.7	1.1	0.9
Euro area	2.3	2.0	1.7	1.9	1.2	0.6	0.5	1.4	1.8	1.0	-2.5	-2.4	..	..	..	..	..	..
Total OECD	2.6	2.4	2.1	2.2	1.5	1.1	1.1	1.0	1.5	0.7	-2.3	-1.1	3.8	3.9	3.4	3.1	0.9	0.8

Note: Estimates of potential output are based on a production function approach outlined in Beffy et al (2006), "New OECD methods for supply-side and medium term assessments: a new capital services approach", OECD Economics Department Working Paper, No 482. Revisions to this method are discussed in Chapter 4 of *OECD Economic Outlook 85,* "Beyond the crisis: medium-term challenges relating to potential output, employment and fiscal positions".

1. Total economy less housing.

Source: OECD Economic Outlook 85 database.

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Annex Table 22. **Structural unemployment and unit labor costs**

	Structural unemployment rate									Unit labour costs[1]								
	Average 1984-86	Average 1994-96	2004	2005	2006	2007	2008	2009	2010	Average 1984-93	Average 1994-03	2004	2005	2006	2007	2008	2009	2010
	Per cent									*Percentage change*								
Australia	7.5	7.9	5.5	5.3	5.2	5.1	5.1	5.2	5.4	4.3	1.9	4.0	4.7	4.5	3.8	5.1	3.6	2.3
Austria	3.4	4.9	5.3	5.2	5.2	5.2	5.3	5.6	6.0	3.4	0.2	-0.5	0.3	1.4	1.2	3.4	5.3	-0.5
Belgium	7.7	8.2	8.0	8.0	8.0	7.9	7.9	8.1	8.7	3.0	1.5	-0.1	1.3	1.6	3.2	4.1	3.8	0.4
Canada	8.8	8.5	7.0	6.8	6.6	6.5	6.5	6.6	6.7	3.5	1.5	2.6	2.7	4.0	3.0	4.4	2.8	-0.1
Czech Republic	..	..	..	..	..	..	..	..	..	..	6.2	2.0	0.5	0.9	3.0	4.6	5.8	-0.8
Denmark	6.2	6.4	4.8	4.6	4.5	4.4	4.3	4.4	4.8	3.4	2.5	0.7	2.4	2.4	4.1	7.0	4.6	-1.1
Finland	3.9	12.0	8.0	7.9	7.8	7.5	7.4	7.5	7.9	4.1	1.4	0.3	2.3	-0.3	1.7	5.8	6.4	0.1
France	8.1	9.8	8.6	8.6	8.5	8.3	8.2	8.3	8.7	2.7	1.5	1.2	1.7	1.8	1.9	2.8	2.8	-0.2
Germany	5.5	7.5	8.5	8.7	8.6	8.4	8.3	8.2	8.9	2.7	0.4	-0.3	-1.5	-1.5	0.3	2.5	3.9	-3.3
Greece	6.0	8.3	9.5	9.3	9.1	8.9	8.9	9.2	9.6	16.2	6.4	4.2	2.8	2.2	4.1	6.3	3.6	1.3
Hungary	..	..	..	..	..	..	..	..	..	..	11.3	4.9	3.7	2.5	5.7	4.4	2.3	-0.2
Iceland	1.5	4.1	2.8	2.8	2.8	2.8	2.8	3.1	3.6	18.1	5.6	1.7	4.7	12.3	6.2	7.9	4.2	3.7
Ireland	15.0	12.0	4.9	4.8	4.7	4.7	4.9	6.4	8.2	2.7	2.1	3.8	5.5	3.9	2.6	6.6	0.7	-3.2
Italy	7.6	9.6	7.3	6.9	6.6	6.3	6.5	7.1	8.1	6.1	2.4	2.2	3.9	2.5	2.2	4.8	5.8	-0.1
Japan	2.5	3.2	4.3	4.2	4.1	4.1	4.1	4.1	4.2	1.4	-1.2	-3.5	-1.1	0.0	-1.9	1.4	4.0	-2.1
Korea	..	..	..	..	..	..	..	..	..	8.8	3.3	3.5	3.2	0.7	1.7	2.7	3.8	-0.1
Luxembourg	..	..	..	..	..	..	..	..	..	2.5	2.1	1.6	1.6	0.7	3.1	8.2	6.4	3.0
Mexico	..	..	..	..	..	..	..	..	..	48.3	14.9	2.9	4.1	2.8	2.4	5.5	11.3	-0.9
Netherlands	7.1	5.8	3.7	3.7	3.6	3.6	3.5	3.6	4.3	1.5	2.7	-0.1	-0.6	0.6	2.1	3.2	7.7	-0.6
New Zealand	4.8	7.3	4.7	4.3	4.1	4.0	4.0	4.1	4.2	1.6	1.9	3.3	4.4	5.0	2.7	5.3	2.4	-1.0
Norway	2.9	4.6	3.9	3.8	3.6	3.3	3.3	3.5	3.7	3.7	3.2	0.9	3.1	6.7	7.0	6.7	4.0	1.8
Poland	..	12.9	18.1	18.0	16.9	14.7	12.3	10.5	9.9	..	9.3	-1.4	1.6	0.6	2.9	6.7	5.3	-0.6
Portugal	7.1	6.2	6.5	6.7	6.8	6.9	6.9	7.1	7.6	13.0	3.6	1.7	3.9	1.8	1.3	5.3	3.7	0.9
Slovak Republic	..	..	..	..	..	..	..	..	..	..	5.2	0.4	3.5	1.5	0.4	4.5	5.4	-3.7
Spain	11.9	14.0	10.2	9.7	9.1	8.9	9.4	10.7	11.9	7.9	3.2	2.6	3.7	3.7	3.3	3.4	1.4	-0.3
Sweden	4.0	7.7	7.3	7.3	7.2	7.2	7.0	7.0	7.3	5.7	2.0	-0.5	0.1	-0.7	4.7	3.2	4.8	-1.7
Switzerland	1.0	3.0	3.7	3.7	3.7	3.7	3.7	3.7	3.9	3.8	1.0	-2.4	1.2	1.8	0.7	2.8	3.7	0.9
Turkey	..	..	..	..	..	..	..	..	..	64.2	60.0	10.2	5.6	9.1	8.2	12.3	7.5	3.6
United Kingdom	10.1	8.2	5.3	5.3	5.3	5.3	5.4	5.6	5.9	5.3	2.7	2.2	3.1	2.0	1.1	2.7	3.2	-1.2
United States	6.7	5.7	5.1	5.0	5.0	4.9	4.9	5.0	5.1	2.9	2.1	2.0	2.3	2.9	3.1	1.9	2.7	1.3
Euro area	7.4	9.0	8.1	8.0	7.8	7.6	7.7	8.0	8.8	4.0	1.5	0.9	1.2	1.1	1.7	3.5	3.9	-1.0
Total OECD	6.6	6.8	6.2	6.1	6.0	5.9	5.8	6.0	6.3	7.0	3.7	1.3	1.9	2.1	2.1	3.0	3.8	-0.1

Note: The structural unemployment rate corresponds to "NAIRU" and is estimated on the basis of the methods outlined in Richardson et al (2000). “The concept, policy use and measurement of structural unemployment”, OECD Economics Department Working Paper No 250. The most recent updates of the OECD’s estimates are described in Gianella et al (2008) “What drives the NAIRU? Evidence from a panel of OECD countries”, OECD Economics Department Working Paper No. 649. Details on the methods used to project the NAIRUs can be found in the technical note “Adjustments to the OECD method of projecting the NAIRU” *(http://www.oecd.org/dataoecd/56/9/43098869.pdf)*. For more information about sources and definitions, see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)*.

1. Total economy.

Source: OECD Economic Outlook 85 database.

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Annex Table 23. **Household saving rates**

Per cent of disposable household income

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net savings																				
Australia	5.1	5.1	5.3	6.9	6.4	7.0	4.5	1.8	1.9	1.8	2.0	-2.3	-3.1	-2.5	-0.8	1.4	2.1	2.6	5.4	3.4
Austria	13.3	12.1	12.4	12.3	12.1	9.5	7.9	8.7	9.9	9.3	8.1	8.1	9.2	9.4	9.8	10.8	11.7	13.0	13.7	13.0
Belgium	12.7	13.9	15.1	14.8	16.1	14.3	13.4	12.6	12.7	10.9	11.8	11.1	9.6	8.2	7.5	8.0	8.6	8.3	10.2	10.4
Canada	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	3.2	2.1	3.5	2.5	3.7	5.1	4.6
Czech Republic	..	..	6.4	1.2	10.0	6.1	6.0	4.1	3.4	3.3	2.2	3.0	2.4	0.5	3.2	4.5	4.3	1.4	1.7	1.4
Denmark	2.0	1.7	2.4	-1.6	1.3	0.9	-1.6	0.0	-3.3	-1.9	3.7	4.1	4.1	0.7	-1.5	0.4	-1.0	0.6	5.0	5.0
Finland	7.3	10.2	7.8	1.3	4.1	0.3	1.5	0.4	1.7	-1.7	-0.7	0.2	1.2	2.3	0.3	-1.8	-1.6	-0.9	5.0	5.1
France	10.4	11.4	12.3	11.6	12.8	11.9	12.8	12.4	12.1	11.9	12.7	13.9	12.6	12.6	11.7	11.6	12.2	11.9	13.2	13.4
Germany	12.9	12.7	12.1	11.4	11.0	10.5	10.1	10.1	9.5	9.2	9.4	9.9	10.3	10.4	10.6	10.5	10.8	11.4	12.5	12.5
Hungary	..	..	..	..	..	..	..	..	..	8.9	8.5	6.5	4.4	7.2	6.3	7.7	4.9	6.8	9.2	7.5
Ireland	..	..	..	..	..	..	..	..	..	..	..	5.4	5.4	8.3	5.6	3.8	2.7	5.4	9.3	12.0
Italy	21.4	20.2	19.5	18.1	17.0	17.9	15.1	11.4	10.2	8.4	10.5	11.3	10.3	10.2	9.9	9.0	7.9	9.3	11.2	10.1
Japan	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	3.9	3.8	3.3	2.7	3.3	3.2
Korea	24.4	23.1	21.3	19.9	16.0	16.3	14.5	23.2	15.9	9.3	5.2	0.4	5.2	9.2	7.2	5.2	2.9	2.8	5.1	3.2
Netherlands	14.2	16.3	13.8	14.1	14.0	12.4	13.0	12.0	8.9	6.7	9.5	8.4	7.5	7.3	6.3	5.2	7.4	7.3	8.8	9.4
Norway	3.4	5.3	6.4	5.4	4.8	2.6	3.0	5.7	4.7	4.3	3.1	8.2	8.9	7.2	10.1	0.1	0.4	2.0	4.6	4.3
Poland	..	..	..	..	14.6	11.7	11.7	12.1	11.0	10.2	12.0	8.2	7.6	7.7	7.4	6.2	6.5	6.9	7.0	6.4
Slovak Republic	..	..	..	..	5.4	8.4	8.8	7.5	6.8	6.7	4.1	4.0	1.6	0.5	1.6	1.0	4.1	2.3	3.9	4.1
Sweden	5.3	9.7	11.2	9.8	9.5	7.3	4.9	4.0	3.6	4.8	9.3	9.1	9.0	7.7	6.8	7.8	9.1	12.1	15.6	16.3
Switzerland	13.1	13.1	13.0	12.4	12.7	10.9	10.7	10.7	10.8	11.7	11.9	10.7	9.4	9.0	9.9	12.0	12.0	11.9	11.7	10.8
United States	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	0.4	0.7	0.6	1.8	5.4	6.5
Gross savings																				
Portugal	..	..	..	..	13.1	11.9	10.8	10.5	9.8	10.2	10.9	10.6	10.5	9.7	9.2	8.1	6.6	7.3	10.0	10.9
Spain	14.6	13.2	15.5	13.1	17.5	17.4	16.0	14.4	12.7	11.1	11.1	11.4	12.0	11.3	11.3	11.2	10.2	12.1	14.1	13.6
United Kingdom	10.3	11.7	10.8	9.3	10.3	9.4	9.6	7.4	5.2	4.7	6.0	4.8	5.1	4.0	5.1	4.2	2.2	2.0	5.1	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. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Countries differ in the way household disposable income is reported (in particular whether private pension benefits less pension contributions are included in disposable income or not), but the calculation of household saving is adjusted for this difference. Most countries 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 and Japan) report saving of households only.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662537647873

Annex Table 24. **Gross national saving**

Per cent of nominal GDP

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	22.8	18.6	16.2	18.0	19.6	18.5	18.7	19.9	20.1	19.4	20.3	19.7	20.4	20.1	20.7	20.1	21.6	21.8	22.5	..
Austria	23.5	23.8	23.5	22.7	21.9	21.8	22.2	22.1	22.7	23.3	23.1	23.6	23.0	24.8	24.5	25.0	25.0	25.0	26.1	27.0
Belgium	23.3	23.6	22.7	23.2	24.3	25.5	25.4	24.5	25.9	25.6	26.3	26.0	24.6	24.2	23.6	24.0	23.7	24.6	25.0	22.4
Canada	19.8	17.3	14.7	13.4	14.0	16.2	18.3	18.8	19.6	19.1	20.7	23.6	22.2	21.2	21.4	23.0	23.8	24.4	23.7	..
Czech Republic	..	..	..	28.6	28.7	28.4	29.0	27.0	24.4	26.3	24.6	24.8	24.2	22.4	20.7	22.0	23.9	24.3	25.0	21.8
Denmark	19.1	20.3	19.5	20.0	19.1	19.3	20.4	20.5	21.4	20.7	21.7	22.6	23.5	22.9	23.1	23.4	25.2	25.2	23.6	24.4
Finland	25.8	24.0	16.5	13.9	15.0	18.2	21.9	20.9	24.2	25.4	26.8	28.7	29.3	28.2	25.0	26.4	25.4	26.6	27.1	24.7
France	20.7	20.8	20.2	19.6	18.3	18.7	19.1	18.7	19.9	21.0	21.8	21.6	21.3	19.8	19.1	19.0	18.5	19.1	19.3	..
Germany	25.7	25.3	22.6	22.3	21.2	20.9	21.0	20.5	20.7	20.9	20.3	20.2	19.5	19.4	19.5	22.0	22.2	23.9	25.9	26.0
Greece	11.0	10.7	10.7	10.9	10.9	11.0	11.3	11.4	11.2	11.3	11.3	11.3	11.8	9.6	11.7	12.3	10.3	10.2	8.6	8.1
Iceland	17.5	16.9	16.0	15.7	17.6	17.9	17.1	17.2	17.9	17.4	15.0	13.1	17.0	19.7	15.0	13.6	12.2	9.5	12.1	..
Ireland	14.8	17.7	17.3	15.3	17.4	17.7	20.3	21.7	23.4	25.0	24.0	24.2	22.2	21.1	23.4	24.0	24.0	24.8	21.8	..
Italy	21.1	20.8	20.0	19.1	19.7	19.9	22.0	22.2	22.2	21.6	21.1	20.6	20.9	20.8	19.8	20.3	19.5	19.6	20.0	18.2
Japan	33.0	33.2	33.9	33.2	31.9	30.1	29.3	29.7	29.8	28.8	27.2	27.5	25.8	25.2	25.4	25.8	26.8	26.9	27.0	..
Korea	37.7	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	30.6	..
Mexico	23.2	23.6	21.4	18.6	16.5	16.0	21.1	25.7	28.1	23.3	23.6	23.8	20.1	20.9	21.6	23.8	23.3	25.5	..	..
Netherlands	27.1	26.0	25.6	24.8	25.0	26.1	27.2	26.7	28.1	25.2	27.1	28.4	26.7	25.8	25.4	27.6	26.5	29.4	29.5	26.5
New Zealand	18.3	16.8	13.8	14.6	17.2	18.0	17.9	16.9	16.5	16.1	15.9	17.1	19.2	18.8	18.8	18.0	15.9	15.2	15.8	..
Norway	25.6	25.2	24.0	23.1	23.3	24.2	25.9	27.9	29.6	26.3	28.5	35.4	35.1	31.5	30.5	32.7	37.4	39.2	39.0	41.7
Poland	..	..	4.0	4.0	4.2	5.6	6.0	5.7	6.4	7.7	6.6	6.1	4.8	2.9	3.3	2.8	5.1	5.3	7.1	..
Portugal	26.8	25.4	22.5	21.5	19.0	18.2	20.2	19.5	19.3	19.8	18.9	17.0	16.7	16.7	16.4	15.3	12.8	11.7	12.4	10.3
Slovak Republic	..	..	..	..	23.8	26.4	26.8	24.6	25.1	24.2	24.1	23.5	22.4	21.7	18.3	19.7	20.2	20.4	22.8	22.0
Spain	22.2	22.2	21.6	20.0	20.0	19.5	21.7	21.5	22.2	22.4	22.4	22.3	22.0	22.9	23.4	22.4	22.0	21.9	21.1	20.0
Sweden	26.2	24.2	20.3	16.6	14.3	17.8	20.9	20.4	20.7	21.5	21.8	22.8	22.6	22.3	23.4	23.1	23.4	26.8	28.7	28.0
Switzerland	..	33.1	31.1	28.6	29.7	29.3	29.6	28.8	30.8	32.0	32.9	34.7	31.4	29.0	33.1	32.9	35.8	36.6	..	..
United Kingdom	17.3	16.4	15.4	14.3	14.0	15.7	15.9	16.1	17.1	18.0	15.7	15.0	15.4	15.3	15.1	15.0	14.6	14.2	15.6	..
United States	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	14.4	15.0	13.7	..

Note: Based on SNA93 or ESA95.

Source: National accounts of OECD countries database.

StatLink http://dx.doi.org/10.1787/662568841066

Annex Table 25. **General government total outlays**

Per cent of nominal GDP

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	37.8	38.3	37.8	38.3	38.2	37.2	36.3	35.2	34.8	35.2	35.9	35.4	34.6	35.1	34.8	34.5	34.2	34.0	37.4	37.4
Austria	52.9	53.5	56.6	56.1	56.5	56.0	53.7	54.0	53.7	52.2	51.6	51.0	51.6	54.1	50.0	49.5	48.7	48.7	52.3	53.1
Belgium	53.4	53.7	54.8	52.5	52.0	52.5	51.1	50.4	50.2	49.2	49.2	49.9	51.2	49.6	52.1	48.4	48.3	50.0	53.9	55.2
Canada	52.3	53.3	52.2	49.7	48.5	46.6	44.3	44.8	42.7	41.1	42.0	41.2	41.2	39.9	39.3	39.4	39.1	39.7	43.0	44.1
Czech Republic	..	..	..	..	54.0	42.4	43.2	43.1	42.3	41.6	44.2	46.2	47.1	44.8	44.7	43.1	41.6	41.7	43.9	44.2
Denmark	56.5	57.0	60.1	60.0	59.1	58.7	56.4	56.0	55.1	53.3	53.9	54.2	54.7	54.3	52.5	51.3	50.7	51.3	56.1	56.6
Finland	56.7	62.2	64.6	63.7	61.5	59.9	56.2	52.6	51.5	48.3	47.9	49.0	50.1	50.1	50.3	48.6	47.3	48.4	54.1	55.4
France	50.6	52.0	55.0	54.2	54.4	54.5	54.1	52.7	52.6	51.6	51.6	52.6	53.2	53.3	53.4	52.7	52.3	52.7	55.4	55.8
Germany	46.1	47.3	48.3	47.9	54.8	49.3	48.3	48.1	48.2	45.1	47.5	48.0	48.4	47.3	46.9	45.3	44.1	44.0	47.7	48.6
Greece	41.8	44.3	46.6	44.8	45.8	44.1	45.0	44.4	44.4	46.7	45.3	45.1	45.0	45.4	43.3	42.2	44.0	44.9	46.5	46.5
Hungary	56.6	59.5	59.3	61.8	55.0	52.0	50.0	52.4	50.0	46.6	47.3	51.3	49.1	48.9	50.1	51.9	49.6	49.6	49.6	50.0
Iceland	40.1	40.5	40.4	39.9	39.1	38.5	37.2	41.3	42.0	41.9	42.6	44.3	45.6	44.1	42.2	41.7	42.5	57.7	49.4	46.4
Ireland	44.5	44.9	44.7	44.0	41.2	39.2	36.7	34.5	34.1	31.5	33.4	33.6	33.4	33.7	33.7	34.0	35.7	41.0	46.8	49.3
Italy	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	48.1	48.7	47.9	48.7	51.7	51.6
Japan	31.6	32.5	34.3	35.5	36.5	36.8	35.7	42.5	38.6	39.0	38.6	38.8	38.4	37.0	38.4	36.2	36.0	37.1	42.3	42.1
Korea	19.9	21.0	20.6	20.0	19.8	20.6	21.3	23.5	22.7	22.6	24.2	23.8	29.2	26.7	27.3	28.4	28.9	30.3	33.8	33.7
Luxembourg	38.5	40.1	39.8	39.0	39.7	41.1	40.7	41.1	39.2	37.6	38.2	41.5	41.8	42.4	41.6	38.6	37.2	40.7	45.6	47.7
Netherlands	54.9	55.7	55.7	53.5	56.4	49.4	47.5	46.7	46.0	44.2	45.4	46.2	47.1	46.1	44.8	45.6	45.3	45.5	49.2	51.0
New Zealand	50.2	49.4	45.5	43.1	42.2	41.1	41.7	41.5	41.2	39.2	38.6	37.6	38.5	38.0	39.1	40.2	40.3	41.1	45.3	46.4
Norway	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	40.6	41.0	40.0	44.1	44.6
Poland	..	..	..	..	47.7	51.0	46.4	44.3	42.7	41.1	43.8	44.2	44.6	42.6	43.4	43.8	42.1	43.1	44.0	44.7
Portugal	43.4	44.5	46.1	44.3	43.4	44.1	43.2	42.8	43.2	43.1	44.4	44.3	45.5	46.5	47.6	46.3	45.8	45.9	51.1	51.4
Slovak Republic	..	..	..	56.1	48.6	53.7	49.0	45.8	47.8	50.9	44.5	45.0	40.1	37.6	38.2	36.9	34.4	34.9	38.9	39.5
Spain	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	38.4	38.5	38.8	40.5	45.7	46.6
Sweden	61.4	69.8	70.9	68.4	65.3	62.9	60.7	58.5	60.2	57.0	61.2	55.8	56.0	54.4	54.0	52.9	51.3	51.9	57.0	57.9
Switzerland	32.1	34.2	35.1	35.2	35.0	35.3	35.5	35.8	34.3	35.1	34.8	36.2	36.4	35.9	35.3	33.7	32.9	32.9	35.2	36.1
United Kingdom	43.2	45.2	45.3	44.6	44.1	42.2	40.6	39.5	38.8	36.6	39.9	40.9	42.4	43.2	44.2	44.3	44.1	48.1	52.4	54.1
United States[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	36.6	36.5	37.4	39.0	41.6	42.8
Euro area	49.3	50.6	52.3	51.0	53.2	50.7	49.4	48.6	48.2	46.3	47.3	47.6	48.1	47.7	47.4	46.7	46.1	46.8	50.4	51.1
Total OECD	41.2	42.3	42.7	42.0	42.7	41.6	40.4	40.7	39.7	38.9	40.0	40.5	41.0	40.4	40.6	40.1	40.2	41.5	44.8	45.7

Note: Data refer to the general government sector, which is a consolidation of accounts for the central, state and local governments plus social security. Total outlays are defined as current outlays plus capital outlays. For more details see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. These data include outlays net of operating surpluses of public enterprises.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662573760283

Annex Table 26. **General government total tax and non-tax receipts**

Per cent of nominal GDP

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	33.1	32.8	33.4	33.8	34.5	34.9	35.6	36.8	36.9	36.1	35.8	36.7	36.4	36.3	36.5	36.4	36.0	35.2	32.5	32.4
Austria	50.0	51.5	52.2	51.3	50.6	51.9	51.7	51.5	51.3	50.3	51.4	50.2	50.0	49.6	48.3	47.7	48.0	48.2	48.1	47.0
Belgium	46.0	45.6	47.4	47.4	47.5	48.5	49.0	49.5	49.6	49.1	49.6	49.8	51.1	49.2	49.3	48.6	48.1	48.8	49.3	49.1
Canada	43.9	44.2	43.5	43.0	43.2	43.8	44.5	44.9	44.3	44.1	42.6	41.1	41.1	40.7	40.8	41.0	40.7	39.8	38.2	38.2
Czech Republic	..	..	..	..	40.5	39.1	39.4	38.1	38.5	37.9	38.5	39.4	40.5	41.9	41.1	40.5	41.0	40.3	39.4	39.3
Denmark	53.6	54.5	56.3	56.7	56.2	56.7	55.9	56.0	56.5	55.5	55.0	54.5	54.6	56.1	57.5	56.3	55.1	54.8	53.8	52.5
Finland	55.8	56.8	56.3	56.9	55.3	56.3	54.9	54.1	53.1	55.2	52.9	53.0	52.5	52.3	52.9	52.5	52.6	52.5	52.6	52.6
France	47.6	47.4	48.5	48.7	48.9	50.4	50.8	50.1	50.8	50.1	50.0	49.4	49.1	49.6	50.5	50.3	49.6	49.3	48.7	47.9
Germany	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	43.9	43.9	44.0	42.4
Greece	31.9	33.3	34.6	36.5	36.7	37.5	39.1	40.5	41.3	43.0	40.9	40.3	39.3	38.0	38.1	39.1	40.1	39.9	40.4	39.8
Hungary	54.2	53.8	54.0	52.9	48.9	47.3	43.7	44.2	44.5	43.6	43.3	42.4	42.0	42.5	42.3	42.7	44.7	46.2	45.3	45.8
Iceland	37.2	37.7	35.9	35.3	36.2	36.9	37.2	40.9	43.2	43.6	41.9	41.7	42.8	44.1	47.1	48.0	47.9	43.5	38.7	39.3
Ireland	41.6	41.9	42.0	42.0	39.1	39.1	38.1	36.8	36.7	36.3	34.3	33.3	33.8	35.1	35.4	37.0	35.9	33.8	35.2	35.7
Italy	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	44.2	43.8	45.3	46.4	46.0	46.4	45.8
Japan	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	34.5	33.5	34.4	34.5	33.4
Korea	21.7	22.3	22.9	22.8	23.6	24.0	24.5	25.2	25.4	28.1	28.6	28.9	29.6	29.4	30.6	32.3	33.6	33.5	32.6	31.4
Luxembourg	39.1	39.9	41.3	41.5	42.2	42.3	44.4	44.5	42.6	43.6	44.3	43.6	42.3	41.3	41.6	39.9	40.8	43.2	43.3	42.8
Netherlands	52.3	51.5	52.9	50.0	47.2	47.5	46.3	45.8	46.4	46.1	45.1	44.1	43.9	44.3	44.5	46.2	45.6	46.4	44.8	44.0
New Zealand	46.8	46.4	45.3	46.0	45.0	43.9	43.2	41.9	41.2	41.1	40.4	41.4	42.5	42.1	44.3	46.1	45.2	44.0	42.5	41.4
Norway	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	57.3	59.1	58.7	58.8	52.7	51.6
Poland	..	..	..	..	43.3	46.1	41.8	40.1	40.4	38.1	38.6	39.2	38.4	36.9	39.1	39.9	40.2	39.2	37.6	37.1
Portugal	36.5	40.4	38.6	37.1	38.4	39.7	39.7	39.4	40.5	40.2	40.1	41.4	42.5	43.1	41.6	42.3	43.1	43.2	44.7	44.9
Slovak Republic	..	..	..	47.3	45.2	43.8	42.6	40.5	40.4	38.6	38.0	36.8	37.4	35.3	35.4	33.5	32.5	32.7	34.0	33.2
Spain	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	40.5	41.0	36.6	36.6	37.0
Sweden	61.3	60.9	59.8	59.4	58.0	59.6	59.0	59.7	61.4	60.7	62.9	54.3	54.8	55.0	56.0	55.3	55.1	54.4	53.7	53.4
Switzerland	30.3	31.1	31.6	32.4	33.0	33.5	32.7	33.8	33.8	35.2	34.7	35.0	34.6	34.2	34.6	34.7	34.2	33.9	33.7	33.7
United Kingdom	39.8	38.7	37.3	37.8	38.2	38.0	38.4	39.4	39.8	40.3	40.6	39.0	38.7	39.5	40.8	41.6	41.4	42.6	39.5	40.2
United States[1]	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	33.4	34.2	34.5	33.1	31.3	31.5
Euro area	44.7	45.8	46.6	46.0	45.6	46.4	46.7	46.3	46.8	46.3	45.4	45.0	45.0	44.7	44.9	45.4	45.5	44.9	44.9	44.1
Total OECD	37.5	37.8	37.8	37.8	38.0	38.5	38.7	38.8	39.0	39.2	38.7	37.3	37.0	37.1	37.9	38.8	38.8	38.2	37.1	36.8

Note: Data refer to the general government sector, which is a consolidation of accounts for central, state and local governments plus social security. Non-tax receipts consist of property income (including dividends and other transfers from public enterprises), fees, charges, sales, fines, capital tranfers received by the general government, etc. For more details see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Excludes the operating surpluses of public enterprises.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662637547480

