



**Paris, 4 May 2007**

**WORKING GROUP ON SHORT-TERM ECONOMIC PROSPECTS**

**INTRODUCTION OF NEW COMPETITIVENESS INDICATORS**

**The following note is loosely based on a presentation given to the Working Group on Short-Term Economic Prospects (STES) held at the OECD on 4 May 2007.**

## INTRODUCTION OF NEW COMPETITIVENESS INDICATORS

1. A new set of competitiveness indicators is being introduced in *OECD Economic Outlook No. 81*. This development builds on the new quarterly unit labour cost indicators which have been published in the *OECD Main Economic Indicators* as from March 2007. The new indicators, which replace the previous set of relative unit labour costs, are based on more comparable source series. The set of competitiveness indicators published in the *OECD Economic Outlook* also includes relative consumer prices, for which the calculation method is unchanged. The attached set of figures shows unit labour costs, relative unit labour costs and relative consumer prices, all in index form, for OECD countries and a number of non-OECD economies.

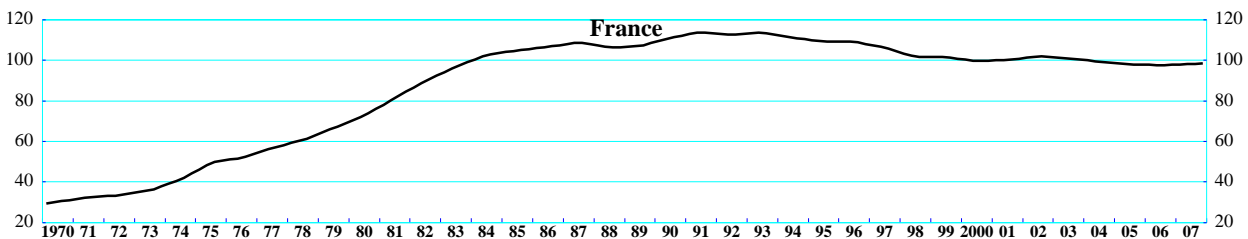
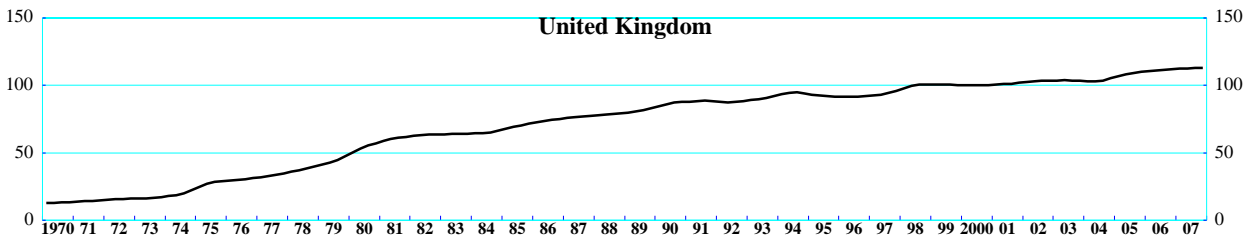
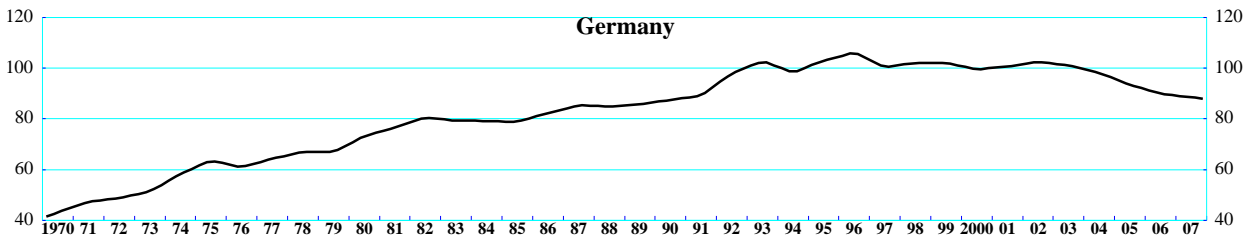
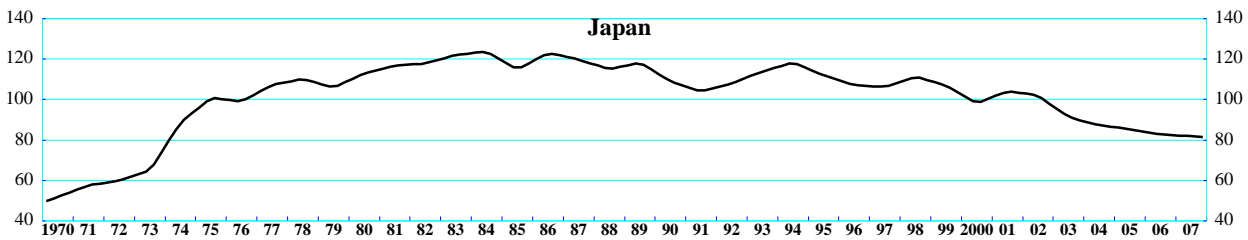
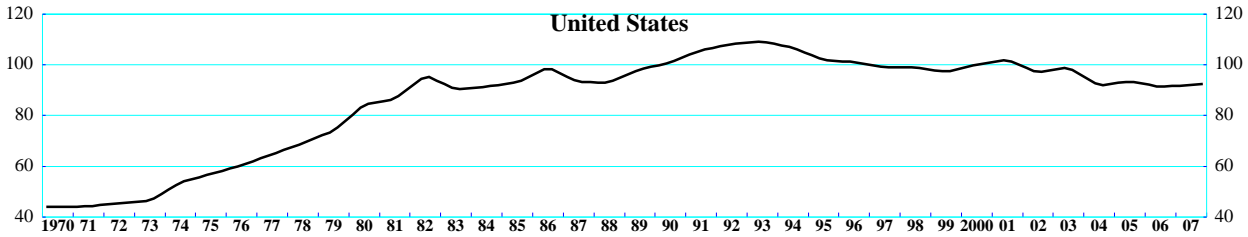
2. The new set of quarterly unit labour costs used to produce the new competitiveness indicators is principally based on national accounts data<sup>1</sup>. They are calculated as the ratio of total labour costs to real output and hence measure the extent to which labour costs evolve after allowing for productivity gains. The indicators reported in the attached set of figures, and planned for publication in the *OECD Economic Outlook No. 81*, relate to the manufacturing sector. The data are seasonally adjusted by the OECD.

3. The relative unit labour cost series measures the trading position of an individual country relative to its partners and as such offers an indication about changes in its competitive position. The measure takes into account not only changes in market exchange rates, but also variations in relative price levels based on the unit labour cost in manufacturing, and therefore can be used as indicators of competitiveness. The change in a country's index of relative unit labour cost in manufacturing between two years is obtained by comparing the change in the country's ULC index (converted into US dollars at market exchange rates) to a weighted average of changes in its competitors' ULC indices (also expressed in US dollars), using the weighting matrix for the current year (based on the importance of bilateral trade). A decrease in the relative unit labour cost index is regarded as an improvement of a countries competitive position relative to their trading partners. Compared with previous editions of the OECD Economic Outlook database, the methodology is essentially unchanged, but the use of a new, more internationally comparable underlying dataset enhances the accuracy of competitiveness indicators.

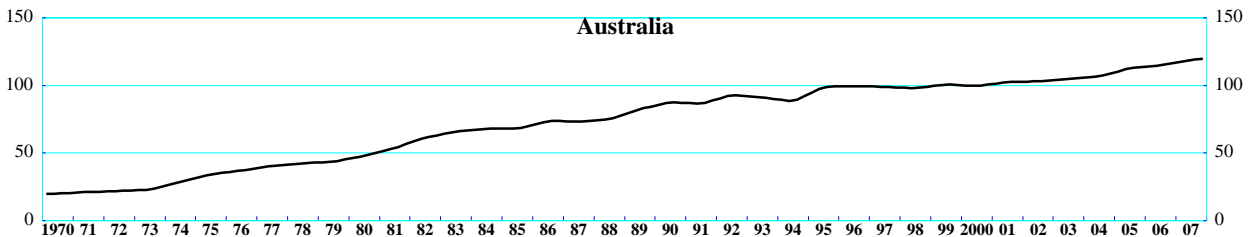
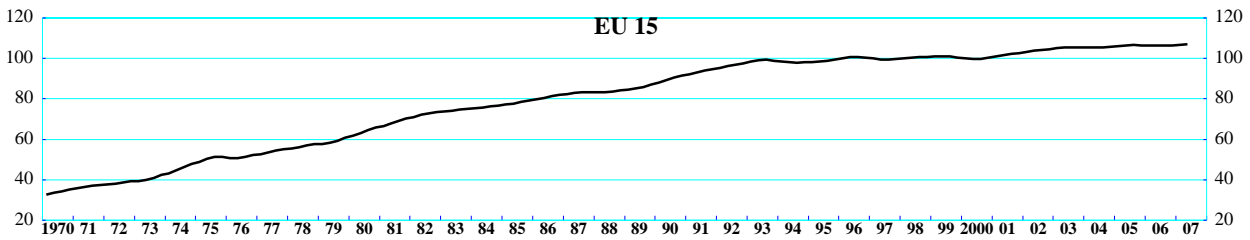
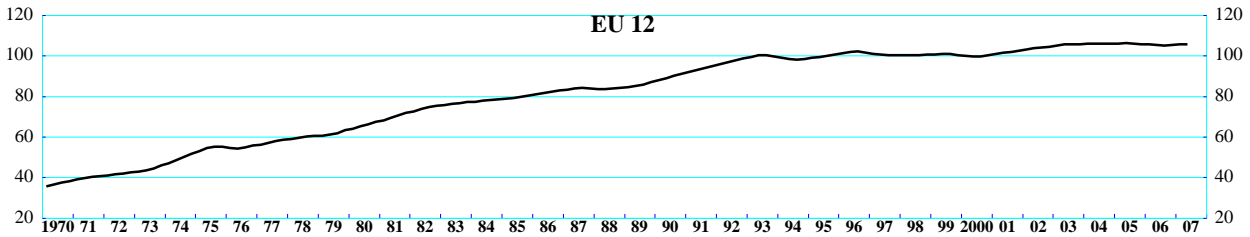
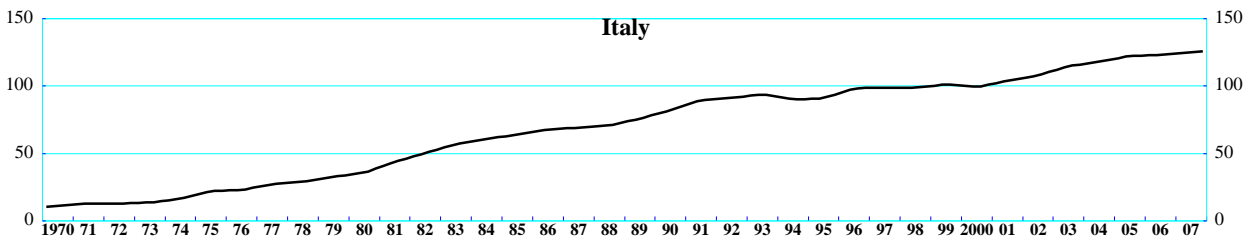
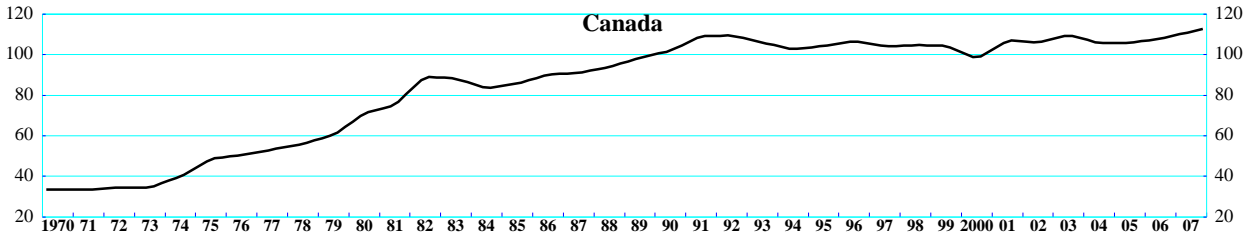
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<sup>1</sup> See the feature article in *OECD Main Economic Indicators March 2007* for additional details.  
<http://www.oecd.org/dataoecd/30/38/38219407.pdf>

