

What is the economic outlook for OECD countries?

An interim assessment

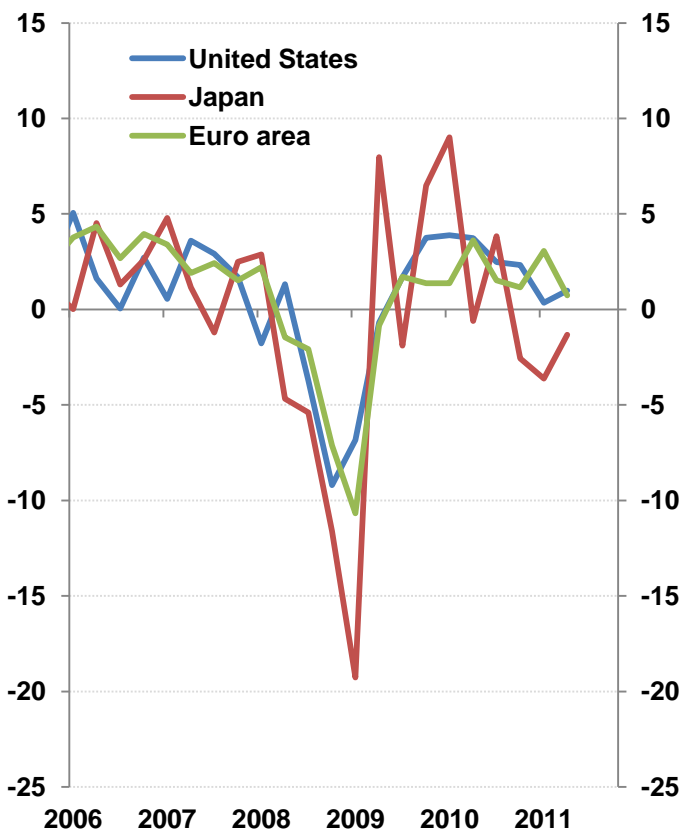
Paris, 8th September 2011
11h00 Paris time

