

What is the economic outlook for OECD countries?

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10h Paris time

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The outlook

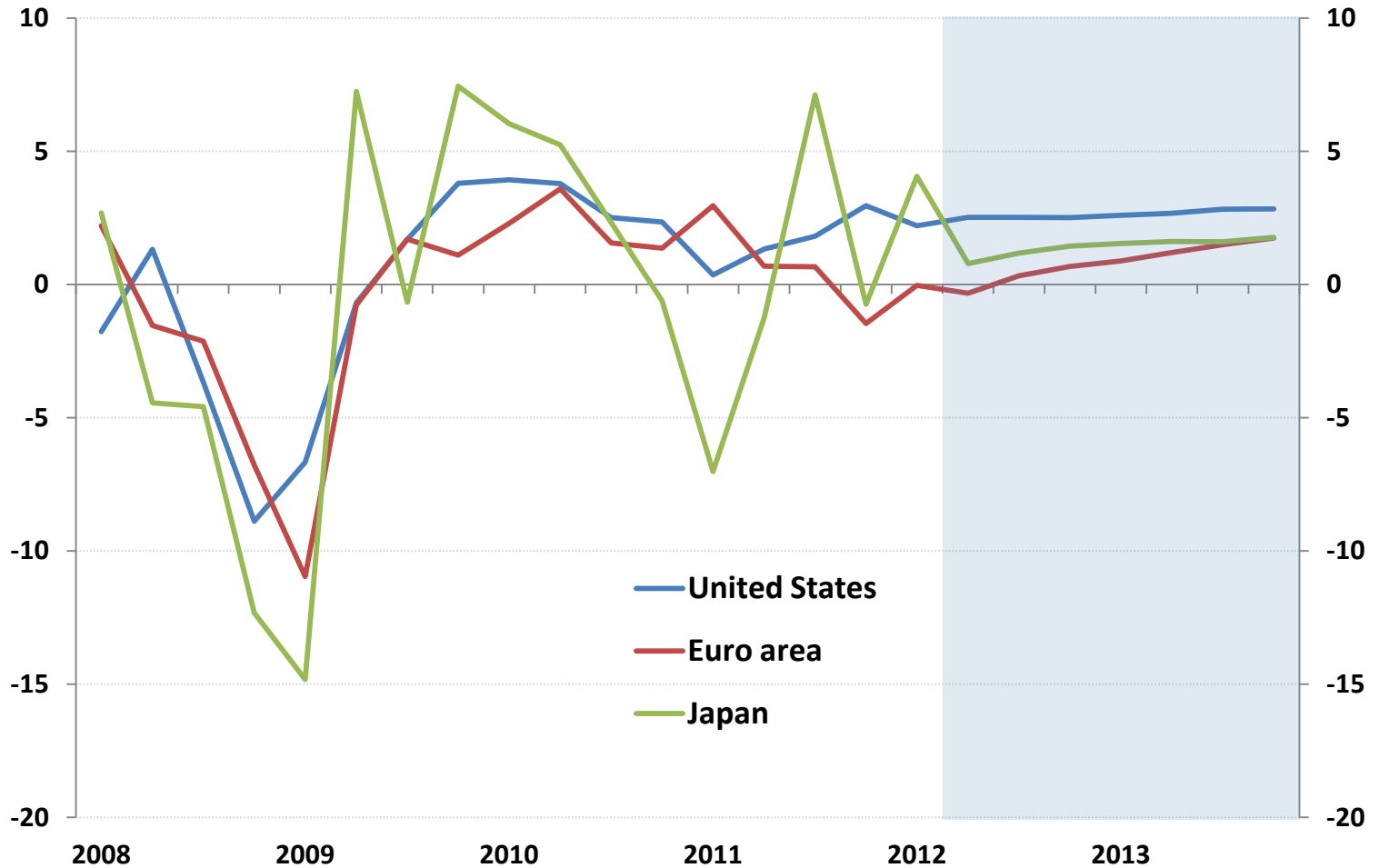
Real GDP growth, in per cent

	2010	2011	2012	2013
United States	3.0	1.7	2.4	2.6
Euro area	1.9	1.5	-0.1	0.9
Japan	4.5	-0.7	2.0	1.5
Total OECD	3.2	1.8	1.6	2.2
Brazil	7.6	2.7	3.2	4.2
China	10.4	9.2	8.2	9.3
India	10.6	7.3	7.1	7.7
Indonesia	6.2	6.5	5.8	6.0
Russian Federation	4.3	4.3	4.5	4.1
South Africa	2.9	3.1	3.3	4.2

Source: OECD Economic Outlook 91 database.

Growth outlook different across regions

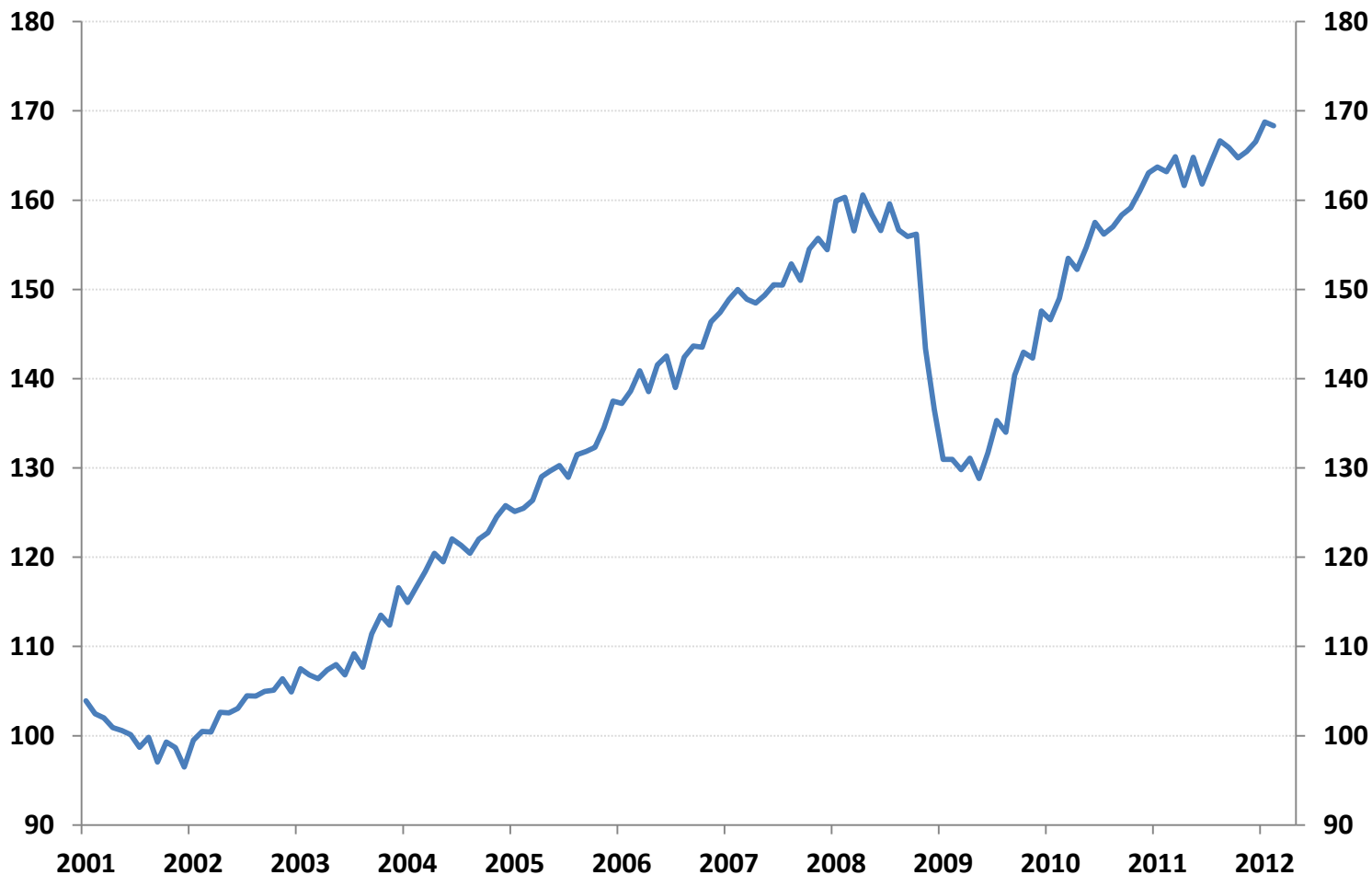
Annualised quarterly real GDP growth, in per cent



Source: OECD Economic Outlook 91 database.