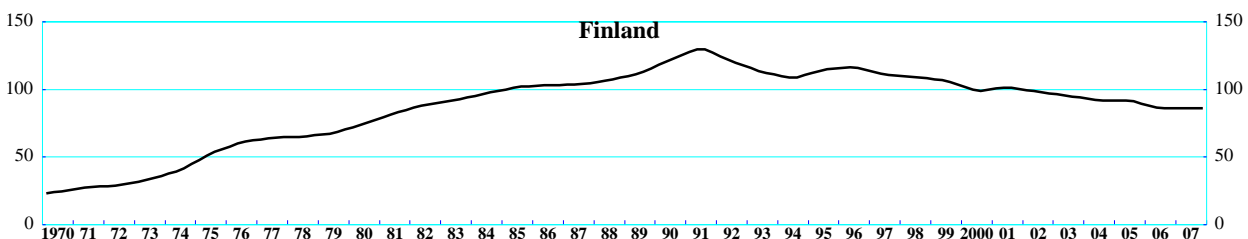
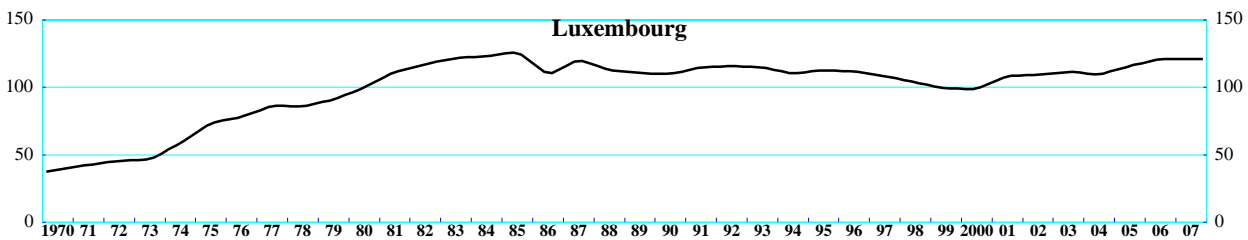
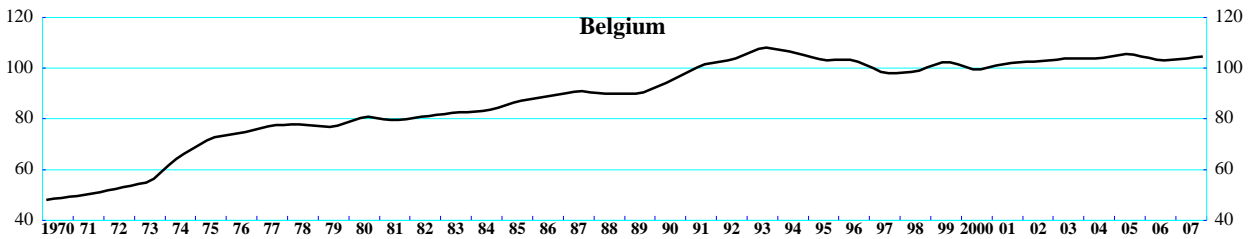
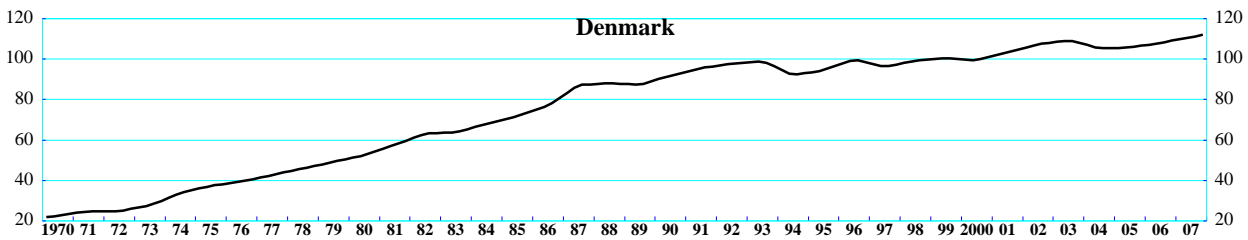
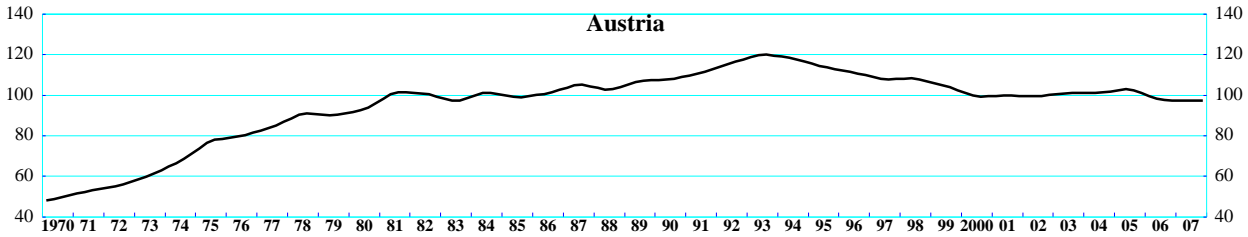
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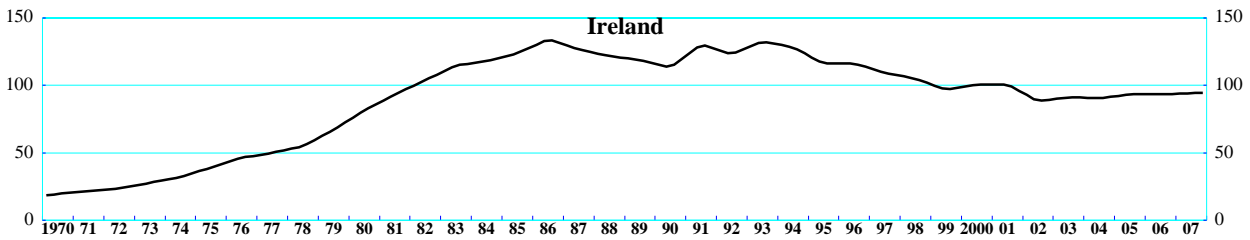
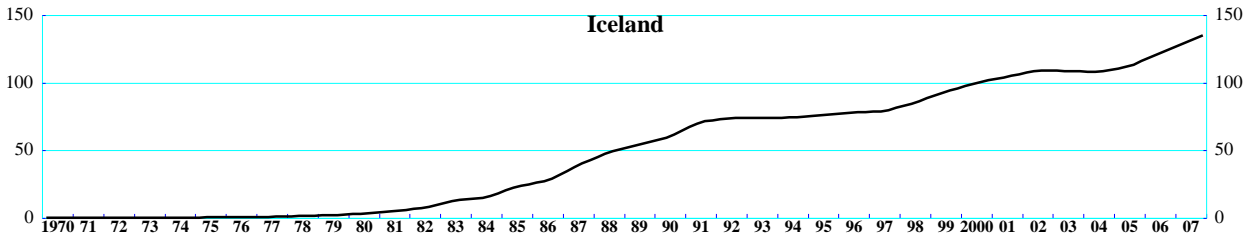
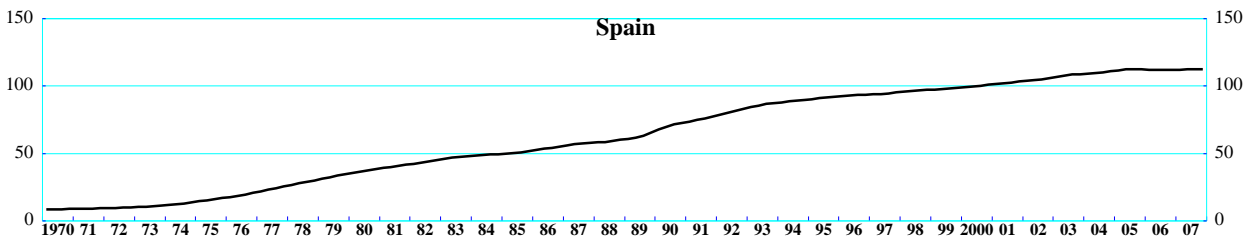
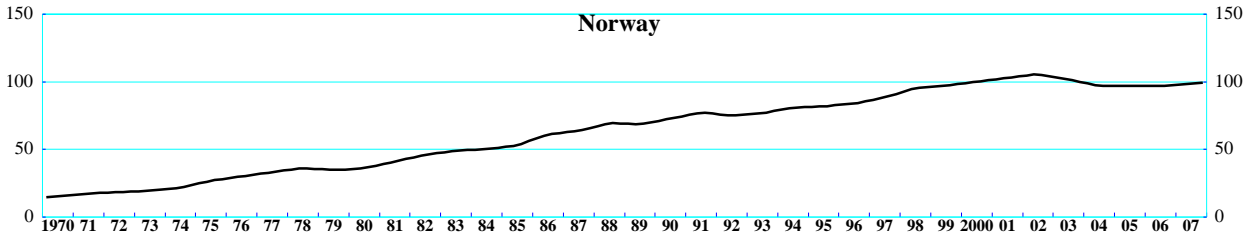
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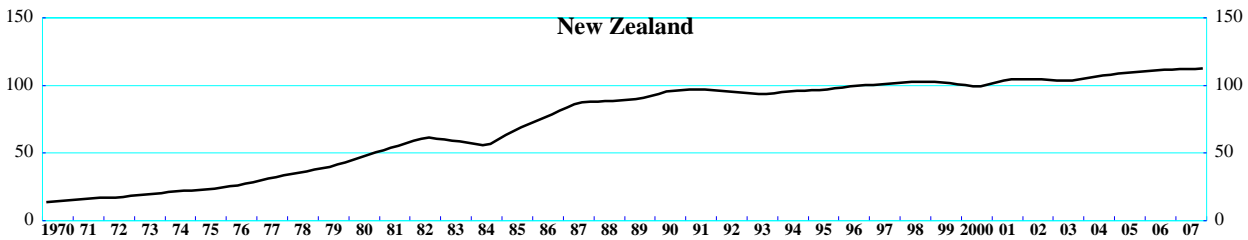
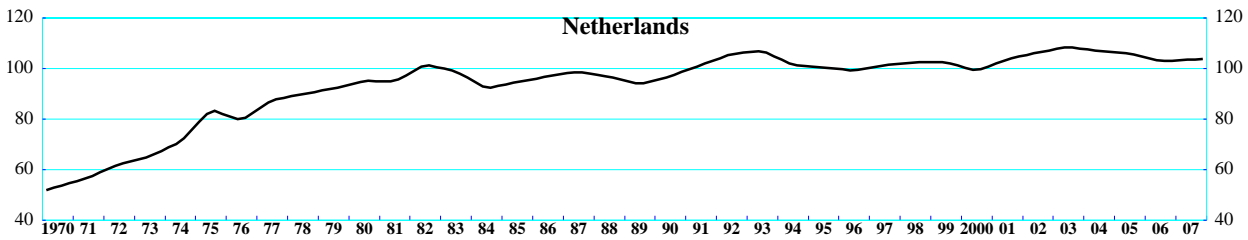
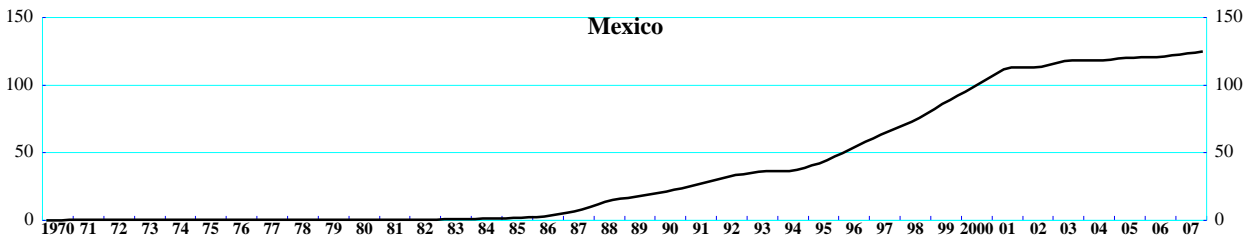
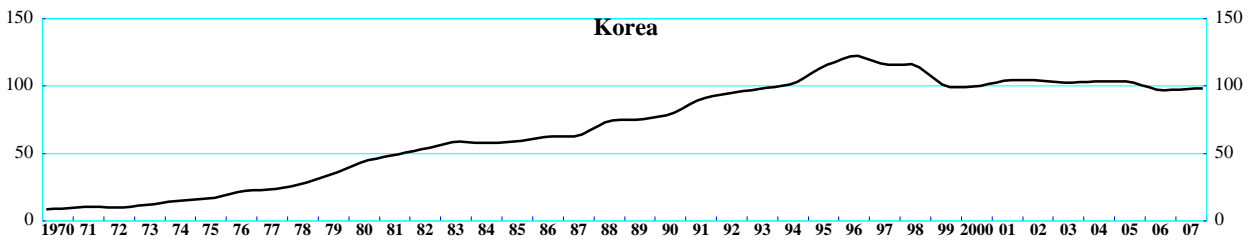
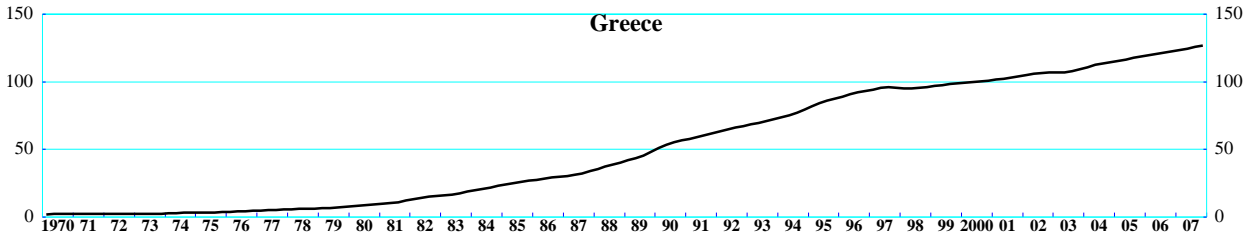
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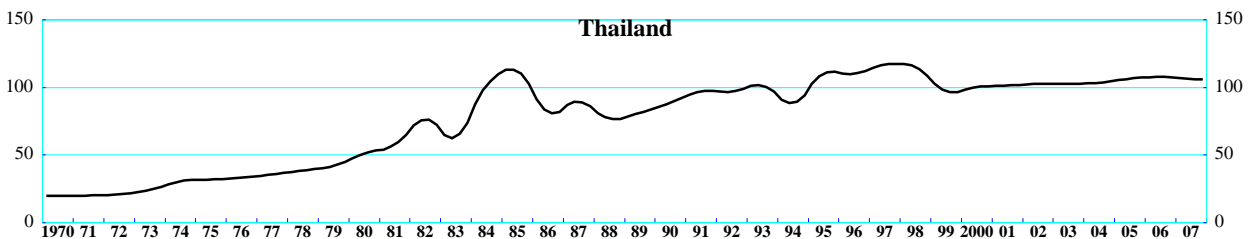
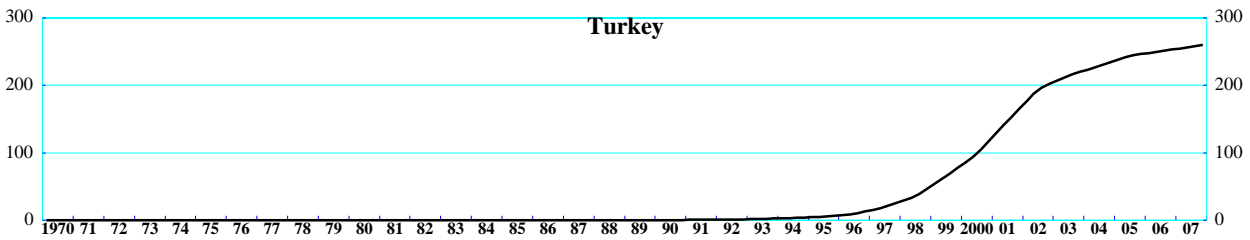
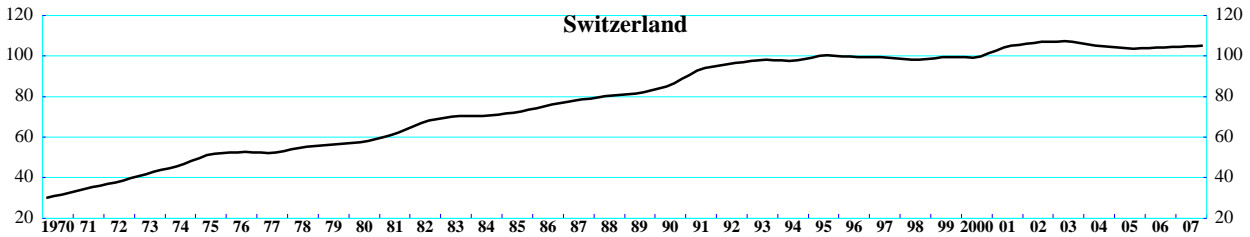
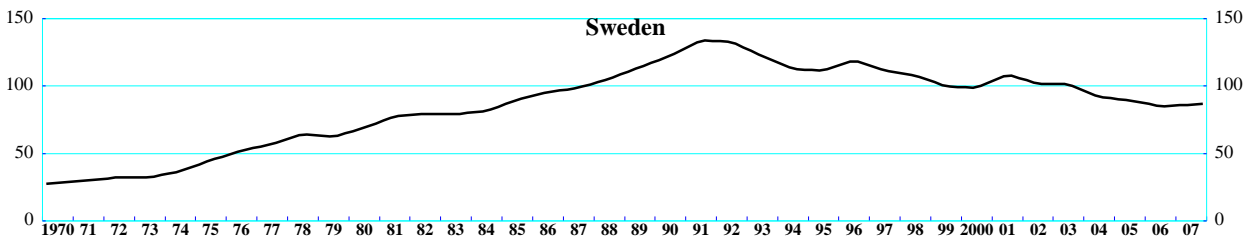
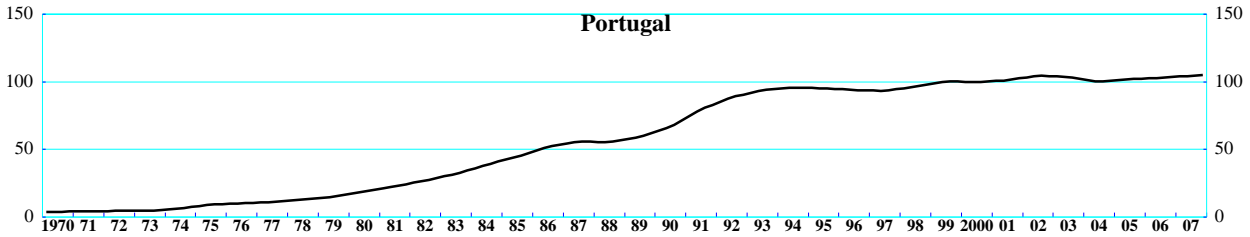
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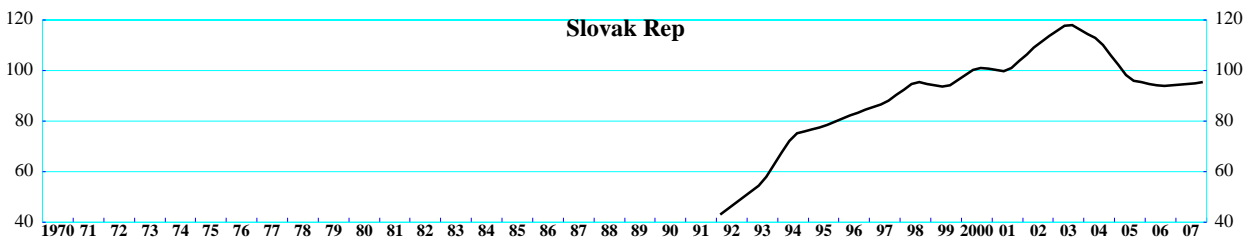
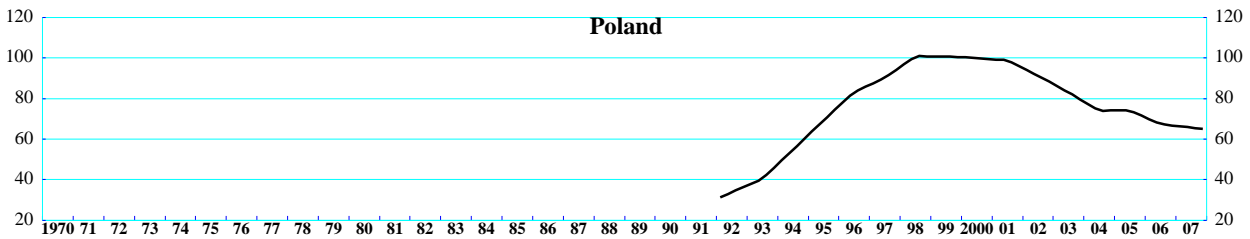
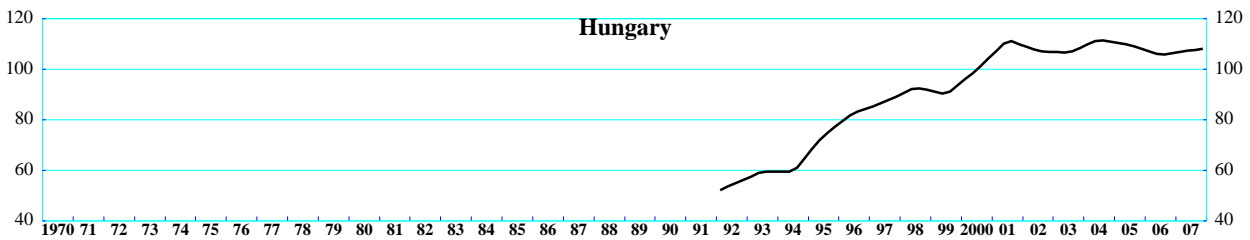
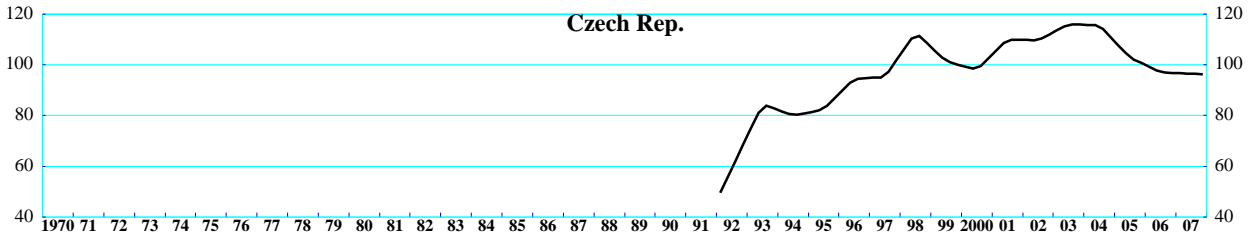
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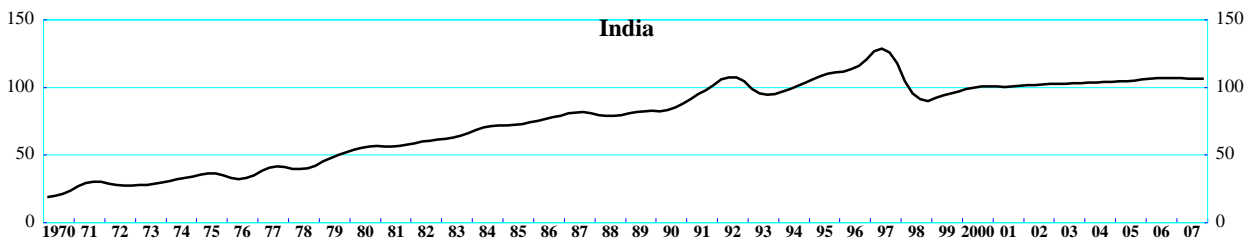
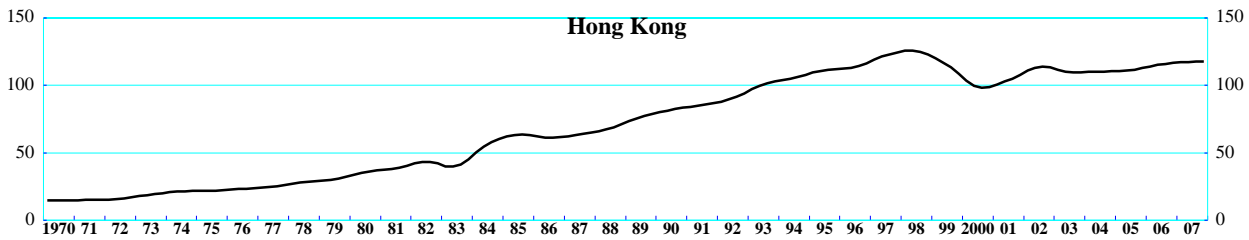
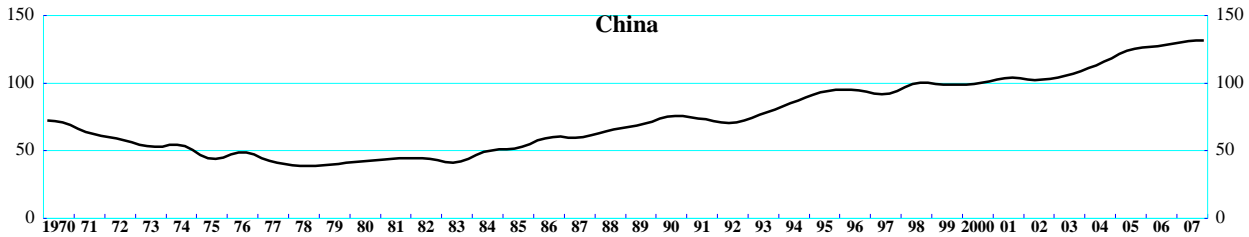
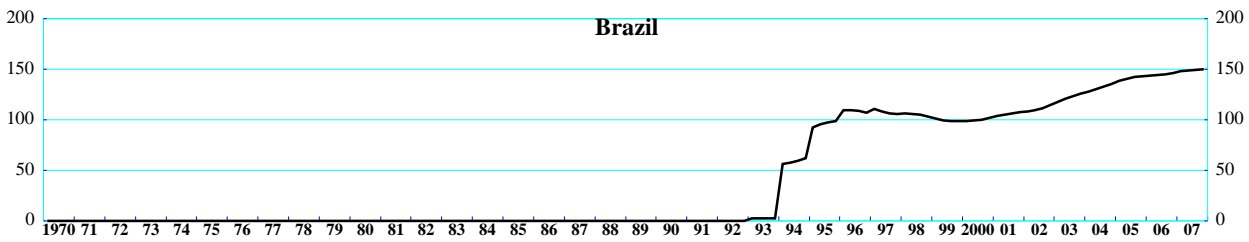
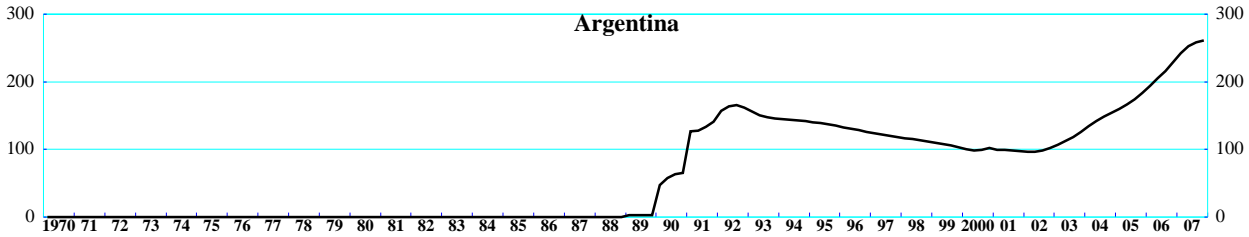
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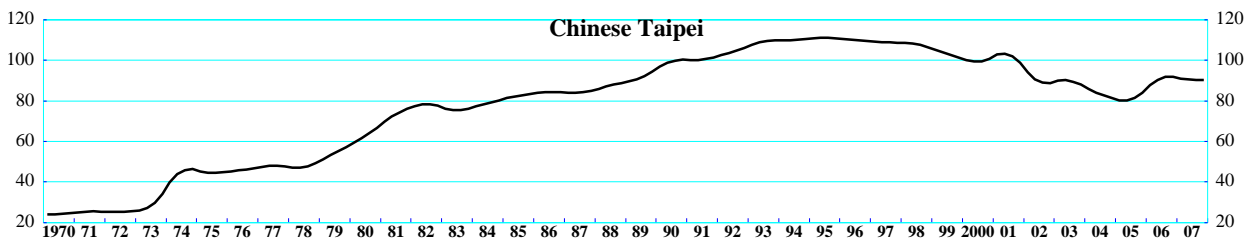
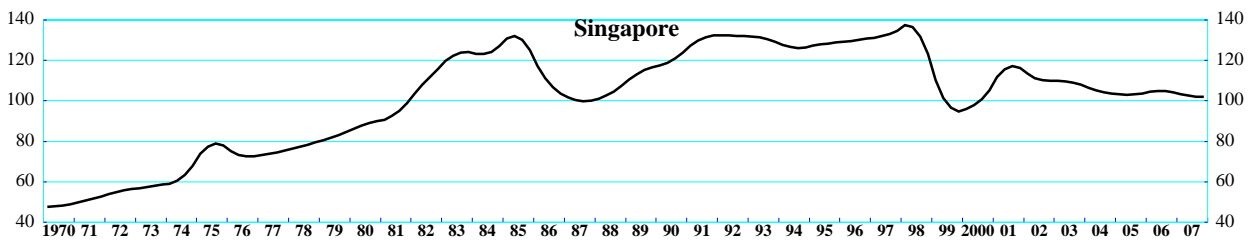
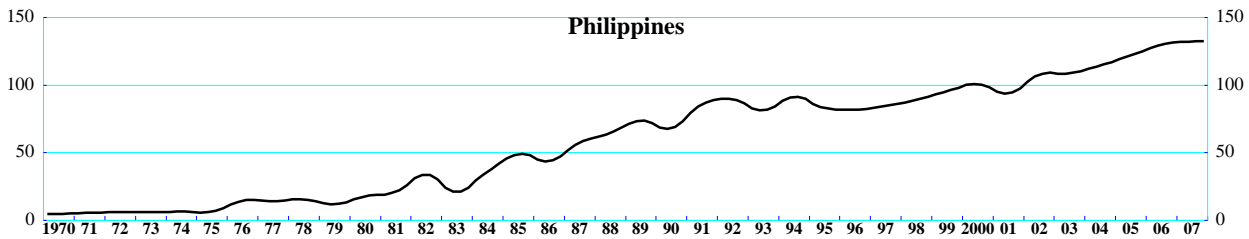
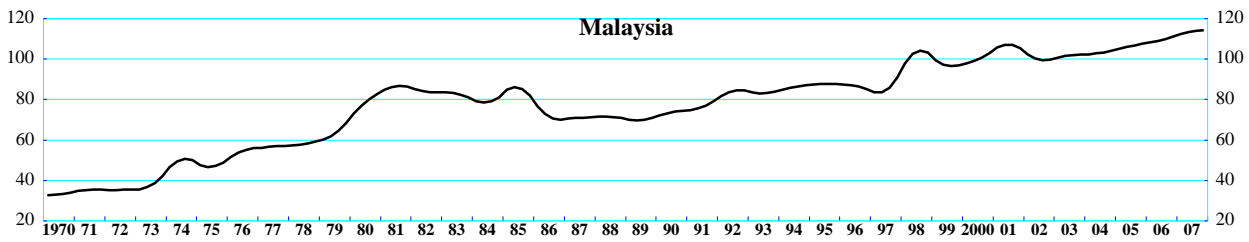
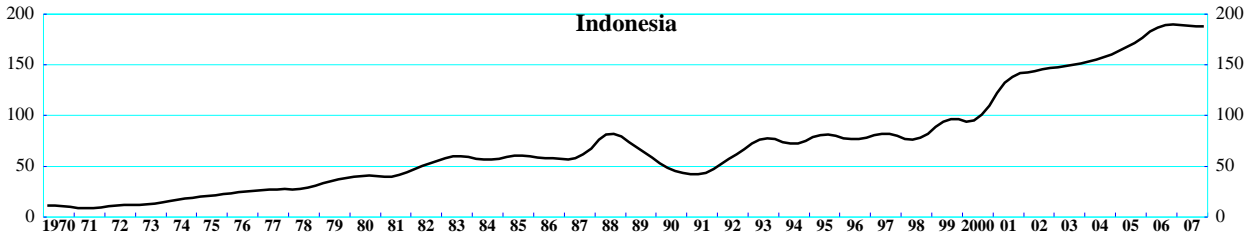
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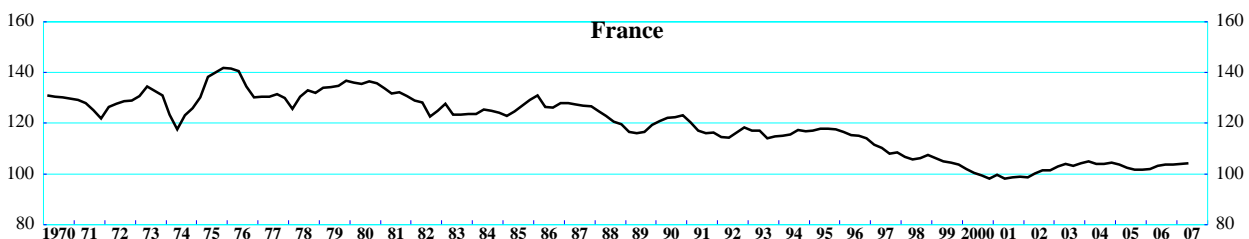
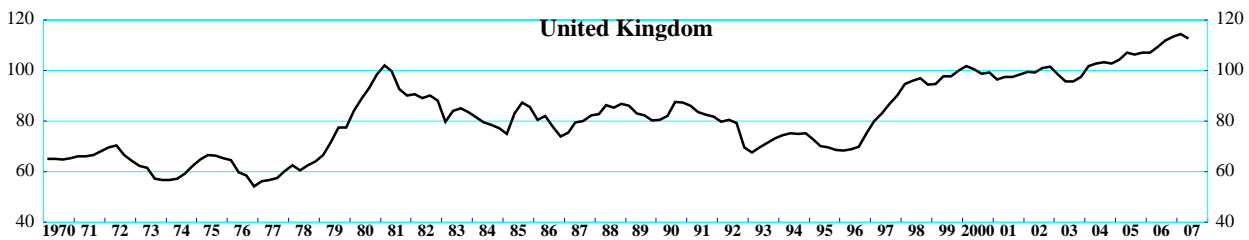
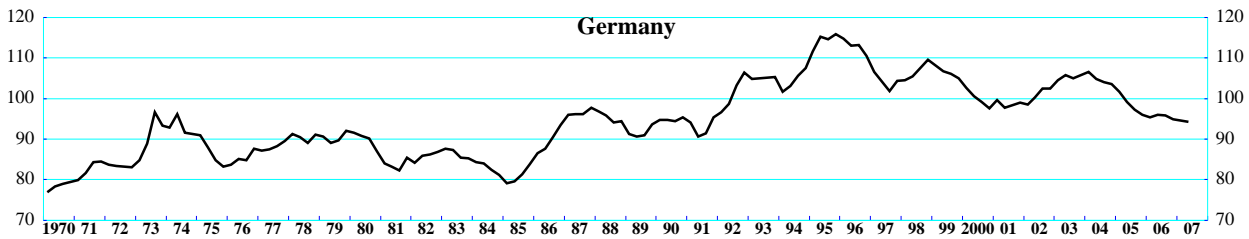
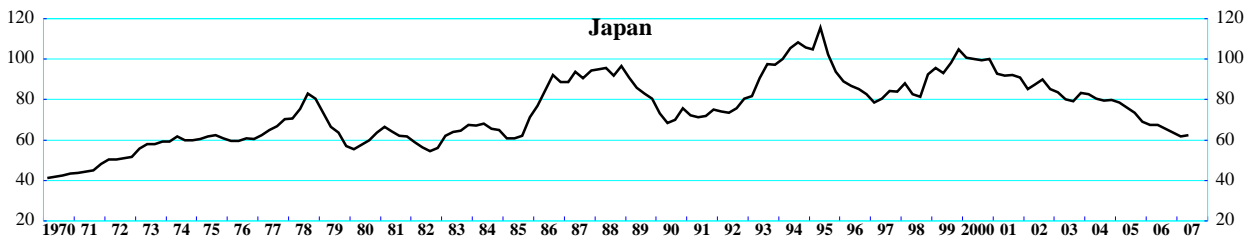
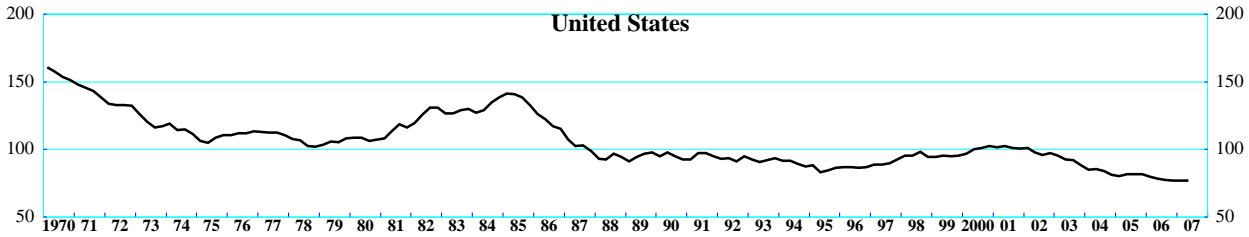
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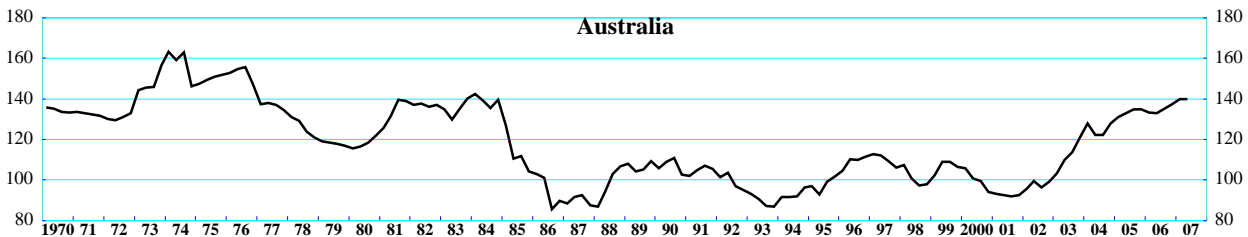
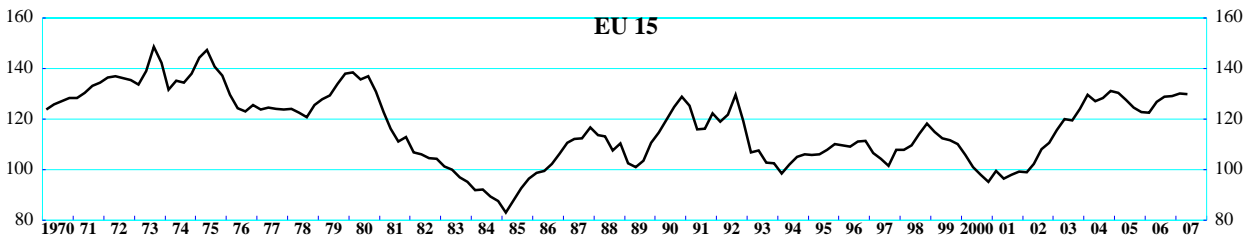
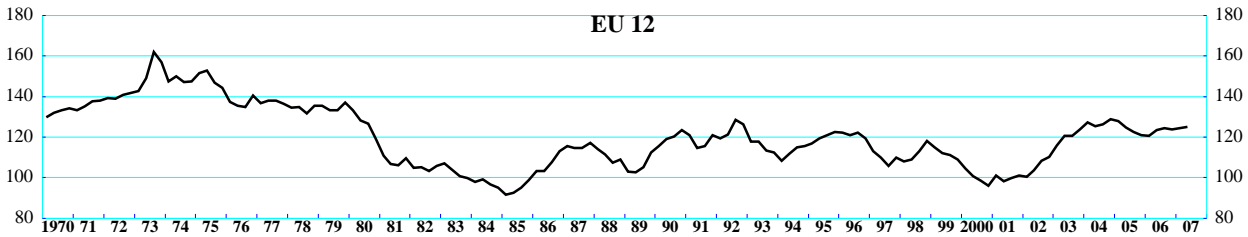
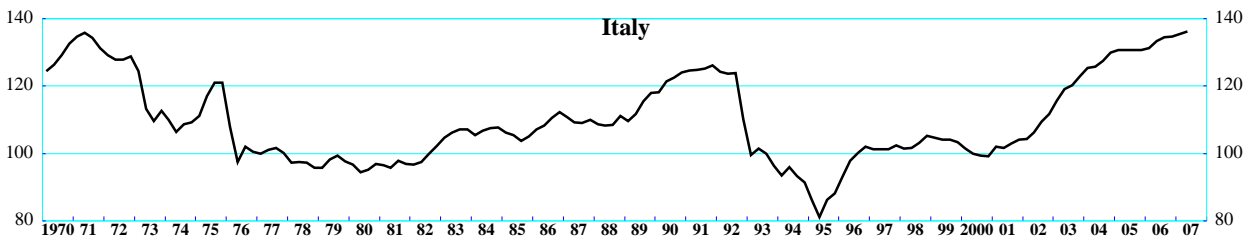
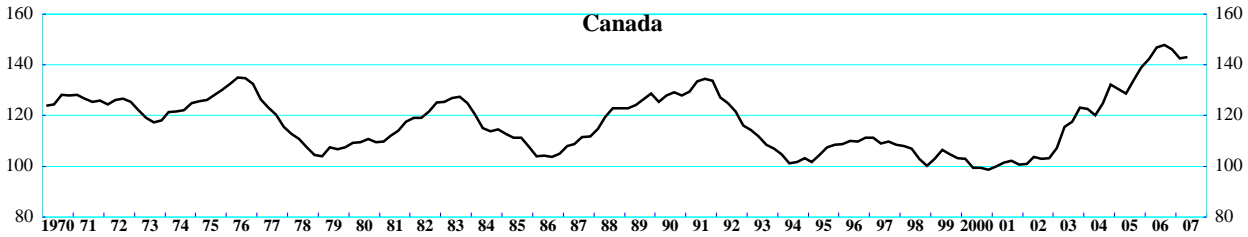
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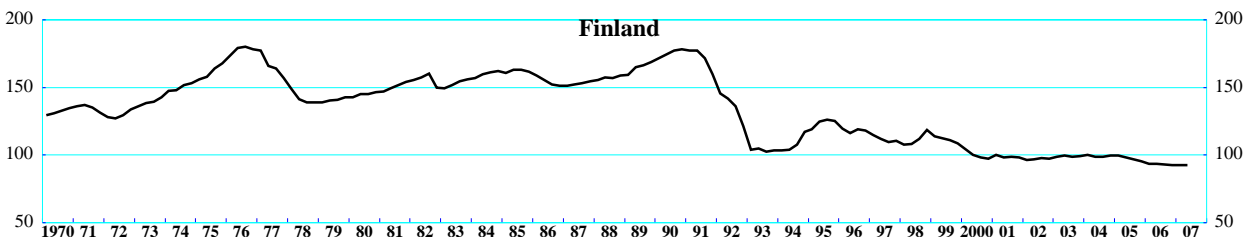
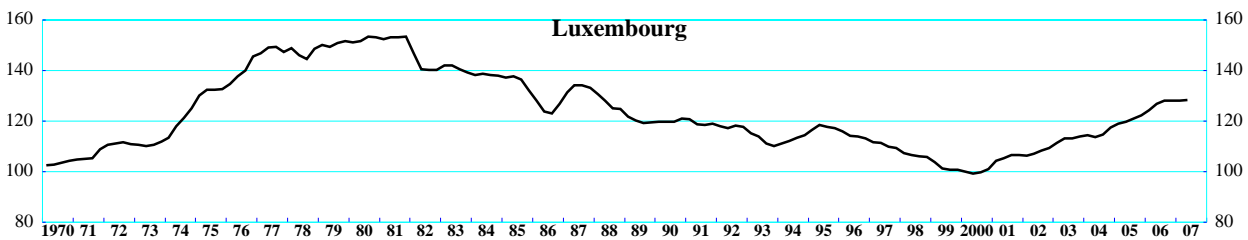
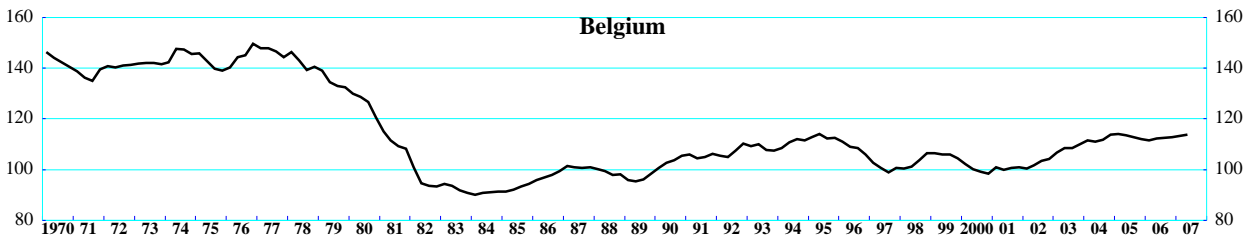
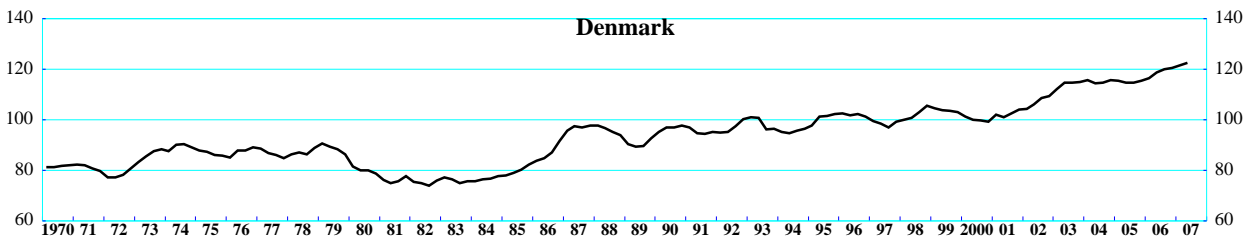
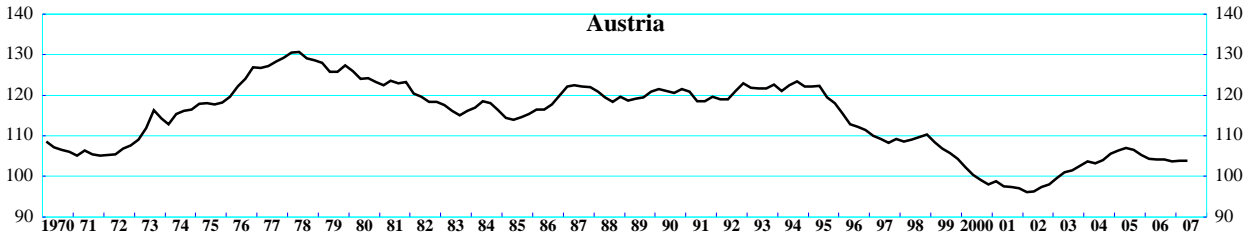
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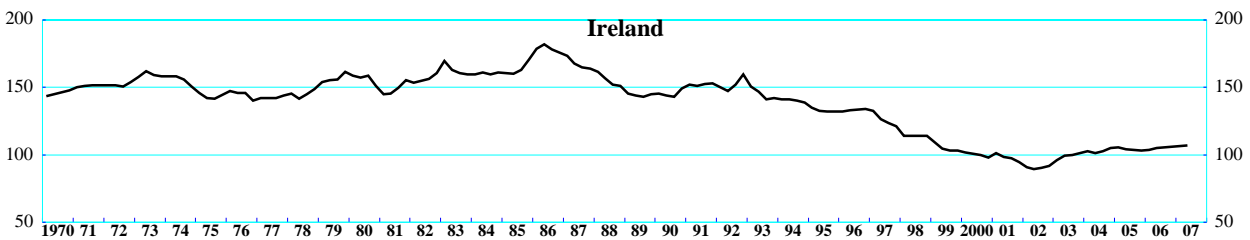
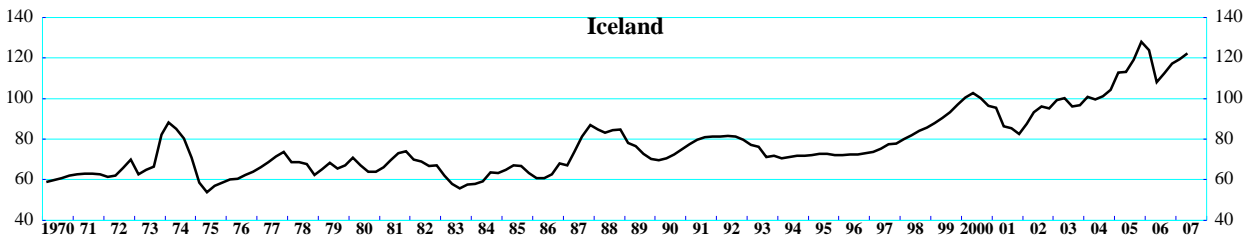
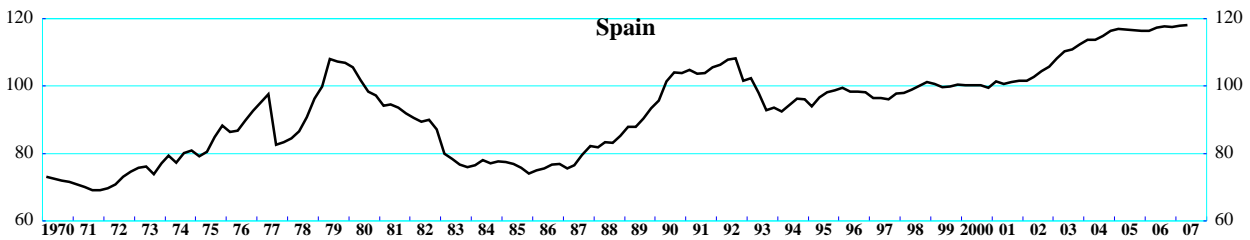
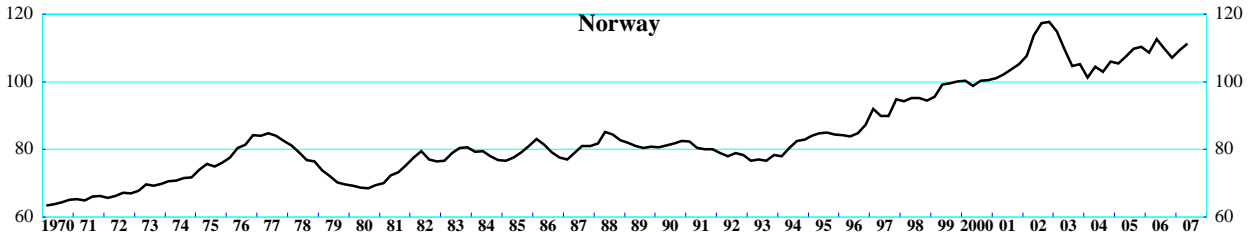
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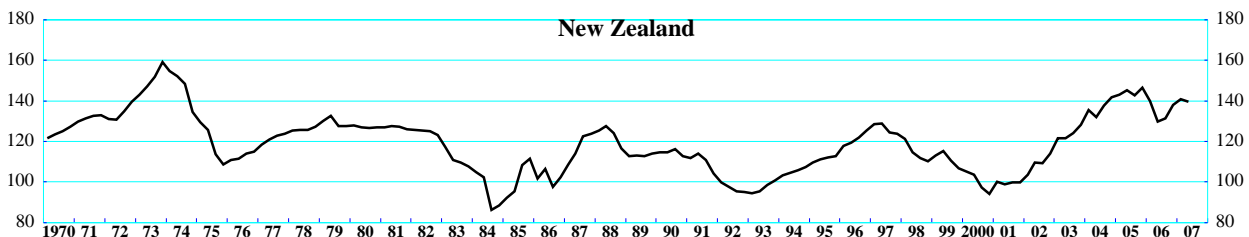
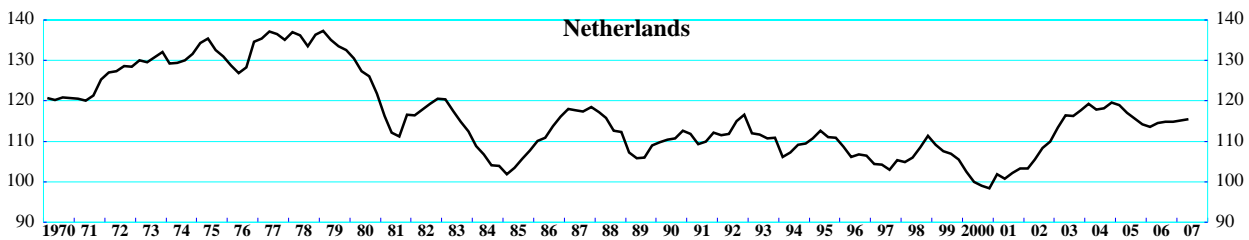
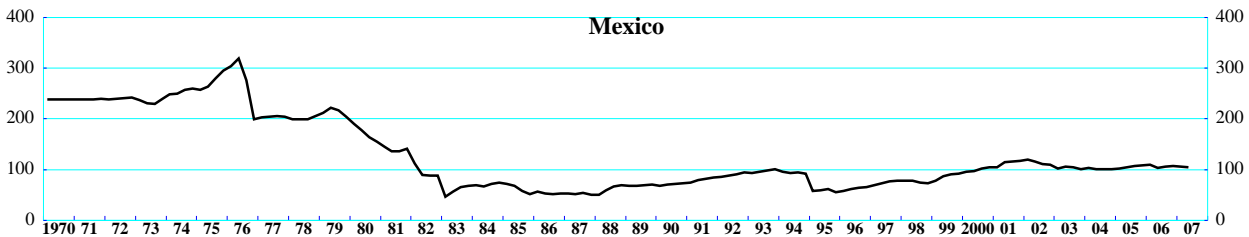
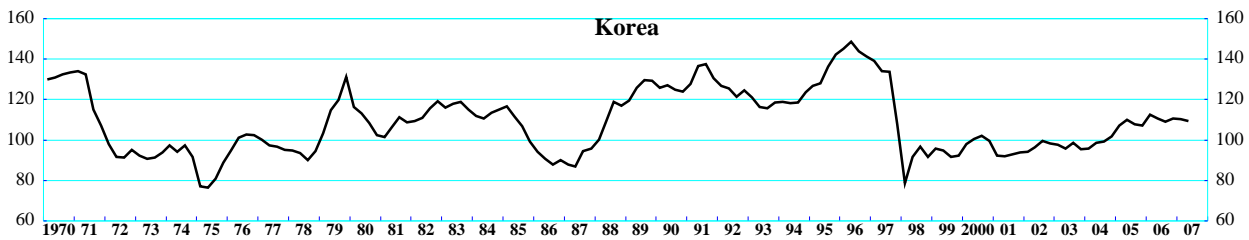
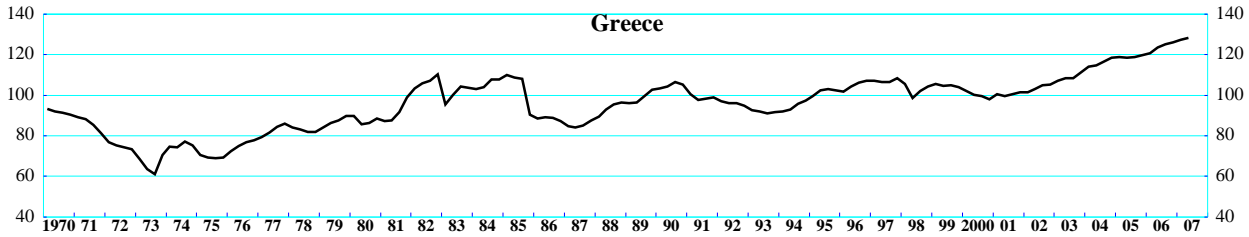
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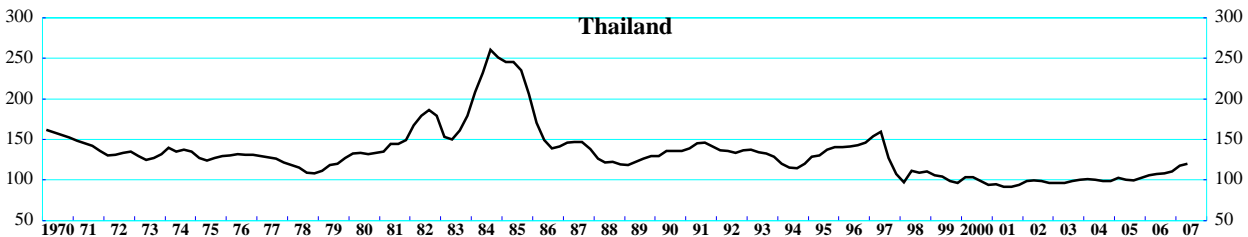
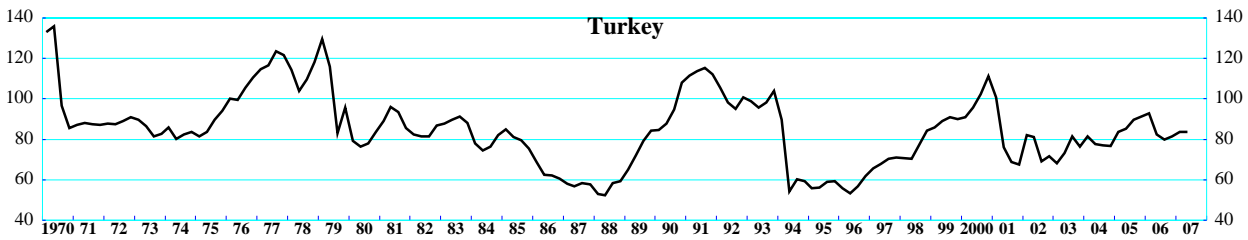
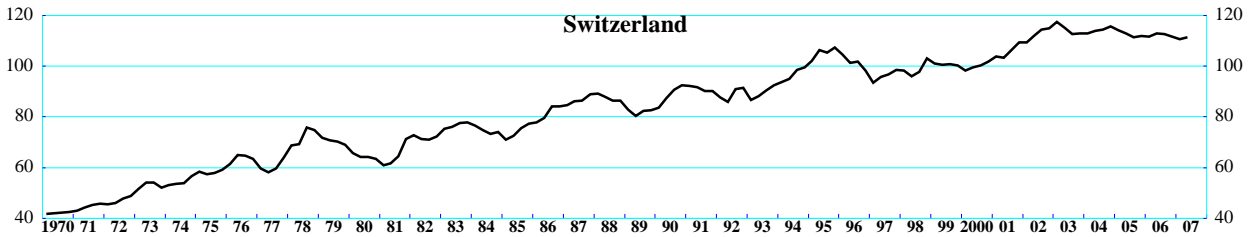
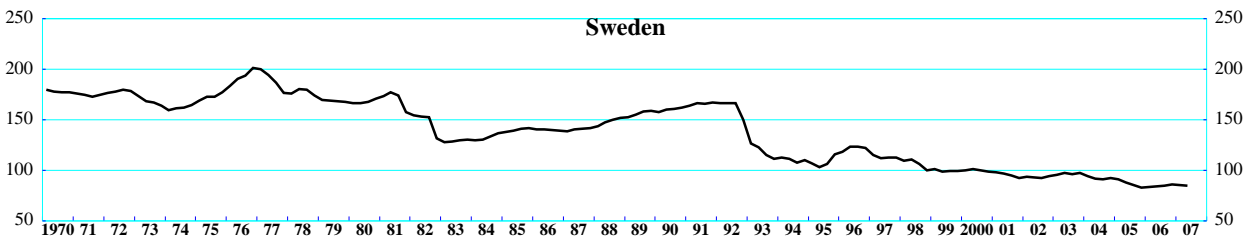
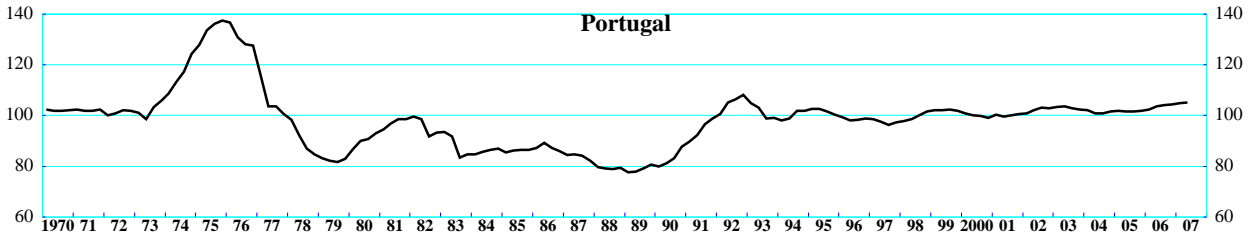
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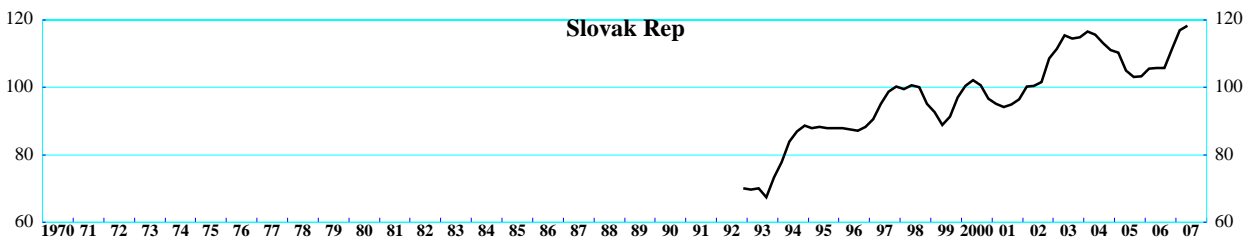
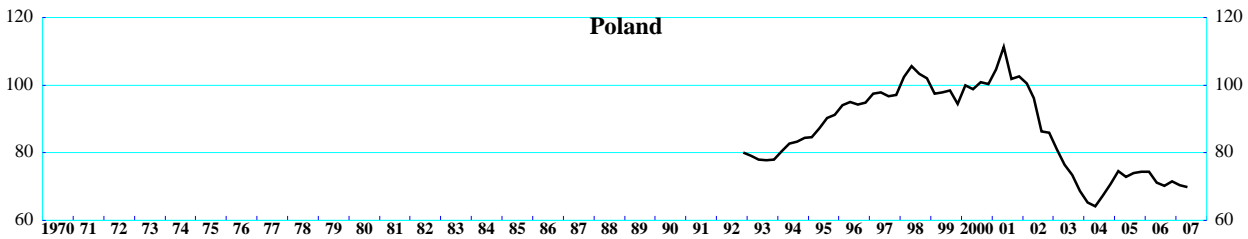
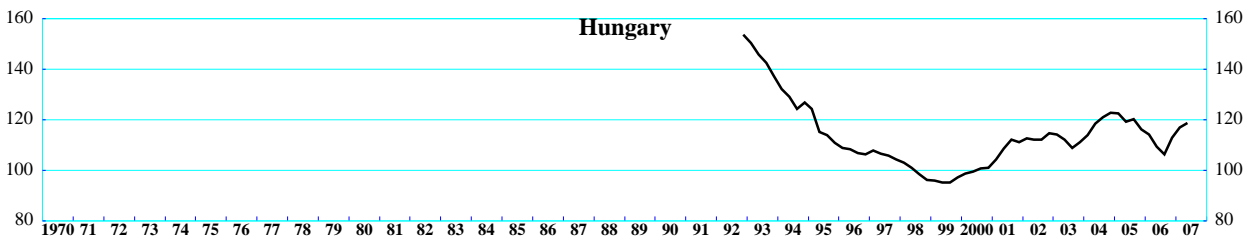
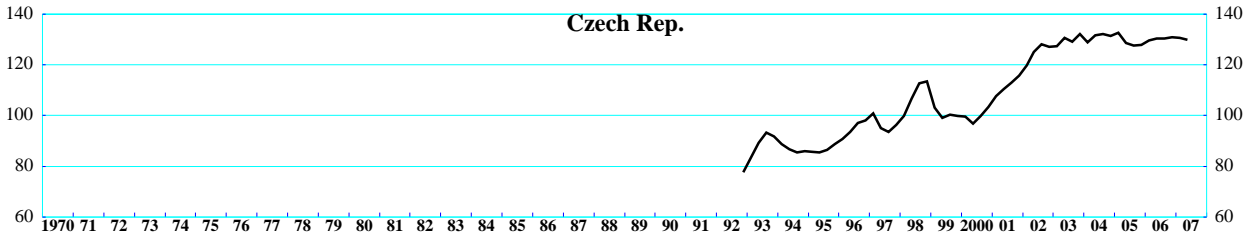
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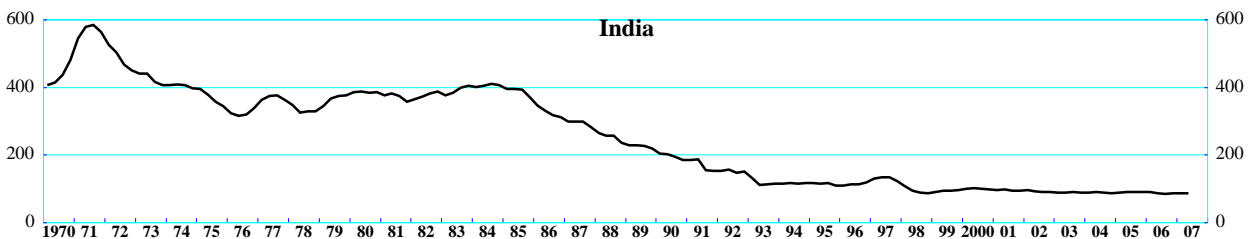
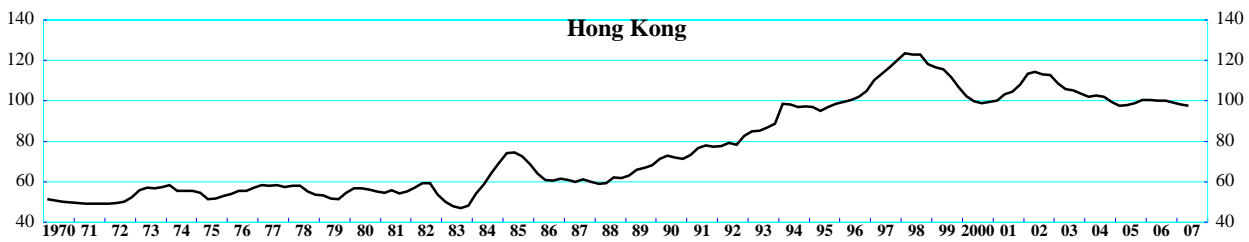
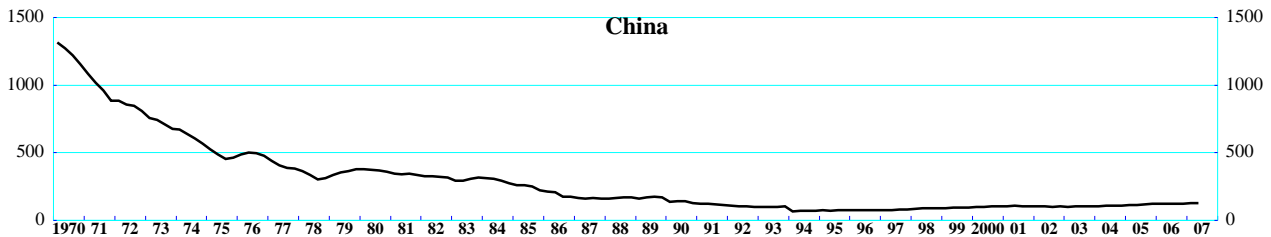
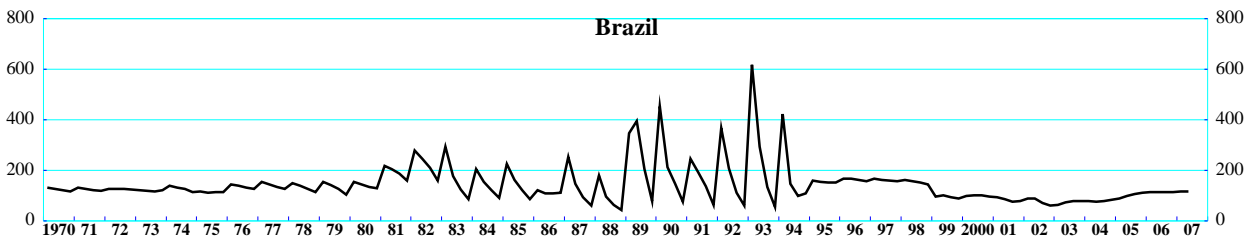
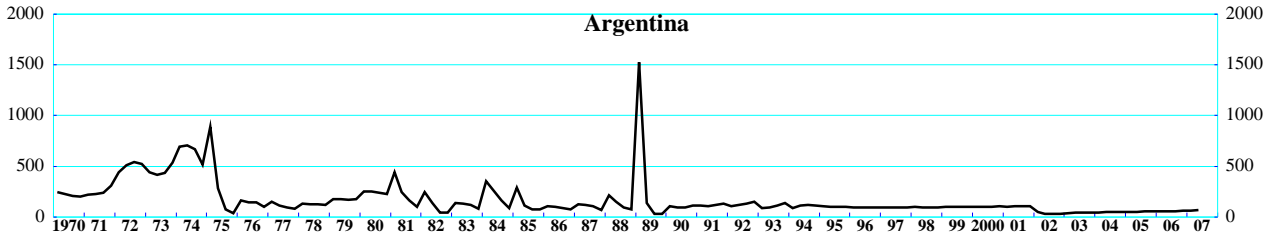
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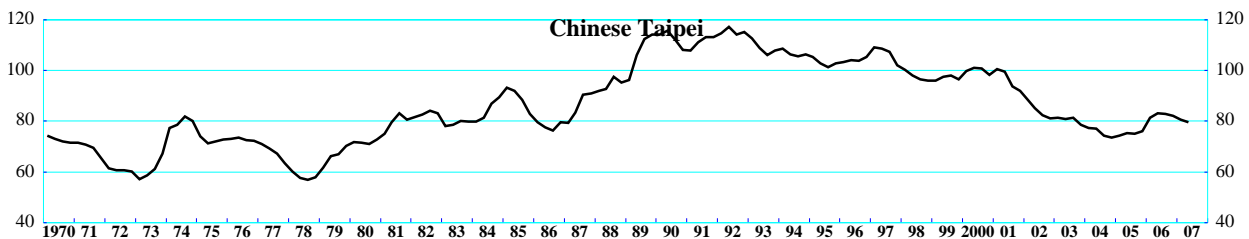
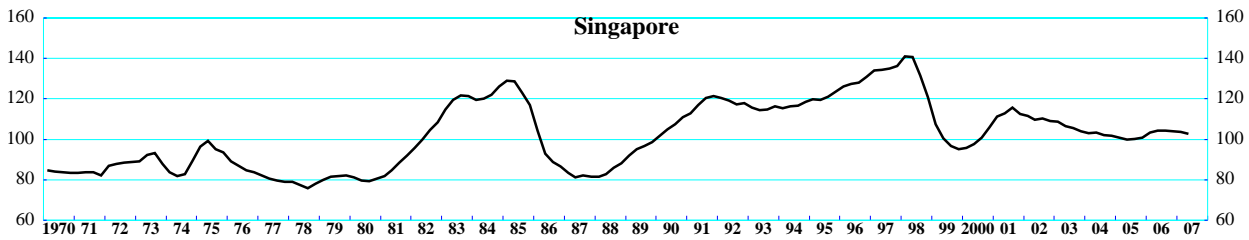
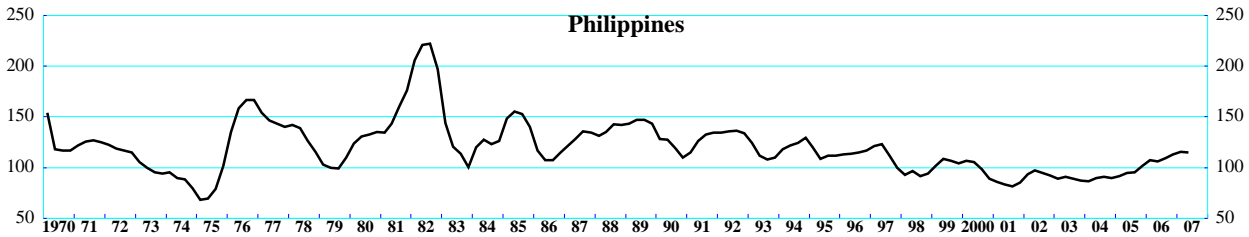
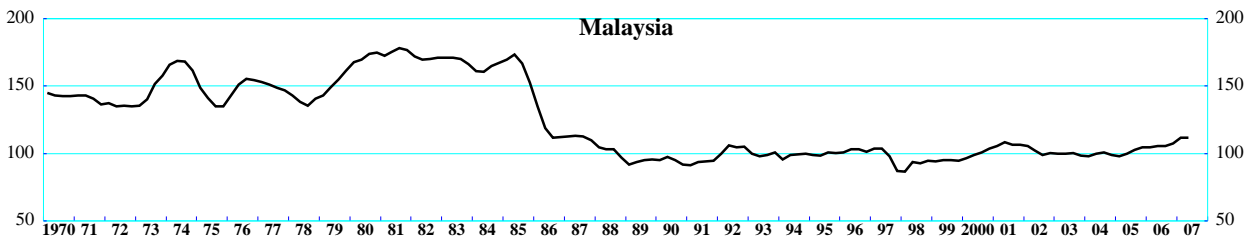
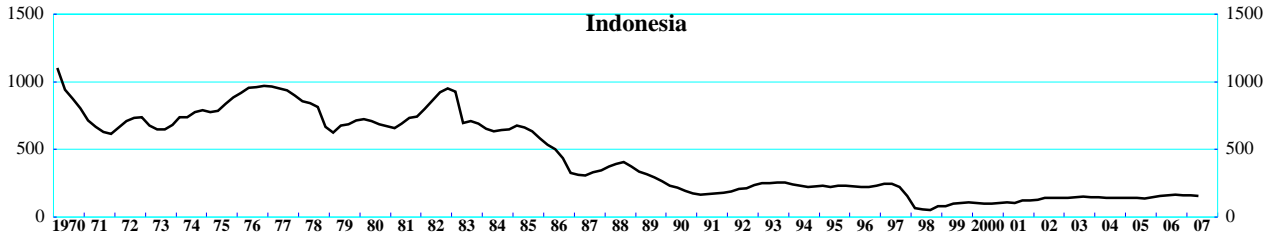
Competitive position : Relative unit labor costs -- Index 2000 = 100