Annex Table 27. **General government financial balances**

Surplus (+) or deficit (-) as a per cent of nominal GDP

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	-4.7	-5.5	-4.4	-4.5	-3.7	-2.4	-0.7	1.6	2.0	0.9	-0.1	1.3	1.8	1.2	1.7	1.9	1.8	1.2	-4.9	-5.0
Austria	-3.0	-2.0	-4.4	-4.9	-5.9	-4.1	-2.0	-2.5	-2.4	-1.9	-0.2	-0.9	-1.6	-4.5	-1.7	-1.7	-0.7	-0.5	-4.3	-6.1
Belgium	-7.4	-8.1	-7.4	-5.1	-4.5	-4.0	-2.2	-0.9	-0.6	0.0	0.4	-0.1	-0.1	-0.4	-2.8	0.2	-0.3	-1.2	-4.6	-6.1
Canada	-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	0.9	1.5	1.6	1.6	0.1	-4.8	-5.9
Czech Republic	..	..	..	..	-13.4	-3.3	-3.8	-5.0	-3.7	-3.7	-5.7	-6.8	-6.6	-2.9	-3.6	-2.6	-0.6	-1.4	-4.5	-4.9
Denmark	-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	5.0	5.0	4.5	3.4	-2.4	-4.1
Finland	-1.0	-5.5	-8.3	-6.7	-6.2	-3.5	-1.3	1.6	1.6	6.9	5.0	4.1	2.4	2.2	2.6	3.9	5.2	4.1	-1.5	-2.8
France	-2.9	-4.5	-6.4	-5.5	-5.5	-4.0	-3.3	-2.6	-1.8	-1.5	-1.6	-3.2	-4.1	-3.6	-3.0	-2.3	-2.7	-3.4	-6.7	-7.9
Germany	-2.8	-2.5	-3.0	-2.3	-9.7	-3.3	-2.6	-2.2	-1.5	1.3	-2.8	-3.6	-4.0	-3.8	-3.3	-1.5	-0.2	-0.1	-3.7	-6.2
Greece	-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	-7.4	-5.2	-3.1	-3.9	-5.0	-6.1	-6.7
Hungary	-2.4	-5.7	-5.3	-8.9	-6.1	-4.7	-6.2	-8.2	-5.5	-3.0	-4.1	-9.0	-7.2	-6.4	-7.8	-9.3	-4.9	-3.4	-4.2	-4.2
Iceland	-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	5.4	-14.3	-10.7	-7.2
Ireland	-2.8	-2.9	-2.7	-2.0	-2.1	-0.1	1.4	2.3	2.6	4.8	0.9	-0.3	0.4	1.4	1.7	3.0	0.2	-7.1	-11.5	-13.6
Italy	-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	-3.6	-4.4	-3.3	-1.5	-2.7	-5.3	-5.8
Japan	1.8	0.8	-2.4	-4.2	-5.1	-5.1	-4.0	-11.2	-7.4	-7.6	-6.3	-8.0	-7.9	-6.2	-6.7	-1.6	-2.5	-2.7	-7.8	-8.7
Korea	1.7	1.4	2.2	2.9	3.8	3.4	3.3	1.6	2.7	5.4	4.3	5.1	0.5	2.7	3.4	3.9	4.7	3.2	-1.2	-2.3
Luxembourg	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	-1.1	0.0	1.4	3.6	2.6	-2.4	-4.9
Netherlands	-2.7	-4.2	-2.8	-3.5	-9.2	-1.9	-1.2	-0.9	0.4	2.0	-0.3	-2.1	-3.2	-1.8	-0.3	0.6	0.3	1.0	-4.4	-7.0
New Zealand	-3.4	-3.0	-0.3	2.9	2.8	2.8	1.4	0.4	0.0	1.9	1.8	3.8	4.0	4.1	5.2	5.9	5.0	2.9	-2.8	-5.0
Norway	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	15.1	18.5	17.7	18.8	8.6	7.0
Poland	..	..	..	..	-4.4	-4.9	-4.6	-4.3	-2.3	-3.0	-5.1	-5.0	-6.3	-5.7	-4.3	-3.9	-1.9	-3.9	-6.3	-7.6
Portugal	-6.9	-4.2	-7.5	-7.2	-5.0	-4.5	-3.5	-3.4	-2.8	-3.0	-4.3	-2.9	-3.0	-3.4	-6.1	-3.9	-2.7	-2.7	-6.5	-6.5
Slovak Republic	..	..	..	-8.8	-3.4	-9.9	-6.3	-5.3	-7.4	-12.3	-6.5	-8.2	-2.8	-2.4	-2.8	-3.5	-1.9	-2.2	-4.9	-6.3
Spain	-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	2.0	2.2	-3.8	-9.1	-9.6
Sweden	-0.1	-8.9	-11.2	-9.1	-7.3	-3.3	-1.6	1.2	1.2	3.7	1.7	-1.4	-1.2	0.6	2.0	2.4	3.8	2.5	-3.3	-4.5
Switzerland	-1.8	-3.1	-3.5	-2.8	-2.0	-1.8	-2.8	-1.9	-0.5	0.1	-0.1	-1.2	-1.7	-1.8	-0.7	1.0	1.3	1.0	-1.5	-2.5
United Kingdom	-3.4	-6.5	-8.0	-6.8	-5.8	-4.2	-2.2	-0.1	0.9	3.7	0.6	-2.0	-3.7	-3.7	-3.3	-2.7	-2.7	-5.5	-12.8	-14.0
United States	-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	-3.3	-2.2	-2.9	-5.9	-10.2	-11.2
Euro area	-4.6	-4.7	-5.7	-4.9	-7.6	-4.3	-2.7	-2.3	-1.4	0.0	-1.8	-2.6	-3.1	-3.0	-2.6	-1.3	-0.7	-1.9	-5.6	-7.0
Total OECD	-3.7	-4.5	-4.9	-4.2	-4.7	-3.1	-1.7	-1.9	-0.8	0.3	-1.3	-3.2	-4.0	-3.4	-2.8	-1.3	-1.4	-3.2	-7.7	-8.8
Memorandum items																				
General government financial balances excluding social security																				
United States	-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	-4.6	-3.7	-4.3	-7.2	-11.2	-12.2
Japan	-0.9	-1.7	-4.6	-6.2	-7.0	-6.9	-5.8	-12.5	-8.5	-8.2	-6.5	-7.9	-8.0	-6.6	-7.0	-1.7	-2.4	-2.3	-7.7	-8.7

Note: Financial balances include one-off factors such as those resulting from the sale of the mobile telephone licenses but exclude financial transactions such as public capital injections into private banks. As data are on a national accounts basis (SNA93/ESA95), the government financial balances may differ from the numbers reported to the European Commission under the Excessive Deficit Procedure for some EU countries. For more details see footnotes to Annex Tables 25 and 26 and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)*.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662774114834

Annex Table 28. **General government cyclically-adjusted balances**

Surplus (+) or deficit (-) as a per cent of potential GDP

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	-3.6	-4.0	-3.3	-4.0	-3.5	-2.1	-0.4	1.6	1.7	0.4	-0.2	1.3	1.7	1.1	1.6	1.9	1.6	1.3	-3.3	-2.7
Austria	-3.7	-2.5	-3.9	-4.1	-5.2	-3.4	-1.2	-2.2	-2.7	-3.1	-0.5	-0.5	-0.6	-3.4	-1.1	-1.9	-1.4	-1.4	-3.2	-3.7
Belgium	-8.4	-8.6	-6.1	-4.2	-3.8	-2.7	-1.7	-0.2	-0.5	-1.0	-0.1	-0.1	0.3	-0.6	-3.3	-0.6	-1.3	-1.7	-1.6	-1.8
Canada	-7.0	-6.8	-6.5	-5.6	-4.6	-1.7	1.0	0.6	1.5	2.2	0.4	-0.3	-0.1	0.8	1.3	1.2	1.0	0.1	-3.1	-3.6
Czech Republic	..	..	..	..	..	..	..	..	-2.9	-3.4	-5.4	-6.0	-5.7	-2.3	-3.6	-3.6	-2.0	-2.2	-2.4	-2.2
Denmark	-1.7	-1.2	-1.6	-2.2	-2.6	-1.9	-1.0	-0.5	1.0	1.3	0.2	0.2	0.6	2.4	4.8	3.9	3.1	2.8	0.0	-0.7
Finland	0.4	-1.5	-3.4	-3.1	-3.5	-1.4	-0.5	1.6	1.4	6.3	4.7	4.4	3.1	2.5	2.6	3.1	4.2	3.8	1.2	0.6
France	-3.7	-4.9	-5.7	-4.7	-5.0	-3.3	-2.6	-2.3	-1.9	-2.2	-2.4	-3.4	-3.9	-3.4	-3.0	-2.6	-3.5	-3.9	-5.0	-5.2
Germany	..	-2.9	-2.2	-1.8	-9.4	-2.8	-2.1	-1.8	-1.2	-1.7	-3.3	-3.5	-3.2	-2.9	-2.5	-1.7	-1.2	-1.1	-1.6	-3.2
Greece	-10.3	-10.9	-10.6	-7.1	-7.9	-5.7	-5.3	-3.4	-2.5	-3.3	-4.5	-4.2	-5.8	-7.6	-5.0	-3.2	-4.1	-5.1	-4.3	-4.0
Hungary	..	..	-5.7	-8.9	-5.4	-3.2	-5.0	-7.5	-5.1	-3.0	-4.3	-9.4	-7.8	-7.3	-9.0	-10.9	-5.9	-3.5	-1.3	0.6
Iceland	-2.5	-1.0	-2.6	-3.6	-1.8	-1.1	-0.1	-1.1	0.4	1.3	-1.1	-2.3	-2.2	-0.4	3.4	5.1	4.2	-14.8	-8.0	-3.5
Ireland	-3.2	-2.3	-1.0	-0.1	-1.1	0.4	1.1	1.7	1.5	3.4	-0.1	-1.2	0.1	1.2	1.1	2.0	-1.4	-7.0	-7.3	-9.2
Italy	-11.7	-10.0	-8.3	-7.5	-6.7	-6.1	-2.0	-2.3	-0.9	-2.0	-3.5	-3.0	-3.0	-3.0	-3.9	-3.5	-2.1	-2.5	-2.2	-2.3
Japan	0.9	0.0	-2.6	-4.1	-5.0	-5.4	-4.5	-10.6	-6.4	-7.1	-5.6	-7.1	-7.1	-5.9	-6.9	-2.2	-3.5	-3.2	-5.9	-6.4
Luxembourg	-1.7	-1.8	0.5	1.9	3.0	3.1	5.7	4.8	3.6	4.8	5.2	1.4	0.6	-0.8	-0.1	0.4	1.9	2.0	0.0	-0.7
Netherlands	-3.5	-4.5	-2.2	-2.4	-8.3	-1.3	-1.1	-1.2	-0.5	-0.1	-1.7	-2.6	-2.4	-0.7	0.6	0.8	-0.3	0.0	-3.4	-3.9
New Zealand	-1.4	-0.9	0.5	2.6	2.2	2.1	1.3	1.3	0.4	2.0	1.9	3.4	3.6	3.4	4.6	5.8	4.6	3.2	-0.5	-2.4
Norway[1]	-3.8	-6.2	-6.8	-5.7	-2.6	-2.4	-1.9	-3.3	-2.0	0.3	-0.5	-2.6	-4.3	-2.3	-1.2	0.8	2.7	1.3	-2.8	-3.7
Poland	..	..	..	..	..	-4.3	-4.9	-4.5	-2.5	-3.3	-4.6	-4.0	-5.6	-5.8	-4.6	-4.9	-3.6	-5.7	-6.2	-6.2
Portugal	-9.6	-5.9	-7.1	-5.9	-4.2	-3.9	-3.3	-4.0	-3.7	-4.7	-5.5	-3.4	-2.4	-3.0	-5.5	-3.7	-2.8	-2.5	-3.8	-3.5
Spain	-6.1	-4.3	-5.9	-4.8	-4.6	-3.0	-2.0	-2.5	-1.5	-2.0	-1.5	-0.8	-0.2	-0.2	1.0	1.9	1.9	-3.3	-5.9	-5.0
Sweden	-0.5	-7.5	-7.7	-6.9	-6.5	-2.2	-0.7	1.5	0.7	2.7	1.4	-1.5	-1.0	0.2	1.3	0.8	2.2	2.4	0.7	0.2
Switzerland	-2.2	-2.9	-2.8	-2.2	-1.4	-1.0	-2.3	-1.9	-0.5	-0.6	-0.7	-1.2	-1.0	-1.2	-0.4	0.8	0.7	0.4	-0.6	-0.8
United Kingdom	-3.1	-5.2	-6.6	-6.2	-5.6	-4.0	-2.3	-0.3	0.7	1.0	0.4	-1.9	-3.7	-4.0	-3.6	-3.1	-3.5	-5.8	-10.5	-10.4
United States	-4.3	-5.0	-4.3	-3.2	-2.8	-1.9	-0.9	0.1	0.3	1.0	-0.4	-3.3	-4.3	-4.3	-3.4	-2.6	-3.2	-5.7	-8.3	-8.8
Euro area	-5.2	-4.8	-4.5	-4.1	-7.1	-3.5	-2.2	-2.1	-1.4	-1.7	-2.3	-2.5	-2.5	-2.6	-2.3	-1.7	-1.5	-2.1	-2.7	-3.8
Total OECD	-3.8	-4.4	-4.3	-4.0	-4.6	-3.0	-1.8	-2.0	-1.0	-0.9	-1.6	-3.2	-3.7	-3.5	-3.1	-2.0	-2.3	-3.7	-5.8	-6.4

Note: Cyclically-adjusted balances exclude one-off revenues from the sale of mobile telephone licenses. For more details on the methodology used for estimating the cyclical component of government balances see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)*.

1. As a percentage of mainland potential GDP. The financial balances shown are adjusted to exclude net revenues from petroleum activities.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/662820253045

Annex Table 29. **General government underlying balances**

Surplus (+) or deficit (-) as a per cent of potential GDP

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	-3.2	-3.8	-3.2	-4.0	-3.3	-2.1	-0.5	1.4	1.5	0.3	0.2	1.5	1.5	1.1	1.6	1.9	1.7	1.5	-3.4	-2.9
Austria	-3.7	-2.6	-3.9	-4.2	-5.6	-3.6	-1.4	-1.9	-2.9	-3.1	-0.5	-0.8	-1.0	-0.4	-1.4	-2.1	-1.6	-1.7	-3.4	-3.9
Belgium	-8.6	-8.6	-5.9	-4.1	-3.8	-2.7	-1.5	0.1	-0.4	-0.8	-0.2	-0.2	-1.1	-1.0	-1.1	-0.9	-1.3	-1.7	-1.7	-1.8
Canada	-6.9	-6.8	-6.6	-5.7	-4.6	-1.8	0.8	0.5	1.2	2.2	0.2	-0.3	-0.1	0.9	1.4	1.3	1.1	0.1	-3.1	-3.6
Czech Republic	..	..	..	..	..	..	..	..	-4.3	-5.1	-4.1	-4.2	-4.9	-2.3	-3.1	-3.6	-2.4	-2.3	-2.2	-1.8
Denmark	-1.6	-1.0	-1.4	-1.9	-2.4	-1.7	-0.8	-0.2	1.1	1.4	0.4	0.1	0.6	2.1	4.6	3.6	2.8	3.1	0.3	-0.4
Finland	0.2	-1.9	-2.8	-2.2	-1.6	-0.8	-1.2	1.1	1.4	5.9	4.5	4.2	2.8	2.3	2.5	3.0	4.2	3.8	1.4	0.9
France	-3.9	-4.8	-5.3	-4.5	-4.4	-3.3	-2.9	-2.2	-1.7	-2.4	-2.3	-3.5	-4.1	-3.6	-3.6	-2.7	-3.5	-3.7	-4.9	-4.9
Germany	..	-3.4	-2.9	-2.6	-3.6	-3.5	-2.8	-2.2	-1.6	-1.8	-3.1	-3.4	-3.0	-2.8	-2.4	-1.7	-1.0	-1.0	-1.4	-3.1
Greece	-9.8	-9.8	-9.0	-8.0	-8.7	-6.4	-5.4	-3.6	-1.8	-4.1	-3.9	-3.9	-5.6	-6.7	-4.8	-4.4	-4.2	-5.4	-4.9	-3.9
Hungary	..	..	-9.0	-12.4	-2.2	-1.0	-4.6	-5.2	-4.1	-2.2	-3.7	-7.7	-8.0	-8.3	-10.0	-11.5	-6.2	-4.0	-1.5	0.6
Iceland	-2.2	-1.1	-3.1	-3.4	-2.2	-1.1	-0.3	-1.5	0.0	0.9	-1.2	-2.5	-2.2	-0.3	3.5	5.2	4.3	-14.3	-8.0	-3.4
Ireland	-3.8	-2.6	-1.4	0.4	-1.0	0.3	0.8	1.4	2.9	3.2	0.1	-1.2	-0.1	1.1	0.9	1.7	-1.3	-6.4	-7.3	-9.2
Italy	-11.5	-11.6	-8.6	-7.5	-6.0	-6.0	-2.6	-2.5	-0.8	-2.0	-3.2	-2.6	-3.8	-3.5	-3.8	-2.4	-1.9	-2.5	-2.1	-2.4
Japan	0.6	-0.4	-2.9	-4.5	-5.3	-5.5	-5.0	-5.4	-6.7	-6.8	-6.1	-7.2	-6.8	-6.9	-5.5	-4.0	-3.8	-4.3	-5.9	-6.0
Luxembourg	-1.4	-1.4	0.5	2.1	3.0	3.1	5.7	4.6	3.5	4.8	3.6	1.6	0.8	-0.4	0.1	0.9	2.0	1.9	0.0	-0.7
Netherlands	-4.0	-5.3	-3.0	-3.1	-3.7	-2.3	-1.6	-1.7	-0.8	-0.3	-1.4	-2.4	-2.2	-0.7	0.5	0.6	-0.3	0.3	-3.5	-3.7
New Zealand	-3.3	-2.1	-0.3	2.0	2.0	2.2	1.4	1.3	0.5	2.1	2.0	3.7	3.7	3.5	4.7	5.9	4.7	3.3	-0.4	-2.3
Norway[1]	-3.6	-6.0	-6.8	-5.5	-2.5	-2.7	-2.2	-3.6	-2.1	0.9	-0.6	-2.5	-4.2	-2.3	-1.2	0.9	2.7	1.5	-3.2	-4.0
Poland	..	..	..	..	..	-3.9	-5.0	-4.3	-2.8	-3.5	-4.5	-4.0	-5.1	-5.8	-4.6	-5.0	-3.9	-5.6	-6.2	-6.2
Portugal	-9.6	-5.9	-7.1	-6.2	-4.3	-3.9	-3.4	-3.2	-3.3	-4.2	-5.3	-4.8	-4.9	-4.7	-5.1	-3.4	-2.2	-2.5	-3.4	-3.4
Spain	-6.6	-4.7	-4.8	-4.5	-4.8	-3.6	-2.3	-2.4	-1.6	-1.6	-1.4	-0.7	-0.4	0.0	0.7	1.6	1.9	-2.5	-5.6	-5.3
Sweden	-1.7	-4.4	-6.0	-6.6	-6.5	-2.6	-0.7	0.3	0.6	2.4	1.2	-1.6	-1.1	0.1	1.4	0.9	2.3	2.6	0.7	0.3
Switzerland	-2.2	-2.9	-2.9	-2.4	-1.6	-1.4	-2.7	-1.7	-1.0	0.7	-0.3	-0.6	-1.0	-1.2	-0.5	0.6	0.6	0.3	-0.7	-0.9
United Kingdom	-2.8	-5.0	-6.3	-6.0	-5.2	-3.9	-2.2	-0.4	0.5	0.7	0.4	-2.1	-3.8	-4.2	-4.1	-3.4	-4.1	-5.9	-9.4	-9.6
United States	-4.1	-5.0	-4.2	-3.2	-2.8	-2.0	-1.0	0.0	0.3	0.9	-0.5	-3.4	-4.3	-4.3	-3.6	-3.0	-3.5	-5.8	-7.7	-8.5
Euro area	-5.4	-5.3	-4.5	-4.3	-4.5	-3.8	-2.7	-2.2	-1.4	-1.8	-2.2	-2.4	-2.8	-2.6	-2.3	-1.6	-1.4	-1.9	-2.6	-3.8
Total OECD	-3.8	-4.5	-4.3	-4.1	-3.9	-3.1	-2.1	-1.4	-1.1	-0.9	-1.7	-3.2	-3.8	-3.7	-3.1	-2.4	-2.5	-3.8	-5.5	-6.2

Note: The underlying balances are adjusted for the cycle and for one-offs. For more details see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)*.

1. As a percentage of mainland potential GDP. The financial balances shown are adjusted to exclude net revenues from petroleum activities.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663015611436

Annex Table 30. **General government underlying primary balances**

Surplus (+) or deficit (-) as a per cent of potential GDP

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	-0.3	-0.8	-0.8	-0.4	0.3	1.0	2.0	3.4	3.4	2.0	1.8	3.1	2.9	2.4	2.7	2.9	2.8	2.6	-2.2	-1.8
Austria	-0.8	0.3	-0.8	-1.4	-2.3	-0.2	1.7	1.2	0.0	-0.2	2.2	1.7	1.3	1.8	0.8	0.0	0.5	0.3	-1.1	-1.3
Belgium	1.8	1.7	4.0	4.6	4.5	5.2	5.8	7.0	6.1	5.6	5.9	5.2	3.9	3.6	3.1	3.0	2.4	1.9	1.9	1.6
Canada	-1.8	-1.8	-1.5	-0.6	1.0	3.4	5.5	5.2	5.5	5.3	3.2	2.3	1.8	2.5	2.5	2.0	1.8	0.3	-2.7	-3.4
Czech Republic	..	..	..	..	..	..	..	..	-3.7	-4.9	-3.7	-3.8	-4.4	-1.6	-2.4	-2.9	-1.7	-1.5	-1.5	-1.0
Denmark	3.1	2.5	2.3	1.6	1.1	1.5	2.2	2.4	3.6	3.5	2.2	1.7	2.0	3.3	5.5	4.2	3.3	3.1	0.5	0.2
Finland	-1.8	-3.8	-3.2	-1.2	-0.8	0.5	0.6	2.7	2.8	6.9	5.0	4.1	2.7	2.2	2.4	2.6	3.5	3.1	0.7	0.2
France	-1.5	-2.3	-2.6	-1.6	-1.5	-0.2	0.2	0.8	1.1	0.4	0.4	-0.8	-1.5	-1.0	-1.1	-0.3	-0.9	-1.0	-2.4	-2.9
Germany	..	-1.0	-0.4	-0.1	-0.7	-0.6	0.1	0.8	1.1	0.9	-0.6	-0.9	-0.5	-0.4	0.0	0.7	1.5	1.4	0.7	-1.0
Greece	-1.2	0.2	1.6	3.7	1.9	3.6	2.8	4.0	4.9	2.5	2.0	1.2	-0.8	-2.0	-0.5	-0.3	-0.1	-1.3	-0.9	0.3
Hungary	..	..	-5.6	-7.0	5.1	4.7	2.0	0.7	1.6	2.4	0.2	-4.1	-4.3	-4.2	-6.0	-7.7	-2.3	-0.4	2.0	4.0
Iceland	-0.9	-0.1	-1.7	-2.0	-0.5	0.5	1.1	-0.5	1.0	1.7	-0.6	-2.2	-1.6	0.0	3.1	4.4	3.3	-15.1	-4.4	0.8
Ireland	2.6	3.2	3.8	5.2	3.3	4.0	3.9	4.3	4.9	4.8	1.2	-0.2	0.9	2.0	1.8	2.5	-0.5	-6.6	-6.5	-7.7
Italy	-0.6	0.0	3.2	2.8	4.6	4.7	6.0	5.2	5.4	4.1	2.9	2.8	1.0	1.1	0.7	2.1	2.9	2.3	2.8	2.7
Japan	1.7	0.8	-1.7	-3.3	-4.0	-4.2	-3.6	-4.0	-5.2	-5.3	-4.8	-5.8	-5.5	-5.8	-4.7	-3.3	-3.1	-3.5	-5.0	-4.7
Luxembourg	-4.1	-3.8	-1.5	0.6	1.7	2.1	4.7	3.6	2.6	3.6	2.3	0.5	-0.1	-1.1	-0.5	0.1	1.3	1.3	-0.6	-1.3
Netherlands	0.4	-0.8	1.4	1.0	0.7	2.0	2.6	2.3	2.9	2.7	1.1	-0.3	-0.2	1.1	2.3	2.3	1.4	1.8	-1.5	-1.6
New Zealand	-0.6	0.6	2.0	3.3	3.4	2.9	2.2	2.0	0.7	2.5	2.0	3.6	3.6	3.1	4.1	4.2	3.7	2.2	-1.3	-3.0
Norway[1]	-7.3	-9.5	-9.8	-7.9	-4.6	-4.8	-4.1	-5.1	-4.0	-1.7	-3.3	-5.5	-6.9	-5.2	-4.0	-2.4	-1.7	-3.9	-6.9	-7.5
Poland	..	..	..	..	..	0.2	-1.1	-0.6	-0.5	-1.0	-1.8	-1.9	-2.7	-3.3	-2.4	-2.9	-1.7	-3.6	-4.4	-4.6
Portugal	-1.0	2.3	0.0	-0.3	1.4	1.0	0.5	0.1	-0.2	-1.0	-2.2	-1.9	-2.2	-2.0	-2.6	-0.7	0.7	0.5	-0.4	-0.4
Spain	-3.4	-1.2	-0.5	-0.3	-0.3	1.0	1.8	1.4	1.7	1.4	1.3	1.6	1.7	1.8	2.2	2.9	3.0	-1.5	-4.6	-4.3
Sweden	-0.9	-3.7	-4.9	-4.6	-4.1	0.1	2.4	3.0	3.1	4.6	3.0	0.5	0.3	1.0	2.4	1.8	3.0	3.1	1.1	1.1
Switzerland	-1.8	-2.2	-2.2	-1.6	-0.8	-0.6	-1.9	-0.8	0.1	1.7	0.6	0.4	-0.1	-0.2	0.4	1.4	1.4	1.0	0.0	-0.2
United Kingdom	-0.4	-2.7	-3.9	-3.4	-2.1	-0.8	1.0	2.7	3.0	3.1	2.4	-0.4	-2.1	-2.5	-2.2	-1.6	-2.1	-3.8	-7.5	-7.1
United States	-0.6	-1.5	-0.8	0.2	0.7	1.4	2.3	3.1	3.0	3.5	1.7	-1.3	-2.4	-2.5	-1.7	-1.0	-1.4	-3.8	-6.2	-6.8
Euro area	-1.1	-0.7	0.3	0.3	0.3	1.1	1.7	1.9	2.2	1.7	1.2	0.7	0.1	0.2	0.3	1.0	1.2	0.7	0.0	-1.2
Total OECD	-0.5	-1.1	-0.9	-0.7	-0.3	0.5	1.3	1.8	1.7	1.7	0.7	-1.0	-1.7	-1.7	-1.2	-0.5	-0.6	-2.0	-3.8	-4.4

Note: Adjusted for the cycle and for one-offs and excludes the impact of net interest payments on the underlying balance. For more details see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)*.