Moderate pickup in world trade

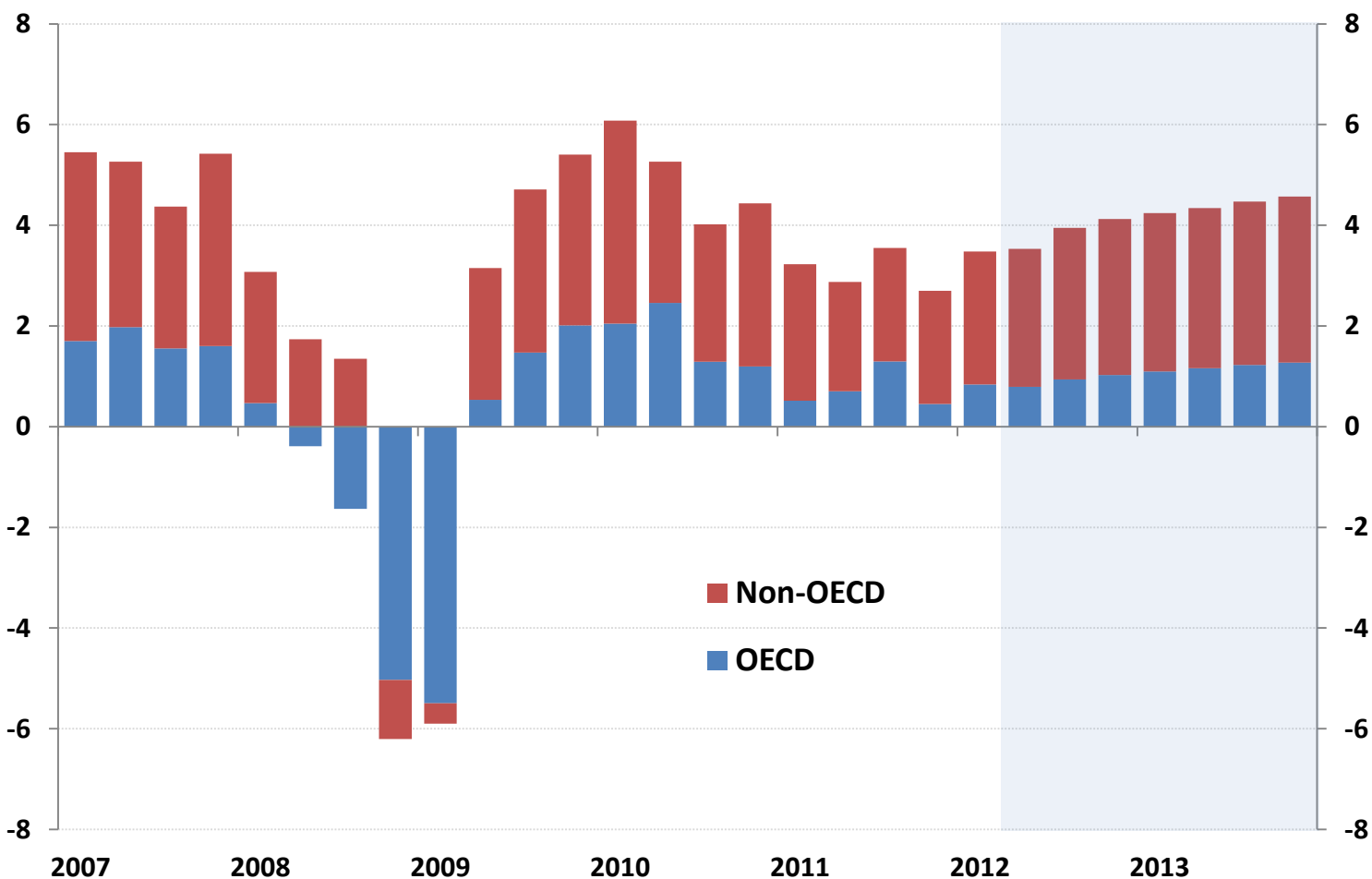
CPB indicator of world merchandise trade, 2001 = 100



Source: CPB.

World growth sustained by emerging economies

Contribution to annualised quarterly world real GDP growth, percentage points

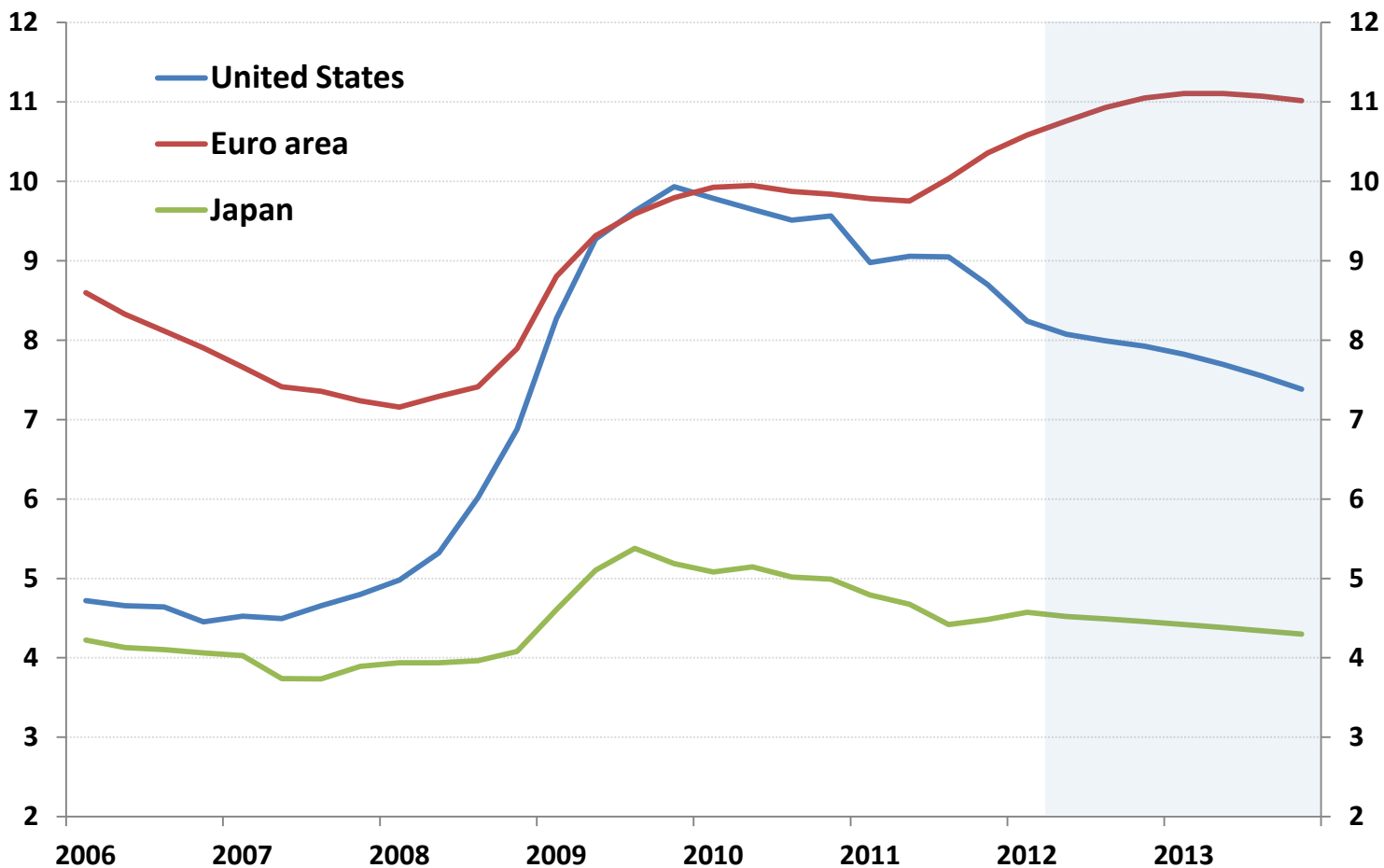


Note: Calculated using moving nominal GDP weights, based on national GDP at purchasing power parities.

Source: OECD Economic Outlook 91 database.