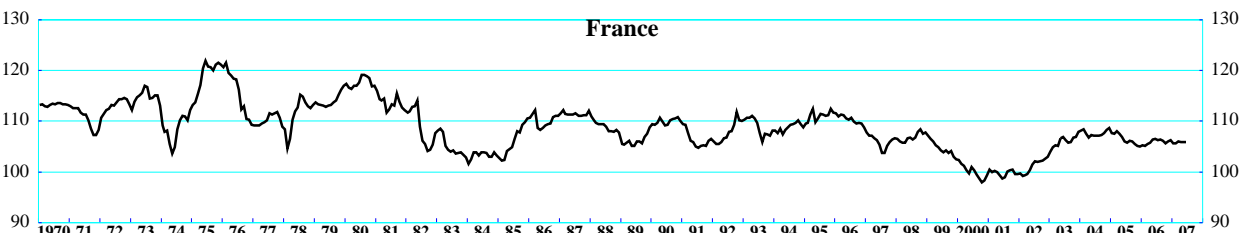
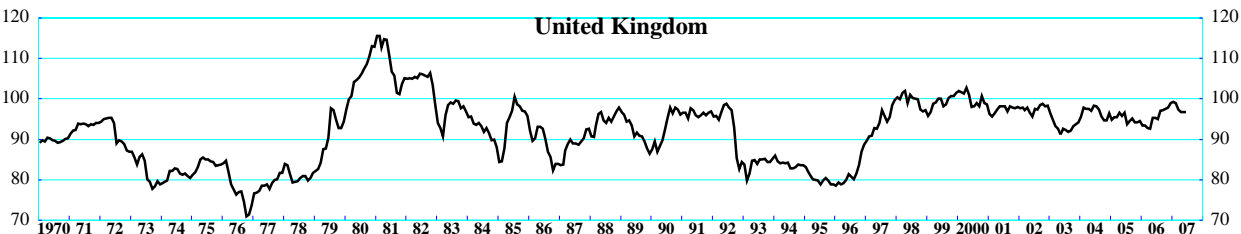
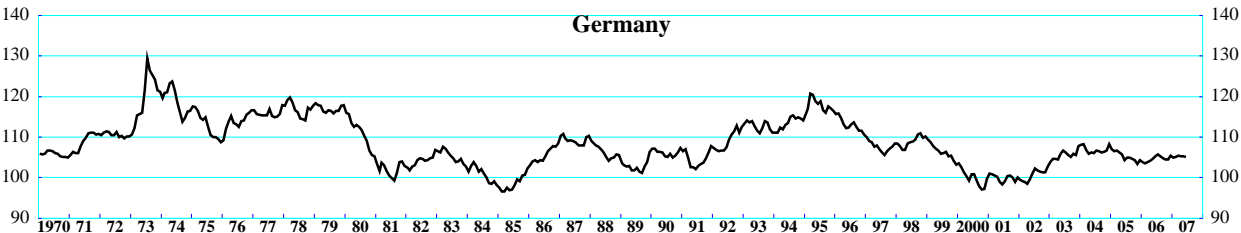
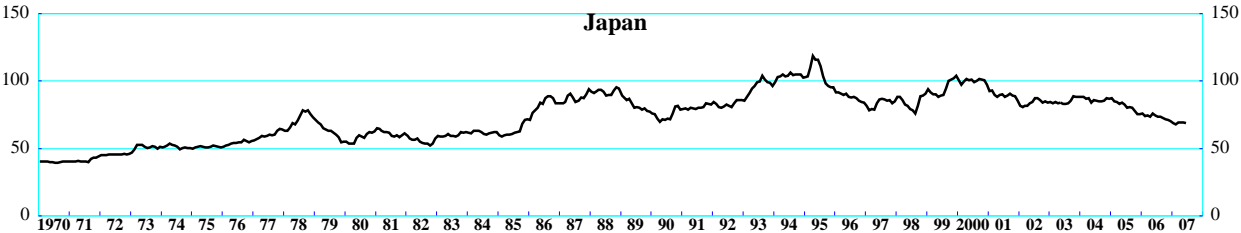
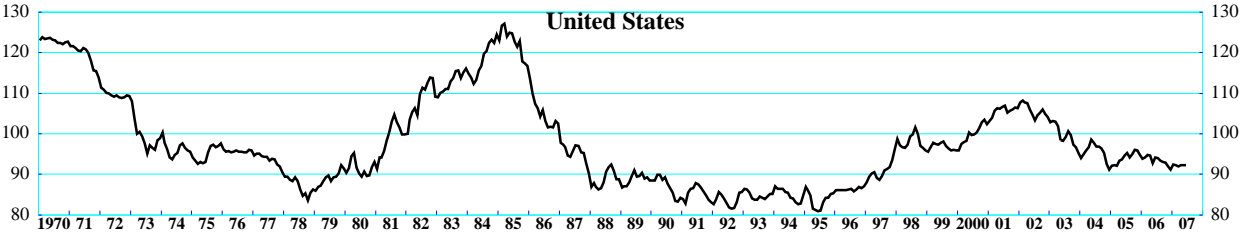
**Competitive position : Relative unit labor costs -- Index 2000 = 100**