1. As a percentage of mainland potential GDP. The financial balances shown are adjusted to exclude net revenues from petroleum activities.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663113426134

Annex Table 31. **General government net debt interest payments**

Per cent of nominal GDP

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	3.0	3.1	2.5	3.6	3.7	3.1	2.5	2.0	1.9	1.7	1.6	1.6	1.4	1.3	1.1	1.0	1.1	1.2	1.2	1.2
Austria	2.8	2.8	3.1	2.9	3.4	3.4	3.2	3.1	2.9	2.8	2.7	2.5	2.4	2.2	2.2	2.2	2.1	2.0	2.4	2.7
Belgium	10.3	10.2	10.1	8.8	8.4	8.0	7.3	7.0	6.5	6.3	6.1	5.4	5.1	4.6	4.1	3.8	3.7	3.6	3.8	3.8
Canada	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	0.7	0.6	0.2	0.3	0.2
Czech Republic	..	..	..	..	0.3	0.5	0.4	0.5	0.5	0.2	0.4	0.3	0.5	0.7	0.7	0.7	0.7	0.7	0.8	0.8
Denmark	4.7	3.6	3.9	3.6	3.5	3.2	2.9	2.6	2.4	2.1	1.8	1.7	1.5	1.2	0.9	0.6	0.4	0.0	0.2	0.7
Finland	-2.0	-2.0	-0.4	1.0	0.8	1.4	1.8	1.6	1.4	0.9	0.5	0.0	-0.1	-0.1	-0.2	-0.4	-0.6	-0.7	-0.7	-0.8
France	2.3	2.5	2.8	2.9	3.0	3.2	3.1	3.0	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.4	2.5	2.7	2.6	2.2
Germany	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	2.3	2.2	2.1
Greece	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	4.3	4.1	4.1	4.1	4.2	4.4
Hungary	2.0	3.8	3.4	5.4	7.4	5.9	6.8	5.9	5.8	4.5	3.9	3.6	3.7	4.0	3.9	3.7	3.7	3.7	3.8	3.8
Iceland	1.3	1.1	1.4	1.5	1.7	1.6	1.4	1.0	0.9	0.7	0.5	0.3	0.6	0.3	-0.4	-0.7	-0.9	-0.8	3.9	4.7
Ireland	6.4	5.9	5.5	5.1	4.4	3.7	3.1	2.8	1.9	1.5	1.0	0.9	1.0	0.9	0.8	0.8	0.7	-0.3	0.8	1.7
Italy	10.9	11.7	12.1	10.6	10.7	10.8	8.8	7.8	6.4	6.1	6.0	5.4	5.0	4.7	4.5	4.5	4.7	4.9	5.2	5.4
Japan	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	0.8	0.6	0.6	0.8	1.0	1.3
Korea	-0.5	-0.6	-0.5	-0.5	-0.6	-0.7	-0.9	-1.2	-1.0	-1.2	-0.9	-0.9	-0.8	-1.0	-1.0	-1.2	-1.5	-1.5	-1.3	-1.0
Luxembourg	-2.5	-2.3	-1.9	-1.6	-1.4	-1.1	-1.0	-1.0	-0.9	-1.2	-1.3	-1.1	-0.9	-0.7	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7
Netherlands	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	1.7	1.5	2.1	2.3
New Zealand	2.8	2.9	2.3	1.2	1.4	0.7	0.9	0.7	0.2	0.4	0.0	0.0	-0.1	-0.4	-0.6	-1.7	-1.0	-1.2	-1.0	-0.7
Norway	-3.3	-3.1	-2.6	-2.0	-1.7	-1.7	-1.5	-1.2	-1.6	-1.8	-2.0	-2.3	-2.2	-2.2	-2.1	-2.3	-3.2	-3.8	-2.8	-2.7
Poland	..	..	..	..	5.1	4.2	3.8	3.7	2.4	2.5	2.7	2.1	2.4	2.5	2.2	2.0	2.0	1.9	1.8	1.6
Portugal	8.1	7.9	7.2	6.1	5.8	5.0	3.9	3.2	3.0	3.1	3.0	2.9	2.8	2.7	2.6	2.8	2.9	3.0	3.2	3.1
Slovak Republic	..	..	..	1.1	0.6	0.7	1.2	1.5	1.5	1.9	2.2	2.8	1.2	0.5	-0.2	-0.1	-0.1	0.1	0.0	-0.1
Spain	3.1	3.4	4.5	4.4	4.7	4.7	4.2	3.8	3.3	2.9	2.6	2.4	2.1	1.8	1.6	1.3	1.1	1.0	1.1	1.1
Sweden	0.8	0.7	1.2	2.1	2.4	2.8	3.1	2.6	2.5	2.2	1.8	2.1	1.3	1.0	1.0	0.8	0.7	0.5	0.5	0.9
Switzerland	0.4	0.6	0.7	0.8	0.8	0.8	0.9	0.9	1.1	1.0	0.9	1.0	1.0	1.0	0.9	0.8	0.8	0.7	0.7	0.7
United Kingdom	2.4	2.4	2.4	2.6	3.1	3.1	3.2	3.0	2.5	2.4	2.0	1.7	1.7	1.7	1.9	1.8	2.0	2.0	2.0	2.7
United States	3.6	3.5	3.4	3.4	3.6	3.4	3.2	3.1	2.7	2.5	2.3	2.1	1.9	1.8	1.9	2.0	2.1	1.9	1.6	1.8
Euro area	4.2	4.6	4.9	4.7	4.9	4.9	4.4	4.2	3.7	3.5	3.3	3.1	3.0	2.8	2.7	2.6	2.6	2.6	2.7	2.7
Total OECD	3.2	3.3	3.3	3.3	3.5	3.4	3.2	3.0	2.7	2.5	2.3	2.1	2.0	1.9	1.8	1.7	1.8	1.7	1.7	1.8

Note: In the case of Ireland and New Zealand where net interest payments are not available, net property income paid is used as a proxy. For Denmark, net interest payments include dividends received. See *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663150618836

Annex Table 32. **General government gross financial liabilities**

Per cent of nominal GDP

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	23.5	27.8	31.1	40.6	42.5	39.6	37.9	32.7	| 28.4	25.4	22.5	20.5	19.0	17.2	16.9	16.2	15.3	14.2	16.4	21.5
Austria	57.8	57.5	62.3	65.4	69.8	70.3	66.7	68.5	71.2	71.1	72.1	73.2	71.3	70.8	70.4	66.0	61.9	65.7	73.2	79.2
Belgium[1]	127.3	136.5	140.6	137.7	135.3	133.4	128.0	122.9	119.5	113.5	111.8	108.3	103.5	98.6	95.8	91.3	87.7	93.2	100.1	106.4
Canada	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	72.6	71.0	68.0	64.2	68.4	77.7	82.0
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	33.1	34.9	34.7	34.9	34.6	38.3	34.8	36.4	39.1
Denmark	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	50.1	42.4	38.3	31.6	40.1	46.5	51.4
Finland	24.6	44.6	57.6	60.8	65.4	66.0	64.5	60.9	54.7	52.4	49.8	49.5	51.3	51.5	48.5	44.8	41.5	40.6	48.0	52.4
France	39.5	43.9	51.0	60.2	62.1	65.7	68.2	70.3	66.8	65.6	64.3	67.3	71.4	73.9	75.7	70.9	69.9	76.1	86.4	94.2
Germany[2]	37.7	40.9	46.2	46.5	55.7	58.8	60.3	62.2	61.5	60.4	59.7	62.1	65.3	68.7	71.1	69.4	65.5	69.0	78.2	84.1
Greece	..	..	..	..	101.2	103.1	100.0	97.6	101.1	114.9	117.7	117.2	112.7	114.2	113.2	106.5	103.2	101.1	106.9	111.8
Hungary	81.4	83.3	94.5	94.3	90.9	78.2	68.6	66.7	68.0	60.2	59.9	61.0	61.4	65.3	68.7	71.9	71.9	76.5	82.7	87.1
Iceland	..	..	..	..	..	..	..	77.3	73.6	72.9	75.0	72.0	71.0	64.5	52.6	57.5	53.8	93.2	106.5	108.8
Ireland	..	..	..	..	..	..	..	62.2	51.3	40.2	37.5	35.4	34.2	32.8	33.0	29.0	28.3	47.5	64.4	80.3
Italy	100.4	106.9	116.2	120.9	122.5	128.9	130.3	132.0	125.8	121.0	120.2	119.4	116.8	117.3	119.9	117.2	112.5	114.5	122.9	127.3
Japan[3]	64.1	67.9	73.9	79.4	86.7	94.0	100.5	113.2	127.0	135.4	143.7	152.3	158.0	165.5	175.3	172.1	167.1	172.1	189.6	199.8
Korea	6.5	6.1	5.4	5.0	5.2	5.6	7.2	12.6	15.0	15.7	16.6	15.8	17.4	21.3	23.1	26.1	25.7	25.2	32.7	39.3
Luxembourg	..	..	..	..	9.5	10.1	10.2	11.2	10.0	9.2	8.2	8.5	7.9	8.6	7.7	10.6	9.8	12.7	14.3	21.0
Netherlands	88.4	91.9	96.5	86.7	89.6	88.1	82.2	80.8	71.6	63.9	59.4	60.3	61.4	61.9	60.7	53.9	51.1	64.6	69.5	76.6
New Zealand	..	..	..	57.4	51.3	44.9	42.3	42.2	39.6	37.4	35.4	33.5	31.4	28.6	27.4	27.1	26.2	25.5	27.3	33.4
Norway	27.8	32.4	40.8	37.3	40.9	36.6	32.1	30.3	31.0	34.2	33.0	40.6	50.2	52.7	49.1	60.5	58.4	55.7	63.3	72.3
Poland	..	..	..	..	51.6	51.4	48.3	43.8	46.6	45.4	43.8	55.0	55.3	54.6	54.7	55.0	51.6	54.1	57.9	63.5
Portugal	..	..	..	..	68.8	68.4	67.4	65.2	62.1	62.0	63.3	66.5	68.0	70.6	74.0	73.1	71.1	75.3	83.8	90.2
Slovak Republic	..	..	..	..	38.3	37.7	39.0	41.1	53.5	58.6	57.4	49.9	48.2	46.4	37.8	34.7	32.4	30.3	34.8	41.2
Spain	49.6	52.1	65.5	64.3	69.3	76.0	75.0	75.3	69.4	66.5	61.9	60.3	55.3	53.4	50.6	46.3	42.2	46.8	58.4	68.2
Sweden	55.0	73.3	78.2	82.5	81.0	84.4	83.2	82.5	73.7	64.7	63.4	60.5	59.8	61.1	61.5	54.1	48.4	47.4	53.1	57.3
Switzerland	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	56.5	50.6	48.1	45.6	46.4	47.8
United Kingdom	32.8	39.0	48.7	46.8	51.6	51.2	52.0	52.5	47.4	45.1	40.4	40.8	41.2	43.5	46.1	46.0	46.9	57.0	75.3	89.3
United States	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	61.9	62.3	61.7	62.9	71.1	87.4	97.5
Euro area	59.2	60.6	65.9	69.1	| 72.3	77.3	79.4	80.1	78.3	75.2	73.8	74.2	75.1	75.9	77.0	74.6	71.2	73.4	82.5	89.2
Total OECD	59.4	62.3	66.4	67.8	| 69.6	71.5	71.7	72.2	71.5	68.7	68.9	70.8	73.0	74.7	76.3	75.0	73.5	78.7	91.6	100.2

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 85 database.

StatLink http://dx.doi.org/10.1787/663152112351

Annex Table 33. **General government net financial liabilities**

Per cent of nominal GDP

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	11.2	15.7	21.3	25.7	26.3	20.9	21.1	16.0	14.9	8.8	6.3	4.4	2.6	0.6	-0.9	-4.5	-6.6	-7.4	-5.3	-0.1
Austria	28.7	29.6	33.4	35.2	38.8	40.3	36.6	36.8	35.8	34.8	35.6	37.1	36.1	37.9	37.6	33.2	30.7	32.5	37.7	43.5
Belgium[1]	108.0	113.1	115.0	114.4	114.5	115.5	110.9	107.5	102.9	97.3	94.8	93.1	90.3	83.9	81.9	76.9	72.9	73.6	80.5	86.4
Canada	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	35.2	30.6	26.5	23.5	21.7	27.3	32.6
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	-15.9	-7.2	-9.4	-10.7	-9.9	-8.4	-6.6	-2.1	2.9
Denmark	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	12.1	8.6	1.7	-4.1	-4.7	-2.4	1.8
Finland[2]	-33.5	-24.6	-15.9	-16.3	-4.0	-6.7	-7.5	-14.5	-50.1	-31.1	-31.6	-31.5	-39.6	-45.9	-57.8	-67.2	-71.2	-50.3	-51.1	-47.1
France	18.4	20.0	26.8	29.7	37.5	41.8	42.3	40.6	33.5	35.1	36.7	41.8	44.2	45.3	43.2	37.2	34.0	41.9	49.5	57.0
Germany[3]	8.7	15.1	18.5	19.3	30.3	33.2	33.0	36.7	35.2	34.4	36.7	40.8	43.5	47.5	49.8	48.0	43.0	45.1	51.1	56.9
Greece	..	..	..	..	81.0	81.5	76.8	72.6	70.2	88.7	92.9	94.7	87.8	87.7	84.4	76.7	69.8	72.7	78.7	83.5
Hungary	-60.8	-48.7	-19.9	3.4	25.0	25.9	25.6	32.6	34.5	31.9	32.1	36.8	37.3	41.7	46.3	51.5	52.5	51.3	57.4	61.4
Iceland	..	..	..	..	..	..	..	42.6	35.9	37.5	29.2	28.5	30.7	27.7	13.6	7.9	-0.8	20.6	30.9	37.3
Ireland	..	..	..	..	..	..	..	42.3	27.3	16.4	12.9	13.9	11.6	9.0	6.7	1.4	-0.2	11.1	23.8	38.0
Italy	86.2	93.2	100.5	104.5	99.0	104.5	104.7	107.1	100.7	95.7	95.8	95.7	92.7	92.5	93.7	90.6	87.1	89.7	97.8	102.1
Japan[4]	12.6	13.9	17.2	20.0	24.1	29.3	34.8	46.2	53.8	60.4	66.3	72.6	76.5	82.7	84.6	84.3	80.4	84.3	97.1	106.6
Korea	-14.7	-14.1	-14.8	-15.4	-16.7	-18.3	-20.7	-22.1	-23.0	-25.9	-28.7	-30.2	-28.3	-28.1	-31.9	-33.0	-35.8	-37.4	-35.1	-30.7
Luxembourg	..	..	..	..	-37.8	-41.0	-41.7	-46.8	-47.9	-50.7	-58.2	-55.6	-56.7	-52.1	-48.6	-44.7	-45.3	-47.5	-46.8	-41.6
Netherlands	35.1	41.0	45.5	44.6	54.1	52.8	49.7	48.2	36.7	34.9	33.0	34.8	36.2	37.6	35.0	31.4	27.8	25.4	30.8	37.7
New Zealand	..	..	..	44.4	38.0	32.8	30.2	28.1	25.8	23.7	21.4	17.1	11.1	4.9	-1.5	-8.3	-13.4	-15.9	-13.6	-8.4
Norway	-37.5	-35.1	-32.0	-30.6	-36.1	-41.2	-48.6	-52.3	-57.8	-67.6	-85.3	-80.8	-95.3	-104.7	-122.7	-136.7	-142.6	-125.3	-136.7	-137.7
Poland	..	..	..	..	-15.0	-5.7	0.3	6.3	13.4	15.5	18.5	22.1	22.7	20.8	23.5	22.3	16.8	20.2	26.0	33.1
Portugal	..	..	..	..	25.1	27.3	32.1	33.3	30.9	28.5	30.5	34.6	37.2	42.1	45.0	44.0	44.1	47.9	56.4	62.6
Slovak Republic	..	..	..	..	-30.7	-18.2	-12.1	-3.9	1.2	13.5	11.1	1.4	1.7	6.1	4.2	7.3	-0.6	-4.2	0.4	6.7
Spain	33.3	35.2	43.5	46.4	51.6	55.5	54.2	53.7	47.7	44.2	41.5	40.3	36.8	34.6	30.2	24.0	18.9	22.9	32.8	42.6
Sweden	-5.0	4.6	10.5	20.7	25.6	26.6	24.7	22.1	12.5	5.5	1.3	6.5	3.3	2.0	-2.8	-15.0	-19.7	-13.8	-11.1	-6.5
Switzerland	..	..	..	..	..	..	..	..	12.6	11.4	10.9	15.7	15.9	17.7	16.7	13.6	11.6	10.1	11.8	14.3
United Kingdom	-1.4	6.7	17.4	19.7	26.3	27.9	30.6	32.6	29.0	26.8	23.2	23.7	23.9	25.8	27.2	27.8	28.8	33.6	47.5	61.0
United States	48.9	52.4	54.9	54.4	53.8	52.0	49.0	45.2	40.6	36.0	35.3	37.9	41.2	42.8	43.2	42.3	43.0	48.2	59.0	69.3
Euro area	36.3	36.9	40.6	42.9	46.4	51.6	53.1	53.3	50.2	47.3	47.6	49.5	50.5	51.0	50.9	47.7	43.6	44.7	51.5	57.9
Total OECD	32.7	35.6	39.3	40.6	41.5	43.0	42.8	42.7	40.3	37.6	37.5	39.5	41.4	42.7	42.7	40.9	39.1	42.2	51.1	59.5

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, the range of items included as general government assets differs across countries. For example, equity holdings are excluded from government assets in some countries whereas foreign exchange, gold and SDR holdings are considered as assets in the United States and the United Kingdom. For details see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Includes the debt of the Belgium National Railways Company (SNCB) from 2005 onwards.
2. From 1995 onwards housing corporation shares are no longer classified as financial assets.
3. Includes the debt of the Inherited Debt Fund from 1995 onwards.
4. Includes the debt of the Japan Railway Settlement Corporation and the National Forest Special Account from 1998 onwards.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663164084878

Annex Table 34. **Short-term interest rates**

Per cent, per annum

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	2009	2010
Australia	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	6.7	7.0	3.0	3.1	5.1	2.7	3.5
Austria	5.1	4.6	3.4	3.5	3.6															
Belgium	5.7	4.8	3.2	3.4	3.6															
Canada	5.5	7.0	4.5	3.6	5.1	4.9	5.7	4.0	2.6	3.0	2.4	2.8	4.1	4.6	3.5	1.0	0.5	3.0	0.8	0.4
Czech Republic	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	3.1	4.0	2.7	2.6	4.1	2.6	2.6
Denmark	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	4.9	1.5	0.5	5.0	0.8	0.4
Finland	5.4	5.8	3.6	3.2	3.6															
France	5.8	6.6	3.9	3.5	3.6															
Germany	5.4	4.5	3.3	3.3	3.5															
Greece	19.3	15.5	12.8	10.4	11.6	8.9	4.4													
Hungary	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	7.6	8.9	9.6	9.3	10.5	9.5	9.2
Iceland	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	15.8	13.7	8.5	17.4	11.0	7.0
Ireland	5.9	6.2	5.4	6.1	5.4															
Italy	8.5	10.5	8.8	6.9	5.0															
Japan	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	0.7	0.6	0.3	0.8	0.5	0.2
Korea	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	5.2	5.5	2.8	3.0	5.4	2.8	3.3
Luxembourg	5.7	4.8	3.2	3.4	3.6															
Mexico	14.6	48.2	32.9	21.3	26.2	22.4	16.2	12.2	7.4	6.5	7.1	9.3	7.3	7.4	7.9	5.2	4.0	8.1	4.0	4.0
Netherlands	5.2	4.4	3.0	3.3	3.5															
New Zealand	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	8.0	2.9	2.3	6.3	2.4	2.3
Norway	5.9	5.5	4.9	3.7	5.8	6.5	6.7	7.2	6.9	4.1	2.0	2.2	3.1	5.0	6.2	2.6	1.6	5.9	2.1	1.4
Poland	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	4.8	6.3	4.1	3.9	6.4	3.9	3.9
Portugal	11.1	9.8	7.4	5.7	4.3															
Slovak Republic	..	8.4	12.0	22.4	21.1	15.7	8.6	7.8	7.8	6.2	4.7	2.9	4.3	4.3	4.2	1.2	0.5	3.7	0.8	0.4
Spain	8.0	9.4	7.5	5.4	4.2															
Sweden	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	3.9	0.6	0.6	2.9	0.5	0.6
Switzerland	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	2.5	0.4	0.4	1.5	0.4	0.4
Turkey	..	..	..	..	..	..	38.9	92.4	59.5	38.5	23.8	15.6	17.9	18.3	18.9	12.3	10.5	20.0	10.5	10.5
United Kingdom	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	6.0	5.5	1.4	0.6	4.6	1.1	0.3
United States	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	3.2	1.0	0.5	3.4	0.8	0.4
Euro area	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	4.7	1.2	0.5	4.6	0.8	0.4

Note: Three-month money market rates where available, or rates on 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 85 database.

StatLink http://dx.doi.org/10.1787/663178822206

Annex Table 35. **Long-term interest rates**

Per cent, per annum

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Fourth quarter 2008	Fourth quarter 2009	Fourth quarter 2010
Australia	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	5.8	4.1	4.3	4.8	4.0	4.6
Austria	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	4.3	4.4	4.0	4.5	4.4
Belgium	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	4.4	4.4	4.7	4.2	4.6	4.7
Canada	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	3.6	3.3	3.9	3.4	3.6	4.1
Czech Republic	..	..	..	..	..	..	..	6.3	4.9	4.1	4.8	3.5	3.8	4.3	4.6	4.7	4.8	4.5	4.8	4.8
Denmark	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	3.7	4.2	4.0	4.0	4.4
Finland	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	4.3	3.9	4.1	4.0	3.9	4.3
France	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	4.2	3.9	4.1	3.9	4.1	4.2
Germany	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	4.0	3.5	4.0	3.5	3.8	4.1
Greece	..	..	..	9.8	8.5	6.3	6.1	5.3	5.1	4.3	4.3	3.6	4.1	4.5	4.8	5.6	5.6	5.0	5.7	5.6
Hungary	..	..	..	..	..	..	8.6	7.9	7.1	6.8	8.3	6.6	7.1	6.7	8.2	10.4	10.3	9.1	10.4	10.3
Iceland	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	9.8	11.1	7.9	7.7	13.1	7.5	7.8
Ireland	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	4.6	5.5	5.0	4.6	5.5	4.8
Italy	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	4.7	4.8	4.8	4.7	5.0	4.8
Japan	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	1.5	1.5	2.0	1.4	1.6	2.2
Korea	12.3	12.4	10.9	11.7	12.8	8.7	8.5	6.9	6.6	5.0	4.7	5.0	5.2	5.4	5.6	5.0	5.4	5.4	5.2	5.5
Luxembourg	7.2	7.2	6.3	5.6	4.7	4.7	5.5	4.9	4.7	3.3	2.8	2.4	3.3	4.4	4.7	4.0	4.4	4.5	4.2	4.5
Mexico	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	8.1	6.9	5.8	8.3	6.5	5.8
Netherlands	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	4.2	3.9	4.2	3.9	4.0	4.3
New Zealand	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	6.1	5.5	6.1	5.5	5.8	6.3
Norway	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	4.5	3.7	3.9	4.0	3.8	4.0
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	4.5	4.4	4.5	4.3	4.4	4.6
Slovak Republic	..	..	9.7	9.4	21.7	16.2	9.8	8.0	6.9	5.0	5.0	3.5	4.4	4.5	4.7	4.7	4.7	4.9	4.7	4.8
Spain	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	4.4	4.4	4.8	4.2	4.6	4.9
Sweden	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	3.9	3.4	4.0	3.2	3.8	4.1
Switzerland	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	2.9	2.9	2.5	2.9	2.4	2.7	3.0
Turkey	..	..	..	..	..	..	37.7	99.6	63.5	44.1	24.9	16.2	18.0	18.3	19.2	13.1	11.2	20.2	11.2	11.2
United Kingdom	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	4.6	3.8	4.4	4.2	4.1	4.6
United States	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	4.6	3.7	3.4	4.1	3.3	3.8	4.3
Euro area	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	4.1	4.4	4.0	4.3	4.5

Note: 10-year benchmark government bond yields where available or yield on 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 85 database.

StatLink http://dx.doi.org/10.1787/663202462761

Annex Table 36. **Nominal exchange rates (*vis-à-vis* the US dollar)**

Average of daily rates

	Monetary unit	1998	1999	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Estimates and assumptions[1] 2009	2010
Australia	*Dollar*	1.592	1.550	1.550	1.727	1.935	1.841	1.542	1.359	1.313	1.328	1.195	1.198	1.327	1.241
Austria	*Schilling*	12.38	12.91												
Belgium	*Franc*	36.30	37.86												
Canada	*Dollar*	1.483	1.486	1.486	1.485	1.548	1.570	1.400	1.301	1.212	1.134	1.074	1.068	1.153	1.104
Czech Republic	*Koruny*	32.28	34.59	34.59	38.64	38.02	32.73	28.13	25.69	23.95	22.59	20.29	17.08	19.67	18.942
Denmark	*Krone*	6.699	6.980	6.980	8.088	8.321	7.884	6.577	5.988	5.996	5.943	5.443	5.099	5.422	5.255
Finland	*Markka*	5.345	5.580												
France	*Franc*	5.899	6.156												
Germany	*Deutschemark*	1.759	1.836												
Greece	*Drachma*	295.3	319.8												
Hungary	*Forint*	214.3	237.1	237.1	282.3	286.5	257.9	224.3	202.6	199.5	210.4	183.6	172.5	210.5	202.8
Iceland	*Krona*	71.17	72.43	72.43	78.84	97.67	91.59	76.69	70.19	62.88	69.90	64.07	88.00	120.96	120.86
Ireland	*Pound*	0.703	0.739												
Italy	*Lira*	1736	1817												
Japan	*Yen*	130.9	113.9	113.9	107.8	121.5	125.3	115.9	108.1	110.1	116.4	117.8	103.4	95.6	95.8
Korea	*Won*	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	929.5	1 100.9	1 287.9	1 232.1
Luxembourg	*Franc*	36.30	37.86												
Mexico	*Peso*	9.153	9.553	9.553	9.453	9.344	9.660	10.790	11.281	10.890	10.903	10.929	11.153	13.577	13.309
Netherlands	*Guilder*	1.983	2.068												
New Zealand	*Dollar*	1.869	1.892	1.892	2.205	2.382	2.163	1.724	1.509	1.421	1.542	1.361	1.425	1.665	1.560
Norway	*Krone*	7.545	7.797	7.797	8.797	8.993	7.986	7.078	6.739	6.441	6.415	5.858	5.648	6.509	6.342
Poland	*Zloty*	3.492	3.964	3.964	4.346	4.097	4.082	3.888	3.651	3.234	3.103	2.765	2.410	3.276	3.194
Portugal	*Escudo*	180.1	188.2												
Slovak Republic	*Koruna*	1.2	1.37	1.37	1.53	1.60	1.50	1.22	1.07	1.03	0.98	0.82	0.71	0.73	0.706
Spain	*Peseta*	149.4	156.2												
Sweden	*Krona*	7.947	8.262	8.262	9.161	10.338	9.721	8.078	7.346	7.472	7.373	6.758	6.597	7.914	7.680
Switzerland	*Franc*	1.450	1.503	1.503	1.688	1.687	1.557	1.345	1.243	1.246	1.253	1.200	1.084	1.099	1.070
Turkey	*Lira*	0.260	0.419	0.419	0.624	1.228	1.512	1.503	1.426	1.341	1.430	1.300	1.299	1.563	1.522
United Kingdom	*Pound*	0.604	0.618	0.618	0.661	0.694	0.667	0.612	0.546	0.550	0.543	0.500	0.546	0.641	0.611
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	0.730	0.684	0.728	0.706
	SDR	0.737	0.731	0.731	0.758	0.785	0.773	0.714	0.675	0.677	0.680	0.653	0.633	0.653	0.642

1. On the technical assumption that exchange rates remain at their levels of 3 June 2009.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663231082235

Annex Table 37. **Effective exchange rates**

Indices 2005 = 100, average of daily rates

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Estimates and assumptions[1] 2009	2010
Australia	86.6	94.9	96.1	89.4	89.7	83.3	78.1	80.9	90.4	97.6	100.0	98.5	104.7	102.4	95.2	99.5
Austria	97.9	97.0	95.1	97.0	97.7	95.5	95.9	96.5	99.7	100.7	100.0	100.1	100.6	101.1	102.2	102.4
Belgium	98.4	96.8	92.9	95.2	94.9	91.2	92.3	93.9	98.8	100.5	100.0	100.1	101.4	103.6	104.3	104.5
Canada	85.2	86.8	87.0	82.9	82.7	83.5	81.0	79.7	88.1	93.5	100.0	106.6	111.5	111.2	104.2	108.0
Czech Republic	79.5	80.8	78.4	79.7	79.4	80.4	84.5	94.1	93.8	94.1	100.0	105.0	107.2	119.6	111.8	112.6
Denmark	97.4	96.5	94.2	96.6	96.0	92.1	93.8	95.1	99.6	100.9	100.0	99.9	101.1	103.3	106.0	106.1
Finland	93.0	90.7	88.7	91.3	93.9	89.7	91.6	93.5	98.9	100.8	100.0	99.8	101.4	104.0	106.6	106.9
France	96.4	96.7	94.1	96.4	95.7	92.2	93.1	94.6	99.0	100.5	100.0	100.1	101.3	103.2	103.9	104.2
Germany	96.0	94.7	91.5	94.8	94.7	90.6	91.7	93.4	99.2	101.1	100.0	100.0	101.4	102.8	104.3	104.6
Greece	104.8	103.1	101.3	98.2	98.6	92.1	93.0	94.7	99.3	100.9	100.0	100.0	101.4	103.7	104.6	104.8
Hungary	137.8	117.4	108.7	98.5	94.9	90.0	91.8	98.1	97.5	99.5	100.0	93.6	99.1	99.7	87.6	88.3
Iceland	90.1	89.6	91.6	94.1	95.6	96.6	82.3	84.9	88.9	89.9	100.0	89.5	90.5	66.1	49.9	48.5
Ireland	96.8	99.3	99.1	96.2	93.4	87.0	88.1	90.2	98.0	100.2	100.0	100.2	102.7	107.8	108.6	109.0
Italy	83.6	92.0	93.2	95.2	95.0	91.6	92.7	94.5	99.2	100.8	100.0	100.1	101.3	102.9	103.9	104.2
Japan	100.1	87.3	83.4	86.6	99.5	108.3	99.9	95.7	99.0	103.1	100.0	92.5	87.2	97.3	109.1	106.9
Korea	113.2	115.0	106.4	77.0	88.4	94.7	87.5	90.4	89.8	89.8	100.0	107.9	107.2	86.5	73.1	75.4
Luxembourg	100.1	99.0	96.8	97.8	97.5	94.8	95.2	96.2	99.5	100.6	100.0	100.0	101.1	101.9	102.0	102.2
Mexico	164.4	139.6	137.0	121.7	116.1	118.6	121.9	118.3	103.3	97.2	100.0	99.4	97.5	95.1	78.8	79.8
Netherlands	96.5	95.2	90.7	93.8	93.6	88.8	90.0	92.1	98.3	100.7	100.0	100.0	101.8	103.9	104.3	104.8
New Zealand	86.1	91.6	93.8	84.2	81.3	73.7	72.7	78.7	89.5	95.5	100.0	92.3	98.6	92.1	82.5	85.2
Norway	94.5	94.6	95.5	92.7	92.4	90.5	93.4	101.4	99.2	95.8	100.0	99.4	100.9	100.9	95.5	95.0
Poland	118.4	110.4	102.5	100.3	93.6	96.5	106.3	101.7	91.4	89.5	100.0	103.0	106.5	115.7	91.4	90.8
Portugal	100.0	99.6	98.2	98.2	97.6	95.3	96.2	97.2	99.8	100.5	100.0	100.0	100.7	101.9	103.2	103.5
Slovak Republic	91.2	92.0	96.2	96.1	89.3	90.8	88.6	89.0	94.1	98.1	100.0	103.0	113.5	121.6	130.2	130.1
Spain	99.2	100.1	96.1	97.3	96.4	93.5	94.5	95.9	99.4	100.5	100.0	100.1	101.0	102.7	103.5	103.6
Sweden	95.2	104.8	101.5	101.2	101.0	101.3	93.1	95.3	100.8	102.6	100.0	100.3	101.5	99.7	89.3	89.4
Switzerland	94.0	92.8	87.6	91.3	92.0	90.4	94.1	98.8	100.4	100.8	100.0	98.5	95.8	101.1	106.5	106.5
Turkey	2 625	1 540	915.3	550.5	363.4	265.0	149.1	110.7	97.5	95.0	100.0	93.1	95.0	91.2	81.4	81.4
United Kingdom	76.9	78.6	91.7	97.6	98.0	100.7	99.6	100.8	97.0	101.5	100.0	100.4	102.1	89.2	80.1	81.9
United States	84.7	89.5	95.8	105.8	105.4	108.0	113.7	114.2	107.5	102.7	100.0	98.3	93.9	91.0	96.9	94.3
Euro area	90.1	92.0	86.1	91.2	90.2	82.1	84.1	87.3	97.9	101.6	100.0	100.1	103.1	107.1	109.3	110.1

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 3 June 2009.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663232047775

Annex Table 38. **Export volumes of goods and services**

National accounts basis, percentage changes from previous year

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	13.1	5.5	8.4	9.1	4.9	10.7	12.0	0.1	4.4	10.1	2.2	0.2	-1.6	4.6	2.4	3.3	3.2	3.9	-0.7	2.4
Austria	4.4	1.3	-1.6	5.4	6.3	5.0	11.5	8.4	6.7	12.8	6.5	3.5	5.1	8.1	6.3	7.3	8.6	2.8	-14.0	1.1
Belgium	3.1	3.7	-0.4	8.3	5.0	2.4	6.8	6.0	4.8	8.3	1.1	1.2	3.0	6.1	3.9	2.7	3.9	2.1	-17.5	-0.5
Canada	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	5.0	1.9	0.8	1.1	-4.7	-14.7	0.0
Czech Republic	..	..	..	0.2	16.7	5.7	8.4	10.5	4.8	17.8	11.1	1.9	7.2	20.0	11.9	16.4	15.0	6.2	-17.6	2.4
Denmark	6.5	0.5	1.0	8.4	3.1	4.2	4.9	4.1	11.6	12.7	3.1	4.1	-1.0	2.8	8.0	9.1	2.2	2.2	-12.8	0.5
Finland	-7.2	9.5	16.4	13.5	8.6	5.8	14.0	9.3	11.1	17.3	2.1	2.8	-1.6	8.6	7.0	11.9	8.1	-0.7	-23.7	4.7
France[1]	5.8	5.8	0.5	8.3	8.3	3.4	13.1	8.4	4.3	13.0	2.5	1.4	-1.2	3.7	3.4	5.0	2.5	-0.5	-14.4	-2.4
Germany	11.1	-2.0	-4.8	8.1	6.6	6.2	11.8	7.4	5.6	14.1	6.8	4.3	2.4	9.4	7.9	13.1	7.7	2.2	-18.9	0.9
Greece	4.1	10.0	-2.6	7.4	3.0	3.5	20.0	5.3	18.1	14.1	0.0	-8.4	3.5	13.9	4.2	10.9	3.1	2.2	-23.4	-0.5
Hungary	..	..	..	13.7	36.4	12.0	22.4	17.6	12.3	22.0	8.1	3.9	6.2	15.0	11.3	18.6	16.4	4.8	-17.3	-3.0
Iceland	-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	7.0	-4.9	17.7	7.1	-1.0	0.8
Ireland	5.7	13.9	9.7	15.1	20.0	12.5	17.6	23.1	15.5	20.2	8.7	5.2	0.4	7.5	5.2	5.7	6.8	-0.4	-10.4	0.7
Italy	-2.1	6.4	8.7	10.6	12.7	0.6	5.7	1.7	-0.6	13.0	2.2	-2.8	-1.5	3.6	2.0	6.5	4.0	-3.7	-20.9	-0.7
Japan	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	9.7	8.4	1.8	-32.3	3.5
Korea	11.1	12.2	12.2	16.3	24.4	12.2	21.6	12.7	14.6	19.1	-3.4	12.1	14.5	19.7	7.8	11.4	12.6	5.7	-10.5	7.0
Luxembourg	9.2	2.7	4.8	7.7	4.6	2.3	11.4	11.2	14.3	12.6	4.4	2.0	6.7	11.2	6.0	14.6	4.4	0.3	-10.7	-0.7
Mexico	5.1	5.0	8.1	17.7	30.2	18.2	10.6	12.3	12.3	16.3	-3.5	1.4	2.7	11.5	6.7	11.0	5.6	1.5	-18.4	2.1
Netherlands	6.6	2.9	4.0	8.7	9.2	4.4	10.9	6.8	8.7	13.5	1.9	0.9	1.5	7.9	6.0	7.3	6.5	2.6	-13.9	-0.5
New Zealand	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	3.8	-1.8	-4.9	1.3
Norway	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	1.1	0.0	2.5	1.4	-5.1	0.1
Poland	..	..	..	13.1	22.9	12.8	12.2	14.4	-2.4	23.1	3.1	4.8	14.2	14.0	7.9	14.6	9.1	7.2	-10.2	2.5
Portugal	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	2.0	8.7	7.8	-0.4	-21.5	-1.2
Slovak Republic	..	..	..	14.8	4.5	-1.4	10.0	21.0	12.2	8.9	6.8	5.4	15.9	7.4	10.0	21.0	13.8	3.2	-20.4	2.6
Spain	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	2.5	6.7	4.9	0.7	-22.8	-1.3
Sweden	-1.9	2.0	8.1	13.9	10.8	4.3	13.5	8.6	7.1	11.8	0.7	1.2	4.0	10.8	7.1	8.5	6.0	1.7	-15.3	1.4
Switzerland	-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	9.4	2.3	-14.6	-1.1
Turkey	3.7	11.0	7.7	15.2	8.0	22.0	19.1	12.0	-10.7	16.0	3.9	6.9	6.9	11.2	7.9	6.6	7.3	2.6	-12.0	2.8
United Kingdom	-0.2	4.2	4.5	9.2	9.4	8.8	8.1	3.1	3.7	9.1	3.0	1.0	1.8	4.8	8.1	11.0	-4.1	0.1	-12.1	1.0
United States[1]	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	7.0	9.1	8.4	6.2	-13.8	1.6
Total OECD	4.9	4.4	2.9	9.1	9.0	6.6	11.0	5.4	5.5	11.9	0.6	1.7	2.4	8.3	5.9	8.7	6.0	2.0	-16.5	1.0

Note: Regional aggregates are calculated inclusive of intra-regional trade as the sum of volumes expressed in 2005 $.