Unemployment rates are diverging

Unemployment rate, percentage of labour force



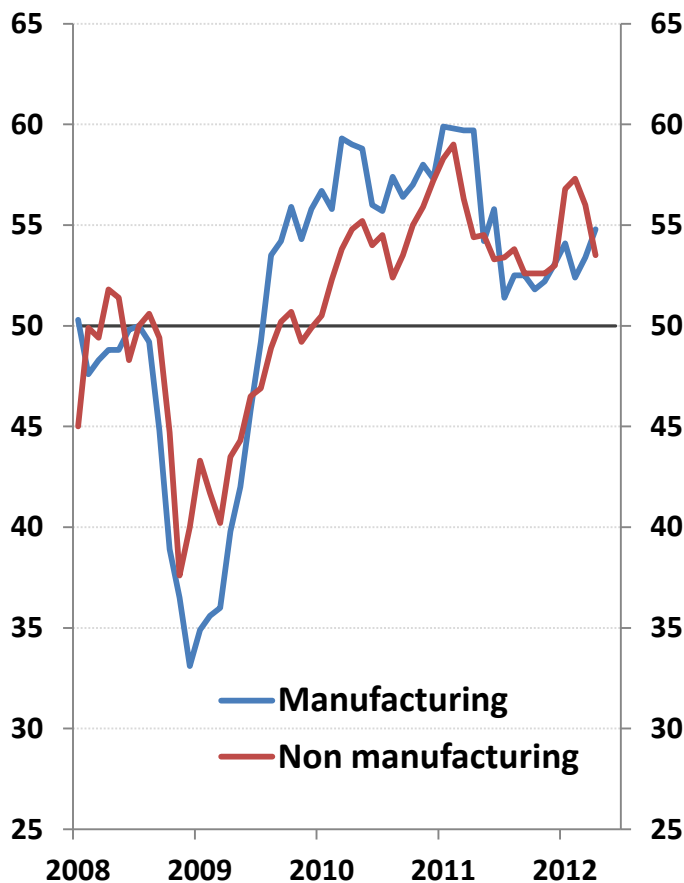
Source: OECD Economic Outlook 91 database.

Business confidence weak in euro area

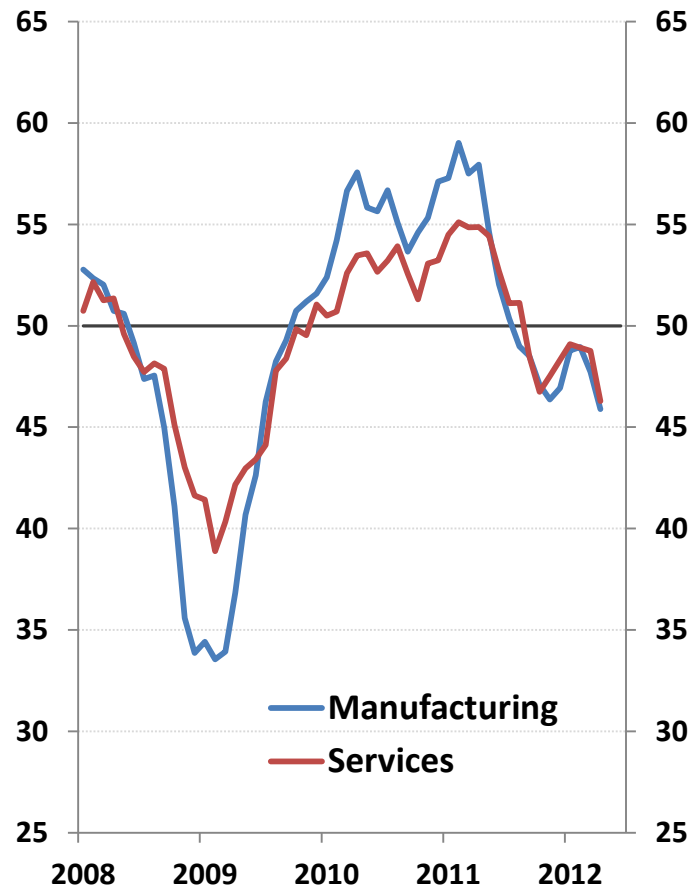
Purchasing Managers Index (PMI) for manufacturing and services

Business confidence

United States



Euro area



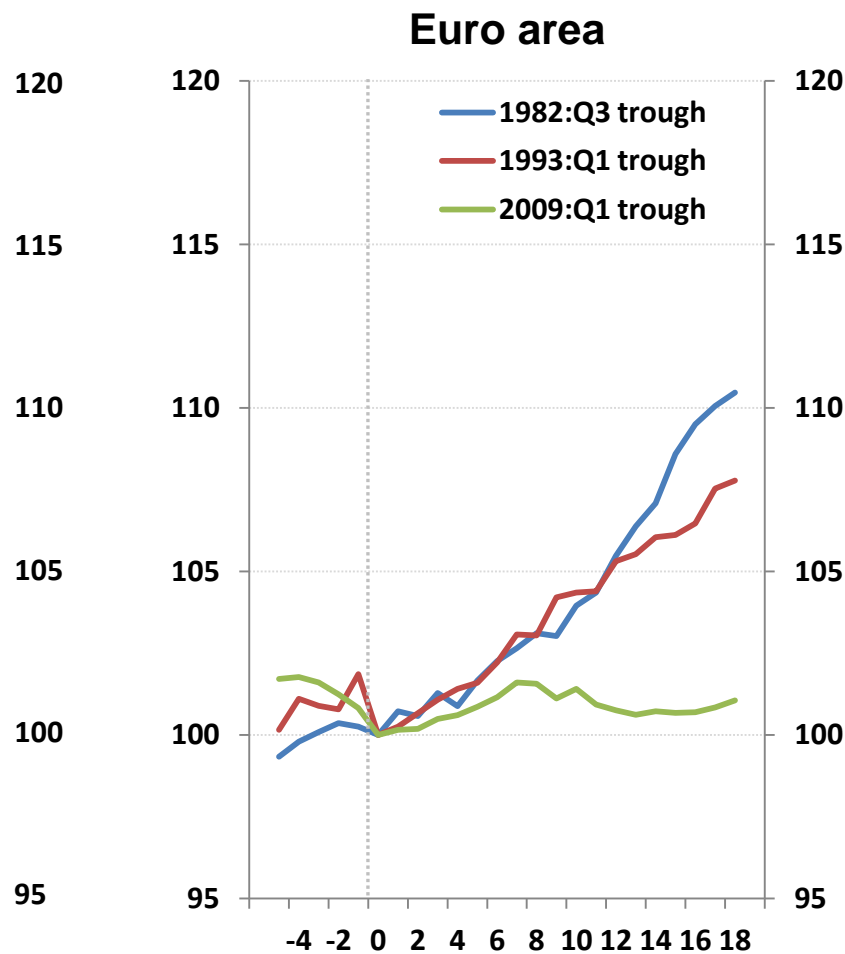
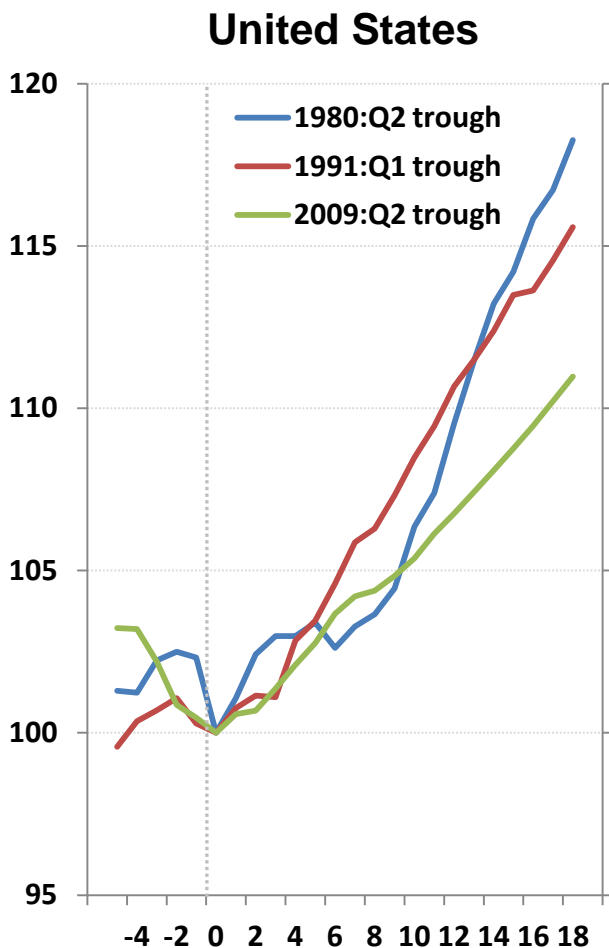
Note: Values greater than 50 signify an improvement in economic activity.

Source: Markit Economics Limited.