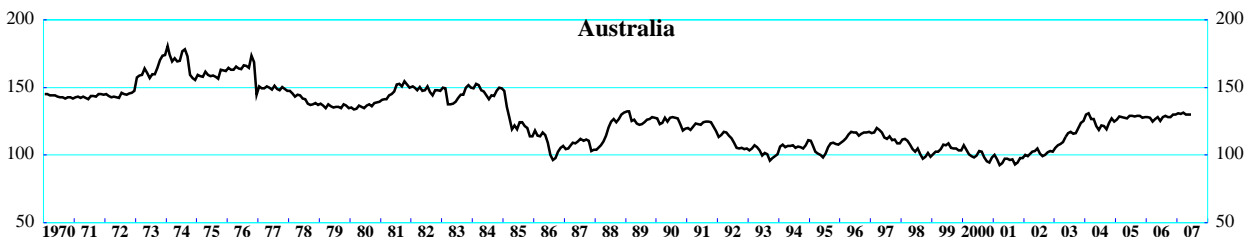
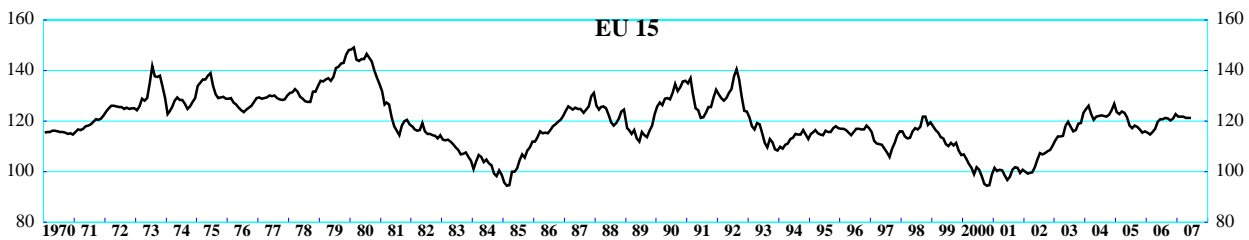
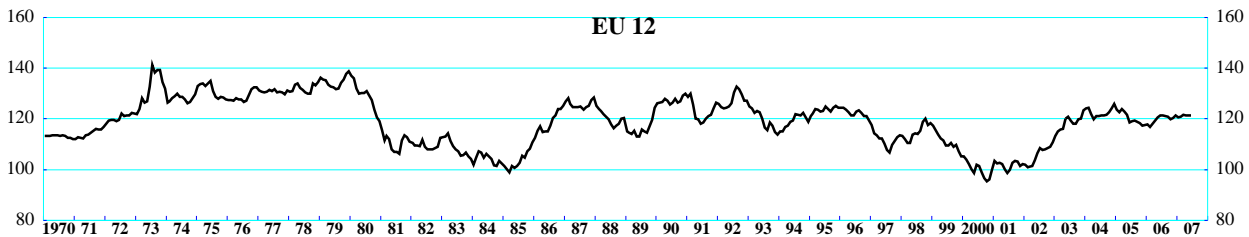
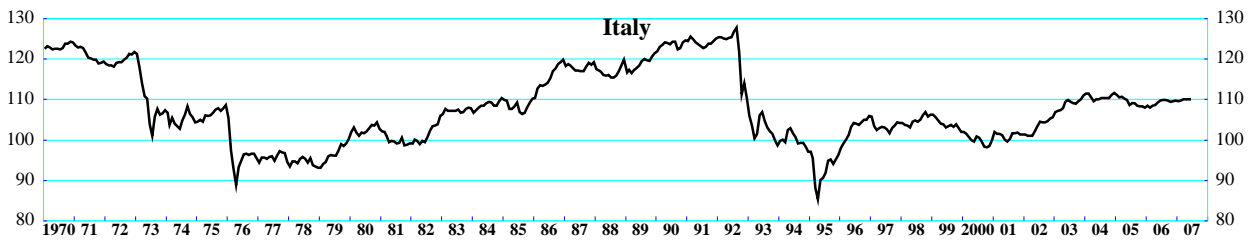
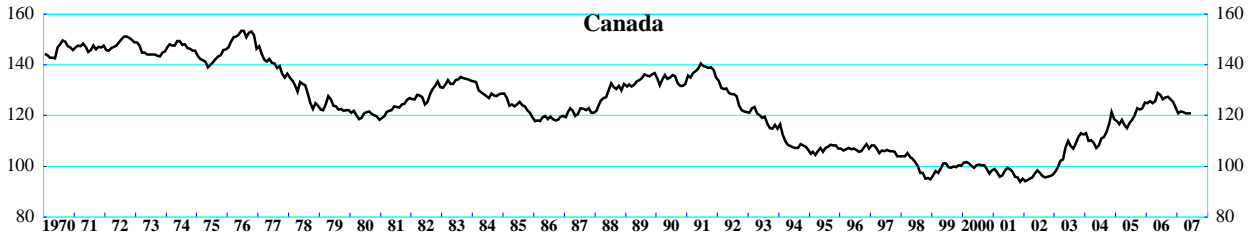
Competitive position : Relative unit labor costs -- Index 2000 = 100