1. Volume data use hedonic price deflators for certain components.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663316737724

Annex Table 39. **Import volumes of goods and services**

National accounts basis, percentage changes from previous year

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	-2.5	7.2	4.3	14.2	8.1	8.1	10.4	6.5	8.9	7.5	-4.2	10.9	10.7	15.3	8.4	7.3	11.7	10.2	-13.6	3.7
Austria	6.5	1.8	-0.7	8.3	7.0	6.3	7.5	5.4	5.1	10.3	5.3	0.2	4.1	9.5	6.9	5.4	7.2	1.2	-10.2	1.8
Belgium	2.9	4.1	-0.4	7.3	4.7	2.1	5.7	6.9	4.2	8.8	0.3	0.3	3.0	6.0	4.9	2.7	4.4	3.3	-15.4	-0.2
Canada	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	8.0	7.1	4.7	5.8	0.8	-16.5	3.3
Czech Republic	..	..	..	7.8	21.2	12.2	6.9	8.4	4.5	17.2	12.7	4.9	8.0	17.4	5.2	14.7	14.2	4.2	-17.7	0.4
Denmark	3.6	0.1	-1.1	12.8	7.2	3.3	9.5	8.5	3.5	13.0	1.9	7.5	-1.6	7.7	11.1	13.9	2.8	3.7	-11.1	0.0
Finland	-13.4	0.5	1.3	13.0	7.8	6.5	11.4	8.2	3.6	18.7	2.2	3.3	3.0	7.2	11.8	7.8	6.5	-0.3	-21.4	4.0
France[1]	2.6	1.5	-3.1	8.7	7.3	1.9	8.1	11.6	6.3	15.5	2.3	1.6	1.3	6.4	6.3	5.9	5.4	0.6	-11.4	-1.8
Germany	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	6.7	12.2	5.2	3.9	-10.8	0.9
Greece	5.8	1.1	0.6	1.5	8.9	7.0	14.2	9.2	15.0	15.1	1.2	-1.3	3.4	3.3	1.4	9.7	6.7	-4.4	-17.7	-0.8
Hungary	..	..	..	8.8	15.1	9.4	23.1	23.8	13.3	20.3	5.3	6.8	9.3	13.7	7.0	14.8	13.4	4.7	-21.6	-3.1
Iceland	5.3	-6.0	-7.5	3.8	3.6	16.5	8.0	23.4	4.4	8.6	-9.1	-2.5	10.8	14.5	29.3	10.4	-1.0	-18.0	-26.3	1.2
Ireland	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	8.2	6.4	4.1	-4.3	-14.5	-2.1
Italy	2.2	6.5	-11.6	8.7	9.7	-1.2	9.8	8.6	4.7	10.7	1.4	0.2	1.6	3.3	2.7	6.2	3.3	-4.5	-17.0	-0.2
Japan	-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	4.2	1.5	0.9	-12.6	2.3
Korea	18.6	5.4	6.0	21.3	23.0	14.3	3.5	-21.8	27.8	20.1	-4.9	14.4	11.1	11.7	7.6	11.3	11.7	3.7	-14.5	11.1
Luxembourg	9.1	-3.1	5.2	6.7	4.2	5.3	12.6	11.8	14.8	10.6	6.0	0.8	6.8	11.7	6.0	13.4	3.6	1.8	-11.1	-0.9
Mexico	15.3	19.9	1.9	21.2	-15.1	22.7	22.7	16.8	13.9	21.6	-1.5	1.4	0.7	10.7	8.4	12.7	7.0	4.5	-17.5	2.1
Netherlands	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	5.4	8.2	5.7	4.1	-13.5	-0.6
New Zealand	-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	8.6	2.5	-17.1	-0.7
Norway	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	8.7	8.4	7.5	4.4	-6.6	1.6
Poland	..	..	..	11.3	24.2	27.2	21.1	18.7	1.6	15.5	-5.3	2.8	9.6	15.7	4.7	17.4	13.5	8.3	-12.8	1.5
Portugal	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	3.5	5.1	6.1	2.6	-21.1	-0.1
Slovak Republic	..	..	..	-4.7	11.6	17.3	10.2	19.1	0.4	8.2	13.5	4.4	7.4	8.3	12.4	17.7	8.9	3.3	-18.6	2.2
Spain	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	10.3	6.2	-2.5	-24.0	-2.1
Sweden	-4.9	1.4	-1.9	12.7	7.1	3.6	12.2	11.2	5.1	11.5	-1.7	-1.3	3.8	7.0	6.6	8.7	9.6	3.1	-15.2	0.3
Switzerland	-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	6.6	6.5	5.9	-0.2	-8.4	-1.4
Turkey	-5.2	10.9	35.8	-21.9	29.6	20.5	22.4	2.3	-3.7	21.8	-24.8	20.9	23.5	20.8	12.2	6.9	10.7	-3.1	-21.8	5.1
United Kingdom	-4.4	6.8	3.3	5.9	5.5	9.7	9.7	9.3	7.9	8.9	4.8	4.9	2.2	6.8	7.0	9.6	-1.5	-0.6	-13.5	-1.0
United States[1]	-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	6.0	2.2	-3.5	-15.7	1.2
Total OECD	2.6	4.1	1.0	9.4	8.3	7.3	10.1	7.8	8.4	12.0	0.1	2.4	3.9	8.7	6.4	7.9	4.6	0.5	-14.6	1.0

Note: Regional aggregates are calculated inclusive of intra-regional trade as the sum of volumes expressed in 2005 $.

1. Volume data use hedonic price deflators for certain components.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663318133222

Annex Table 40. **Export prices of goods and services**

National accounts basis, percentage changes from previous year, national currency terms

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	-5.2	2.0	0.9	-3.9	6.1	-2.5	-0.2	2.4	-4.3	13.3	6.7	-1.8	-5.4	3.9	12.4	12.1	0.7	22.8	-7.7	-9.0
Austria	0.6	0.6	-0.2	1.0	1.8	1.1	0.9	0.1	0.6	1.4	0.6	0.3	-0.4	1.0	2.0	2.7	1.8	1.0	-0.1	0.5
Belgium	-0.6	-1.1	-1.3	1.3	1.6	1.4	4.6	-1.0	-0.2	9.4	2.1	-0.5	-2.2	2.4	4.1	3.4	3.0	4.3	-3.0	0.7
Canada	-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	0.2	0.9	10.4	-9.2	-1.3
Czech Republic	..	..	..	5.2	6.4	4.8	5.6	4.0	1.1	3.2	-0.3	-5.5	0.1	2.7	-2.2	-1.3	-0.1	-5.6	5.8	1.9
Denmark	1.3	1.3	-1.7	-0.3	1.0	1.5	2.7	-2.1	-0.5	8.2	1.6	-1.3	-1.1	1.9	5.4	2.5	2.1	5.4	-0.4	1.5
Finland	0.2	4.3	6.5	1.3	4.9	-0.1	-1.0	-1.0	-5.0	3.2	-1.3	-2.6	-1.4	-0.4	1.0	2.7	0.6	1.3	-4.3	0.0
France[1]	-1.0	-2.2	-2.2	-0.4	-0.5	0.9	1.3	-1.5	-1.6	2.4	-0.3	-1.7	-1.8	0.6	2.1	2.5	1.4	2.8	-5.1	-0.8
Germany	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	0.0	0.7	1.4	0.5	0.8	-3.0	-0.4
Greece	14.0	10.1	9.1	8.6	8.7	5.6	3.6	4.1	1.9	8.0	3.9	2.4	2.2	2.9	1.9	3.3	2.3	4.6	-0.2	0.5
Hungary	..	..	..	18.5	45.5	19.1	15.2	12.8	4.5	9.1	3.0	-4.0	0.1	-1.1	-0.3	6.5	-4.0	1.0	6.8	1.1
Iceland	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	2.2	36.0	14.5	4.5
Ireland	-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	0.1	-0.3	3.7	0.0
Italy	3.9	0.7	10.4	3.4	8.2	0.3	1.3	1.4	0.7	4.4	2.3	1.4	0.4	2.6	4.0	4.6	4.0	5.0	0.6	-0.5
Japan	-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	2.5	-4.3	-4.0	-0.6
Korea	2.7	2.5	0.4	1.1	2.0	-3.1	4.7	24.7	-19.3	-4.2	3.6	-8.5	-0.7	4.1	-6.7	-4.7	0.7	25.2	19.5	-4.0
Luxembourg	1.2	1.8	5.7	3.1	1.5	6.8	1.6	0.5	5.3	9.7	-4.1	-0.1	-1.7	6.5	7.8	8.4	5.4	0.0	-1.3	1.0
Mexico	7.5	5.2	3.3	5.9	79.5	23.0	7.2	9.3	6.6	3.4	-2.3	3.3	11.2	6.7	3.0	4.3	3.1	6.7	-7.1	0.7
Netherlands	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	3.4	2.9	1.2	4.8	-5.6	0.8
New Zealand	-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	-0.1	1.2	7.0	1.2	15.4	0.8	2.9
Norway	-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	15.4	1.4	16.0	-6.1	5.8
Poland	..	..	..	31.7	19.6	6.8	14.1	13.1	5.7	1.9	1.3	4.7	6.2	8.3	-2.5	2.3	2.7	-1.6	3.3	-0.6
Portugal	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	1.9	4.2	2.8	2.8	-3.8	1.1
Slovak Republic	..	..	..	10.7	8.4	4.3	6.5	-4.8	-1.1	17.3	4.9	1.0	1.5	1.8	1.6	2.2	0.5	1.4	-5.4	-1.3
Spain	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	2.4	3.3	-1.9	0.8
Sweden	1.9	-2.6	8.9	3.2	7.0	-4.9	0.1	-1.6	-1.3	2.2	2.6	-1.5	-1.9	-0.3	2.4	3.3	1.8	4.3	2.1	0.4
Switzerland	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	2.7	2.5	2.2	-0.8	0.0
Turkey	61.0	62.5	59.9	164.8	73.0	69.0	87.0	60.1	52.0	42.0	89.4	25.4	10.7	13.3	-0.2	13.7	2.1	17.7	8.5	0.4
United Kingdom	1.7	0.7	9.1	1.2	3.3	1.6	-4.1	-4.7	0.3	1.9	-0.4	0.3	1.7	-0.4	0.9	2.4	2.6	12.6	6.2	1.4
United States[1]	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	3.5	3.5	5.3	-5.9	0.7
Total OECD	1.4	0.8	2.2	2.9	5.2	1.8	1.9	1.0	-0.9	3.9	1.7	-0.7	-0.1	1.8	2.3	3.0	2.0	5.0	-1.9	0.0

Note: Regional aggregates are calculated inclusive of intra-regional trade. They are calculated as the geometric averages of prices weighted by 2005 trade volumes expressed in $.

1. Certain components are estimated on a hedonic basis.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663320832346

Annex Table 41. **Import prices of goods and services**

National accounts basis, percentage changes from previous year, national currency terms

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	1.3	4.2	5.7	-4.3	3.4	-6.5	-1.6	6.8	-4.5	7.5	5.7	-3.9	-8.6	-5.0	0.7	4.2	-3.8	7.9	5.3	-1.1
Austria	-0.2	0.8	-3.8	2.7	0.6	0.6	1.7	0.3	0.5	2.9	0.5	-1.1	-0.6	1.3	2.8	3.3	1.5	2.3	-2.0	-0.2
Belgium	-0.7	-2.8	-2.8	1.8	1.7	2.5	5.3	-1.9	0.4	11.8	2.0	-1.2	-2.0	2.8	4.3	4.2	2.6	7.2	-5.0	1.0
Canada	-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	-2.2	-0.7	-0.6	-2.2	5.5	-1.6	-3.9
Czech Republic	..	..	..	2.6	5.8	1.7	5.2	-1.7	1.6	6.1	-2.6	-8.4	-0.4	1.3	-0.5	-0.1	-1.2	-3.9	2.0	0.5
Denmark	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	0.7	3.3	2.7	3.3	4.0	-0.4	0.1
Finland	3.4	7.7	8.1	-0.5	0.1	0.3	0.4	-2.8	-2.1	7.4	-2.8	-3.0	0.1	2.1	4.6	6.0	2.1	4.0	-5.3	1.2
France[1]	0.8	-3.8	-2.2	-0.4	-0.5	0.8	0.6	-2.8	-1.7	5.5	-0.9	-4.2	-1.6	1.3	3.2	3.2	0.7	4.0	-7.2	-0.5
Germany	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	0.2	2.1	2.7	-0.1	1.6	-5.7	-0.6
Greece	12.3	12.3	7.4	5.6	7.5	5.0	2.8	3.8	1.7	9.3	3.0	0.8	0.8	1.8	1.4	3.7	3.0	6.2	0.5	0.7
Hungary	..	..	..	15.6	41.1	20.6	13.4	11.7	5.5	11.4	2.4	-5.4	0.3	-1.0	1.3	8.0	-4.3	1.7	7.8	1.1
Iceland	3.4	-0.7	8.7	5.9	3.7	3.1	0.0	-0.7	0.6	6.3	21.1	-2.3	-3.2	2.6	-5.4	17.3	2.1	43.9	21.5	2.1
Ireland	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	2.2	2.7	2.3	2.5	0.3
Italy	0.0	1.7	15.4	4.8	11.4	-2.6	1.7	-1.6	0.7	11.2	1.4	-0.3	-1.3	2.7	6.3	7.7	2.6	6.9	-5.1	-0.8
Japan	-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	11.4	7.4	5.8	-20.7	0.5
Korea	1.9	3.5	0.3	1.1	4.2	3.0	11.4	27.2	-16.8	5.9	6.4	-8.6	0.2	7.0	-3.2	-1.2	1.4	35.6	16.1	-5.5
Luxembourg	2.5	2.7	3.2	2.1	1.3	5.0	6.0	1.6	3.0	11.5	-2.6	-1.0	-5.8	7.0	8.4	7.2	6.2	0.4	-0.9	1.0
Mexico	9.0	4.0	3.7	5.1	95.1	21.4	3.6	12.0	3.7	0.1	-2.8	2.0	12.5	8.4	0.2	1.8	2.9	5.8	-1.4	0.7
Netherlands	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	2.7	3.4	1.3	4.5	-5.3	0.8
New Zealand	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	1.0	10.0	-4.8	12.5	10.3	3.9
Norway	-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	1.5	3.1	3.1	3.4	0.6	-0.8
Poland	..	..	..	27.0	18.0	11.0	16.0	10.8	6.5	7.9	1.3	5.4	6.7	4.9	-3.5	2.4	1.2	-0.6	1.5	0.6
Portugal	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	3.2	4.0	1.3	4.9	-6.4	0.9
Slovak Republic	..	..	..	12.3	7.3	9.4	3.6	-2.4	0.3	14.1	6.0	1.0	1.9	2.1	1.7	3.6	1.6	3.0	-2.7	-0.4
Spain	-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	3.7	3.8	2.1	3.6	-3.1	1.0
Sweden	0.7	-2.2	13.8	3.2	4.7	-4.2	0.5	-1.1	1.1	4.3	3.8	0.1	-2.0	0.7	5.0	3.2	-0.2	4.2	2.2	0.9
Switzerland	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	4.4	3.6	2.3	-3.9	0.6
Turkey	60.2	63.1	48.9	163.3	85.0	80.4	74.1	62.5	47.9	56.7	93.4	22.1	7.1	10.8	0.2	19.0	0.1	20.6	6.6	0.9
United Kingdom	0.3	0.0	8.6	3.0	5.9	0.1	-7.0	-5.7	-1.1	3.1	-0.2	-2.2	0.4	-0.7	3.9	2.4	1.0	11.1	6.6	2.6
United States[1]	-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	4.3	3.7	10.5	-13.2	1.1
Total OECD	1.0	0.4	1.9	3.0	5.6	1.9	1.7	-0.3	-0.7	6.3	1.1	-1.6	0.0	2.3	3.6	4.1	2.0	7.2	-5.4	0.2

Note: Regional aggregates are calculated inclusive of intra-regional trade. They are calculated as the geometric averages of prices weighted by 2005 trade volumes expressed in $.

1. Certain components are estimated on a hedonic basis.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663352164150

Annex Table 42. **Competitive positions: relative consumer prices**

Indices, 2005 = 100

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	94.6	85.4	78.8	82.7	81.4	89.0	88.2	80.9	81.7	78.0	75.0	79.2	89.6	97.0	100.0	99.8	106.0	104.0
Austria	102.0	103.4	102.3	102.5	105.4	103.0	99.6	99.9	98.9	96.4	96.6	96.9	99.6	100.5	100.0	99.4	99.6	99.8
Belgium	97.9	98.5	98.1	99.6	103.1	100.5	95.7	96.7	95.4	91.8	92.6	93.8	98.1	99.8	100.0	99.7	100.4	103.5
Canada	115.3	106.6	99.3	91.2	89.3	89.3	88.7	83.7	83.2	83.7	81.1	80.4	89.4	94.2	100.0	105.6	109.8	107.9
Czech Republic	..	..	62.2	65.3	67.5	72.0	73.2	80.2	79.2	80.8	86.2	95.7	93.7	94.3	100.0	105.4	108.3	124.1
Denmark	93.3	93.8	94.2	94.0	97.3	95.9	93.5	95.7	95.8	92.5	93.9	95.7	100.4	101.0	100.0	99.7	100.2	102.1
Finland	136.7	118.0	98.0	101.7	109.3	102.9	99.1	100.4	100.3	96.1	97.5	98.5	102.7	102.5	100.0	99.0	100.3	102.7
France	99.8	101.2	101.9	101.8	104.0	103.3	99.2	100.1	98.1	93.7	93.6	94.9	99.5	101.0	100.0	99.6	99.9	100.8
Germany	100.7	105.1	107.3	107.9	112.1	107.6	102.4	103.7	101.3	95.3	95.2	96.0	100.7	101.9	100.0	99.3	100.4	100.4
Greece	86.0	88.3	88.6	89.3	92.2	94.7	95.4	94.3	94.8	88.8	89.6	92.0	97.5	99.6	100.0	100.9	102.8	105.6
Hungary	..	..	72.2	70.5	67.0	67.7	71.8	72.4	74.5	75.6	81.7	90.0	92.0	98.0	100.0	95.3	106.3	109.6
Iceland	89.8	89.7	84.1	78.8	77.8	77.2	78.6	80.6	82.9	86.1	76.4	81.7	85.8	88.1	100.0	93.5	97.3	76.9
Ireland	91.9	94.5	87.3	87.2	88.2	89.7	88.8	86.6	83.9	80.8	83.9	88.4	97.7	100.0	100.0	101.8	107.1	112.7
Italy	113.9	112.0	93.7	91.1	84.6	93.6	94.1	95.6	94.8	91.2	92.4	94.3	99.5	101.1	100.0	99.9	100.5	101.7
Japan	98.1	100.9	117.0	126.3	128.5	107.4	101.5	102.9	116.2	122.9	110.0	103.2	104.6	106.1	100.0	90.3	82.7	89.2
Korea	100.8	94.8	91.9	93.0	94.1	97.5	91.9	70.2	80.2	86.4	81.8	86.1	87.5	88.9	100.0	108.3	107.7	87.6
Luxembourg	97.3	98.2	97.8	99.0	101.4	98.9	96.0	96.3	95.6	93.6	94.2	95.4	98.9	100.2	100.0	100.7	101.8	102.5
Mexico	90.4	98.0	104.6	100.0	67.7	75.6	87.5	88.4	96.8	105.1	112.0	112.3	100.3	96.3	100.0	100.0	99.3	97.8
Netherlands	92.4	94.0	94.0	94.1	97.7	95.0	90.0	92.7	92.2	87.4	90.0	93.3	99.9	101.3	100.0	98.9	99.8	100.4
New Zealand	82.0	74.3	76.0	80.1	85.8	91.0	92.7	83.0	79.1	71.8	71.1	77.8	88.5	94.7	100.0	93.1	99.6	93.1
Norway	98.1	98.0	94.1	91.7	93.9	92.8	94.0	91.7	92.2	91.2	94.7	102.2	100.6	96.0	100.0	99.8	99.7	99.9
Poland	..	..	69.2	69.9	74.7	80.1	83.0	88.2	85.7	94.5	106.7	101.8	90.3	89.4	100.0	102.2	105.5	115.1
Portugal	87.5	95.3	92.2	90.8	94.1	93.9	92.8	93.7	93.8	91.9	94.3	96.4	99.9	100.7	100.0	100.6	101.3	101.4
Slovak Republic	..	..	65.6	64.9	66.4	66.2	70.0	70.8	69.9	77.1	78.0	79.1	89.1	97.6	100.0	105.3	116.1	125.1
Spain	107.4	107.0	95.1	90.8	92.2	93.7	89.6	90.6	90.5	88.8	90.7	92.9	97.3	99.2	100.0	101.5	102.9	105.3
Sweden	135.5	135.5	110.8	109.3	108.5	116.7	111.0	108.0	106.1	104.6	96.0	98.4	104.1	104.3	100.0	99.5	100.5	98.5
Switzerland	100.4	98.6	100.0	104.6	110.9	106.9	98.8	100.6	99.5	96.7	98.9	102.5	102.8	101.8	100.0	97.3	93.1	97.1
Turkey	81.5	78.3	83.5	61.4	66.6	67.3	72.0	79.2	83.3	93.2	76.0	82.6	87.0	89.9	100.0	99.5	107.9	109.9
United Kingdom	101.2	98.0	88.1	88.0	84.1	85.5	98.9	104.5	104.2	105.0	102.3	102.6	97.9	101.7	100.0	100.5	101.9	88.9
United States	90.4	88.5	89.6	89.8	88.5	91.2	96.0	103.8	102.7	106.0	112.2	112.4	105.9	101.5	100.0	99.2	95.1	92.1
Euro area	104.7	108.6	98.7	98.4	102.1	101.1	92.4	95.1	92.0	83.0	84.6	87.9	98.5	101.9	100.0	99.7	102.0	104.7

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 85 database.

StatLink http://dx.doi.org/10.1787/663373333252

Annex Table 43. **Competitive positions: relative unit labour costs**

Indices, 2005 = 100

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	75.7	71.5	64.8	68.1	71.7	79.6	80.4	73.7	77.9	73.0	67.3	70.7	81.7	92.0	100.0	101.0	108.7	105.1
Austria	110.9	112.2	110.1	110.5	107.8	102.3	99.8	101.4	100.4	95.1	94.3	95.1	98.7	100.2	100.0	97.9	98.6	98.0
Belgium	96.6	97.7	99.3	103.0	104.0	99.7	92.8	93.8	95.2	90.2	92.2	93.9	99.2	100.0	100.0	100.5	102.5	104.8
Canada	90.8	83.8	75.6	70.6	72.5	75.3	75.2	71.7	71.4	68.5	69.2	71.1	81.7	91.0	100.0	107.8	113.8	114.6
Czech Republic	..	..	70.6	68.7	68.1	74.1	75.0	83.5	76.7	75.5	85.6	96.9	100.8	98.4	100.0	101.2	102.3	112.9
Denmark	79.9	80.5	82.2	79.8	83.4	84.7	82.3	85.7	86.4	83.6	85.6	89.2	95.4	97.9	100.0	101.9	105.1	107.7
Finland	174.0	137.1	104.4	111.8	127.3	119.3	112.4	113.1	113.1	101.3	100.6	98.9	101.4	101.6	100.0	95.0	90.8	91.5
France	111.4	113.1	114.1	113.7	115.6	113.9	107.1	104.5	101.5	95.8	94.8	96.2	98.7	101.3	100.0	101.5	103.7	104.2
Germany	94.6	102.7	105.5	105.5	115.2	113.2	104.7	107.6	107.5	101.3	99.8	101.6	106.2	105.9	100.0	95.9	93.5	91.6
Greece	95.5	97.2	105.9	108.4	113.5	116.2	124.4	119.6	116.3	108.0	104.6	126.0	125.9	120.4	100.0	100.1	105.5	107.9
Hungary	..	..	112.9	100.8	91.4	84.4	83.1	77.8	75.2	78.0	84.3	90.9	88.5	96.7	100.0	92.3	98.3	103.0
Iceland	67.2	68.1	62.3	60.5	61.1	60.9	63.9	69.7	77.6	84.3	73.6	78.3	82.6	85.4	100.0	97.3	104.0	79.1
Ireland	140.6	140.8	134.7	131.8	123.2	122.5	116.0	105.3	97.4	89.5	87.4	81.7	90.7	94.2	100.0	97.9	94.4	98.5
Italy	102.2	97.5	80.0	75.8	69.0	78.4	81.4	82.2	83.3	79.3	80.8	84.5	94.0	98.3	100.0	101.3	104.3	109.2
Japan	110.4	114.0	132.8	151.6	149.9	122.2	116.9	121.6	139.0	142.4	130.3	121.6	113.8	111.2	100.0	88.1	78.6	84.3
Korea	119.3	112.1	107.4	109.9	122.1	132.5	118.1	82.3	85.8	91.6	84.9	88.6	88.0	89.6	100.0	104.1	101.8	76.6
Luxembourg	98.4	96.8	92.2	92.4	100.0	98.1	93.9	90.9	87.5	86.0	91.0	91.6	94.7	97.1	100.0	99.4	108.1	110.7
Mexico	72.7	81.0	88.9	86.2	53.7	56.2	67.7	69.2	79.3	91.4	102.6	106.6	96.0	95.0	100.0	98.2	98.1	96.6
Netherlands	97.3	99.5	97.3	94.6	97.3	94.3	91.7	95.1	94.7	88.2	90.0	93.6	101.6	102.8	100.0	99.2	100.8	104.0
New Zealand	70.8	61.6	62.2	67.8	71.3	77.6	81.1	73.5	70.5	62.2	63.5	69.4	80.6	89.5	100.0	95.9	104.8	99.6
Norway	69.9	70.4	68.9	71.1	75.5	75.5	80.1	82.7	87.2	88.4	90.9	100.6	96.5	93.5	100.0	107.7	114.8	116.8
Poland	..	..	97.8	103.7	110.9	118.0	121.7	128.9	123.4	126.9	131.3	115.3	93.8	88.4	100.0	97.6	97.1	101.1
Portugal	87.3	96.7	93.2	92.9	94.2	90.8	89.5	92.3	94.8	93.3	93.3	94.9	96.4	97.9	100.0	101.3	99.2	98.6
Slovak Republic	..	..	72.0	86.6	93.3	97.7	116.4	107.1	99.4	115.7	103.8	103.6	103.8	100.3	100.0	104.6	108.8	124.1
Spain	95.7	97.8	90.1	85.8	86.2	88.4	86.8	87.2	85.4	85.0	86.0	88.2	93.6	97.1	100.0	102.5	104.9	111.0
Sweden	195.0	190.7	139.5	129.8	124.8	140.6	131.6	123.9	115.2	116.0	111.4	107.8	109.8	105.8	100.0	94.9	99.4	99.4
Turkey	139.9	128.0	118.8	82.7	70.3	68.7	77.6	84.7	109.3	116.6	88.7	88.8	87.1	90.4	100.0	96.8	102.3	103.5
United Kingdom	80.8	74.8	67.2	69.8	68.3	69.6	83.9	94.3	96.6	99.9	97.3	99.7	96.4	101.3	100.0	102.5	106.4	93.2
United States	119.2	116.5	116.3	114.5	108.6	110.0	114.0	121.8	120.3	126.7	128.3	122.6	114.7	104.6	100.0	97.9	92.1	87.5
Euro area	101.9	108.1	99.0	97.1	102.5	103.2	93.3	95.0	93.7	83.0	82.9	87.5	99.4	103.5	100.0	98.8	100.5	104.1

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 85 database.