Consumption has stagnated in euro area

Private consumption volumes, index 100 at cycle troughs

Private consumption

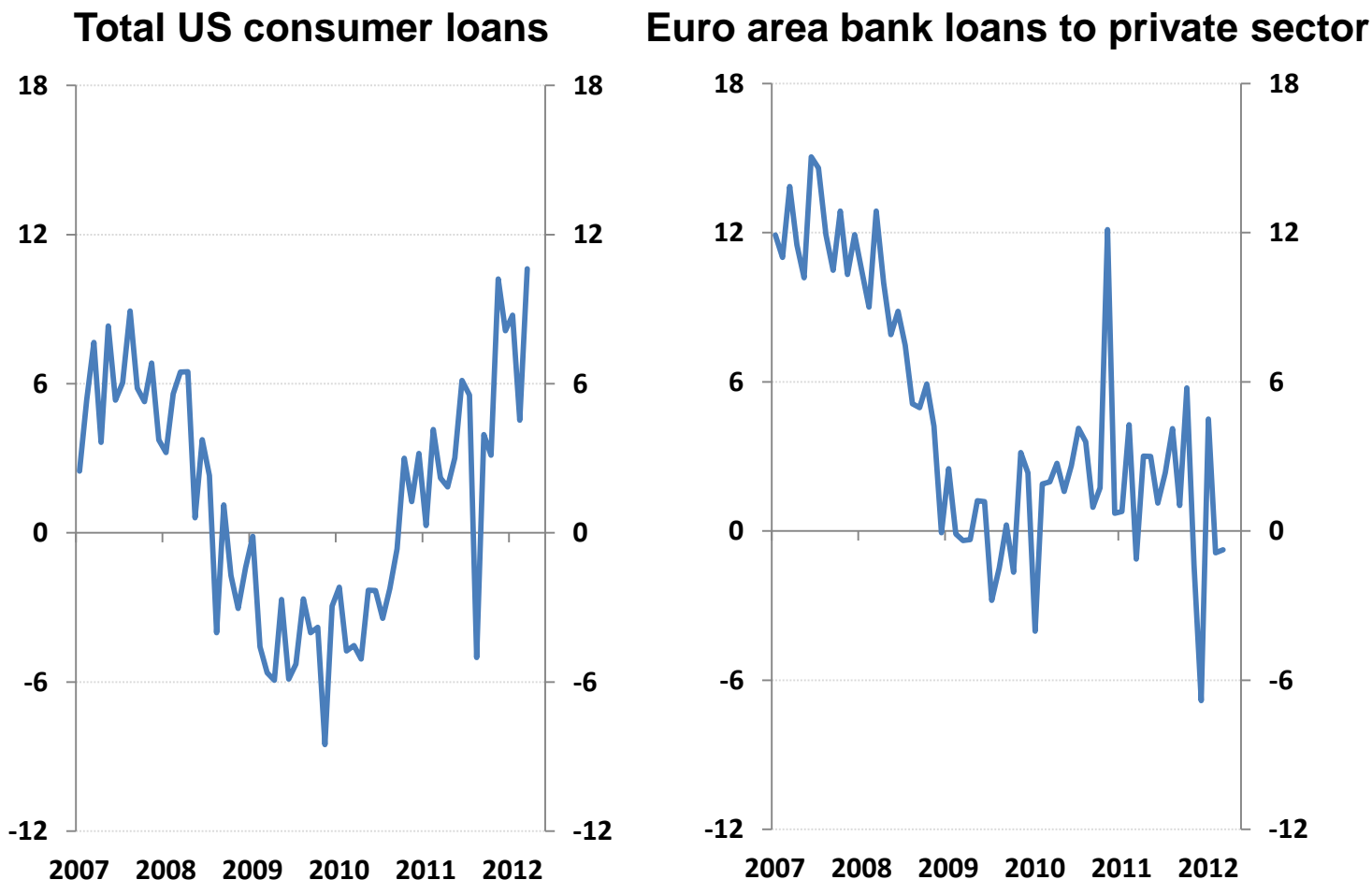


Note: Private consumption volumes are indexed to 100 in the quarter in which they reached the lowest level during the last three recessions. Zero on the horizontal axis corresponds to the quarter of these troughs.

Source: OECD Economic Outlook 91 database.

Lending to consumers is growing robustly in the United States

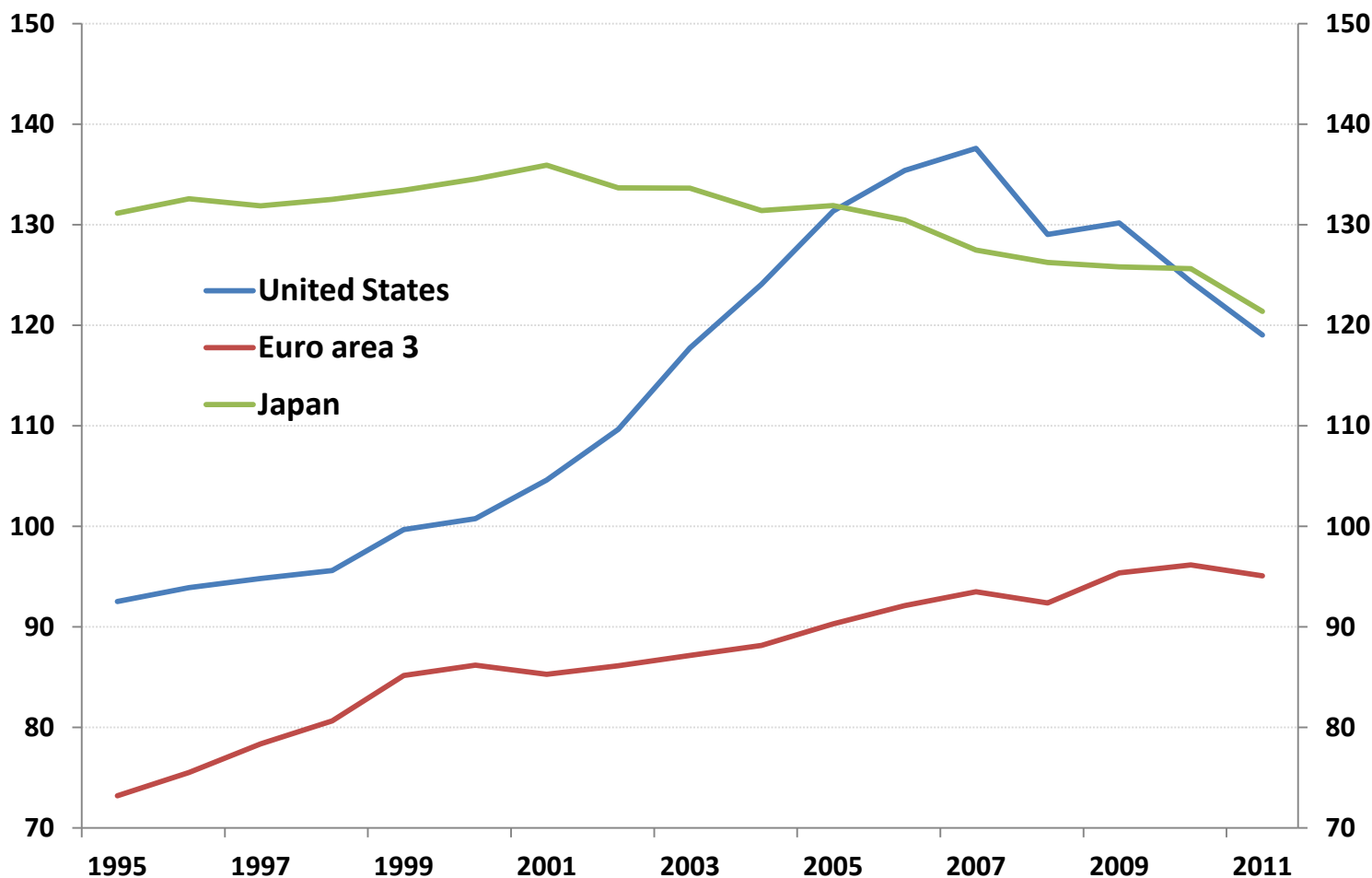
Annualised monthly percentage change



Note: Annualised monthly rate of change of seasonally adjusted stocks, in per cent. Euro area data are adjusted for the impact of securitisation. Last observation: March 2012 *Source:* Datastream and ECB.