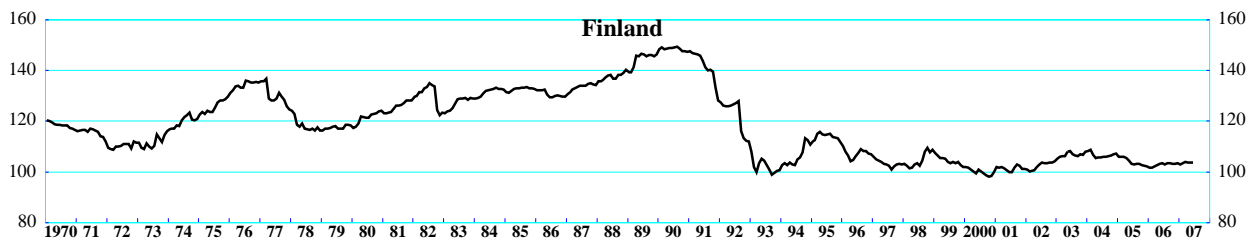
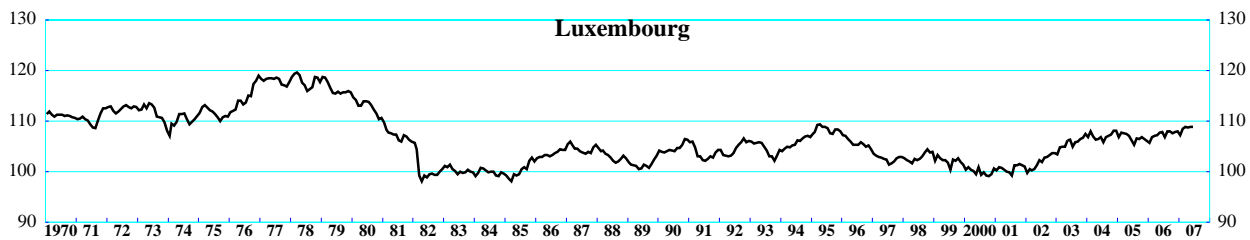
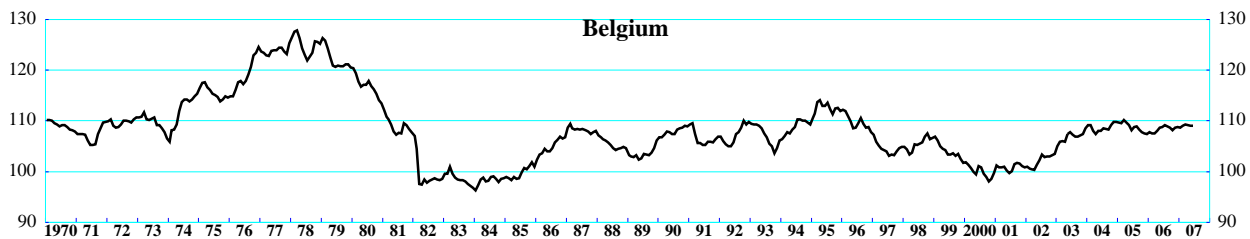
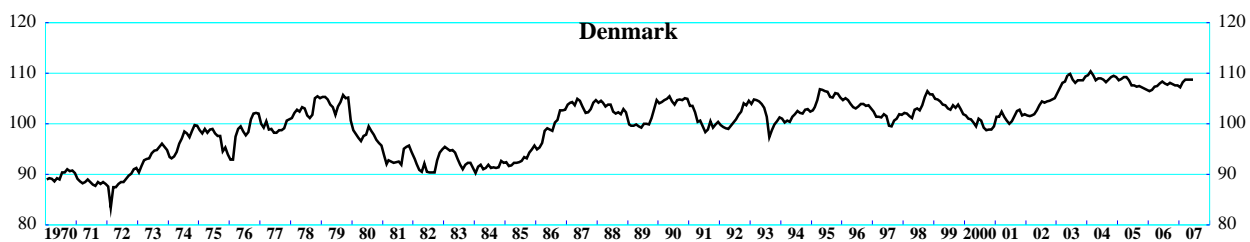
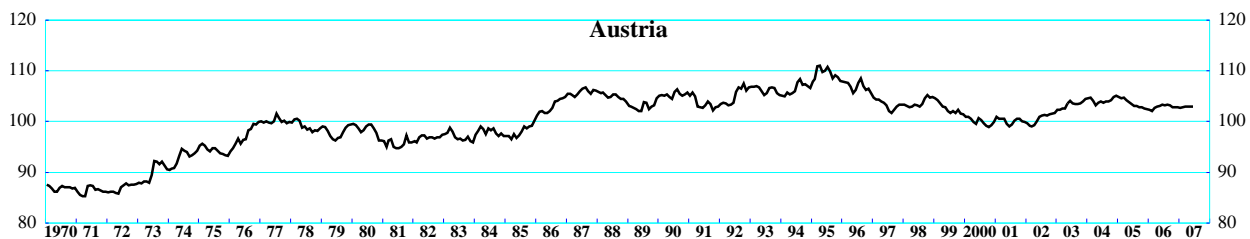
**Competitive position : Relative consumer prices -- Index 2000 = 100**