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Annex Table 44. **Export performance for total goods and services**

Percentage changes from previous year

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	8.9	-0.5	3.2	-1.7	-6.7	0.9	5.2	1.5	-2.1	-1.6	2.0	-5.8	-9.0	-7.8	-6.5	-5.2	-3.6	1.2	17.4	-1.1
Austria	2.6	2.3	-0.5	-2.4	-2.1	-0.3	1.8	0.4	0.7	0.6	3.9	1.5	-0.4	-1.1	-1.2	-3.5	0.8	-0.5	1.0	-0.3
Belgium	-0.7	1.0	0.0	-0.1	-3.1	-2.8	-2.9	-2.7	-2.1	-3.4	-0.8	-0.8	-1.1	-2.2	-3.2	-6.3	-1.8	0.1	-4.1	-0.8
Canada	1.4	0.6	3.1	1.0	0.3	-3.0	-3.9	-0.9	0.2	-3.7	-1.0	-2.2	-6.4	-5.7	-4.3	-5.6	-2.0	-2.8	1.1	-1.4
Czech Republic	..	..	..	-6.5	7.5	-0.7	-1.3	0.9	-0.9	5.4	8.0	0.2	1.7	10.3	3.9	4.3	7.0	2.6	-3.6	1.2
Denmark	4.9	-1.5	0.4	-0.6	-4.9	-2.0	-4.9	-3.9	5.3	1.3	2.0	2.3	-5.2	-5.7	0.4	-0.3	-4.2	-0.2	2.0	-0.6
Finland	-6.0	16.4	14.6	5.0	-0.2	-0.3	3.7	2.9	6.7	4.1	-0.5	-0.9	-7.5	-2.3	-1.9	0.3	-1.8	-5.3	-9.0	2.3
France	1.9	2.5	0.6	0.5	0.1	-2.5	2.8	0.9	-1.9	1.7	0.8	-1.3	-5.8	-5.2	-3.9	-4.0	-3.7	-2.9	1.0	-3.1
Germany	10.2	-3.6	-6.0	-0.2	-2.2	-0.3	1.4	-0.3	-0.3	1.5	4.8	1.1	-2.3	-0.6	0.3	3.6	0.5	0.1	-4.1	-0.1
Greece	0.8	9.4	-4.5	1.2	-5.1	-2.5	8.3	-0.8	13.7	2.2	-1.2	-11.5	-1.8	2.4	-4.5	0.8	-5.0	-1.9	-9.1	-1.6
Hungary	..	..	..	5.8	25.4	5.8	11.9	9.4	6.7	8.6	4.9	1.5	0.4	4.9	3.1	6.7	7.4	1.1	-2.5	-4.6
Iceland	-9.0	-3.9	6.6	0.7	-9.5	3.3	-3.9	-5.7	-3.0	-6.4	5.1	1.3	-2.0	0.1	-0.2	-13.2	12.1	5.1	15.4	0.5
Ireland	3.5	9.4	9.0	6.1	11.5	5.9	7.4	14.0	7.7	8.1	7.3	2.6	-3.2	-0.9	-1.4	-2.3	2.5	-1.4	4.8	0.3
Italy	-4.6	6.6	7.2	2.8	3.9	-5.5	-4.0	-5.4	-6.0	0.6	0.1	-5.6	-6.4	-6.0	-5.8	-3.3	-3.6	-6.7	-6.5	-1.7
Japan	-2.5	-3.9	-7.2	-7.6	-6.8	-2.6	1.1	-3.9	-5.1	-1.7	-5.9	1.0	0.9	-0.1	-1.8	0.0	0.9	-0.6	-18.8	-0.3
Korea	6.3	5.6	5.3	5.5	11.5	2.2	11.2	10.4	8.0	4.6	-3.9	5.2	4.5	4.6	-1.9	0.8	4.2	2.5	5.3	2.9
Luxembourg	5.3	-0.2	7.0	-0.6	-2.9	-2.0	2.2	2.6	7.5	1.1	2.7	1.0	3.1	3.6	-0.5	5.6	-0.8	-1.2	4.0	-0.9
Mexico	4.6	-2.1	-0.1	5.4	19.9	9.1	-2.4	1.4	2.1	3.2	-1.2	-1.4	-1.4	0.2	0.2	4.2	2.4	3.8	-2.6	0.7
Netherlands	3.0	0.4	4.7	0.5	1.3	-0.8	1.5	-1.3	2.3	1.7	0.3	-0.9	-2.7	-0.6	-1.1	-1.8	0.5	0.3	0.6	-1.2
New Zealand	7.7	-2.1	0.3	-1.2	-5.9	-4.5	-4.4	-1.3	0.9	-3.8	4.3	0.5	-4.7	-6.0	-8.6	-6.5	-3.3	-5.5	12.1	-1.6
Norway	4.6	1.2	2.1	-0.4	-2.7	3.5	-2.2	-7.3	-3.8	-7.5	2.8	-2.7	-3.5	-6.7	-5.8	-8.4	-1.9	-0.1	11.0	-0.3
Poland	..	..	..	5.1	13.2	7.3	2.6	6.1	-7.2	9.5	-0.2	2.4	8.1	4.0	-0.2	2.8	0.5	3.1	6.2	0.9
Portugal	-3.8	-0.9	-2.1	-0.1	0.5	-0.2	-4.1	-1.1	-4.1	-2.8	-0.6	-0.8	-0.3	-4.4	-5.2	-0.6	1.7	-1.7	-6.1	-0.9
Slovak Republic	..	..	..	6.2	-5.2	-7.6	0.1	11.1	6.1	-3.8	3.1	2.9	9.4	-3.0	2.9	8.4	4.3	-0.5	-6.1	1.6
Spain	4.7	3.3	8.2	8.0	1.4	4.8	4.3	-0.9	1.7	-1.0	2.4	0.5	0.5	-3.8	-4.3	-2.0	-1.1	-1.6	-9.4	-1.6
Sweden	-3.5	0.4	6.2	4.9	2.4	-2.2	2.8	0.9	2.0	0.5	-0.8	-1.9	-0.1	1.0	-1.2	-1.1	-0.5	-0.9	-1.0	0.1
Switzerland	-5.0	0.1	1.7	-6.3	-7.6	-2.0	1.5	-2.8	-0.1	0.6	-0.8	-2.4	-5.2	-1.3	-0.4	0.3	3.0	0.3	0.1	-2.3
Turkey	1.4	14.3	8.2	8.1	0.2	15.7	8.6	5.2	-14.8	3.8	0.6	3.2	1.4	0.8	-0.8	-3.8	-1.6	-1.8	3.9	1.6
United Kingdom	-3.7	1.1	3.0	0.2	0.5	2.3	-2.0	-4.7	-2.9	-2.9	2.0	-1.7	-2.4	-4.6	0.3	2.2	-10.1	-1.8	3.4	0.2
United States	1.3	0.3	-1.1	-1.5	2.3	-0.1	0.5	-2.2	-1.4	-3.2	-5.0	-4.5	-3.3	-0.9	-1.6	-0.1	1.0	2.6	3.1	-0.9
Total OECD	1.6	0.7	0.5	-0.1	0.3	-0.4	0.6	-1.2	-0.9	-0.4	-0.2	-1.3	-2.6	-1.9	-1.9	-0.6	-0.7	-0.3	-1.3	-0.6
Memorandum items																				
China	4.1	13.2	5.7	17.7	-3.5	8.7	13.1	4.5	6.5	13.0	6.7	21.0	19.6	10.8	14.2	14.2	12.9	6.8	5.3	4.9
Dynamic Asia[1]	6.9	4.0	4.2	0.9	-0.1	-2.7	-1.1	-0.5	-3.0	2.8	-3.7	-0.1	0.1	1.0	0.0	-0.2	0.4	-0.8	-3.0	0.3
Other Asia	8.7	7.1	6.2	6.4	8.3	3.0	-2.2	4.2	5.0	1.4	5.6	9.2	0.8	7.6	6.6	8.6	-3.3	-3.7	-0.9	2.2
Latin America	-2.5	1.9	6.2	-3.0	-4.3	-0.7	-3.6	0.2	-1.5	-4.7	3.8	2.1	2.3	0.6	0.8	-4.1	-2.0	-1.3	-4.9	1.0
Africa and Middle-East	-4.7	3.5	3.5	-3.7	-6.5	-3.5	-0.1	-1.3	-5.3	-0.5	1.3	-2.3	3.2	-3.1	-4.7	-4.3	-1.1	-0.2	-0.6	-1.6
Central & Eastern Europe	..	..	..	..	..	-0.2	-3.8	-2.3	0.9	-1.3	3.3	4.8	2.3	-0.2	-0.6	-3.1	-3.7	-1.0	2.0	1.2

Note: Regional aggregates are calculated inclusive of intra-regional trade. Export performance is the ratio between export volumes and export markets for total goods and services. The calculation of export markets is based on a weighted average of import volumes in each exporting country's markets, with weights based on trade flows in 2005.

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663425677145

Annex Table 45. **Shares in world exports and imports**

Percentage, values for goods and services, national accounts basis

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
A. Exports																	
Canada	3.6	3.5	3.5	3.6	3.7	4.0	4.2	4.1	3.8	3.5	3.4	3.3	3.1	2.9	2.7	2.6	2.5
France	5.6	5.6	5.4	5.2	5.6	5.3	4.8	4.9	4.9	4.9	4.7	4.3	4.1	4.0	3.8	3.9	3.7
Germany	9.3	9.5	9.1	8.5	9.1	8.8	8.0	8.6	9.0	9.3	9.3	8.9	8.9	9.1	8.8	8.6	8.5
Italy	4.5	4.6	4.7	4.3	4.5	4.1	3.8	4.0	3.9	4.0	3.8	3.6	3.5	3.6	3.4	3.4	3.3
Japan	8.1	7.6	6.8	6.6	6.1	6.3	6.5	5.7	5.5	5.4	5.4	5.1	4.7	4.5	4.3	4.1	4.0
United Kingdom	5.3	5.1	5.3	5.6	5.6	5.5	5.2	5.2	5.2	5.1	4.9	4.7	4.7	4.3	3.9	4.1	4.2
United States	13.5	12.8	13.0	13.7	14.0	14.0	13.8	13.5	12.5	11.1	10.4	10.2	10.0	9.6	9.5	10.2	10.0
Other OECD countries	24.6	25.6	25.6	25.1	26.3	26.3	25.6	26.3	26.5	27.2	27.1	26.5	26.1	26.5	26.5	27.1	27.0
Total OECD	74.6	74.4	73.4	72.7	75.0	74.5	71.8	72.2	71.4	70.6	69.1	66.5	65.1	64.4	63.0	64.0	63.3
Non-OECD Asia	14.5	14.9	15.3	16.0	14.9	15.1	16.4	16.1	16.8	17.1	17.7	18.5	19.2	19.6	19.6	20.8	21.0
Latin America	2.8	2.8	2.8	3.0	2.9	2.7	2.9	2.9	2.8	2.7	2.9	3.2	3.3	3.3	3.5	3.0	3.0
Other non-OECD countries	8.0	7.9	8.5	8.3	7.2	7.7	9.0	8.8	9.0	9.6	10.4	11.8	12.4	12.6	14.0	12.2	12.7
Total of non-OECD countries	25.4	25.6	26.6	27.3	25.0	25.5	28.2	27.8	28.6	29.4	30.9	33.5	34.9	35.6	37.0	36.0	36.7
B. Imports																	
Canada	3.5	3.2	3.2	3.5	3.6	3.7	3.7	3.5	3.4	3.2	3.0	3.0	2.9	2.8	2.6	2.6	2.6
France	5.5	5.4	5.2	4.8	5.2	5.0	4.7	4.7	4.6	4.8	4.7	4.5	4.4	4.4	4.3	4.4	4.2
Germany	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	7.9	7.8	8.1	8.0
Italy	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	3.5	3.4	3.4
Japan	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	4.1	4.4	4.4	4.3
United Kingdom	5.4	5.3	5.4	5.6	5.9	5.9	5.5	5.6	5.8	5.6	5.5	5.3	5.3	5.0	4.4	4.6	4.7
United States	15.5	14.5	14.7	15.5	16.5	17.8	18.7	18.2	17.8	16.6	16.0	15.9	15.3	14.1	13.1	12.8	12.5
Other OECD countries	24.2	24.7	25.1	24.5	25.4	25.5	24.9	25.0	25.4	26.2	26.2	25.8	25.8	26.5	26.5	26.6	26.6
Total OECD	73.9	73.1	72.9	72.0	74.4	75.7	74.6	74.3	73.7	73.4	71.9	70.6	69.8	68.3	66.7	66.9	66.3
Non-OECD Asia	14.8	15.4	15.6	16.0	13.8	13.9	15.2	14.9	15.5	15.7	16.8	17.2	17.4	17.6	17.8	17.4	18.2
Latin America	3.0	3.1	3.1	3.5	3.6	3.0	3.0	3.0	2.5	2.3	2.4	2.6	2.8	3.0	3.3	3.0	3.0
Other non-OECD countries	8.2	8.3	8.5	8.6	8.2	7.4	7.2	7.8	8.3	8.6	9.0	9.5	10.0	11.1	12.2	12.7	12.5
Total of non-OECD countries	26.0	26.9	27.1	28.0	25.6	24.3	25.4	25.7	26.3	26.6	28.1	29.4	30.2	31.7	33.3	33.1	33.7

Note: Regional aggregates are calculated inclusive of intra-regional trade.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663436031212

Annex Table 46. **Geographical structure of world trade growth**

Average of export and import volumes

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
A. Trade growth by main regions	Percentage changes from previous year																
NAFTA[1]	11.1	8.3	8.8	12.7	7.9	8.9	11.4	-3.7	1.2	2.4	9.9	6.1	6.9	4.6	0.4	-15.3	1.5
OECD Europe	8.5	8.3	5.4	10.3	8.3	6.0	12.1	2.9	1.6	2.7	7.1	6.1	9.0	5.1	1.2	-15.2	0.0
OECD Asia & Pacific[2]	8.9	11.1	10.4	7.2	-4.1	7.3	12.5	-2.9	6.6	7.8	12.2	6.5	7.9	7.6	3.2	-17.7	4.9
Total OECD	9.2	8.7	6.9	10.5	6.6	7.0	12.0	0.4	2.1	3.2	8.5	6.2	8.3	5.3	1.2	-15.6	1.0
Non-OECD Asia	15.5	14.5	9.3	9.0	-1.4	5.2	18.5	-0.7	12.1	14.5	19.2	13.8	14.2	10.6	3.9	-16.4	5.9
Latin America	9.9	11.6	5.9	13.6	7.2	-4.6	7.4	3.0	-4.0	4.6	14.1	12.8	9.4	11.1	6.3	-23.8	3.6
Other non-OECD countries	2.8	5.7	5.2	8.1	0.9	0.5	12.0	4.7	6.3	9.5	12.0	8.6	9.3	11.1	6.8	-15.9	1.8
Non-OECD	10.3	10.9	7.3	9.2	0.5	2.2	14.8	1.7	8.1	11.7	16.1	11.9	12.1	10.8	5.1	-16.9	4.3
World	9.5	9.2	7.0	10.2	4.9	5.7	12.7	0.7	3.7	5.5	10.7	7.9	9.5	7.1	2.5	-16.0	2.1
B. Contribution to World Trade growth by main regions	Percentage points																
NAFTA[1]	2.1	1.6	1.6	2.4	1.5	1.8	2.4	-0.8	0.2	0.4	1.8	1.1	1.2	0.8	0.1	-2.6	0.3
OECD Europe	3.8	3.7	2.4	4.5	3.6	2.7	5.5	1.3	0.8	1.2	3.1	2.6	3.7	2.1	0.5	-6.1	0.0
OECD Asia & Pacific[2]	0.8	1.0	1.0	0.7	-0.4	0.6	1.1	-0.2	0.5	0.7	1.1	0.6	0.7	0.7	0.3	-1.5	0.4
Total OECD	6.7	6.3	5.0	7.6	4.8	5.1	8.9	0.3	1.5	2.3	6.0	4.3	5.7	3.6	0.8	-10.2	0.7
Non-OECD Asia	1.9	1.9	1.3	1.3	-0.2	0.7	2.4	-0.1	1.6	2.1	3.0	2.3	2.5	2.0	0.7	-3.2	1.1
Latin America	0.3	0.4	0.2	0.4	0.2	-0.2	0.2	0.1	-0.1	0.1	0.4	0.4	0.3	0.3	0.2	-0.7	0.1
Other non-OECD countries	0.3	0.6	0.6	0.9	0.1	0.1	1.1	0.4	0.6	1.0	1.3	0.9	1.0	1.2	0.8	-1.8	0.2
Non-OECD	2.8	3.0	2.0	2.5	0.1	0.6	3.8	0.4	2.1	3.2	4.7	3.6	3.8	3.5	1.7	-5.8	1.5
World	9.5	9.2	7.0	10.2	4.9	5.7	12.7	0.7	3.7	5.5	10.7	7.9	9.5	7.1	2.5	-16.0	2.1

Note: Regional aggregates are calculated inclusive of intra-regional trade as the sum of volumes expressed in 2005 $.

1. Canada, Mexico and United States.
2. Australia, Japan, Korea and New Zealand.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663437162513

Annex Table 47. **Trade balances for goods and services**

$ billion, national accounts basis

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	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	-17.5	-12.8	-8.7	-16.9	-5.6	-3.0	-21.5
Austria	-1.1	-1.7	0.2	-2.8	-2.9	-3.5	-1.0	1.2	2.7	3.4	4.6	9.4	13.1	13.7	12.9	16.5	23.2	26.5	17.2	17.8
Belgium	4.2	6.5	7.9	9.7	12.1	10.8	11.0	11.2	11.2	6.7	8.3	12.0	14.1	16.0	13.9	12.2	13.6	-2.2	-3.1	-5.1
Canada	-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	42.7	42.5	32.2	27.3	25.3	-4.6	-7.6
Czech Republic	..	..	0.0	-1.1	-2.4	-3.6	-3.1	-0.7	-0.8	-1.7	-1.5	-1.6	-2.1	0.0	3.9	5.0	8.9	10.7	12.6	17.7
Denmark	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	11.9	12.7	8.3	6.7	7.4	3.4	6.6
Finland	-0.6	0.9	4.0	5.6	9.8	9.4	9.8	11.5	13.1	11.6	12.0	12.7	11.6	13.1	8.6	10.4	12.2	10.1	5.3	5.2
France	-13.5	2.8	12.1	12.4	17.9	23.3	40.9	37.8	31.0	12.7	15.1	25.1	17.2	2.9	-17.9	-29.7	-49.5	-72.4	-63.1	-69.3
Germany	-6.4	-9.2	-0.9	2.7	11.9	22.0	27.0	29.7	18.0	7.0	38.3	93.3	97.9	138.6	148.3	165.8	235.8	227.7	88.8	94.2
Greece	-11.9	-11.6	-10.7	-9.3	-12.4	-14.1	-13.1	-14.7	-15.0	-17.0	-17.2	-20.1	-24.4	-22.9	-21.9	-24.9	-32.8	-31.4	-29.2	-30.0
Hungary	..	..	-3.1	-2.7	-0.1	0.2	0.5	-0.7	-1.3	-1.7	-0.6	-1.4	-3.3	-3.4	-2.0	-0.8	2.2	1.9	5.2	5.3
Iceland	-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	-0.8	-2.0	-3.0	-2.2	-0.7	1.0	1.1
Ireland	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	28.0	24.5	24.0	27.9	32.4	37.6	43.1
Italy	1.4	-1.4	31.4	36.1	43.2	58.5	46.3	37.1	22.1	10.5	15.3	11.6	9.0	11.4	-0.9	-15.0	-5.1	-11.8	-3.9	-5.2
Japan	56.2	82.2	97.0	96.5	74.9	23.4	47.4	72.4	69.4	68.0	26.1	51.2	69.3	89.0	63.3	54.5	73.3	6.2	-34.3	-35.0
Korea	-8.4	-4.1	1.1	-3.5	-6.1	-19.5	-5.0	43.1	28.9	15.3	11.4	8.4	14.7	29.9	22.8	13.3	15.8	-11.7	21.9	13.4
Luxembourg	1.6	2.5	2.8	3.5	4.3	4.3	3.2	3.1	4.1	4.4	3.5	4.3	6.9	8.6	9.6	13.4	16.1	15.8	13.0	13.6
Mexico	-9.1	-18.3	-15.8	-20.1	7.8	7.2	0.0	-8.5	-7.6	-11.3	-13.7	-11.4	-10.1	-13.2	-12.3	-11.7	-15.9	-23.2	-29.6	-31.2
Netherlands	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	54.5	54.5	66.9	70.2	49.1	50.8
New Zealand	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	-1.8	-1.5	-2.4	-0.4	-0.1
Norway	9.4	8.7	7.6	7.6	9.2	14.3	13.0	2.8	11.6	28.7	28.9	25.8	29.2	35.1	49.6	60.8	62.5	88.8	62.3	73.1
Poland	..	..	0.8	2.1	3.0	-2.2	-6.1	-8.3	-9.9	-11.0	-7.0	-6.9	-5.8	-5.8	-2.2	-6.2	-12.3	-19.9	-6.0	-6.8
Portugal	-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	-16.4	-16.0	-16.7	-23.4	-14.8	-15.9
Slovak Republic	..	..	-0.6	0.8	0.4	-2.3	-2.1	-2.4	-0.9	-0.5	-1.7	-1.8	-0.6	-1.1	-2.2	-2.1	-0.8	-2.3	-4.8	-5.3
Spain	-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	-59.5	-79.2	-97.8	-94.2	-56.1	-55.0
Sweden	4.8	5.0	7.6	9.9	17.5	18.4	18.9	16.8	16.6	15.4	15.2	16.9	21.3	29.1	28.4	32.2	35.2	36.0	25.4	27.6
Switzerland	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	25.1	24.2	29.9	39.3	51.2	35.3	35.3
Turkey	0.3	0.2	-4.8	6.1	-0.1	-3.1	-1.1	2.7	0.9	-8.0	7.8	3.8	-3.1	-10.4	-16.9	-26.0	-34.0	-34.6	-5.5	-10.1
United Kingdom	-7.0	-11.8	-7.4	-4.5	-1.4	1.0	7.3	-11.3	-21.9	-27.2	-34.6	-42.2	-42.7	-60.0	-77.5	-79.8	-94.8	-82.5	-56.0	-54.3
United States	-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	-713.6	-757.3	-707.9	-669.2	-343.2	-351.0
Euro area	-34.6	-18.4	60.2	76.7	108.4	136.9	152.4	134.2	94.3	43.1	92.4	173.1	173.7	198.6	155.5	131.9	193.8	147.3	40.7	44.3
Total OECD	-3.6	28.2	101.4	100.8	158.1	123.0	155.7	102.8	-44.0	-208.8	-175.8	-152.7	-204.8	-266.7	-440.8	-529.5	-421.2	-477.1	-279.6	-298.4

Source: OECD Economic Outlook 85 database.

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Annex Table 48. **Investment income, net**

$ billion

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	-12.2	-10.1	-8.1	-12.4	-14.0	-15.2	-13.8	-11.4	-11.6	-10.8	-9.9	-11.5	-14.9	-21.4	-27.6	-30.9	-39.9	-39.2	-30.0	-31.4
Austria	-1.9	-1.8	-1.4	-1.6	-2.0	-0.6	-1.3	-1.8	-2.8	-2.3	-3.0	-1.5	-1.1	-1.2	-2.0	-1.9	-5.2	-3.4	-3.9	-4.1
Belgium[1]	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	5.4	7.6	6.0	5.4	11.7	13.9
Canada	-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	-18.9	-12.2	-10.2	-14.1	-9.9	-10.3
Czech Republic	..	..	-0.1	0.0	-0.1	-0.7	-0.8	-1.1	-1.3	-1.4	-2.1	-3.5	-4.2	-6.0	-6.0	-8.0	-13.3	-16.9	-14.4	-15.0
Denmark	-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	1.6	2.8	0.2	4.8	7.0	7.5
Finland	-4.7	-5.5	-4.9	-4.4	-4.4	-3.7	-2.5	-3.1	-2.4	-1.8	-0.9	-0.5	-2.8	0.1	0.2	0.9	-2.1	-3.3	-2.8	-2.5
France	-3.6	-6.4	-7.0	-6.2	-8.4	-1.9	7.1	8.7	22.8	19.5	19.5	8.7	14.9	22.5	25.0	36.0	39.3	51.3	57.1	61.1
Germany	18.0	18.2	11.5	1.4	-2.8	0.8	-2.7	-10.8	-12.4	-8.9	-10.0	-17.4	-17.3	25.0	30.5	58.0	70.9	67.0	58.6	64.6
Greece	-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	-15.9	-18.9	-20.9
Hungary	..	..	-1.5	-1.6	-1.7	-2.0	-2.7	-3.0	-2.9	-2.6	-2.9	-3.6	-4.2	-5.4	-6.3	-7.0	-10.1	-12.6	-8.4	-7.7
Iceland	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	0.0	-0.2	-0.6	-0.6	-1.2	-1.1	-4.9	-1.8	-1.7
Ireland	-4.6	-5.6	-5.3	-5.4	-7.3	-8.2	-9.6	-10.5	-13.7	-13.5	-16.4	-22.5	-25.0	-28.1	-31.0	-30.3	-39.3	-41.9	-38.2	-39.7
Italy	-17.5	-21.9	-17.4	-16.9	-15.8	-15.5	-10.2	-11.3	-11.1	-11.9	-10.5	-14.5	-20.2	-18.6	-17.4	-16.8	-27.6	-41.9	-42.2	-43.5
Japan	26.0	35.6	40.7	40.6	44.2	53.3	58.1	54.8	58.0	60.6	69.3	66.0	71.8	86.2	103.4	118.2	139.0	153.4	126.8	152.1
Korea	-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	1.0	5.1	2.2	2.6
Luxembourg	..	..	..	..	1.6	1.3	0.5	0.2	-0.5	-1.3	-1.6	-3.4	-4.0	-4.3	-6.7	-10.6	-15.7	-16.2	-14.7	-14.7
Mexico	-8.6	-9.6	-11.4	-13.0	-13.3	-14.0	-12.8	-13.4	-12.9	-15.1	-14.0	-12.9	-12.4	-10.8	-14.8	-18.3	-18.1	-16.9	-13.8	-13.4
Netherlands	0.4	-1.0	0.8	3.6	7.2	3.5	7.0	-2.7	3.5	-2.3	-0.2	0.1	1.4	11.5	4.0	18.5	4.9	8.1	11.4	10.3
New Zealand	-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	-5.8	-7.3	-7.9	-9.5	-9.7	-7.4	-7.7
Norway	-2.7	-3.5	-3.3	-2.2	-1.9	-1.9	-1.7	-1.5	-1.2	-2.5	0.3	0.2	1.3	0.2	1.3	-0.7	2.7	3.0	22.8	27.0
Poland	..	..	..	-2.6	-2.0	-1.1	-1.1	-1.2	-1.0	-0.7	-0.6	-1.1	-2.5	-8.2	-6.7	-9.7	-16.3	-17.6	-12.1	-12.9
Portugal	0.2	0.7	0.3	-0.5	0.2	-0.9	-1.3	-1.5	-1.6	-2.4	-3.5	-3.0	-2.6	-3.7	-4.8	-7.9	-9.5	-11.5	-10.4	-12.7
Slovak Republic	..	..	0.0	-0.1	0.0	0.0	-0.1	-0.2	-0.3	-0.4	-0.3	-0.5	-0.1	-0.4	-2.0	-2.1	-3.2	-3.2	-2.0	-1.8
Spain	-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	-26.2	-41.4	-49.8	-38.0	-35.5
Sweden	-6.4	-10.0	-8.7	-5.9	-5.5	-6.3	-4.9	-3.2	-2.0	-1.4	-1.4	-1.8	3.9	-0.4	2.8	7.4	11.1	11.1	8.2	8.1
Switzerland	6.8	6.4	7.4	6.0	9.8	10.7	14.2	15.2	17.8	19.2	11.8	9.4	24.3	25.3	33.8	33.6	7.6	-3.3	6.3	5.9
Turkey	-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	-5.9	-6.7	0.9	-7.9	-8.6	-9.2
United Kingdom	-10.1	-1.8	-3.8	2.0	-1.4	-3.8	0.5	19.6	-1.7	3.0	13.6	27.6	28.7	32.8	40.1	18.5	41.5	63.4	15.9	15.2
United States	24.1	24.2	25.3	17.1	20.9	22.3	12.6	4.3	13.9	21.1	31.7	27.4	45.3	67.2	72.4	57.2	81.8	127.6	143.7	130.6
Euro area	-14.2	-25.1	-21.7	-31.7	-31.7	-28.0	-16.0	-36.0	-21.7	-26.3	-34.9	-63.0	-66.4	-11.6	-25.2	18.2	-32.2	-52.1	-30.4	-23.8
Total OECD	-25.4	-21.9	-16.2	-33.8	-31.8	-21.5	-3.4	-11.2	-4.0	6.7	21.9	3.4	37.3	116.0	132.6	151.6	131.8	170.0	194.1	214.0

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 85 database.