Deleveraging has barely begun in the euro area

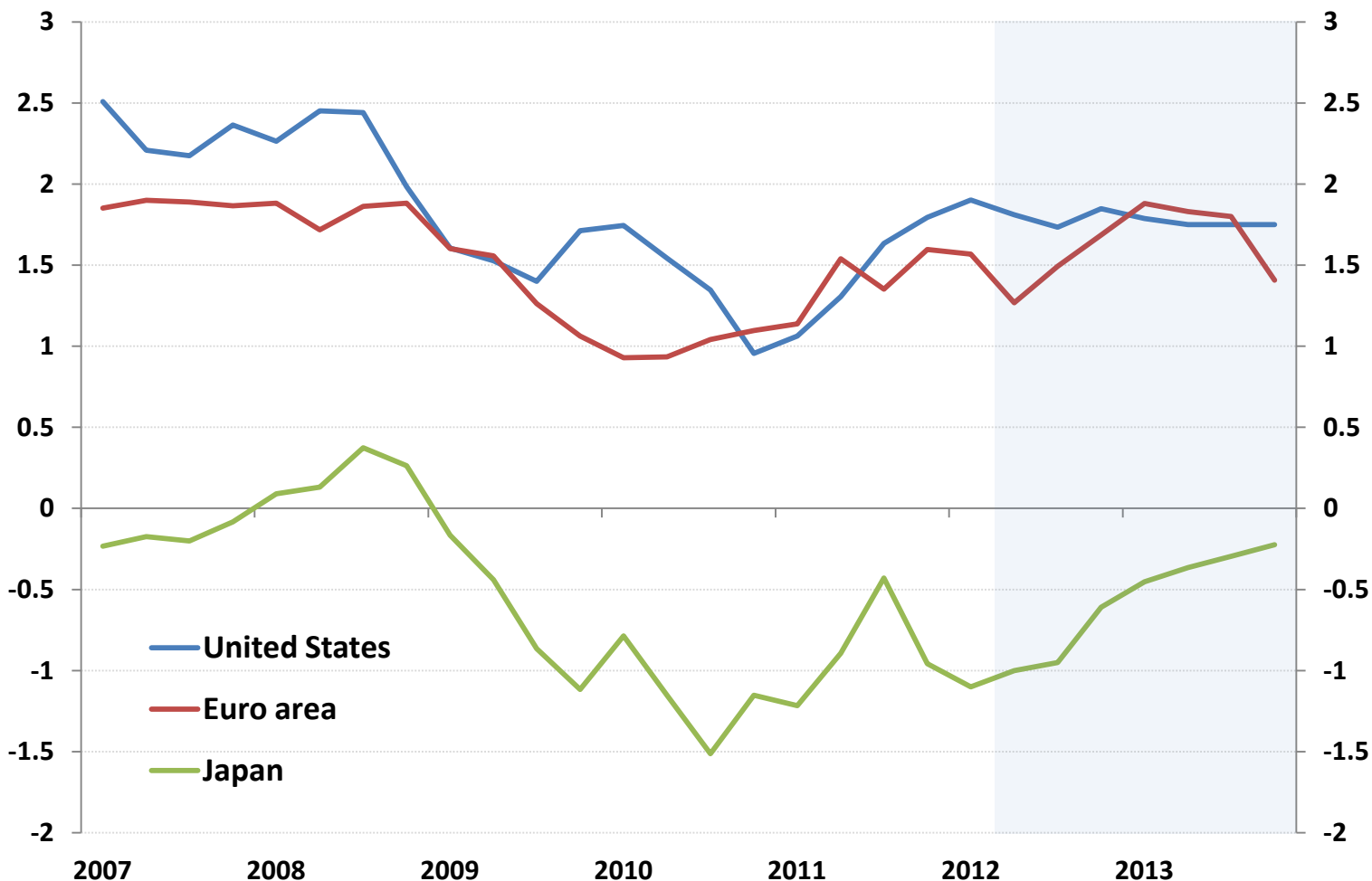
Household gross debt, percentage of net disposable income



Note: Data for USA and Japan are not consolidated. For 2011 Q3 data are growth rates (2010 end of year to 2011 Q3) of balance sheets published by US Federal Reserve, Bank of Japan, and ECB. Euro area 3 is Germany, France and Italy. Source: OECD Annual National Accounts.

Underlying inflation to remain moderate

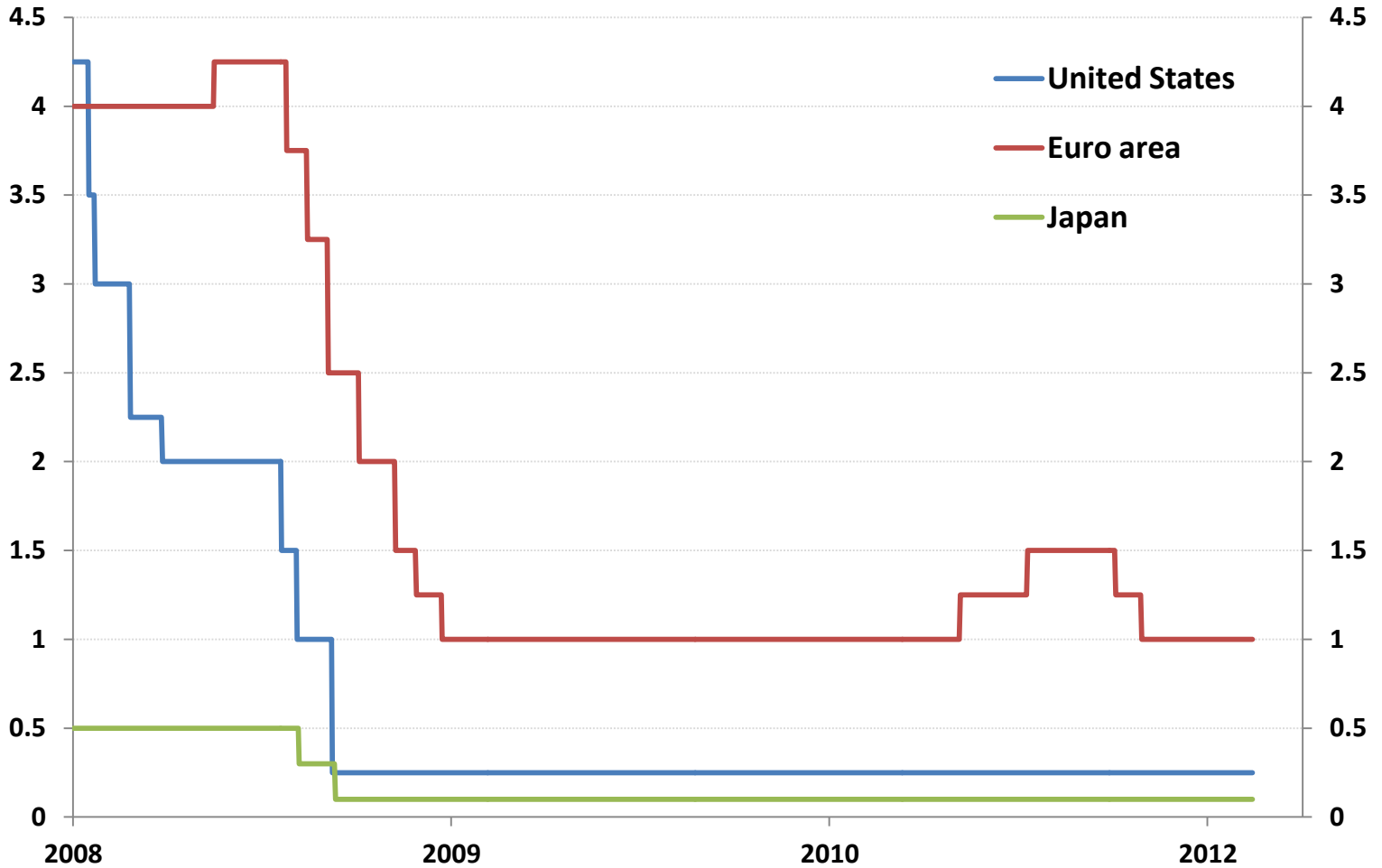
Core inflation, 4-quarter percentage change



Note: United States - deflator of personal consumption expenditures (PCE) excluding food and energy; Euro area - harmonised index of consumer prices (HICP) excluding food, energy, tobacco and alcohol; Japan - consumer price index (CPI) excluding food and energy. Source: OECD Economic Outlook 91 database.