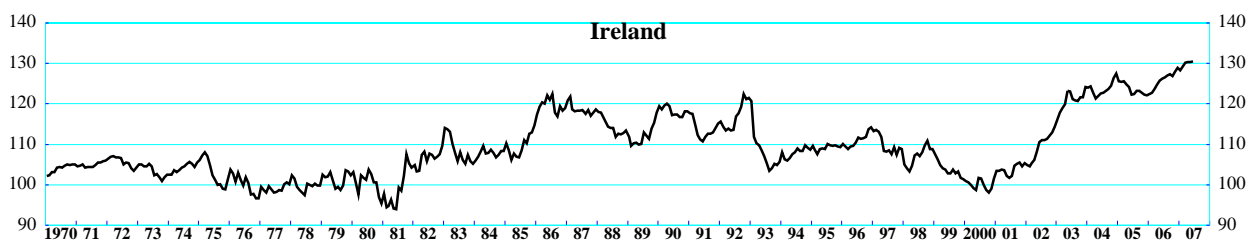
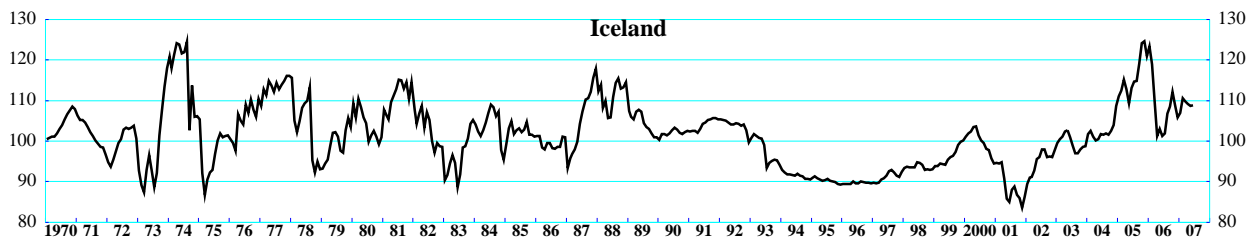
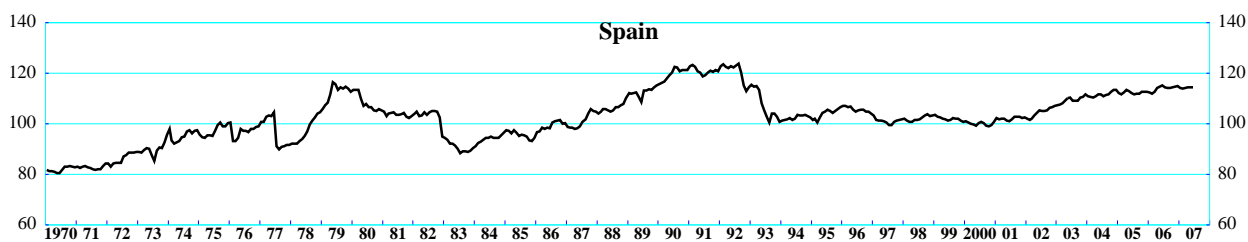
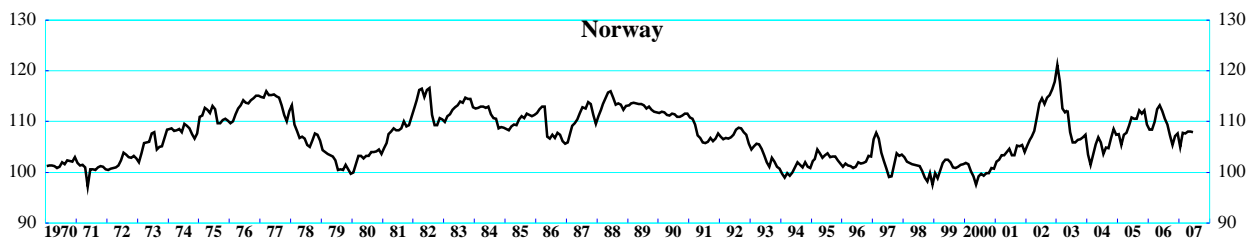
**Competitive position : Relative consumer prices -- Index 2000 = 100**