StatLink http://dx.doi.org/10.1787/663440253433

Annex Table 49. **Total transfers, net**

$ billion

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	0.1	-0.1	-0.1	-0.2	-0.1	0.1	0.0	-0.3	0.0	0.0	0.1	0.0	-0.1	-0.2	-0.4	-0.3	-0.3	-0.4	-0.5	-0.6
Austria	-0.1	-1.9	-1.7	-1.8	-1.8	-2.0	-2.0	-1.9	-2.1	-1.7	-1.7	-1.6	-1.8	-1.7	-1.8	-1.7	-0.2	-0.6	-0.8	-0.8
Belgium[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	-6.7	-6.6	-8.5	-9.8	-10.8
Canada	-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	-0.5	-1.2	-1.3	-1.8	-1.0	-1.6	-1.7
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	0.3	-0.6	-0.9	-0.6	-0.6	-0.6
Denmark	-1.6	-1.7	-1.7	-2.0	-2.4	-2.6	-1.8	-2.3	-2.9	-3.0	-2.6	-2.6	-3.7	-4.6	-4.2	-4.6	-5.1	-6.1	-5.6	-5.8
Finland	-1.0	-0.8	-0.4	-0.5	-0.5	-0.9	-0.7	-1.0	-1.0	-0.7	-0.7	-0.7	-1.1	-1.1	-1.5	-1.7	-1.9	-2.3	0.3	0.2
France	-15.4	-18.9	-10.2	-13.3	-5.9	-7.4	-13.2	-12.1	-13.2	-14.0	-14.8	-14.2	-19.2	-21.8	-27.3	-27.1	-30.3	-35.3	-34.4	-35.4
Germany	-35.4	-32.5	-33.1	-36.2	-38.8	-34.0	-30.5	-30.3	-26.6	-25.9	-24.1	-25.9	-32.0	-34.6	-36.0	-34.1	-43.4	-48.3	-54.7	-56.3
Greece[2]	6.2	6.5	6.5	6.9	8.0	8.0	8.3	7.9	3.9	3.3	3.5	3.6	4.3	4.5	3.9	4.3	2.2	4.1	2.3	3.4
Hungary	..	..	0.2	0.2	0.2	0.0	0.2	0.2	0.4	0.4	0.4	0.5	0.7	-0.5	-0.7	-0.5	-0.7	-1.9	-1.0	-1.0
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	-0.1	-0.1	0.0	0.0
Ireland	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	-0.7	-1.8	-2.0	-2.1	-2.4
Italy	-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	-12.3	-16.9	-19.2	-22.7	-30.5	-31.4
Japan	-8.3	-3.9	-5.3	-6.1	-7.8	-9.3	-8.8	-8.8	-10.8	-9.8	-8.1	-5.6	-7.7	-8.0	-7.3	-10.6	-11.6	-13.2	-11.2	-11.2
Korea	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	-4.1	-3.5	-0.8	0.4	-2.0
Luxembourg	..	..	..	..	-0.6	-0.6	-0.5	-0.4	-0.6	-0.5	-0.5	-0.3	-0.6	-1.1	-1.2	-1.3	-2.4	-3.0	-2.4	-2.5
Mexico	3.0	3.4	3.6	3.8	4.0	4.4	5.2	6.0	6.3	7.1	9.2	10.3	15.5	18.7	22.2	26.0	26.3	25.5	23.1	22.8
Netherlands	-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	-10.4	-11.7	-13.0	-12.2	-12.9	-12.6	-13.4
New Zealand	0.1	0.1	0.1	0.3	0.3	0.6	0.3	0.3	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.4	0.4	0.6	0.2	0.2
Norway	-1.9	-0.1	0.3	-1.7	-2.1	-1.5	-1.4	-1.5	-1.4	-1.3	-1.6	-2.2	-2.9	-2.5	-2.6	-2.3	-3.0	-3.8	-3.2	-3.3
Poland	..	..	..	1.3	1.0	1.7	2.0	2.9	2.2	1.3	1.5	2.0	2.5	3.7	5.0	6.6	8.5	7.9	5.6	7.2
Portugal[2]	6.0	7.9	6.8	5.4	7.3	4.4	3.8	4.0	3.8	3.4	3.4	2.8	3.3	3.5	2.8	3.2	3.6	3.6	2.7	2.8
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	-0.4	-1.3	0.7	1.3
Spain	2.6	2.1	1.3	1.2	4.8	3.2	3.0	3.2	3.0	1.6	1.3	2.4	-0.6	-0.1	-4.2	-8.2	-9.7	-13.5	-7.2	-6.1
Sweden	-1.1	-1.4	-1.2	-1.2	-2.6	-1.9	-2.4	-2.5	-2.7	-2.5	-2.5	-2.9	-2.4	-4.7	-4.6	-4.9	-5.1	-6.3	-5.1	-5.9
Switzerland	-2.6	-3.1	-3.0	-3.5	-4.4	-4.3	-4.0	-4.6	-5.3	-4.5	-5.5	-5.9	-5.6	-6.5	-10.9	-9.3	-9.3	-9.8	-9.6	-9.8
Turkey	5.1	3.9	3.7	3.0	4.4	4.1	4.5	5.5	4.9	4.8	3.0	2.4	1.0	1.1	1.5	1.9	2.2	2.0	1.3	1.3
United Kingdom	-1.7	-9.3	-7.6	-7.9	-11.6	-7.1	-9.4	-13.6	-11.8	-14.7	-9.4	-13.3	-16.1	-18.8	-21.5	-22.0	-27.3	-25.5	-16.3	-17.1
United States	9.9	-35.1	-39.8	-40.3	-38.1	-43.0	-45.1	-53.2	-50.4	-58.6	-51.3	-64.9	-71.8	-84.5	-89.8	-92.0	-112.7	-119.7	-118.3	-122.3
Euro area	-48.4	-50.3	-43.3	-52.3	-40.4	-44.6	-43.8	-47.9	-47.7	-47.9	-50.1	-49.8	-69.0	-79.1	-95.3	-103.9	-122.0	-141.2	-149.3	-152.7
Total OECD	-47.6	-97.5	-93.3	-105.5	-98.8	-102.4	-102.8	-115.0	-115.9	-126.9	-115.4	-132.4	-161.6	-188.4	-212.0	-221.5	-266.3	-295.5	-291.1	-301.1

1. Including Luxembourg until 1994.
2. Breaks between 1998 and 1999 for Greece and between 1995 and 1996 for Portugal, reflecting change in methodology to the International Monetary Fund, Fifth Balance of Payments Manual (capital transfers from European Union are excluded from the current account).

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663445386001

Annex Table 50. **Current account balances**

$ billion

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	-11.0	-11.1	-9.6	-16.9	-19.3	-15.5	-11.8	-17.8	-21.3	-14.7	-7.4	-15.7	-28.5	-39.2	-40.8	-40.0	-57.2	-45.2	-28.6	-48.2
Austria	-3.3	-4.6	-3.9	-5.9	-7.0	-6.8	-5.1	-3.4	-3.5	-1.3	-1.5	5.6	4.4	6.1	6.1	9.2	12.8	15.6	5.9	6.1
Belgium[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	12.6	9.9	10.7	7.6	-12.7	-1.3	-2.1
Canada	-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	22.9	21.6	17.9	14.3	9.2	-17.0	-20.5
Czech Republic	..	..	0.4	-0.8	-1.4	-4.1	-3.6	-1.3	-1.4	-2.6	-3.2	-4.1	-5.6	-5.5	-1.6	-3.6	-5.3	-6.4	-2.6	1.9
Denmark	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	11.1	7.9	2.3	6.9	4.8	8.3
Finland	-6.8	-5.2	-1.2	1.1	5.4	5.0	6.7	7.4	7.6	9.7	10.9	12.1	8.3	12.5	7.5	9.6	9.0	4.9	0.9	1.0
France	-12.1	-3.4	7.2	5.4	11.0	20.8	37.2	38.9	45.6	22.3	26.3	19.2	15.6	11.5	-13.7	-12.4	-27.6	-53.4	-38.6	-41.9
Germany	-23.9	-22.0	-19.4	-30.5	-29.6	-13.8	-10.2	-17.1	-28.0	-33.9	0.3	41.1	47.9	126.8	142.2	190.1	265.9	243.4	90.3	100.0
Greece[2]	-2.6	-3.6	-1.9	-1.4	-4.5	-6.4	-5.3	-3.8	-7.4	-9.8	-9.5	-10.1	-12.8	-13.3	-17.8	-29.7	-44.6	-51.6	-43.3	-47.5
Hungary	..	..	-3.7	-4.2	-1.6	-1.7	-2.0	-3.4	-3.8	-4.0	-3.2	-4.7	-6.7	-8.8	-8.3	-8.5	-8.9	-12.7	-4.8	-4.1
Iceland	-0.3	-0.2	0.0	0.1	0.1	-0.1	-0.1	-0.6	-0.6	-0.9	-0.4	0.2	-0.5	-1.3	-2.6	-4.2	-3.2	-5.7	-0.4	-0.1
Ireland	0.3	0.5	1.8	1.5	1.7	2.1	1.9	0.7	0.2	-0.3	-0.7	-1.3	-0.1	-1.2	-7.0	-7.9	-14.1	-12.7	-1.4	2.1
Italy	-23.6	-29.0	7.5	12.7	24.9	39.5	33.4	22.7	8.0	-5.9	-0.8	-9.8	-19.7	-16.6	-30.0	-48.4	-51.7	-76.4	-84.7	-88.4
Japan	72.7	108.3	130.0	130.6	114.3	65.8	96.6	119.7	115.7	118.1	89.0	112.6	136.2	171.6	166.0	171.5	212.8	157.4	69.2	93.9
Korea	-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	5.4	5.9	-6.4	26.2	15.0
Luxembourg	..	..	..	..	2.5	2.3	1.9	1.8	1.8	2.7	1.8	2.3	2.4	4.1	4.1	4.5	4.9	3.0	1.4	2.1
Mexico	-14.5	-24.4	-23.4	-29.6	-1.5	-2.6	-7.6	-16.1	-13.9	-18.5	-17.9	-14.1	-7.0	-5.2	-4.8	-4.1	-8.2	-3.9	-3.5	-5.0
Netherlands	7.4	6.5	13.1	17.4	26.1	21.2	24.9	13.0	15.7	7.7	9.5	11.4	30.0	46.3	46.8	63.8	59.2	65.3	47.8	47.8
New Zealand	-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	-9.3	-10.5	-11.4	-7.5	-7.5
Norway	4.6	4.6	3.8	3.7	5.3	10.9	10.0	-0.3	9.0	24.8	27.7	23.9	27.7	32.8	48.4	58.2	62.0	83.8	70.3	84.9
Poland	..	..	..	1.0	0.9	-3.3	-5.7	-6.9	-12.5	-10.3	-5.9	-5.5	-5.5	-10.1	-3.7	-9.4	-20.1	-29.0	-13.9	-13.8
Portugal[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	-13.6	-17.6	-19.5	-21.2	-29.6	-20.9	-24.2
Slovak Republic	..	..	-0.6	0.8	0.5	-2.0	-1.8	-2.0	-1.0	-0.7	-1.7	-1.9	-0.3	-1.4	-4.1	-3.9	-4.0	-6.2	-6.0	-5.7
Spain	-19.9	-21.6	-5.6	-6.5	-1.7	-1.5	-0.6	-7.2	-17.9	-23.0	-24.0	-22.5	-31.1	-54.9	-83.1	-111.1	-144.8	-154.0	-87.9	-82.8
Sweden	-3.7	-7.5	-2.6	2.5	8.4	9.8	10.3	9.7	10.7	9.4	8.5	9.8	22.2	24.0	24.8	33.9	39.2	40.4	28.4	29.8
Switzerland	10.1	14.7	18.9	16.8	20.6	21.3	24.7	25.0	29.0	30.2	19.7	23.7	42.1	47.0	50.5	58.7	42.8	45.1	37.9	37.5
Turkey	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	-22.1	-31.9	-27.4	-41.6	-12.5	-17.8
United Kingdom	-18.9	-23.0	-18.7	-10.4	-14.3	-9.8	-1.6	-5.3	-35.4	-38.9	-30.4	-27.9	-30.0	-46.1	-58.9	-83.3	-80.5	-44.5	-56.3	-56.2
United States	2.9	-50.1	-84.8	-121.6	-113.6	-124.8	-140.7	-215.1	-301.6	-417.4	-384.7	-461.3	-523.4	-625.0	-729.0	-788.1	-731.2	-673.3	-317.9	-342.7
Euro area	-78.0	-72.7	10.9	5.7	44.1	71.3	92.2	57.9	24.8	-34.0	8.8	49.3	48.4	120.2	47.4	58.7	55.3	-58.2	-131.8	-127.7
Total OECD	-66.6	-86.1	-4.5	-36.3	25.3	-8.1	35.9	-25.5	-177.4	-337.7	-270.7	-296.8	-312.5	-312.0	-500.3	-574.1	-521.9	-601.6	-365.9	-378.1

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 85 database.

StatLink http://dx.doi.org/10.1787/663465385568

Annex Table 51. **Current account balances as a percentage of GDP**

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	-3.4	-3.5	-3.1	-4.8	-5.2	-3.7	-2.9	-4.8	-5.3	-3.7	-2.0	-3.8	-5.4	-6.1	-5.7	-5.3	-6.3	-4.3	-3.1	-4.9
Austria	-1.9	-2.4	-2.1	-2.9	-2.9	-2.9	-2.5	-1.6	-1.6	-0.7	-0.8	2.7	1.8	2.1	2.0	2.8	3.4	3.8	1.6	1.6
Belgium[1]	3.5	4.2	5.8	5.9	5.4	5.0	5.5	5.2	5.1	4.0	3.4	4.6	4.1	3.5	2.6	2.6	1.7	-2.6	-0.2	-0.4
Canada	-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	1.9	1.4	1.0	0.5	-1.3	-1.4
Czech Republic	..	..	1.2	-1.8	-2.4	-6.6	-6.2	-2.0	-2.3	-4.6	-5.2	-5.4	-6.1	-5.1	-1.3	-2.5	-3.1	-3.0	-1.4	1.0
Denmark	0.9	2.1	2.8	1.5	0.7	1.4	0.4	-0.9	1.9	1.6	2.6	2.9	3.4	2.3	4.3	2.9	0.7	2.0	1.5	2.5
Finland	-5.4	-4.7	-1.4	1.1	4.1	3.9	5.4	5.6	5.8	8.0	8.7	8.9	5.0	6.6	3.8	4.6	3.6	1.7	0.4	0.4
France	-1.0	-0.2	0.6	0.4	0.7	1.3	2.6	2.6	3.1	1.7	2.0	1.3	0.9	0.6	-0.6	-0.5	-1.1	-1.9	-1.5	-1.5
Germany	-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	4.6	5.1	6.5	8.0	6.6	2.8	3.0
Greece[2]	-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	-7.3	-11.1	-14.2	-14.4	-12.9	-13.4
Hungary	..	..	-9.6	-10.2	-3.4	-3.9	-4.4	-7.2	-7.8	-8.4	-6.0	-7.0	-8.0	-8.6	-7.5	-7.5	-6.4	-8.2	-4.0	-3.2
Iceland	-4.0	-2.4	0.7	1.9	0.7	-1.8	-1.7	-6.7	-6.7	-10.1	-4.2	1.6	-4.6	-9.6	-16.0	-25.0	-15.4	-34.6	-3.0	-1.1
Ireland	0.7	1.0	3.6	2.7	2.6	2.8	2.4	0.8	0.2	-0.4	-0.7	-1.0	0.0	-0.6	-3.5	-3.5	-5.4	-4.5	-0.6	0.9
Italy	-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	-1.0	-1.7	-2.6	-2.4	-3.4	-4.0	-4.0
Japan	2.1	2.8	3.0	2.8	2.2	1.4	2.3	3.1	2.6	2.5	2.2	2.9	3.2	3.7	3.6	3.9	4.9	3.2	1.4	1.9
Korea	-2.6	-1.2	0.2	-0.9	-1.6	-4.0	-1.3	11.3	5.3	2.3	1.6	0.9	1.8	3.9	1.8	0.6	0.6	-0.5	3.3	1.7
Luxembourg	..	..	..	..	12.2	11.2	10.4	9.2	8.4	13.2	8.8	10.5	8.1	11.8	11.0	10.4	9.8	5.5	2.8	4.1
Mexico	-4.2	-6.1	-5.3	-6.4	-0.4	-0.7	-1.7	-3.5	-2.6	-2.9	-2.6	-2.0	-1.0	-0.7	-0.6	-0.4	-0.8	-0.4	-0.4	-0.5
Netherlands	2.4	1.9	4.0	4.9	6.2	5.0	6.4	3.2	3.8	2.0	2.4	2.6	5.5	7.6	7.3	9.4	7.6	7.5	6.1	5.9
New Zealand	-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	-8.5	-8.7	-8.2	-8.9	-7.0	-6.6
Norway	3.8	3.5	3.2	3.0	3.6	6.8	6.3	-0.2	5.7	14.8	16.2	12.4	12.3	12.7	16.1	17.3	15.9	18.2	18.2	20.6
Poland	..	..	..	0.9	0.6	-2.1	-3.7	-4.0	-7.5	-6.0	-3.1	-2.8	-2.5	-4.0	-1.2	-2.7	-4.7	-5.5	-3.5	-3.3
Portugal[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	-7.6	-9.5	-10.0	-9.4	-12.1	-9.5	-10.7
Slovak Republic	..	..	-4.6	4.8	2.6	-9.3	-8.4	-8.8	-4.8	-3.6	-8.3	-7.9	-0.9	-3.5	-8.6	-7.1	-5.3	-6.5	-6.9	-6.2
Spain	-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	-9.0	-10.0	-9.5	-6.1	-5.6
Sweden	-1.5	-2.8	-1.3	1.1	3.3	3.5	4.1	3.8	4.2	3.8	3.8	4.0	7.1	6.7	6.8	8.6	8.6	8.3	7.4	7.5
Switzerland	4.2	5.8	7.7	6.2	6.5	7.0	9.3	9.2	10.8	12.1	7.7	8.4	12.9	12.9	13.6	15.1	10.0	9.2	8.0	7.7
Turkey	0.1	-0.4	-2.6	2.0	-1.2	-1.0	-1.0	0.9	-0.8	-3.7	1.8	-0.7	-2.7	-4.0	-4.6	-6.0	-4.2	-5.5	-2.1	-2.6
United Kingdom	-1.8	-2.1	-1.9	-1.0	-1.2	-0.8	-0.1	-0.4	-2.4	-2.6	-2.1	-1.7	-1.6	-2.1	-2.6	-3.4	-2.9	-1.7	-2.6	-2.4
United States	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	-5.3	-5.9	-6.0	-5.3	-4.7	-2.3	-2.4
Euro area	-1.3	-1.1	0.2	0.1	0.6	1.0	1.4	0.8	0.4	-0.5	0.1	0.7	0.6	1.2	0.5	0.6	0.5	-0.4	-1.1	-1.0
Total OECD	-0.4	-0.4	0.0	-0.2	0.1	0.0	0.1	-0.1	-0.7	-1.3	-1.1	-1.1	-1.0	-0.9	-1.4	-1.5	-1.3	-1.4	-0.9	-0.9

1. Including Luxembourg until 1994.
2. Breaks between 1998 and 1999 for Greece and between 1995 and 1996 for Portugal, reflecting change in methodology to the International Monetary Fund, Fifth Balance of Payments Manual (capital transfers from European Union are excluded from the current account).

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663485375743

Annex Table 52. **Structure of current account balances of major world regions**

$ billion

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Goods and services trade balance[1]																	
OECD	101	158	123	156	103	-44	-209	-176	-153	-205	-267	-441	-530	-421	-477	-280	-298
Non-OECD *of which:*	-19	-57	-5	-10	-19	100	234	152	192	281	337	567	769	788	838	515	563
China	7	12	18	40	42	31	29	28	37	36	49	125	209	307	349	365	310
Dynamic Asia[2]	7	-14	4	3	60	76	79	70	85	117	97	110	141	179	147	200	223
Other Asia	-15	-21	-20	-16	-17	-16	-13	-10	-10	-14	-30	-41	-47	-67	-76	-30	-42
Latin America	-7	-19	-17	-31	-45	-16	-3	-9	22	42	60	70	86	58	37	15	11
Africa and Middle-East	-11	-16	8	0	-52	4	96	48	34	70	108	222	286	250	254	-156	-59
Central and Eastern Europe	0	0	3	-7	-7	21	47	26	24	30	52	80	94	59	127	121	120
World[3]	82	101	118	145	84	56	25	-23	40	77	70	126	240	366	361	236	264
Investment income, net																	
OECD	-34	-32	-22	-3	-11	-4	7	22	3	37	116	133	152	132	170	194	214
Non-OECD *of which:*	-41	-56	-66	-75	-81	-89	-100	-101	-109	-117	-138	-154	-169	-162	-201	-206	-207
China	-1	-12	-12	-16	-17	-14	-15	-19	-15	-8	-4	11	12	26	31	35	39
Dynamic Asia[2]	-2	-2	-6	-4	-4	-13	-15	-16	-21	-17	-25	-35	-28	-24	-22	-29	-27
Other Asia	-6	-6	-6	-7	-7	-6	-9	-8	-8	-9	-10	-12	-14	-14	-13	-15	-20
Latin America	-24	-28	-29	-36	-38	-38	-39	-41	-40	-45	-57	-64	-74	-74	-82	-92	-93
Africa and Middle-East	-8	-4	-6	-3	-1	-7	-12	-10	-15	-19	-22	-20	-12	-15	-23	-31	-34
Central and Eastern Europe	..	-4	-7	-11	-14	-10	-11	-7	-10	-18	-22	-33	-52	-62	-92	-74	-73
World[3]	-75	-88	-88	-79	-92	-93	-94	-79	-105	-80	-22	-21	-17	-31	-31	-12	7
Net transfers, net																	
OECD	-106	-99	-102	-103	-115	-116	-127	-115	-132	-162	-188	-212	-221	-266	-295	-291	-301
Non-OECD *of which:*	25	29	36	39	37	47	50	60	74	95	109	134	151	188	220	238	255
China	1	1	2	5	4	5	6	8	13	18	23	25	29	39	46	49	49
Dynamic Asia[2]	1	-2	-2	-4	-4	1	1	1	1	3	1	7	9	10	11	10	10
Other Asia	15	16	21	21	19	22	23	27	31	37	38	46	54	72	86	99	105
Latin America	9	11	10	10	11	13	13	16	18	21	24	31	38	38	37	41	43
Africa and Middle-East	-1	-1	1	2	1	0	-1	0	1	5	7	7	2	9	10	7	14
Central and Eastern Europe	..	4	4	4	5	6	7	8	9	12	15	17	20	21	31	33	33
World[3]	-80	-69	-66	-64	-78	-69	-77	-56	-59	-67	-79	-78	-70	-79	-75	-53	-47
Current balance																	
OECD	-36	25	-8	36	-25	-177	-338	-271	-297	-313	-312	-500	-574	-522	-602	-366	-378
Non-OECD *of which:*	-35	-84	-35	-47	-63	58	184	111	157	259	307	547	752	813	857	548	610
China	8	2	7	30	29	21	21	17	35	46	69	161	250	372	426	450	398
Dynamic Asia[2]	5	-18	-4	-5	51	64	64	55	66	102	73	81	122	165	136	182	207
Other Asia	-5	-10	-5	-2	-5	-1	2	9	13	14	-2	-7	-7	-9	-3	54	43
Latin America	-22	-36	-36	-57	-72	-41	-29	-34	0	18	27	38	49	22	-8	-36	-39
Africa and Middle-East	-21	-21	4	-1	-52	-3	83	38	20	56	94	209	276	245	240	-180	-79
Central and Eastern Europe	..	-1	0	-13	-15	17	42	26	23	24	46	65	62	18	65	79	80
World[3]	-72	-59	-43	-11	-89	-119	-154	-159	-140	-53	-5	46	178	291	255	182	232

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 85 database.

StatLink http://dx.doi.org/10.1787/663571542723

Annex Table 53. **Export market growth in goods and services**

Percentage changes from previous year

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	3.9	6.0	5.0	11.0	12.5	9.7	6.4	-1.4	6.6	12.0	0.2	6.3	8.2	13.4	9.5	8.9	7.0	2.7	-15.5	3.6
Austria	1.8	-1.0	-1.1	8.0	8.5	5.3	9.5	8.0	6.0	12.2	2.5	2.0	5.6	9.3	7.6	11.2	7.7	3.3	-14.8	1.3
Belgium	3.8	2.7	-0.4	8.4	8.3	5.4	10.0	8.9	7.0	12.1	1.9	1.9	4.1	8.5	7.4	9.5	5.8	2.0	-13.9	0.4
Canada	0.3	6.6	7.5	11.5	8.2	8.8	12.7	10.1	10.4	13.0	-2.0	3.5	4.4	11.3	6.5	6.8	3.2	-2.0	-15.6	1.5
Czech Republic	..	..	..	7.2	8.6	6.4	9.8	9.5	5.7	11.7	2.9	1.7	5.4	8.8	7.7	11.6	7.5	3.5	-14.5	1.2
Denmark	1.5	2.0	0.6	9.1	8.4	6.4	10.4	8.3	6.0	11.3	1.1	1.8	4.5	9.0	7.6	9.4	6.7	2.4	-14.5	1.2
Finland	-1.2	-6.0	1.6	8.1	8.8	6.1	10.0	6.3	4.1	12.7	2.7	3.7	6.4	11.2	9.1	11.5	10.0	4.8	-16.1	2.4
France	3.8	3.2	-0.1	7.7	8.2	6.0	10.0	7.4	6.3	11.1	1.6	2.7	4.8	9.4	7.6	9.3	6.5	2.4	-15.2	0.7
Germany	0.8	1.8	1.2	8.3	9.0	6.6	10.2	7.7	5.9	12.5	1.9	3.2	4.8	10.0	7.6	9.1	7.2	2.1	-15.5	1.0
Greece	3.3	0.5	2.0	6.1	8.6	6.2	10.8	6.1	3.9	11.6	1.3	3.5	5.5	11.2	9.1	10.0	8.6	4.2	-15.7	1.1
Hungary	..	..	..	7.5	8.8	5.9	9.3	7.5	5.2	12.3	3.0	2.3	5.7	9.7	8.0	11.2	8.4	3.7	-15.2	1.7
Iceland	3.4	2.0	0.0	8.5	8.0	6.4	9.9	8.7	7.3	11.3	2.2	2.5	3.7	8.4	7.2	9.6	5.0	1.9	-14.2	0.4
Ireland	2.2	4.1	0.7	8.5	7.6	6.2	9.5	7.9	7.3	11.2	1.3	2.5	3.8	8.4	6.7	8.2	4.1	1.0	-14.5	0.4
Italy	2.6	-0.1	1.4	7.6	8.5	6.5	10.1	7.5	5.8	12.3	2.1	2.9	5.3	10.3	8.3	10.1	7.8	3.3	-15.3	1.0
Japan	6.7	8.1	7.7	12.0	12.0	8.7	9.9	1.3	7.4	14.7	-1.1	6.4	8.3	14.1	8.9	9.7	7.4	2.4	-16.6	3.8
Korea	4.5	6.2	6.5	10.2	11.5	9.8	9.4	2.1	6.1	13.9	0.5	6.5	9.6	14.5	9.8	10.5	8.0	3.1	-15.1	4.0
Luxembourg	3.7	3.0	-2.1	8.4	7.7	4.4	9.0	8.5	6.3	11.4	1.7	1.0	3.6	7.4	6.6	8.4	5.2	1.6	-14.2	0.2
Mexico	0.5	7.2	8.2	11.7	8.6	8.3	13.4	10.7	10.0	12.7	-2.2	2.8	4.2	11.3	6.5	6.6	3.2	-2.3	-16.2	1.3
Netherlands	3.5	2.5	-0.7	8.2	7.8	5.2	9.3	8.1	6.2	11.5	1.7	1.9	4.4	8.5	7.2	9.3	6.0	2.4	-14.5	0.7
New Zealand	2.7	6.0	4.5	11.2	10.2	8.7	8.7	2.9	6.9	11.3	-0.9	5.9	7.3	12.7	9.0	8.9	7.3	4.0	-15.1	3.0
Norway	1.4	3.5	1.0	8.9	7.9	6.3	10.2	8.6	7.0	11.6	1.5	2.5	3.5	8.3	7.3	9.1	4.5	1.5	-14.5	0.5
Poland	..	..	..	7.6	8.6	5.1	9.4	7.8	5.2	12.4	3.4	2.3	5.6	9.6	8.1	11.6	8.6	3.9	-15.4	1.6
Portugal	5.1	4.1	-1.2	8.5	8.3	5.9	10.7	9.7	7.4	11.5	2.4	2.3	4.2	8.8	7.6	9.3	6.0	1.3	-16.4	-0.3
Slovak Republic	..	..	..	8.1	10.3	6.7	9.9	8.9	5.8	13.2	3.6	2.4	6.0	10.7	6.9	11.7	9.1	3.6	-15.2	1.0
Spain	3.4	4.0	-0.3	8.0	7.9	5.3	10.3	9.0	5.6	11.4	1.7	1.5	3.2	8.3	7.2	8.8	6.0	2.3	-14.8	0.4
Sweden	1.6	1.6	1.8	8.6	8.2	6.6	10.4	7.6	4.9	11.2	1.5	3.1	4.1	9.7	8.5	9.7	6.5	2.7	-14.4	1.3
Switzerland	4.2	3.2	-0.2	8.7	8.9	5.8	9.6	7.4	6.6	11.8	1.3	2.4	5.0	9.4	7.7	9.6	6.2	2.0	-14.6	1.2
Turkey	2.3	-2.9	-0.5	6.5	7.7	5.4	9.7	6.5	4.8	11.8	3.3	3.6	5.4	10.3	8.8	10.9	9.0	4.6	-15.3	1.1
United Kingdom	3.7	3.1	1.4	9.0	9.0	6.4	10.4	8.2	6.8	12.4	1.0	2.7	4.4	9.9	7.9	8.6	6.6	1.9	-15.0	0.8
United States	5.3	6.5	4.4	10.4	7.6	8.5	11.4	4.7	5.8	12.3	-0.4	2.4	4.7	10.8	8.8	9.2	7.4	3.5	-16.4	2.5
Total OECD	3.2	3.7	2.4	9.1	8.7	7.0	10.3	6.7	6.5	12.3	0.9	3.1	5.1	10.4	8.0	9.3	6.7	2.3	-15.4	1.6
Memorandum items																				
China	4.3	4.5	5.2	10.7	11.2	7.9	8.8	1.7	5.9	13.2	-1.2	4.2	5.7	12.2	8.2	8.5	6.2	1.8	-17.4	2.3
Dynamic Asia[1]	5.9	8.0	7.3	11.7	12.8	9.8	8.4	0.0	6.8	14.5	-0.1	7.4	9.8	14.7	9.7	10.2	7.6	2.7	-15.3	4.4
Other Asia	4.6	5.3	4.0	9.2	10.1	7.8	9.2	3.6	6.1	12.1	0.2	5.1	6.7	12.3	9.3	9.5	7.0	2.9	-15.3	2.1
Latin America	4.3	7.1	6.3	10.6	10.4	7.5	12.6	7.2	4.3	11.9	0.1	1.0	4.8	11.8	9.0	9.5	7.6	2.8	-17.4	2.3
Africa and Middle-East	5.0	4.7	2.4	8.9	10.8	8.1	8.5	2.2	6.8	12.4	0.2	4.8	6.4	11.4	8.5	9.0	7.0	2.4	-15.1	2.4
Central & Eastern Europe	-2.4	-7.9	1.9	6.5	10.1	6.4	10.1	5.6	3.5	14.0	3.1	4.9	7.7	12.0	9.5	12.1	11.0	4.7	-16.9	2.9

Note: Regional aggregates are calculated inclusive of intra-regional trade. The calculation of export markets is based on a weighted average of import volumes in each exporting country's market, with weights based on goods and services trade flows in 2005.