Monetary policy rates accommodative

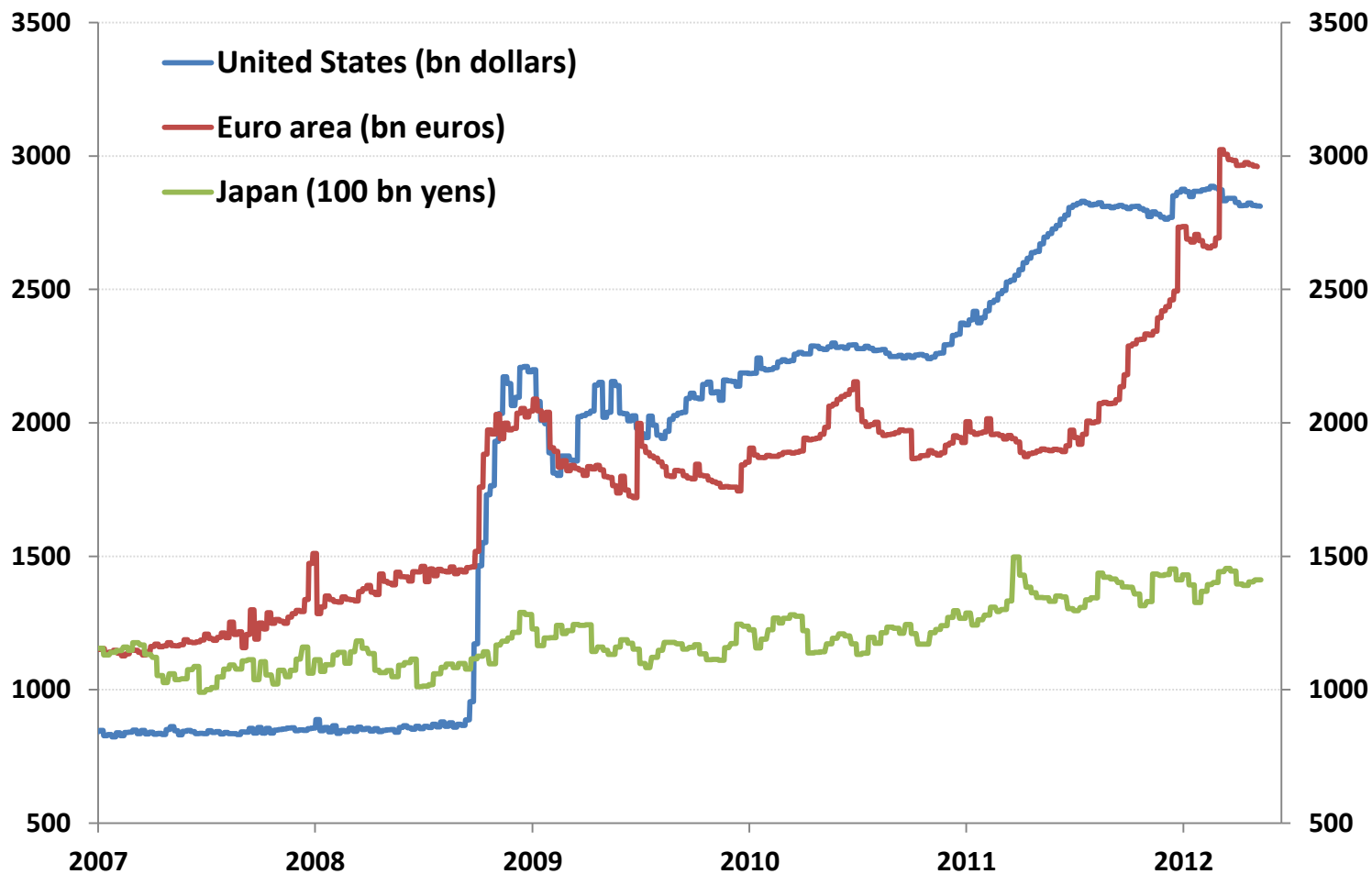
Policy interest rates, in per cent



Source: Datastream.

Central bank balance sheets supportive

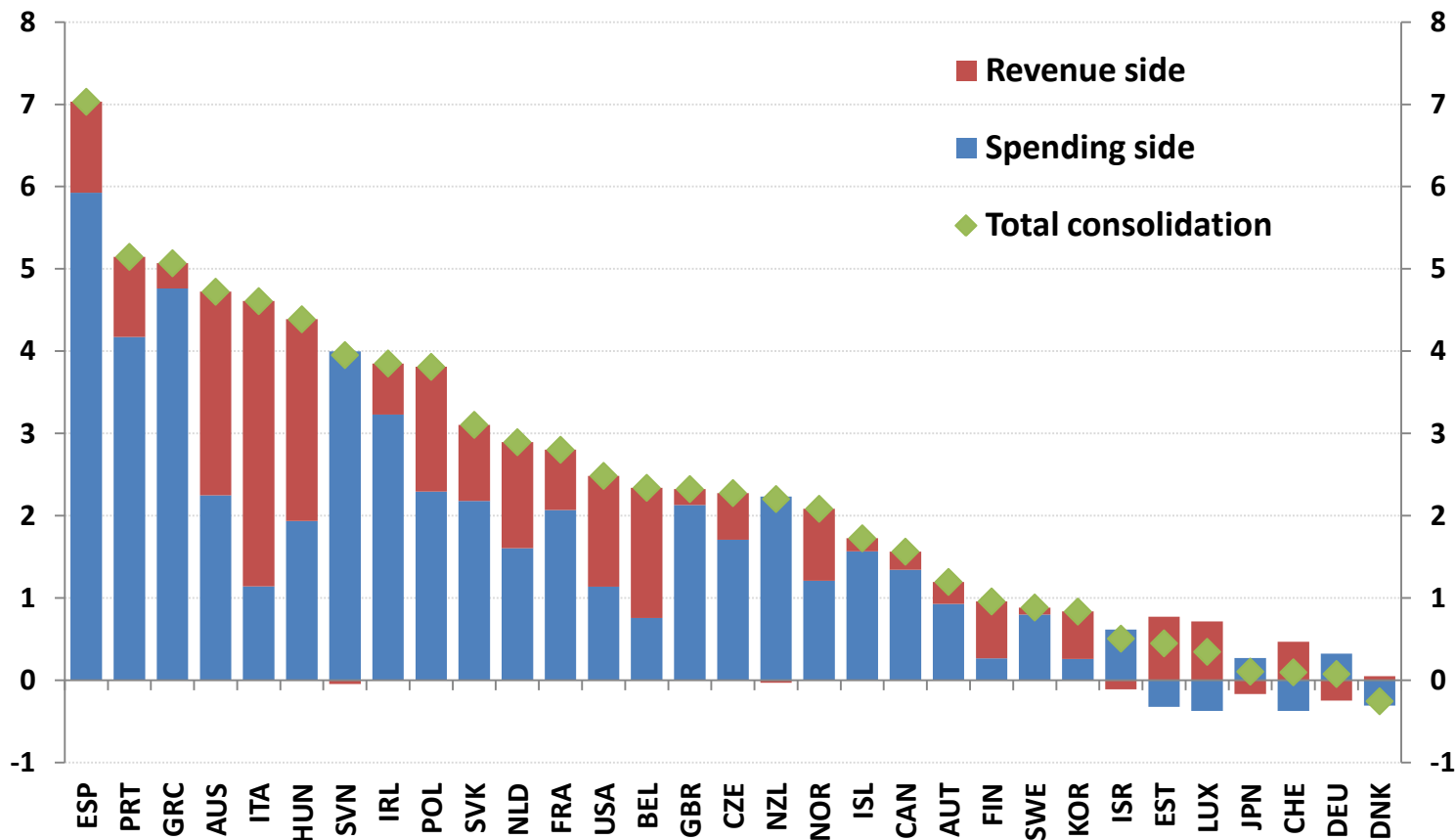
Central bank liabilities, local currency



Source: Federal Reserve; Bank of Japan; and European Central Bank.