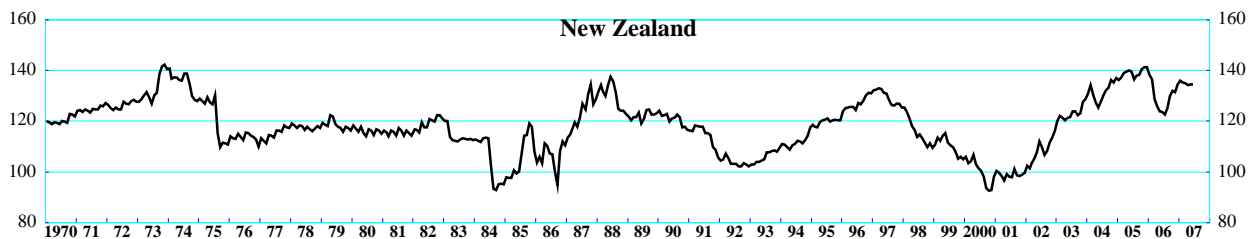
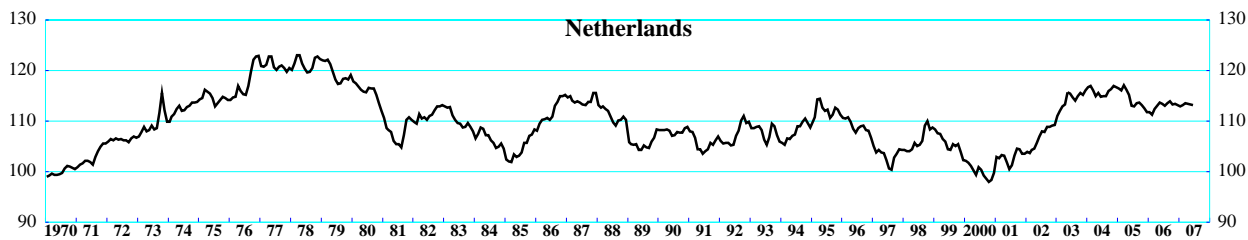
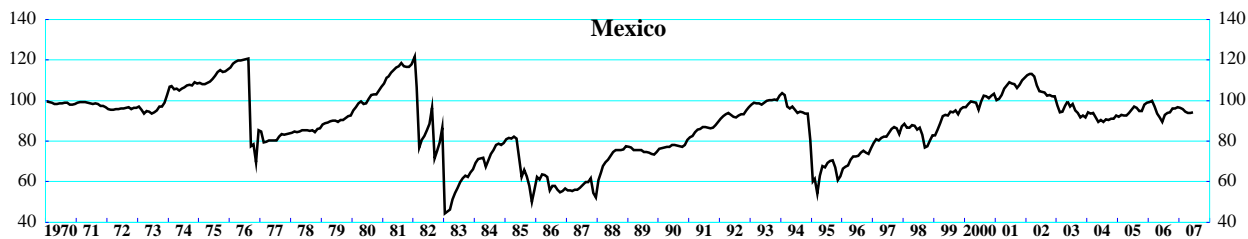
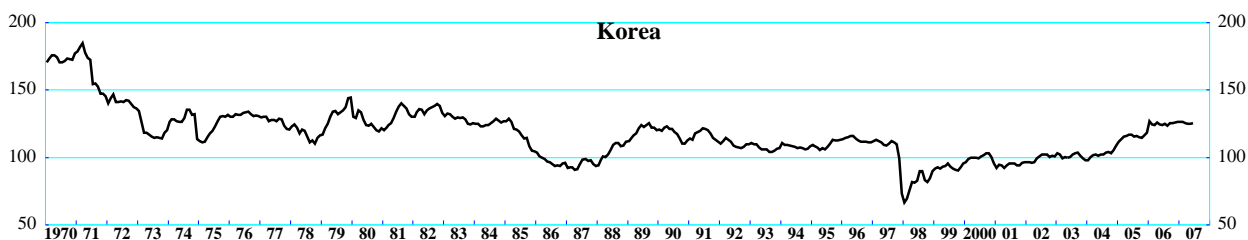
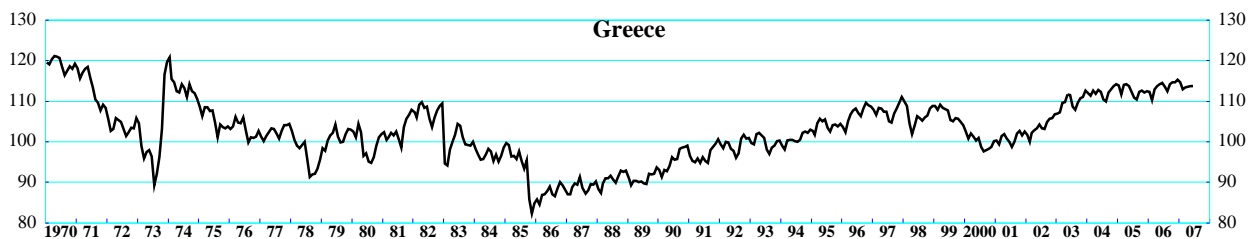
### Competitive position : Relative consumer prices -- Index 2000 = 100