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

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663575183788

Annex Table 54. **Import penetration**

Goods and services import volume as a percentage of total final expenditure, constant prices

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	10.1	10.5	10.6	11.4	11.8	12.2	12.8	13.0	13.5	13.9	13.2	13.9	14.7	16.1	16.8	17.5	18.5	19.6	17.3	17.6
Austria	25.0	25.1	24.9	25.9	26.9	27.7	28.7	29.0	29.4	30.8	31.8	31.3	31.7	33.3	34.2	34.6	35.6	35.4	34.0	34.4
Belgium	38.9	39.5	39.6	40.5	40.8	41.0	41.6	42.9	43.1	44.2	44.1	43.9	44.3	45.1	45.8	45.7	46.1	46.7	43.7	43.8
Canada	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	28.5	29.4	29.8	30.5	30.6	27.3	27.8
Czech Republic	..	..	27.7	28.6	31.3	32.8	34.4	36.3	37.0	39.9	42.3	43.0	44.1	47.3	47.0	49.0	51.0	51.4	47.0	46.7
Denmark	23.1	22.8	22.6	23.8	24.5	24.6	25.7	26.9	27.0	28.8	29.1	30.5	30.1	31.2	33.0	35.3	35.5	36.7	34.7	34.7
Finland	18.7	19.5	19.8	21.2	21.6	22.3	22.9	23.2	23.0	25.4	25.4	25.8	26.1	26.6	28.3	28.8	29.2	29.1	25.5	26.1
France	16.1	16.2	15.9	16.7	17.4	17.5	18.3	19.5	19.9	21.7	21.8	21.8	21.9	22.6	23.3	24.0	24.5	24.6	22.9	22.5
Germany	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	27.8	29.6	30.1	30.7	29.6	29.8
Greece	18.9	18.9	19.3	19.2	20.3	21.0	22.7	23.7	25.8	27.7	27.1	26.2	25.8	25.5	25.2	26.2	26.6	25.2	22.0	21.8
Hungary	..	..	24.8	26.1	29.1	30.7	34.1	37.9	39.8	43.1	43.4	44.0	45.2	47.5	48.4	51.2	54.5	55.7	51.0	50.7
Iceland	24.4	23.9	22.3	22.3	22.9	24.8	25.3	28.1	28.2	29.0	26.3	25.8	27.4	28.6	32.5	33.8	32.4	28.0	24.1	24.4
Ireland	29.3	30.0	30.8	32.5	33.7	34.4	35.4	39.1	39.1	41.6	41.8	40.9	39.4	40.4	40.8	41.0	40.6	40.2	38.8	38.6
Italy	16.4	17.3	15.6	16.5	17.4	17.1	18.1	19.2	19.7	20.8	20.7	20.7	20.9	21.2	21.6	22.2	22.5	21.9	19.8	19.7
Japan	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	9.8	10.0	9.5	9.6
Korea	18.5	18.5	18.3	19.9	21.8	22.8	22.6	19.8	22.1	23.9	22.4	23.5	24.9	26.1	26.8	27.9	29.1	29.4	26.9	28.2
Luxembourg	..	..	..	..	50.3	51.3	53.0	54.2	55.7	56.3	57.2	56.4	57.6	59.5	59.6	61.2	60.8	61.5	59.6	59.5
Mexico	10.7	12.2	12.2	13.9	12.7	14.5	16.3	17.9	19.3	21.4	21.2	21.2	21.1	22.2	23.1	24.3	25.0	25.5	23.5	23.4
Netherlands	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	41.4	42.6	43.2	43.7	41.2	41.1
New Zealand	18.8	20.3	20.2	21.2	21.9	22.6	22.4	22.6	23.8	23.0	23.0	23.8	24.5	26.6	27.1	26.0	27.3	28.5	25.1	24.8
Norway	17.7	17.4	17.7	17.8	18.0	18.5	19.4	20.3	19.7	19.6	19.5	19.4	19.5	20.2	21.1	22.1	22.8	23.2	22.2	22.3
Poland	..	..	14.2	15.0	16.9	19.5	21.6	23.7	23.2	25.1	23.9	24.1	25.1	26.9	27.1	29.1	30.3	31.0	28.3	28.5
Portugal	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	29.9	30.7	31.6	32.1	28.1	28.2
Slovak Republic	..	..	35.4	33.1	34.3	36.5	37.5	40.5	40.6	42.2	44.5	44.4	45.0	45.8	47.1	49.3	48.9	48.2	43.4	43.4
Spain	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	28.5	29.0	28.2	23.6	23.4
Sweden	21.5	21.9	21.9	23.3	23.8	24.2	25.9	27.3	27.4	28.7	28.1	27.4	27.7	28.4	29.0	29.8	31.2	32.0	29.7	29.8
Switzerland	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	31.6	32.1	31.7	30.4	30.2
Turkey	11.0	11.5	13.8	11.8	13.9	15.2	16.9	16.8	16.7	18.7	15.4	17.2	19.7	21.3	21.9	22.0	23.0	22.2	19.2	19.6
United Kingdom	15.4	16.2	16.4	16.6	17.0	17.9	18.8	19.6	20.3	21.0	21.4	21.9	21.7	22.4	23.3	24.4	23.6	23.4	21.6	21.4
United States	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	14.1	12.4	12.5
Total OECD	13.1	13.4	13.4	14.1	14.8	15.3	16.1	16.8	17.5	18.6	18.5	18.6	18.9	19.7	20.3	21.1	21.4	21.4	19.5	19.5

Note: Regional aggregate is calculated inclusive of intra-regional trade as the sum of import volumes expressed in 2005 $ divided by the sum of total final expenditure expressed in 2005 $.

Source: OECD Economic Outlook 85 database.

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Annex Table 55. **Quarterly demand and output projections**

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2008	2009	2010	2008	2009				2010				Fourth quarter[1]		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009	2010
Private consumption															
Canada	3.0	-0.9	0.9	-3.1	-1.6	-0.5	0.0	0.5	1.0	1.5	1.7	2.0	0.2	-0.4	1.6
France	1.0	0.1	-0.1	0.7	0.8	-0.2	-1.6	-1.2	-0.2	0.8	1.4	1.6	0.2	-0.6	0.9
Germany	-0.1	0.4	-0.3	-1.1	1.9	1.2	-0.2	-0.8	-0.8	-0.6	0.3	0.4	-0.6	0.5	-0.2
Italy	-0.9	-2.6	0.0	-3.5	-3.9	-3.0	-1.7	0.1	0.3	0.8	1.0	1.0	-1.6	-2.1	0.8
Japan	0.6	-1.7	0.1	-3.1	-4.2	2.0	-2.0	-0.1	0.3	0.3	0.5	0.7	-0.2	-1.1	0.5
United Kingdom	1.4	-3.4	-0.3	-3.8	-4.9	-4.9	-2.8	-0.6	-0.8	1.4	2.0	2.4	-0.8	-3.3	1.3
United States	0.2	-1.0	0.5	-4.3	1.6	-0.6	-0.5	0.3	0.8	0.9	1.0	1.0	-1.5	0.2	0.9
Euro area	0.3	-1.3	-0.2	-1.7	-2.1	-1.1	-1.1	-0.6	-0.3	0.2	0.7	0.9	-0.7	-1.2	0.4
Total OECD	0.7	-1.5	0.4	-3.7	-1.6	-0.5	-1.0	0.0	0.5	0.9	1.3	1.5	-1.0	-0.8	1.1
Public consumption															
Canada	3.7	2.2	2.9	2.5	1.2	2.0	4.0	4.0	3.0	2.5	2.0	1.0	3.1	2.8	2.1
France	1.1	1.2	1.3	1.2	0.1	1.0	2.0	2.0	1.0	1.0	0.8	0.4	1.5	1.3	0.8
Germany	1.8	1.1	2.0	-0.3	1.0	1.6	2.0	2.4	2.4	1.6	1.6	1.6	1.5	1.8	1.8
Italy	0.6	0.0	0.2	0.5	-1.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7	-0.1	0.2
Japan	0.8	2.6	3.0	6.5	0.1	2.8	8.0	2.4	2.6	2.1	2.1	2.1	0.2	3.3	2.2
United Kingdom	3.4	4.8	1.0	5.4	1.2	8.0	8.7	4.1	-1.2	-2.8	-2.4	-2.2	4.4	5.4	-2.1
United States	2.8	2.0	2.6	2.2	-1.2	2.5	2.8	3.7	3.4	2.2	1.0	0.5	3.3	1.9	1.8
Euro area	1.8	1.3	1.4	1.1	0.9	0.9	1.4	1.6	1.5	1.3	1.3	1.2	2.0	1.2	1.4
Total OECD	2.4	2.3	2.2	3.2	0.5	2.4	3.4	3.0	2.3	1.6	1.2	1.1	2.7	2.3	1.6
Business investment															
Canada	0.2	-12.4	0.1	-16.2	-25.8	-8.0	-6.0	-3.0	1.5	3.0	5.0	7.0	-4.3	-11.2	4.1
France	2.6	-9.2	-0.9	-9.9	-11.6	-13.3	-9.6	-3.9	0.0	4.1	6.1	8.2	-2.1	-9.7	4.6
Germany	5.3	-15.2	-3.0	-14.5	-36.5	-8.1	-4.8	-7.9	-2.8	-0.7	2.4	2.8	-0.6	-15.4	0.4
Italy	-5.0	-18.4	1.8	-28.5	-28.4	-14.8	-7.7	0.3	5.3	8.0	5.3	5.2	-12.9	-13.3	6.0
Japan	-4.0	-19.7	0.2	-23.3	-31.0	-18.9	-5.8	-1.7	3.2	4.5	5.0	6.0	-11.7	-15.2	4.7
United Kingdom	0.1	-14.5	-6.0	-5.7	-20.1	-25.5	-21.3	-7.0	-1.2	0.0	2.0	4.1	-4.5	-18.8	1.2
United States	1.6	-19.2	-2.1	-21.7	-36.9	-17.0	-9.5	-6.0	-1.0	3.2	5.6	7.9	-5.2	-18.3	3.9
Euro area	1.1	-13.7	-2.1	-16.4	-23.5	-14.3	-8.6	-4.2	-0.4	1.7	3.0	4.1	-4.8	-13.0	2.1
Total OECD	0.8	-16.3	-1.7	-18.5	-29.1	-16.4	-9.3	-4.5	0.3	2.9	4.6	6.2	-5.5	-15.3	3.5
Total investment															
Canada	0.9	-10.1	1.3	-14.9	-20.7	-6.5	-4.3	-0.9	2.6	4.0	5.3	7.1	-3.7	-8.4	4.7
France	0.4	-7.4	-0.3	-9.3	-8.7	-9.2	-5.7	-1.5	0.4	2.7	3.7	4.8	-4.1	-6.3	2.9
Germany	3.6	-10.9	0.2	-10.2	-27.9	-4.0	-1.8	-1.2	0.8	1.4	2.1	2.4	-0.5	-9.5	1.7
Italy	-2.9	-12.7	1.5	-21.2	-18.7	-10.7	-5.9	0.4	4.1	6.1	4.1	4.1	-8.7	-9.0	4.6
Japan	-5.0	-12.3	0.0	-13.9	-24.3	-10.9	4.0	2.0	-0.3	-0.3	0.0	0.6	-7.6	-8.0	0.0
United Kingdom	-3.1	-12.5	-4.2	-5.4	-14.4	-20.5	-16.9	-5.5	-0.5	0.9	2.4	3.7	-8.0	-14.5	1.6
United States	-3.5	-16.0	-0.6	-18.4	-32.8	-11.7	-6.3	-2.6	0.5	3.0	4.3	5.6	-6.8	-14.3	3.3
Euro area	-0.3	-11.1	-1.3	-13.6	-18.9	-10.2	-5.9	-2.1	-0.2	1.1	1.9	2.8	-5.1	-9.5	1.4
Total OECD	-1.7	-12.8	-0.3	-15.1	-24.4	-10.8	-5.6	-2.0	1.0	2.7	3.8	4.9	-5.9	-11.1	3.1

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, 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 85 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

	2008	2009	2010	2008	2009				2010				Fourth quarter[1]		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009	2010
Total domestic demand															
Canada	2.4	-3.6	1.6	-6.0	-9.7	-1.7	1.1	1.0	1.8	2.3	2.6	2.9	-1.0	-2.5	2.4
France	0.6	-2.4	0.3	-4.2	-4.5	-1.8	-0.7	-0.6	0.2	1.2	1.7	2.0	-0.9	-1.9	1.3
Germany	1.6	-1.7	0.1	-0.2	-6.8	-1.5	0.1	-0.2	0.2	0.2	0.9	1.0	1.9	-2.1	0.6
Italy	-1.3	-4.4	0.5	-6.4	-7.9	-4.2	-0.5	0.2	1.0	1.7	1.4	1.4	-2.4	-3.2	1.4
Japan	-0.9	-3.4	0.6	-1.3	-8.8	-2.7	1.6	0.9	0.6	0.5	0.7	1.0	-1.7	-2.4	0.7
United Kingdom	0.6	-5.0	-0.5	-8.5	-7.6	-4.0	-2.4	-0.3	-0.9	0.4	1.1	1.6	-2.9	-3.6	0.6
United States	-0.3	-3.5	0.8	-5.9	-7.5	-1.5	0.1	0.4	1.2	1.4	1.5	1.6	-1.9	-2.2	1.4
Euro area	0.6	-3.1	0.0	-3.6	-6.7	-3.2	-0.9	-0.4	0.1	0.6	1.1	1.3	-0.6	-2.8	0.8
Total OECD	0.4	-3.7	0.8	-6.1	-8.2	-1.7	-0.2	0.2	1.0	1.4	1.7	2.1	-1.7	-2.5	1.5
Export of goods and services															
Canada	-4.7	-14.7	0.0	-17.7	-30.4	-9.3	-3.9	0.0	0.6	1.9	3.1	4.1	-7.3	-11.7	2.4
France	-0.5	-14.4	-2.4	-17.2	-21.9	-16.8	-9.6	-5.9	0.8	1.2	3.2	5.3	-5.5	-13.8	2.6
Germany	2.2	-18.9	0.9	-28.6	-33.5	-15.8	-7.7	0.0	3.2	4.7	7.1	8.3	-6.3	-15.2	5.8
Italy	-3.7	-20.9	-0.7	-26.6	-39.4	-10.0	-8.5	-2.0	1.4	2.5	3.3	4.1	-10.8	-16.4	2.8
Japan	1.8	-32.3	3.5	-47.1	-70.0	19.0	-2.7	2.0	3.0	4.0	4.5	5.0	-12.7	-22.9	4.1
United Kingdom	0.1	-12.1	1.0	-14.9	-22.1	-15.4	-2.0	1.2	2.2	3.2	4.7	5.3	-4.4	-10.1	3.9
United States	6.2	-13.8	1.6	-23.6	-28.7	-10.0	-3.5	0.5	3.5	4.0	5.0	6.0	-1.8	-11.2	4.6
Total OECD[2]	3.1	-16.5	1.4	-26.0	-33.6	-8.6	-4.9	0.1	3.0	4.2	5.6	6.6	-5.1	-12.8	4.8
Import of goods and services															
Canada	0.8	-16.5	3.3	-23.4	-37.8	-6.0	1.5	2.0	4.4	5.0	5.7	6.4	-7.7	-11.8	5.4
France	0.6	-11.4	-1.8	-11.4	-19.5	-15.1	-7.8	-5.5	0.8	1.2	4.1	6.6	-2.4	-12.1	3.1
Germany	3.9	-10.8	0.9	-15.4	-19.8	-16.8	-6.9	0.0	3.0	5.1	7.0	8.2	1.2	-11.2	5.8
Italy	-4.5	-17.0	-0.2	-20.9	-32.1	-11.5	-8.0	0.0	1.6	2.8	3.6	4.1	-8.9	-13.8	3.0
Japan	0.9	-12.6	2.3	13.1	-47.8	2.0	2.0	2.0	1.6	2.0	4.0	5.0	2.8	-13.7	3.1
United Kingdom	-0.6	-13.5	-1.0	-21.5	-21.5	-14.7	-4.3	0.4	-0.8	1.0	2.6	3.4	-7.6	-10.4	1.6
United States	-3.5	-15.7	1.2	-17.5	-34.1	-9.0	-2.5	0.0	2.5	3.5	4.0	5.0	-7.5	-12.5	3.7
Total OECD[2]	-0.2	-14.8	1.3	-18.3	-31.7	-9.1	-4.1	-0.4	2.8	4.0	5.5	6.7	-5.4	-12.2	4.7
GDP															
Canada	0.4	-2.6	0.7	-3.8	-5.4	-2.7	-0.5	0.4	0.8	1.4	1.9	2.2	-1.0	-2.1	1.6
France	0.3	-3.0	0.2	-5.7	-4.7	-1.9	-0.9	-0.5	0.1	1.2	1.5	1.6	-1.7	-2.0	1.1
Germany	1.0	-6.1	0.2	-8.6	-14.4	-1.3	-0.4	-0.2	0.3	0.2	1.1	1.2	-1.8	-4.3	0.7
Italy	-1.0	-5.5	0.4	-8.3	-10.1	-3.7	-0.6	-0.3	0.8	1.6	1.3	1.4	-3.0	-3.8	1.3
Japan	-0.7	-6.8	0.7	-13.5	-14.2	-1.0	0.9	0.8	0.8	0.8	0.8	1.0	-4.4	-3.6	0.8
United Kingdom	0.7	-4.3	0.0	-6.1	-7.4	-3.9	-1.7	-0.2	-0.1	1.0	1.6	2.1	-2.0	-3.3	1.1
United States	1.1	-2.8	0.9	-6.3	-5.7	-1.4	0.0	0.5	1.3	1.4	1.5	1.6	-0.8	-1.7	1.5
Euro area	0.5	-4.8	0.0	-6.9	-9.5	-3.1	-1.1	-0.5	0.2	0.7	1.2	1.4	-1.7	-3.6	0.9
Total OECD	0.8	-4.1	0.7	-7.8	-8.3	-1.7	-0.4	0.3	0.9	1.4	1.7	2.0	-1.7	-2.6	1.5

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, 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 85 database.

StatLink http://dx.doi.org/10.1787/663702471586

Annex Table 56. **Quarterly price, cost and unemployment projections**

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2008	2009	2010	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Fourth quarter[1] 2008	Fourth quarter[1] 2009	Fourth quarter[1] 2010
Consumer price index[2]															
Canada	2.4	0.1	1.0	-5.9	-1.3	1.3	1.6	1.2	0.9	0.8	0.7	0.6	1.9	0.7	0.7
France	3.2	0.3	0.7	-1.0	-1.1	1.1	1.1	0.8	0.6	0.5	0.3	0.2	2.0	0.5	0.4
Germany	2.8	0.3	0.4	-1.5	-0.6	0.5	1.0	0.6	0.3	0.3	0.2	0.1	1.7	0.4	0.2
Italy	3.5	1.1	1.2	0.4	-1.3	2.4	1.9	1.4	1.1	0.9	0.8	0.6	2.9	1.1	0.8
Japan	1.4	-1.4	-1.4	-2.5	-3.1	-2.1	-1.7	-1.1	-1.3	-1.3	-1.3	-1.3	1.0	-2.0	-1.3
United Kingdom	3.6	1.9	1.2	0.6	0.6	2.1	1.8	1.0	1.4	0.8	0.8	0.8	3.9	1.4	1.0
United States	3.8	-0.6	1.0	-8.3	-2.4	1.6	1.7	1.2	0.9	0.7	0.6	0.4	1.5	0.5	0.7
Euro area	3.3	0.5	0.7	-1.0	-1.1	1.2	1.2	0.8	0.6	0.5	0.4	0.2	2.3	0.5	0.4
GDP deflator															
Canada	3.9	-1.2	1.6	-11.0	-6.5	6.0	4.2	0.6	0.9	0.9	0.9	0.8	1.6	1.0	0.9
France	2.5	0.9	0.6	1.2	0.1	0.9	0.8	0.6	0.6	0.5	0.3	0.2	2.2	0.6	0.4
Germany	1.5	1.3	0.6	4.0	-0.2	1.1	0.8	0.8	0.5	0.4	0.3	0.2	2.2	0.6	0.3
Italy	2.8	2.5	1.2	3.5	3.3	1.4	1.8	1.4	1.1	0.9	0.8	0.6	3.0	2.0	0.8
Japan	-0.9	1.3	-1.5	9.6	4.4	-1.4	-2.6	-1.4	-1.2	-1.3	-1.4	-1.4	0.6	-0.3	-1.3
United Kingdom	2.3	1.5	0.9	2.2	1.6	1.3	1.4	0.4	0.9	1.0	1.0	1.0	2.0	1.2	1.0
United States	2.2	1.7	0.7	0.6	2.8	0.8	0.9	0.9	0.8	0.6	0.5	0.3	2.1	1.3	0.5
Euro area	2.3	1.3	0.7	2.4	0.1	1.1	1.0	0.9	0.7	0.6	0.4	0.3	2.4	0.8	0.5
Total OECD	2.5	1.7	0.9	2.1	1.8	1.4	1.1	1.0	0.8	0.7	0.6	0.5	2.5	1.3	0.7
Unit labour cost (total economy)															
Canada	4.4	2.8	-0.1	6.4	2.9	2.1	0.1	-1.0	-1.1	0.3	0.9	1.2	5.1	1.0	0.3
France	2.8	2.8	-0.2	5.6	5.7	-0.5	-1.0	-0.6	0.5	-0.4	0.3	0.2	3.9	0.9	0.1
Germany	2.5	3.9	-3.3	10.6	11.9	-2.7	-7.3	-6.5	-3.2	-1.1	0.3	0.2	5.2	-1.5	-1.0
Italy	4.8	5.8	-0.1	10.2	8.4	8.5	-1.5	-0.9	-0.1	-0.9	-0.5	-0.2	4.7	3.5	-0.4
Japan	1.4	4.0	-2.1	12.8	9.7	-2.1	-2.9	-2.4	-1.9	-1.9	-1.8	-1.8	4.5	0.4	-1.9
United Kingdom	2.7	3.2	-1.2	6.7	5.9	0.2	-1.0	-1.2	-1.1	-1.3	-1.7	-1.8	4.4	0.9	-1.5
United States	1.9	2.7	1.3	5.8	3.4	0.3	1.9	1.9	1.3	1.2	1.1	0.7	2.6	1.9	1.1
Euro area	3.5	3.9	-1.0	8.3	7.6	1.5	-2.4	-2.1	-1.0	-0.7	-0.2	-0.5	4.6	1.1	-0.6
Total OECD	3.0	3.8	-0.1	9.3	6.1	0.1	-0.5	-0.2	0.0	0.1	0.2	0.0	4.7	1.3	0.1
				Per cent of labour force											
Unemployment															
Canada	6.1	8.6	9.8	6.4	7.6	8.4	8.9	9.3	9.7	9.8	9.8	9.8			
France	7.4	9.7	11.2	7.6	8.7	9.2	10.1	10.6	11.0	11.3	11.3	11.3			
Germany	7.3	8.7	11.6	7.1	7.4	8.1	9.1	10.3	11.1	11.6	11.7	11.8			
Italy	6.8	8.4	10.2	7.0	7.2	7.9	8.8	9.4	9.8	10.1	10.3	10.5			
Japan	4.0	5.2	5.7	4.0	4.5	5.2	5.5	5.6	5.7	5.7	5.8	5.8			
United Kingdom	5.7	8.2	9.7	6.3	7.0	8.0	8.7	9.1	9.5	9.6	9.8	9.8			
United States	5.8	9.3	10.1	6.9	8.1	9.3	9.8	10.0	10.1	10.1	10.1	10.1			
Euro area	7.5	10.0	12.0	7.9	8.8	9.6	10.4	11.1	11.6	12.0	12.2	12.3			
Total OECD	5.9	8.5	9.8	6.4	7.4	8.3	8.9	9.4	9.6	9.8	9.9	9.9			

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, 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 85 database.

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Annex Table 57. **Contributions to changes in real GDP in OECD countries**

	2007	2008	2009	2010
Australia				
Final domestic demand	5.4	4.4	-1.1	1.4
Stockbuilding	0.6	-0.5	-1.0	0.1
Net exports	-1.8	-1.5	3.2	-0.3
GDP	4.2	2.3	-0.4	1.2
Austria				
Final domestic demand	1.7	1.0	-1.8	0.3
Stockbuilding	-0.2	0.1	0.1	0.0
Net exports	1.2	1.1	-2.9	-0.3
GDP	3.0	1.7	-4.3	-0.1
Belgium				
Final domestic demand	2.8	2.0	-1.3	-0.4
Stockbuilding	0.1	-0.1	-0.9	0.1
Net exports	-0.3	-1.0	-1.8	-0.2
GDP	2.6	1.0	-4.1	-0.5
Canada				
Final domestic demand	4.2	2.7	-2.6	1.5
Stockbuilding	0.2	-0.2	-1.1	0.1
Net exports	-1.6	-1.9	0.4	-0.9
GDP	2.5	0.4	-2.6	0.7
Czech Republic				
Final domestic demand	5.3	1.6	-0.6	-0.2
Stockbuilding	-0.1	-0.5	-2.9	0.2
Net exports	1.1	1.8	-0.7	1.4
GDP	6.1	2.8	-4.2	1.4
Denmark				
Final domestic demand	2.2	-0.6	-2.6	-0.1
Stockbuilding	-0.3	0.1	0.0	0.0
Net exports	-0.2	-0.7	-1.1	0.2
GDP	1.6	-1.1	-4.0	0.1
Finland				
Final domestic demand	3.3	1.2	-3.0	0.3
Stockbuilding	0.3	-1.0	-0.5	0.1
Net exports	1.4	-0.2	-3.2	0.5
GDP	4.1	0.7	-4.7	0.8
France				
Final domestic demand	3.1	0.9	-1.3	0.2
Stockbuilding	0.0	-0.3	-1.2	0.1
Net exports	-0.8	-0.3	-0.5	-0.1
GDP	2.3	0.3	-3.0	0.2

	2007	2008	2009	2010
Germany				
Final domestic demand	1.0	0.9	-1.7	0.2
Stockbuilding	0.1	0.5	0.1	-0.1
Net exports	1.4	-0.5	-4.5	0.0
GDP	2.6	1.0	-6.1	0.2
Greece				
Final domestic demand	4.6	-0.7	-1.5	0.5
Stockbuilding	1.0	1.5	-0.3	-0.4
Net exports	-1.6	2.1	0.4	0.1
GDP	4.0	2.9	-1.3	0.3
Hungary				
Final domestic demand	-1.0	-0.7	-5.5	-2.1
Stockbuilding	0.1	1.1	-6.1	0.0
Net exports	2.2	0.2	3.2	-0.1
GDP	1.2	0.4	-6.1	-2.2
Iceland				
Final domestic demand	0.0	-9.9	-21.0	-0.8
Stockbuilding	-0.6	-0.4	1.0	0.1
Net exports	6.2	10.6	12.1	-0.1
GDP	5.5	0.3	-7.0	-0.8
Ireland				
Final domestic demand	4.1	-5.3	-10.6	-3.7
Stockbuilding	-0.8	0.1	0.4	0.3
Net exports	2.6	2.7	1.6	2.0
GDP	6.0	-2.3	-9.8	-1.5
Italy				
Final domestic demand	1.2	-1.0	-4.2	0.3
Stockbuilding	0.1	-0.3	-0.3	0.2
Net exports	0.2	0.2	-1.0	-0.1
GDP	1.5	-1.0	-5.5	0.4
Japan				
Final domestic demand	0.9	-0.7	-3.2	0.7
Stockbuilding	0.3	-0.2	0.0	-0.1
Net exports	1.1	0.2	-3.4	0.1
GDP	2.3	-0.7	-6.8	0.7
Korea				
Final domestic demand	4.7	0.6	-1.8	4.0
Stockbuilding	-0.2	0.7	-2.8	1.3
Net exports	0.5	0.9	2.3	-2.0
GDP	5.1	2.2	-2.2	3.5

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, 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 except Australia, Finland and Greece.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663745858151

Annex Table 57. **Contributions to changes in real GDP in OECD countries *(cont'd)***