Fiscal consolidation combines spending reductions and tax increases

Change in the underlying primary balance 2011-13, in per cent of potential GDP

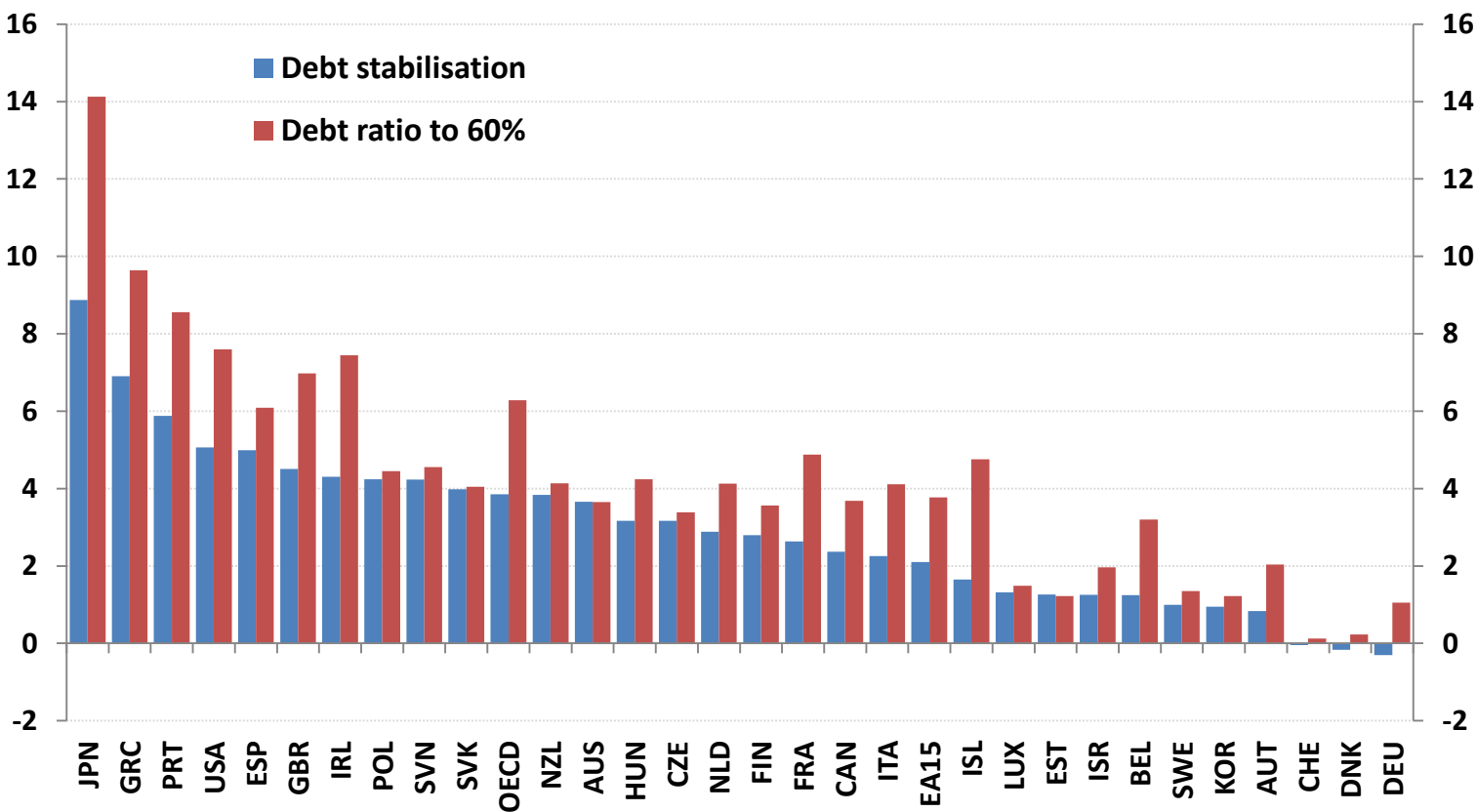


Note: Total consolidation is the projected difference in the underlying primary balance; revenue side is the projected increase in the underlying receipts excluding interest earned on financial assets; and spending side is the projected decline in the underlying primary spending excluding interest payments on debt.

Source: OECD Economic Outlook 91 database; and OECD calculations.

Government debt sustainability remains a long-term challenge

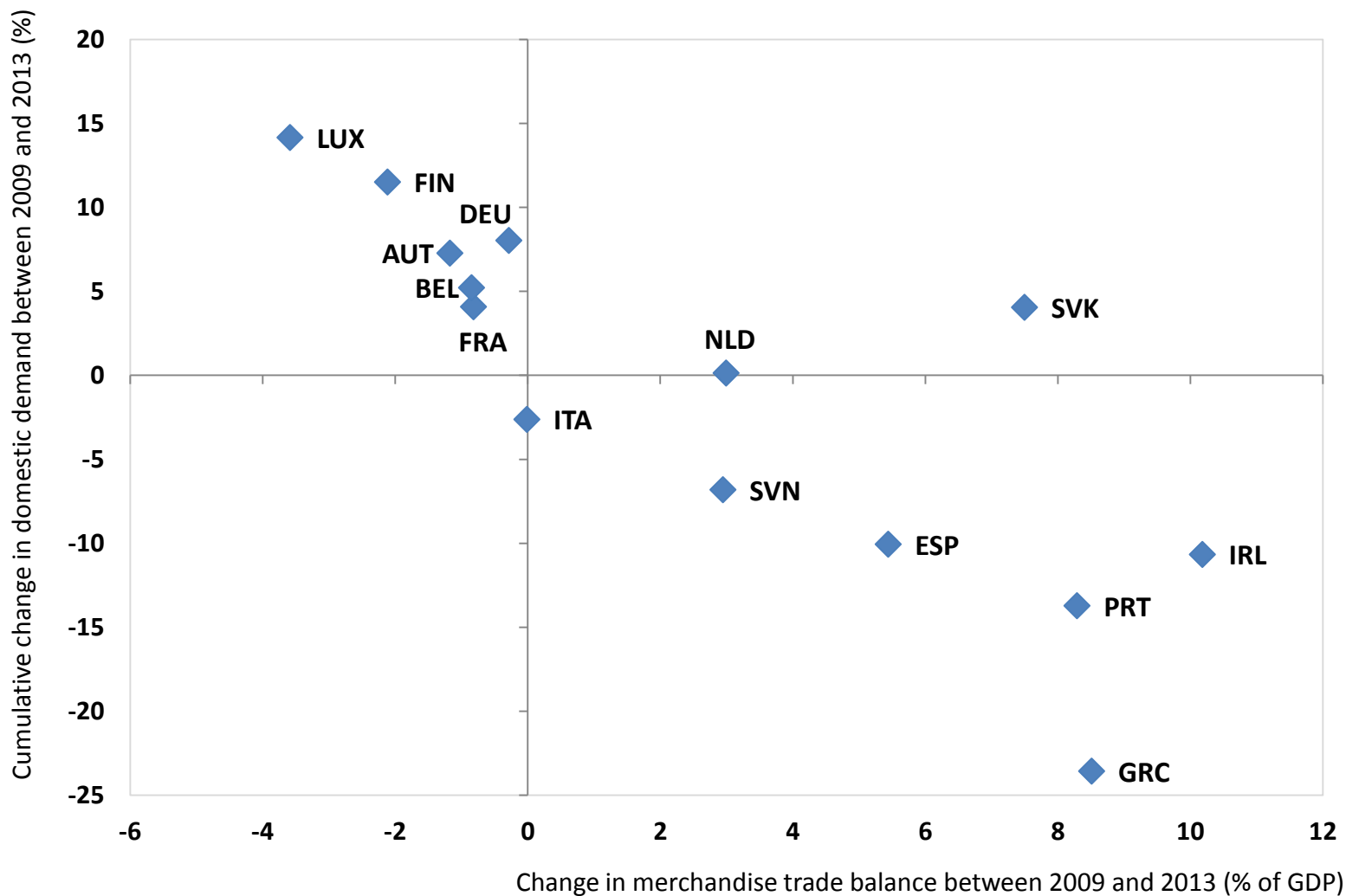
Average increase in the underlying primary balance from 2011 to 2030, in percentage points of GDP



Note: See OECD Economic Outlook 91 for methodology. The bars show the average improvement in the underlying primary balance between 2011 and 2030 necessary to either stabilise government debt ratios or bring them down to 60% of GDP. In Japan's case, the average consolidation shown would be sufficient to stabilise the debt ratio but only after 2030. *Source:* OECD Economic Outlook 91 long-term database.