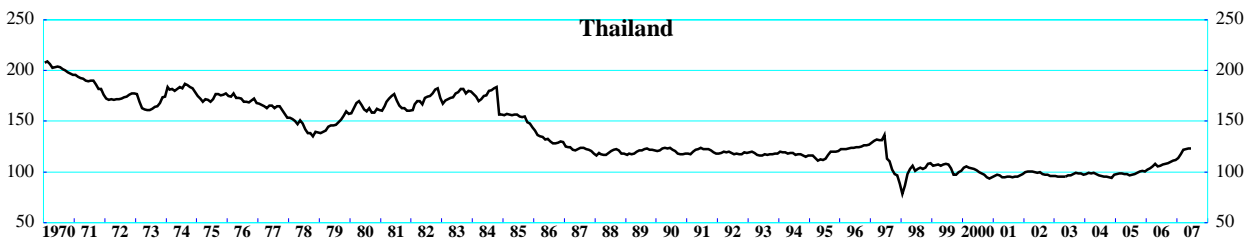
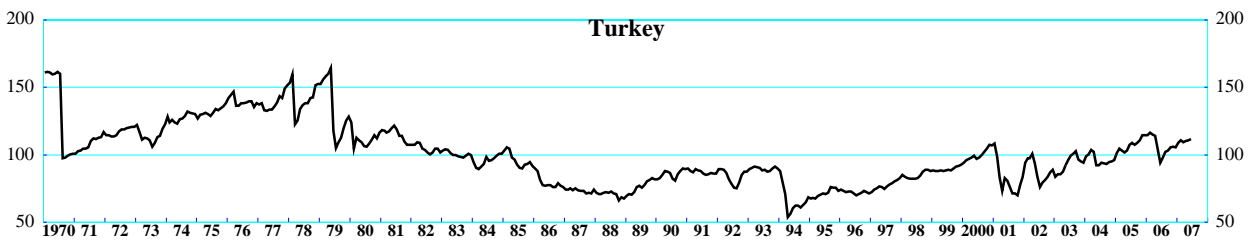
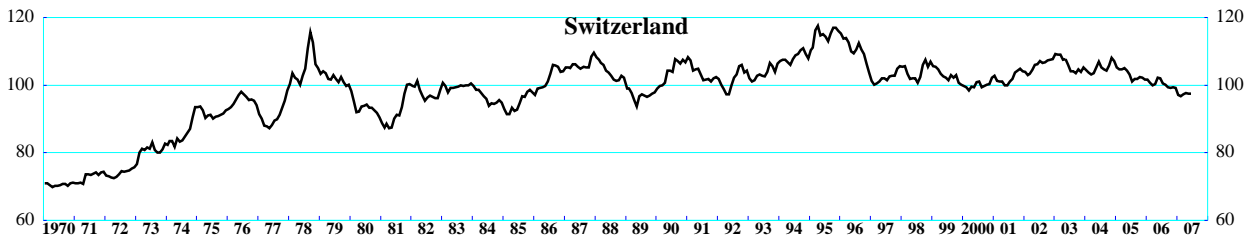
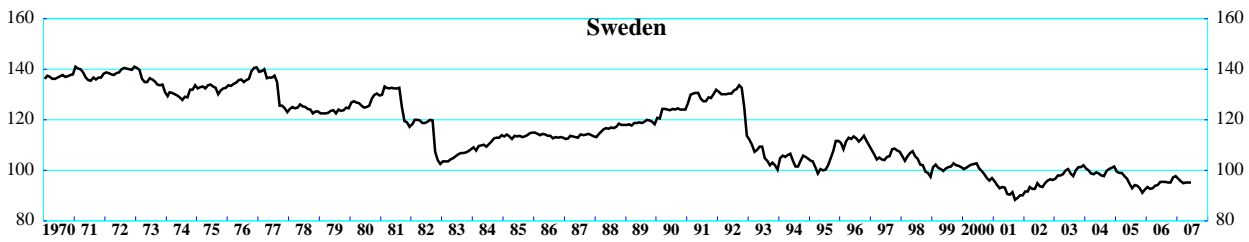
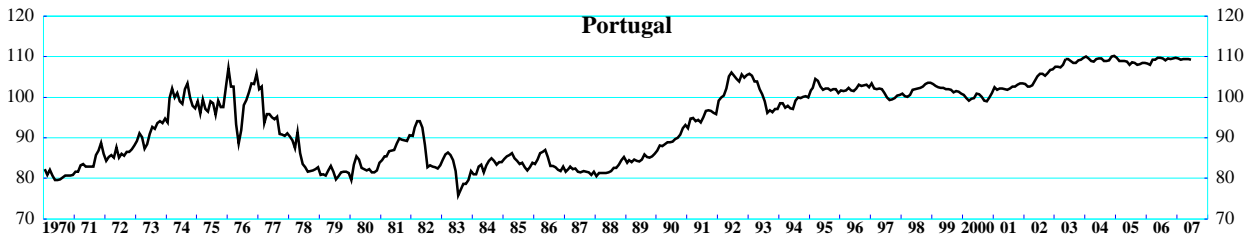
### Competitive position : Relative consumer prices -- Index 2000 = 100



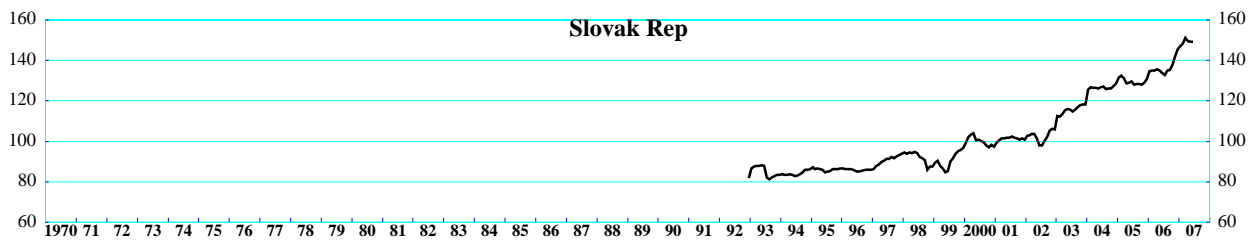
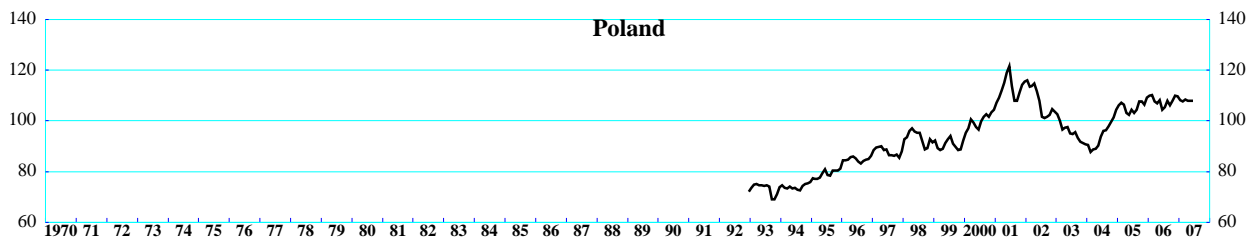
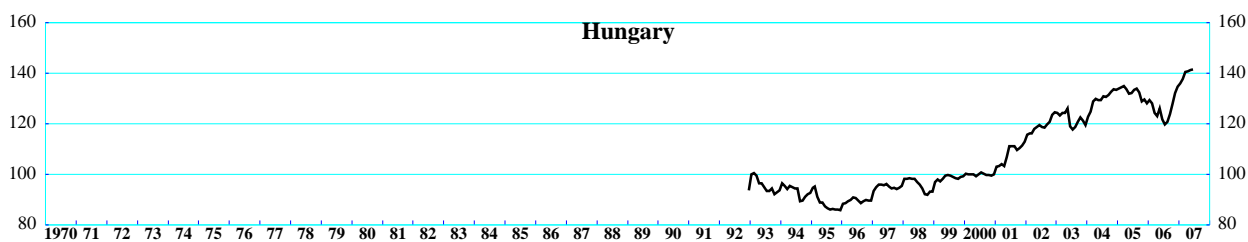
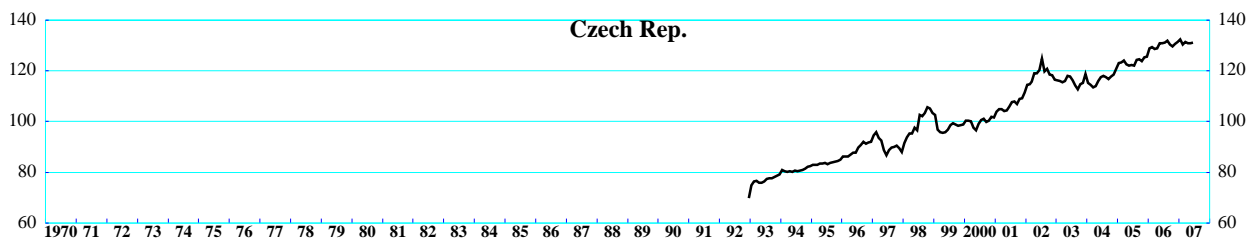
### Competitive position : Relative consumer prices -- Index 2000 = 100



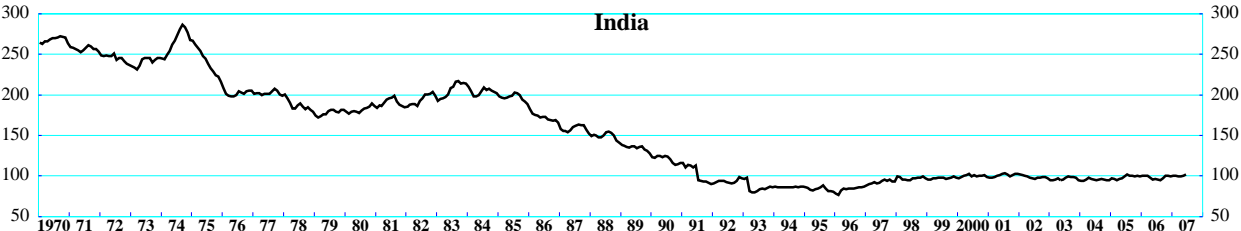
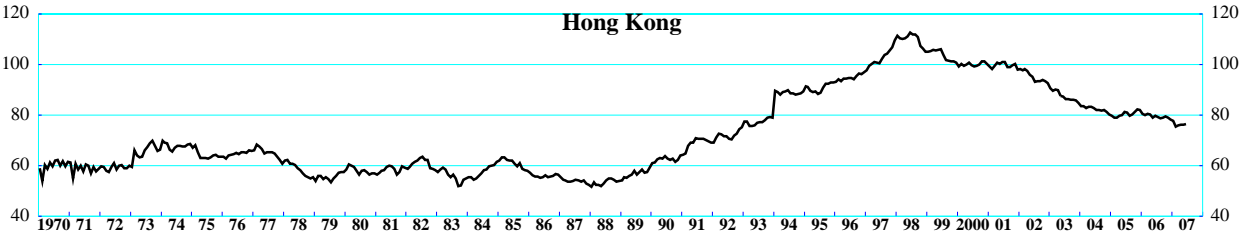
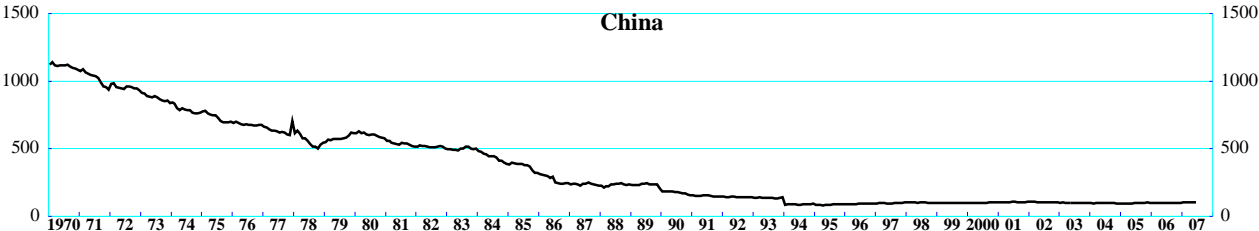
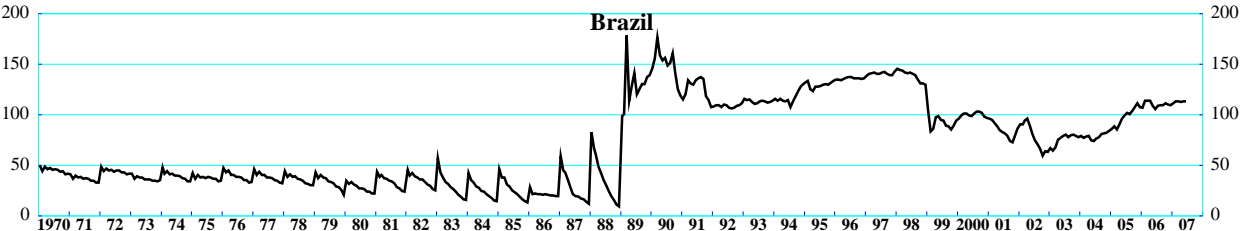
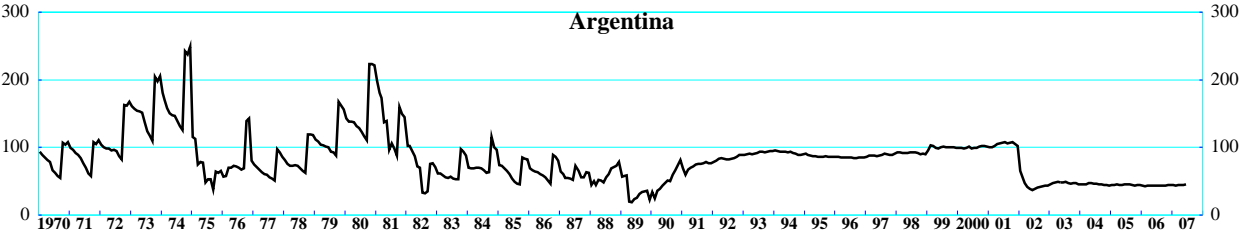
### Competitive position : Relative consumer prices -- Index 2000 = 100



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