	2007	2008	2009	2010
Luxembourg				
Final domestic demand	3.5	1.1	-1.6	-0.6
Stockbuilding	-0.6	0.1	0.1	0.0
Net exports	2.6	-2.1	-2.6	0.1
GDP	5.2	-0.9	-4.0	-0.4
Mexico				
Final domestic demand	4.4	2.3	-7.0	2.3
Stockbuilding	-0.5	0.2	-1.5	0.5
Net exports	-0.6	-1.0	0.4	-0.1
GDP	3.3	1.4	-8.0	2.8
Netherlands				
Final domestic demand	2.7	2.4	-2.8	-0.4
Stockbuilding	-0.2	0.5	-0.4	0.0
Net exports	1.0	-0.7	-1.4	0.0
GDP	3.5	2.1	-4.9	-0.4
New Zealand				
Final domestic demand	4.4	-0.5	-4.9	0.0
Stockbuilding	-0.8	-1.4	-1.6	0.0
Net exports	-1.5	-1.2	4.1	0.6
GDP	3.0	-1.6	-3.0	0.6
Norway				
Final domestic demand	4.7	2.1	-0.8	1.2
Stockbuilding	-0.7	0.7	0.1	0.0
Net exports	-0.9	-0.7	-0.6	-0.4
GDP	3.1	2.1	-1.0	0.8
Poland				
Final domestic demand	7.2	6.5	0.6	0.1
Stockbuilding	1.7	-0.8	-3.1	0.1
Net exports	-2.0	-0.7	1.5	0.3
GDP	6.8	4.9	-0.4	0.6
Portugal				
Final domestic demand	1.8	1.1	-5.8	-0.3
Stockbuilding	0.1	0.2	-0.8	0.1
Net exports	0.0	-1.3	2.1	-0.3
GDP	1.9	0.0	-4.5	-0.5
Slovak Republic				
Final domestic demand	5.9	5.7	-0.9	1.7
Stockbuilding	0.6	0.5	0.2	0.2
Net exports	3.8	-0.2	-1.1	0.1
GDP	10.4	6.4	-5.0	3.1
Spain				
Final domestic demand	4.6	0.1	-6.0	-1.2
Stockbuilding	-0.1	0.0	-0.1	0.0
Net exports	-0.8	1.0	1.7	0.3
GDP	3.7	1.2	-4.2	-0.9
Sweden				
Final domestic demand	2.9	0.5	-2.9	-0.6
Stockbuilding	0.7	-0.5	-1.6	0.3
Net exports	-1.1	-0.5	-1.2	0.5
GDP	2.7	-0.4	-5.5	0.2
Switzerland				
Final domestic demand	2.3	0.5	-4.3	0.4
Stockbuilding	-1.3	-0.3	6.0	-0.6
Net exports	2.3	1.4	-4.4	0.0
GDP	3.3	1.6	-2.7	-0.2
Turkey				
Final domestic demand	5.2	-0.6	-6.4	3.0
Stockbuilding	0.6	0.3	-2.9	0.1
Net exports	-1.3	1.4	3.4	-0.6
GDP	4.7	1.1	-5.9	2.6
United Kingdom				
Final domestic demand	3.5	1.0	-3.4	-0.7
Stockbuilding	0.2	-0.4	-1.7	0.1
Net exports	-0.7	0.2	0.8	0.5
GDP	3.0	0.7	-4.3	0.0
United States				
Final domestic demand	1.8	0.0	-3.2	0.7
Stockbuilding	-0.4	-0.3	-0.4	0.1
Net exports	0.6	1.3	1.0	0.0
GDP	2.0	1.1	-2.8	0.9
Euro area				
Final domestic demand	2.3	0.5	-2.9	-0.1
Stockbuilding	0.0	0.1	-0.2	0.0
Net exports	0.3	0.0	-1.7	0.0
GDP	2.6	0.5	-4.8	0.0
Total OECD				
Final domestic demand	2.5	0.5	-3.2	0.6
Stockbuilding	-0.1	-0.1	-0.7	0.1
Net exports	0.3	0.4	-0.2	0.0
GDP	2.7	0.8	-4.1	0.7

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, 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 except Mexico, Portugal and the euro area.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663745858151

Annex Table 58. **Household wealth and indebtedness**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Canada												
Net wealth	501.2	498.4	507.0	502.2	503.2	512.7	516.1	518.1	534.3	544.7	549.7	544.8
Net financial wealth	237.3	233.7	239.1	240.1	235.5	231.4	224.0	214.6	217.4	218.2	212.6	208.9
Non-financial assets	263.9	264.7	267.9	262.0	267.7	281.3	292.1	303.5	316.8	326.5	337.0	335.9
Financial assets	346.9	345.6	353.2	352.7	349.6	348.5	344.7	338.9	347.0	350.7	351.5	351.5
of which: Equities	74.1	79.5	81.1	84.3	84.2	83.6	81.0	79.4	84.5	91.3	92.0	96.7
Liabilities	109.6	112.0	114.1	112.6	114.1	117.1	120.6	124.3	129.6	132.5	138.9	142.6
of which: Mortgages	71.6	71.8	71.8	69.6	69.6	71.2	73.2	75.9	79.6	81.9	86.6	89.4
France												
Net wealth	487.3	494.9	545.8	552.5	552.2	571.4	621.2	682.1	748.2	792.4	803.0	749.2
Net financial wealth	180.5	185.5	211.8	205.7	188.4	183.1	189.6	194.9	200.5	210.4	211.3	184.8
Non-financial assets	306.8	309.4	334.1	346.8	363.9	388.2	431.6	487.2	547.7	582.0	591.7	564.3
Financial assets	248.0	258.1	287.2	282.5	266.4	258.8	269.3	278.6	291.5	306.9	311.4	284.9
of which: Equities	60.5	67.3	86.6	83.5	69.8	63.1	69.7	72.4	77.5	87.1	88.1	64.4
Liabilities	67.4	72.5	75.4	76.8	78.0	75.6	79.7	83.7	91.0	96.5	100.1	100.1
of which: Long-term loans	50.8	51.5	53.8	53.4	53.6	54.6	57.1	60.2	65.3	69.5	73.2	76.4
Germany												
Net wealth	515.8	530.5	542.6	540.8	535.9	539.1	553.9	568.4	580.8	605.7	..	..
Net financial wealth	135.2	143.8	153.9	151.4	150.7	145.8	158.1	167.4	179.9	189.5	198.4	185.4
Non-financial assets	380.6	386.7	388.7	389.3	385.2	393.2	395.8	401.0	400.8	416.2	..	..
Financial assets	240.2	253.2	268.0	265.9	262.4	257.9	269.0	277.0	287.1	294.5	300.5	284.0
of which: Equities	53.8	61.5	74.5	75.2	71.3	57.4	63.3	64.2	71.3	71.4	72.2	54.1
Liabilities	105.0	109.3	114.1	114.5	111.7	112.0	110.9	109.6	107.2	105.1	102.2	98.6
of which: Mortgages	65.2	67.1	71.0	71.7	71.2	72.3	72.2	71.8	70.9	71.0	69.3	67.0
Italy												
Net wealth	685.1	722.9	748.5	762.6	741.8	754.4	779.3	803.6	834.5	861.4	868.4	..
Net financial wealth	260.4	293.4	324.6	329.9	306.7	296.9	295.7	303.1	311.6	312.5	300.1	..
Non-financial assets	424.7	429.5	423.9	432.8	435.1	457.5	483.6	500.5	523.0	548.9	568.3	..
Financial assets	303.2	338.8	373.4	382.7	359.0	351.1	352.7	364.0	376.8	381.5	372.6	..
of which: Equities	48.6	63.0	94.0	98.0	82.0	75.1	70.8	74.3	84.3	86.5	77.2	..
Liabilities	42.9	45.5	48.8	52.8	52.3	54.2	57.0	60.9	65.3	69.0	72.5	..
of which: Medium and long-term loans	24.5	24.6	27.3	28.5	28.3	29.4	31.0	34.1	37.0	39.3	41.5	..
Japan												
Net wealth	732.6	726.9	750.1	747.7	744.0	722.4	731.0	722.3	740.4	745.4	727.8	..
Net financial wealth	289.4	296.5	327.4	335.7	341.7	340.8	361.2	369.5	397.2	401.4	383.3	..
Non-financial assets	443.2	430.4	422.7	411.9	402.3	381.5	369.8	352.8	343.2	344.0	344.5	..
Financial assets	421.5	429.1	460.9	470.3	477.6	474.5	494.9	500.9	529.1	531.9	511.0	..
of which: Equities	28.8	27.0	45.6	41.5	31.8	29.8	42.1	49.0	75.6	75.8	46.5	..
Liabilities	132.1	132.6	133.5	134.6	136.0	133.7	133.7	131.4	131.9	130.4	127.7	..
of which: Mortgages[1]	55.4	56.0	58.9	61.1	63.2	62.8	63.9	63.5	64.1	65.3	64.7	..
United Kingdom												
Net wealth	648.8	686.4	769.1	768.1	714.3	715.6	748.1	801.3	824.1	867.4	909.4	..
Net financial wealth	348.2	359.6	410.3	380.3	323.5	260.8	265.9	271.7	303.9	311.3	309.8	245.3
Non-financial assets	300.6	326.8	358.8	387.8	390.8	454.9	482.3	529.6	520.2	556.1	599.5	..
Financial assets	455.3	469.0	524.0	497.4	445.0	394.7	410.9	432.5	465.5	487.5	495.5	428.6
of which: Equities	96.5	97.1	121.4	113.6	85.9	61.4	67.3	71.7	75.9	77.2	72.7	51.0
Liabilities	107.1	109.4	113.7	117.1	121.4	134.0	145.0	160.8	161.6	176.2	185.7	183.3
of which: Mortgages	78.2	79.4	82.7	85.4	88.5	97.1	106.8	119.6	120.7	130.2	139.8	137.8
United States												
Net wealth	555.8	580.7	629.0	584.0	557.4	517.2	568.0	597.1	640.0	645.2	615.4	485.8
Net financial wealth	349.0	371.0	411.9	358.4	320.5	271.3	308.8	321.2	338.3	351.8	348.9	253.0
Non-financial assets	206.9	209.7	217.2	225.6	236.9	245.9	259.2	275.9	301.7	293.4	266.5	232.8
Financial assets	445.2	468.2	513.3	461.3	427.8	384.1	429.5	448.2	472.7	491.2	490.0	386.9
of which: Equities	135.1	154.2	189.2	150.8	126.1	94.2	118.7	125.7	130.6	141.1	138.1	84.0
Liabilities	96.2	97.2	101.5	102.8	107.3	112.8	120.8	127.1	134.4	139.4	141.0	133.9
of which: Mortgages	64.3	65.1	67.9	68.8	73.2	79.3	86.3	92.4	100.0	104.4	105.7	100.7

Note: Assets and liabilities are amounts outstanding at the end of the period, in per cent of nominal disposable income.

Households include non-profit institutions serving households, except for Italy. 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 a more detailed description of the variable, see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Fiscal year data.

Sources: Canada: Statistics Canada; France: INSEE; Germany: Deutsche Bundesbank, Federal Statistical Office (Destatis); Italy: Banca d'Italia; Japan: Economic Planning 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

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal																	
United States	2.6	2.1	2.3	2.9	3.7	3.5	5.1	4.8	6.6	7.7	6.4	6.3	9.5	11.5	7.5	2.2	-2.5
Japan	-3.9	-4.3	-2.4	-1.6	-1.9	-1.4	-1.6	-3.2	-3.7	-4.1	-4.6	-5.4	-6.1	-4.8	-3.0	-1.0	-1.6
Germany				1.0	-0.9	-1.8	-1.9	1.9	0.0	0.0	-2.8	-1.0	-1.9	-2.0	0.0	1.0	0.0
France					-0.6	0.1	1.9	7.1	8.8	7.9	8.3	11.7	15.2	15.3	12.1	6.6	1.2
Italy		0.2	-2.9	0.8	-3.3	-4.6	2.1	5.6	8.3	8.2	9.6	10.3	9.9	7.5	6.4	5.2	..
United Kingdom	-4.0	-1.7	2.6	0.7	3.7	8.8	11.5	10.9	14.9	8.1	16.1	15.7	11.9	5.5	6.3	10.9	-0.9
Canada	1.1	1.9	3.3	-4.5	0.2	2.5	-1.5	3.8	3.7	4.7	9.9	9.0	9.9	9.9	11.3	10.8	-1.1
Australia	1.6	2.6	3.6	1.2	0.8	4.0	7.4	7.2	8.3	11.2	18.8	18.2	6.5	1.5	7.8	11.3	4.5
Denmark	-1.6	-1.0	12.2	7.6	10.7	11.5	9.0	6.7	6.5	5.8	3.6	3.2	8.9	17.6	21.6	4.6	-4.6
Spain	-0.7	-0.3	1.5	3.5	2.6	4.2	4.9	7.0	7.5	9.5	16.9	20.0	18.3	14.6	10.0	5.5	0.2
Finland										-0.9	10.5	5.9	6.1	5.9	9.8	7.2	1.4
Ireland	1.9	2.0	4.8	6.3	15.0	20.0	31.0	21.7	16.5	8.2	10.7	15.9	11.6	11.8	13.5	1.0	-8.8
Korea	-6.5	-3.5	-1.6	-0.1	0.7	3.0	-9.2	-1.3	1.8	4.0	16.6	9.1	1.1	0.8	6.1	9.1	4.0
Netherlands	8.4	8.2	12.3	6.9	10.8	12.0	10.9	16.3	18.2	11.1	6.5	3.6	4.3	3.8	4.6	4.2	2.9
Norway		1.0	13.2	7.2	9.3	11.8	11.1	11.2	15.7	7.0	4.9	1.7	10.1	8.2	13.3	12.2	-1.6
New Zealand	0.7	4.1	13.7	9.3	10.3	6.1	-1.7	2.1	-0.4	1.8	9.5	19.4	17.8	14.5	10.5	10.9	-4.4
Sweden	-9.4	-11.0	4.6	0.3	0.8	6.6	9.5	9.4	11.2	7.9	6.3	6.6	9.3	9.0	12.2	10.4	3.3
Switzerland	-4.4	-5.2	-0.1	-3.9	-5.3	-3.5	-0.9	-0.1	0.9	1.9	4.6	3.0	2.4	1.1	2.5	2.1	2.6
Real																	
United States	-0.5	-0.9	-0.3	0.1	0.7	1.2	3.5	2.6	3.1	4.7	4.8	3.9	6.7	7.8	4.2	-0.6	-6.1
Japan	-5.5	-5.5	-3.0	-1.5	-1.9	-3.0	-2.3	-2.8	-3.2	-3.4	-3.8	-5.2	-6.1	-4.3	-3.3	-1.1	-2.9
Germany				-0.7	-2.1	-3.3	-2.4	1.2	-1.4	-1.9	-4.1	-2.0	-3.6	-3.8	-1.8	-1.2	-2.7
France					-2.6	-1.2	1.3	6.5	6.8	6.0	6.2	9.4	12.6	13.1	10.0	4.9	-1.8
Italy		-4.1	-6.8	-4.4	-7.0	-6.4	0.1	3.8	5.5	5.7	6.8	7.3	7.5	5.2	4.1	3.1	..
United Kingdom	-7.9	-4.2	0.7	-2.0	1.1	6.9	9.7	9.4	14.1	6.8	14.7	14.2	10.4	3.4	3.8	8.4	-4.3
Canada	-0.4	0.1	3.1	-6.5	-1.4	0.9	-2.5	2.1	1.0	2.1	7.5	6.1	7.9	7.6	9.1	8.5	-3.4
Australia	0.6	0.8	1.7	-3.3	-1.8	3.7	6.4	5.7	3.7	6.5	15.3	15.0	4.1	-1.1	4.1	8.8	0.2
Denmark	-3.5	-1.9	10.3	5.4	8.4	9.4	7.6	4.6	3.7	3.5	1.2	1.2	8.0	15.6	19.4	2.9	-7.9
Spain	-6.2	-4.9	-2.9	-1.0	-0.9	2.3	3.1	4.7	3.9	6.5	12.9	16.4	14.8	10.8	6.3	2.6	-3.7
Finland										-3.5	8.3	4.5	5.9	5.1	8.4	5.6	-2.4
Ireland	-1.2	0.6	2.3	3.6	12.6	18.5	28.2	18.8	10.7	4.1	5.6	11.4	9.1	9.4	10.5	-1.8	-11.6
Korea	-12.0	-7.9	-7.4	-4.4	-4.0	-1.4	-15.6	-2.1	-0.4	-0.1	13.6	5.3	-2.4	-1.9	3.8	6.4	-0.6
Netherlands	5.4	6.5	10.0	5.5	9.2	9.9	9.0	14.0	15.5	5.7	2.5	1.3	2.8	2.3	2.9	2.6	0.7
Norway		-1.3	11.7	4.6	7.9	9.0	8.7	8.6	12.3	3.9	3.6	-0.7	9.6	6.6	10.7	11.4	-5.2
New Zealand	-0.3	2.8	11.7	5.4	7.8	4.9	-3.0	2.3	-2.9	-0.8	6.6	17.3	15.2	11.1	6.9	8.3	-8.0
Sweden	-10.6	-15.1	1.6	-2.3	0.0	4.7	8.4	8.8	9.8	5.1	4.3	4.2	8.2	8.1	10.6	8.6	0.0
Switzerland	-8.1	-8.2	-0.9	-5.6	-6.1	-4.0	-0.9	-0.9	-0.6	0.9	4.0	2.3	1.5	-0.1	1.4	1.3	0.2

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

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Annex Table 60. **House price ratios**

Long-term average = 100

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Price-to-rent ratio																	
United States	90.8	90.0	89.3	89.1	89.5	89.9	91.4	93.2	96.1	99.8	102.3	106.3	113.3	123.2	128.0	126.2	120.0
Japan	127.9	119.2	113.9	109.9	106.3	103.3	101.0	97.9	94.0	89.9	85.9	81.3	76.5	72.8	70.6	70.1	68.9
Germany				93.8	90.1	86.4	83.8	84.6	83.6	82.7	79.4	77.8	75.7	73.5	72.6	72.4	71.4
France					80.7	79.6	79.5	83.7	91.1	97.9	103.4	112.5	126.0	140.2	151.9	157.0	155.6
Italy					91.0	81.4	79.0	80.7	85.3	90.2	96.7	103.7	110.9	116.7	121.2	124.6	124.8
United Kingdom	85.2	82.0	80.4	78.0	78.3	83.7	92.2	100.0	113.4	120.0	135.8	154.2	166.4	165.2	160.7	169.8	155.3
Canada	98.4	102.4	108.0	100.7	101.1	105.9	105.2	108.4	109.3	111.7	122.7	132.4	144.6	157.5	172.4	184.7	175.3
Australia	89.1	91.0	93.6	93.2	91.1	92.1	95.9	100.2	105.3	113.5	131.6	152.6	158.7	157.5	164.4	173.5	168.3
Denmark	70.7	67.9	74.2	78.1	85.3	92.7	99.1	103.0	106.9	110.2	111.2	111.8	118.4	135.9	161.9	165.9	154.5
Spain	124.3	113.5	109.1	107.1	102.2	100.4	100.3	103.7	107.4	112.8	126.4	145.4	165.3	181.6	191.5	193.6	186.2
Finland										110.4	122.6	130.6	137.3	141.4	148.7	150.3	146.2
Ireland	60.2	65.0	72.3	72.9	84.0	96.2	122.5	170.0	180.6	167.7	186.9	224.0	243.0	253.6	244.5	197.0	162.5
Korea	114.0	104.0	98.0	93.8	91.0	90.8	80.6	82.5	84.2	84.2	93.4	98.4	97.2	97.8	102.9	110.0	111.3
Netherlands	71.5	73.4	78.5	79.9	85.0	91.8	98.3	110.9	127.5	137.7	142.4	143.1	144.8	146.6	149.7	152.6	154.2
Norway		66.0	73.8	77.3	83.1	90.6	98.3	105.9	117.7	121.0	121.5	119.1	128.3	135.7	150.4	164.6	157.1
New Zealand	86.3	86.6	92.1	94.5	99.4	102.3	98.2	101.0	98.6	101.1	107.3	121.6	134.6	146.1	153.6	162.0	147.8
Sweden	79.4	66.9	68.8	67.4	67.3	73.0	82.1	91.1	100.9	106.5	110.6	116.9	128.3	139.9	154.5	162.1	158.4
Switzerland	106.8	96.3	95.6	91.0	85.0	81.6	80.9	80.2	79.7	79.1	81.9	84.1	85.0	84.8	85.2	85.0	85.2
Price-to-income ratio																	
United States	90.0	90.0	88.9	88.2	88.0	87.5	87.2	88.3	88.6	92.6	95.2	98.1	101.7	109.4	111.3	108.5	101.8
Japan	109.8	103.6	99.3	97.6	96.7	93.9	92.3	90.4	88.7	88.1	84.2	81.0	75.5	71.3	68.4	67.8	66.6
Germany				92.2	89.8	86.9	83.8	83.3	81.1	78.2	75.6	73.3	70.9	68.1	66.8	66.4	64.8
France					83.7	82.1	81.1	85.0	87.9	90.6	94.2	103.0	114.0	127.6	137.0	138.9	135.6
Italy	104.6	103.1	95.8	91.0	83.2	77.8	79.0	81.2	84.9	87.1	91.9	98.6	104.8	109.5	112.9	114.9	112.4
United Kingdom	88.5	81.7	81.2	77.4	75.4	77.1	82.4	88.3	96.7	98.6	110.9	122.3	134.5	134.7	138.5	150.7	142.7
Canada	103.3	104.0	107.1	99.8	99.4	99.5	94.9	94.7	92.4	93.5	100.1	105.9	111.4	118.3	124.1	131.1	123.3
Australia	97.8	97.4	96.0	92.3	89.1	91.3	96.3	98.6	101.5	106.7	125.8	143.0	142.7	137.2	137.6	143.3	140.3
Denmark	73.1	72.6	78.9	78.5	84.9	93.1	97.6	105.6	109.3	109.5	110.2	110.3	115.4	131.1	152.0	155.5	143.5
Spain	111.7	105.2	104.1	96.3	94.0	94.3	94.8	97.0	98.3	102.1	114.2	130.8	144.7	153.8	158.2	157.9	148.4
Finland										91.8	96.8	97.4	98.5	102.6	108.5	110.0	105.2
Ireland	75.2	71.4	73.0	70.7	75.1	82.8	97.8	113.4	119.8	115.4	128.2	142.0	146.9	156.9	167.8	158.4	132.7
Korea	127.6	112.3	95.3	86.4	77.4	74.9	66.4	62.6	61.3	61.0	67.2	68.1	64.2	62.2	63.8	66.8	66.6
Netherlands	73.6	80.4	86.3	88.6	94.0	99.3	105.0	118.0	132.4	134.5	140.8	146.7	150.6	153.9	155.8	154.0	152.2
Norway		69.0	76.5	78.3	81.8	86.6	89.3	95.6	104.2	109.7	105.7	100.6	106.6	106.6	127.2	134.3	124.1
New Zealand	81.1	83.2	92.4	94.2	98.7	101.1	96.0	91.6	93.0	89.2	98.0	110.6	124.1	138.4	147.2	154.1	142.3
Sweden	82.6	71.7	73.9	72.5	73.1	77.2	82.5	86.9	91.6	91.4	92.5	96.0	103.0	109.7	118.2	124.6	121.3
Switzerland	102.8	96.3	95.7	89.7	85.3	80.9	78.3	76.2	74.0	73.4	77.7	80.9	80.7	79.4	77.6	76.2	75.7

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Canada	-4.6	-3.9	-2.0	0.7	0.8	0.9	1.9	1.1	0.8	0.3	0.8	0.1	0.7	1.0	0.2
France	-4.6	-4.5	-3.6	-3.1	-2.8	-2.4	-2.1	-2.1	-3.1	-3.6	-2.6	-2.6	-2.1	-2.3	-2.9
Germany[1]	-1.1	-7.9	-1.9	-1.6	-1.8	-1.5	1.4	-1.3	-1.7	-1.8	-2.4	-2.1	-1.5	-1.1	-0.6
Italy	-8.9	-7.5	-6.8	-2.6	-2.5	-1.5	-1.2	-3.1	-3.1	-3.0	-3.0	-4.0	-2.6	-2.3	-2.6
Japan[2]	..	..	-4.1	-3.5	-10.6	-7.3	-6.4	-5.9	-6.7	-6.7	-5.2	-6.2	-1.0	-2.6	-2.9
United Kingdom[3]	-6.6	-5.5	-4.1	-2.0	0.2	1.1	3.9	0.9	-1.8	-3.4	-3.1	-3.0	-2.6	-2.6	-5.2
United States	-3.1	-2.7	-1.9	-0.6	0.5	1.1	1.9	0.4	-2.6	-3.8	-3.6	-2.8	-1.9	-2.1	-4.6
less social security	-4.0	-3.5	-2.8	-1.6	-0.7	-0.4	0.4	-1.2	-4.2	-5.2	-4.9	-4.1	-3.3	-3.5	-5.8
Total of above countries	-3.8	-4.2	-2.8	-1.5	-1.8	-0.9	0.3	-1.1	-3.0	-3.7	-3.4	-3.2	-1.7	-2.0	-3.5

Note: Central government financial balances include one-off revenues from the sale of mobile telephone licenses.

1. In 1995, this includes the central government's assumption of the debt of the Inherited Debt Fund.
2. Data for central government financial balances are only available for fiscal years beginning April 1 of the year shown. The 1998 deficit includes the central government's assumption of the debt of the Japan Railway Settlement Corporation and the National Forest Special Account which represent some 5.3 percentage points of GDP. Estimation for 2008.
3. The data for 2000 and onwards reflect Eurostat's decision concerning the recording of one-off revenues from the sale of the mobile telephone licenses.

Source: OECD Economic Outlook 85 database.

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Annex Table 62. **Maastricht definition of general government gross public debt**

As a percentage of nominal GDP

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Austria	68.4	64.4	64.9	67.2	66.5	67.1	66.6	65.6	64.9	63.8	62.0	59.5	62.6	70.0	76.0
Belgium[1]	127.2	122.3	117.1	113.7	107.8	106.5	103.6	98.7	94.5	92.1	87.7	84.0	89.8	96.7	102.9
Czech Republic	12.5	13.1	15.0	16.4	18.5	25.1	28.5	30.1	30.4	29.8	29.5	28.8	29.9	31.5	34.2
Denmark	69.2	65.2	60.8	57.4	51.5	48.7	48.3	45.8	43.8	37.1	31.3	26.8	33.3	39.7	44.5
Finland	56.8	53.8	48.2	45.5	43.8	42.4	41.4	44.4	44.2	41.4	39.2	35.1	33.4	40.7	45.0
France	58.0	59.3	59.4	58.8	57.3	56.9	58.8	62.9	65.0	66.4	63.6	63.8	68.1	78.4	86.1
Germany	58.4	59.6	60.4	61.0	59.7	58.7	60.2	63.7	65.9	68.0	67.6	65.0	66.0	75.2	81.1
Greece	99.4	96.6	94.5	94.0	103.4	103.7	101.5	97.8	98.6	98.8	95.9	94.8	97.6	103.4	108.3
Hungary	73.7	64.0	62.0	61.1	54.3	52.2	55.8	58.1	59.4	61.8	65.6	65.7	72.6	78.8	83.1
Ireland	73.6	64.3	53.6	48.5	37.8	35.5	32.2	31.1	29.4	27.5	24.9	24.9	43.2	60.0	75.9
Italy	120.9	118.0	115.0	113.9	109.1	108.8	105.7	104.3	103.9	105.8	106.4	103.5	105.8	114.2	118.6
Luxembourg	7.5	7.4	7.1	6.4	6.2	6.3	6.3	6.1	6.3	6.1	6.7	6.9	14.7	16.3	23.0
Netherlands	74.1	68.2	65.7	61.1	53.8	50.7	50.5	52.0	52.4	51.8	47.4	45.6	58.2	63.2	70.3
Poland	43.4	42.9	38.9	39.6	36.8	37.6	42.2	47.1	45.7	47.1	47.7	44.8	47.1	53.1	59.8
Portugal	59.9	56.1	52.1	51.4	50.5	52.9	55.6	56.9	58.3	63.6	64.7	63.6	66.4	74.9	81.3
Slovak Republic	31.1	33.8	34.5	47.8	50.3	48.9	43.4	42.4	41.4	34.2	30.4	29.4	27.6	32.2	38.5
Spain	67.4	66.1	64.1	62.3	59.3	55.5	52.5	48.7	46.2	43.0	39.6	36.2	39.5	51.2	60.9
Sweden	73.0	71.0	69.1	64.8	53.6	54.4	52.6	52.3	51.2	51.0	45.9	40.5	38.0	43.6	47.7
United Kingdom	51.3	49.8	46.7	43.7	41.0	37.7	37.5	38.7	40.6	42.3	43.4	44.2	52.0	70.3	84.2
Euro area	75.4	73.6	72.9	72.1	69.4	68.4	68.2	69.3	69.9	70.4	68.6	66.4	69.9	79.2	86.0

Note: For the period before 2009, gross debt figures are provided by Eurostat, the Statistical Office of the European Communities, unless more recent data are available, while GDP figures are provided by National Authorities.This explains why these ratios can differ significantly from the ones published by Eurostat. The 2009 to 2010 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 debt of the Belgium National Railways Company (SNCB) from 2005 onwards.

Source: OECD Economic Outlook 85 database.

StatLink http://dx.doi.org/10.1787/663883647156

Annex Table 63. **Monetary and credit aggregates: recent trends**

Annualised percentage change, seasonally adjusted

		Annual change (to 4th quarter) 2004	2005	2006	2007	2008	Latest twelve months	
Canada	M2	5.9	5.6	8.9	6.5	12.4	14.6	(Apr 2009)
	BL[1]	8.2	8.5	7.7	9.9	7.3	5.9	(Apr 2009)
Japan	M2	2.0	1.9	0.6	2.0	1.9	2.8	(Apr 2009)
	BL[1]	1.4	1.0	-0.2	-0.9	3.4	5.2	(Apr 2009)
United Kingdom	M2	9.1	9.0	8.1	7.6	5.1	2.8	(Apr 2009)
	M4	10.3	11.7	13.1	13.3	17.0	13.3	(Apr 2009)
	BL[1]	10.5	8.8	12.6	12.5	14.3	14.8	(Apr 2009)
United States	M2	5.4	4.0	5.2	5.8	8.3	8.5	(Apr 2009)
	BL[1]	10.3	11.8	11.9	11.1	7.4	2.6	(May 2009)
Euro area	M2	6.3	8.9	8.8	11.4	9.8	5.9	(Apr 2009)
	M3	6.0	8.3	9.0	12.3	9.2	4.9	(Apr 2009)
	BL[1]	5.8	9.0	7.7	11.0	8.8	7.3	(Apr 2009)

1. Commercial bank lending.

Source: OECD Main Economic Indicators; US Federal Reserve Board; Bank of Japan; European Central Bank; Bank of England; Statistics Canada.

StatLink http://dx.doi.org/10.1787/663887767376

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