Rebalancing underway in euro area

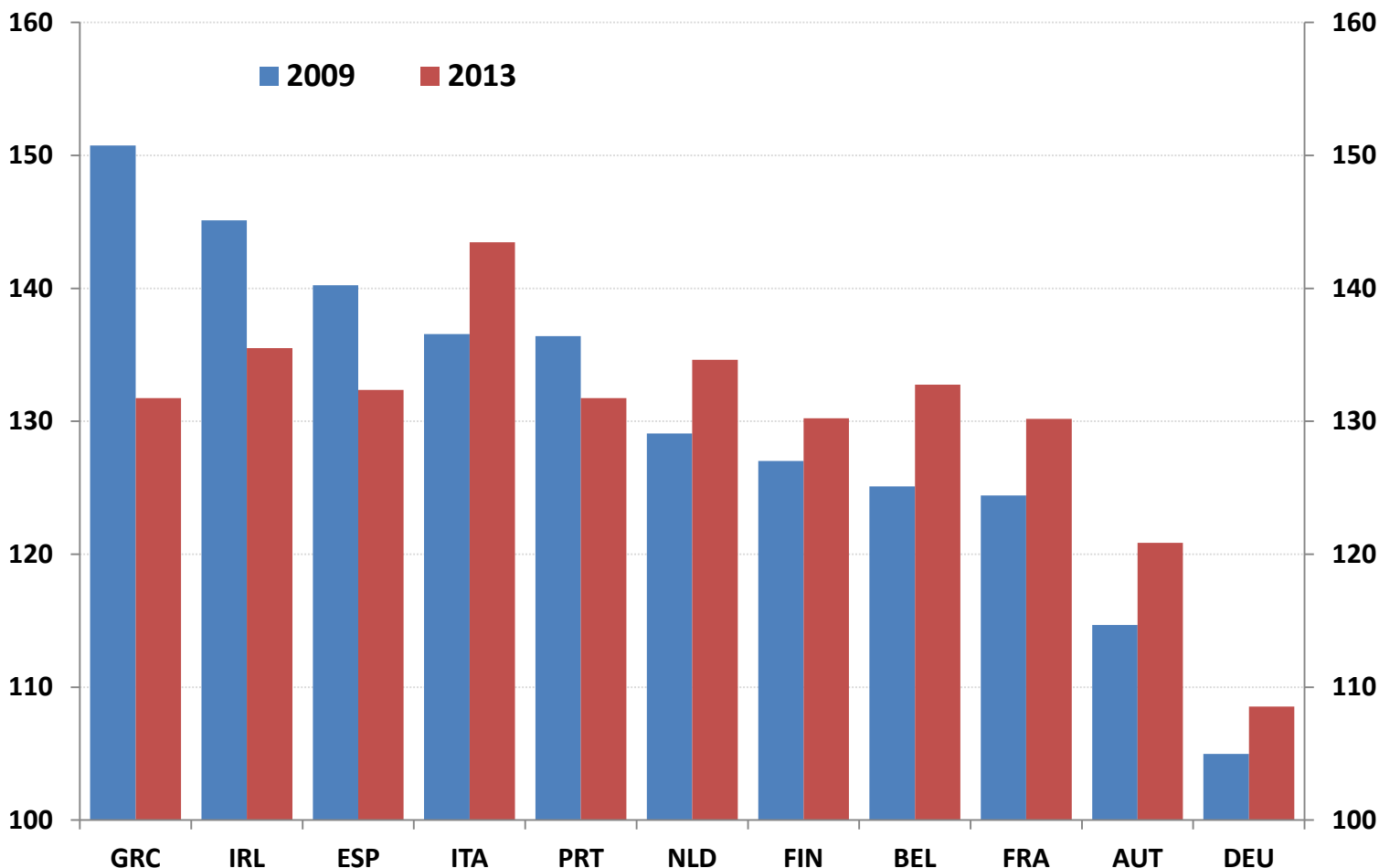
Changes in domestic demand and trade balances, 2009-13



Source: OECD Economic Outlook 91 database.

Unit labour costs have begun to adjust

Unit labour cost, 1999 = 100



Source: OECD Economic Outlook 91 database.

Goals

- Avoid downside scenario
- Create conditions for sustained growth
- Strengthen monetary union

This requires

- **National policies**
- **European policies**

Euro area policy compact – national policies

Pro-growth structural reforms

- Boost growth through productivity and employment
- Strengthen competitiveness
- Protect weak segments of population
- Contribute to current account rebalancing
- Wage adjustment in deficit and surplus countries

Growth friendly fiscal consolidation

- Medium term plans
- Composition of spending cuts and revenues

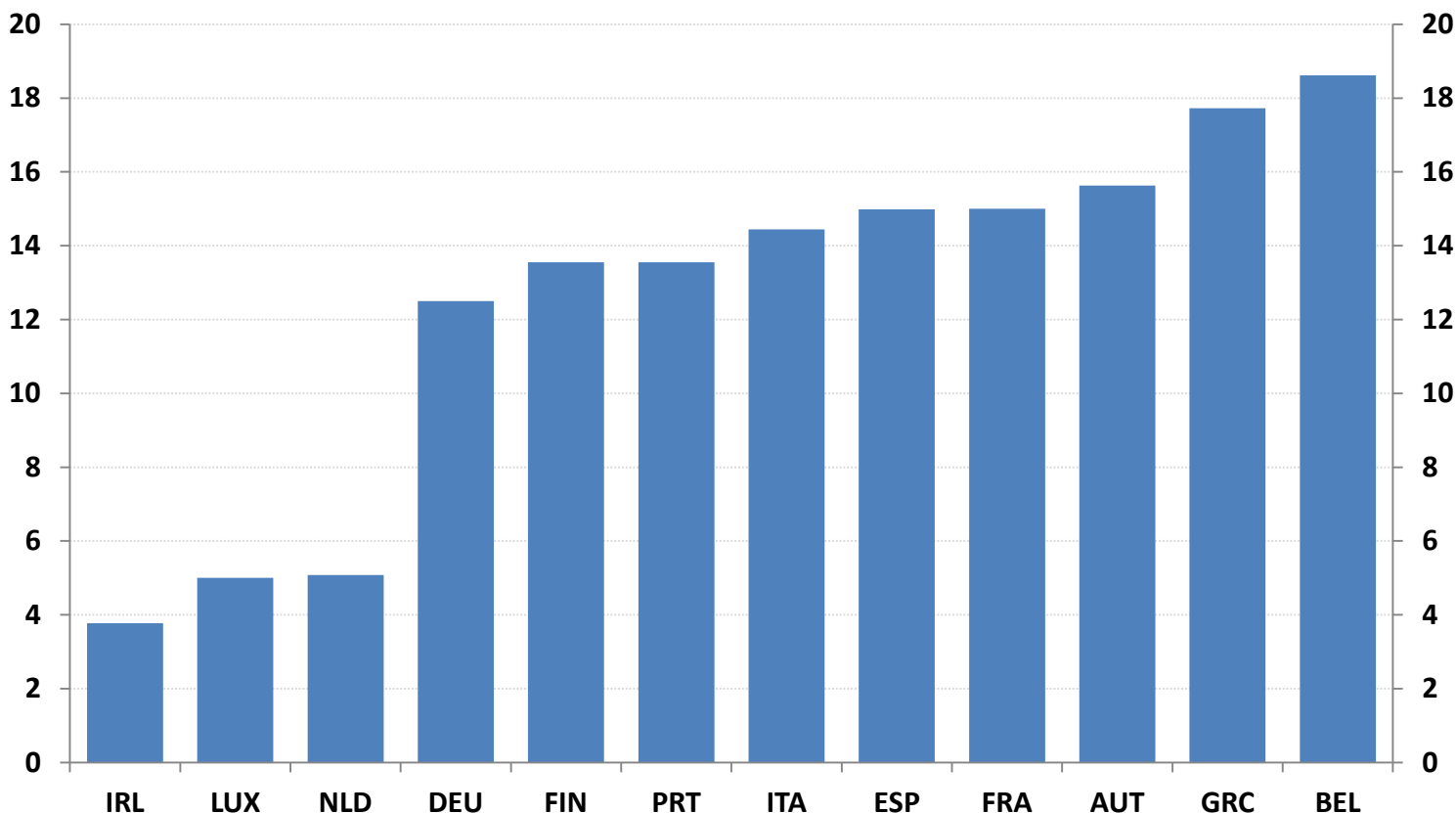
Financial system repair

- Transparency in balance sheet assessment
- Recapitalise viable banks

***Reforms have already started in many countries.
Benefits could materialise earlier than expected.***

Large potential gains from a broad package of reforms

Overall GDP per capita gains over 10-year horizon, in per cent



Note: Estimated cumulative GDP impact from reforms specified in Bouis and Duval (2011). The coverage of reforms varies across countries, partly because of data coverage issues. This figure therefore does not show a ranking across countries but possible effects from structural reforms. *Source:* R. Bouis and R. Duval (2011), OECD Economics Department Working Papers, No. 835.

Firewall

- Has been strengthened
- Could be enhanced

Fiscal compact

- Implementation, transparency, communication

Growth

- Single Market can deliver (much) more
- Innovation can be boosted (EU patent)
- EIB lending, infrastructure investment
- Jointly guaranteed bonds
- Redirect structural funds

European Central Bank

- Balance sheet could be used more broadly
- Interest rate can be lowered

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