Pier Carlo Padoan
Chief Economist and Deputy Secretary-General

Growth slowdown across major OECD and non-OECD economies

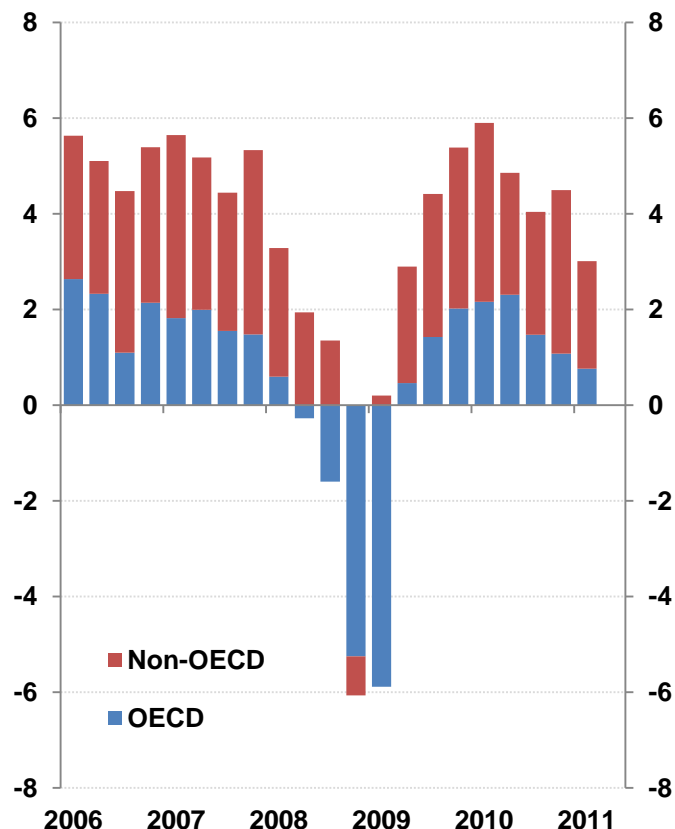
OECD majors GDP growth

Quarterly GDP growth, annualised, in per cent



World GDP growth

Contributions to quarterly GDP growth, annualised, in per cent



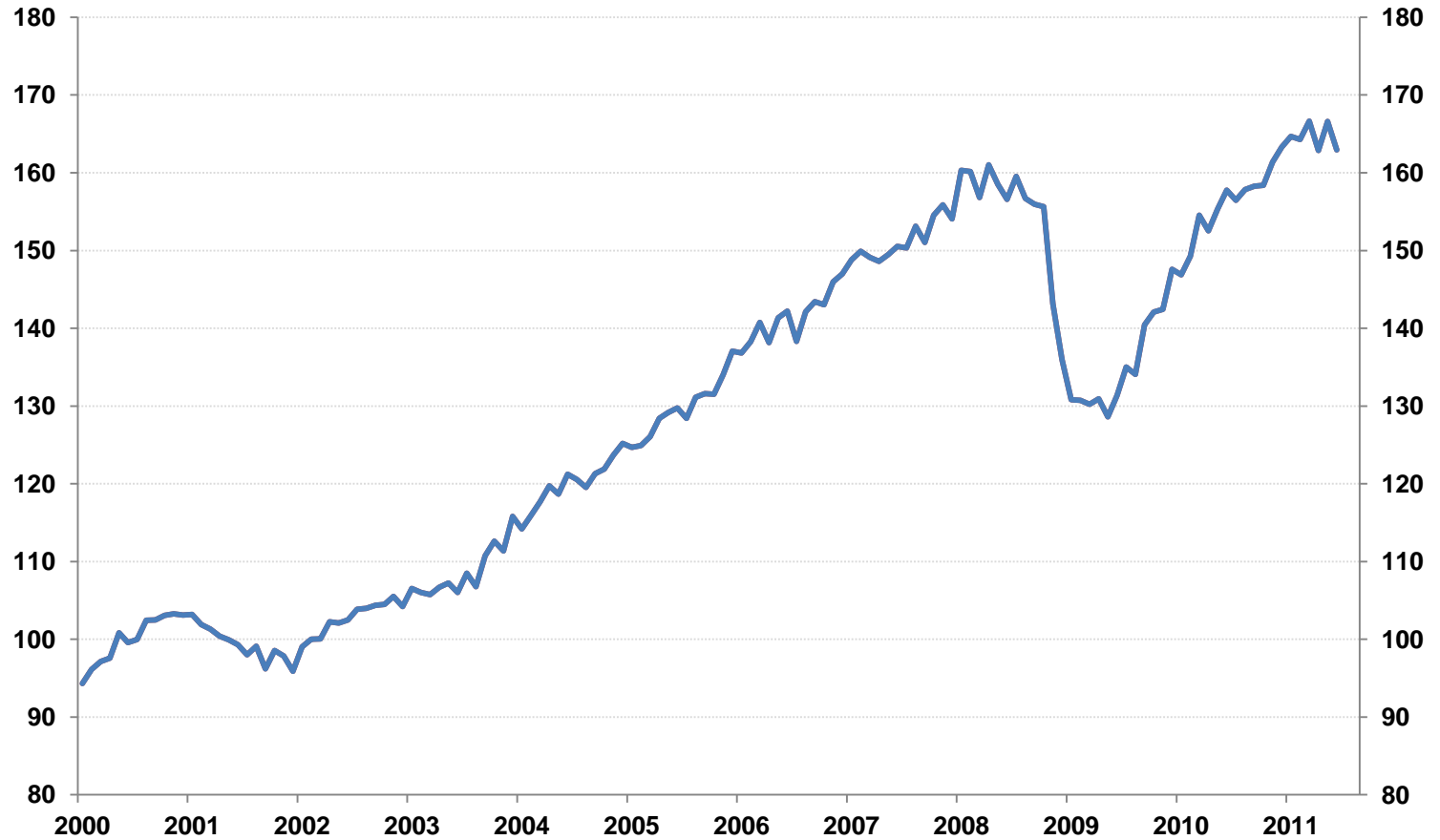
Growth slowdown

Source: OECD Quarterly National Accounts database; and national sources.

World trade is flat

CPB indicator of world trade

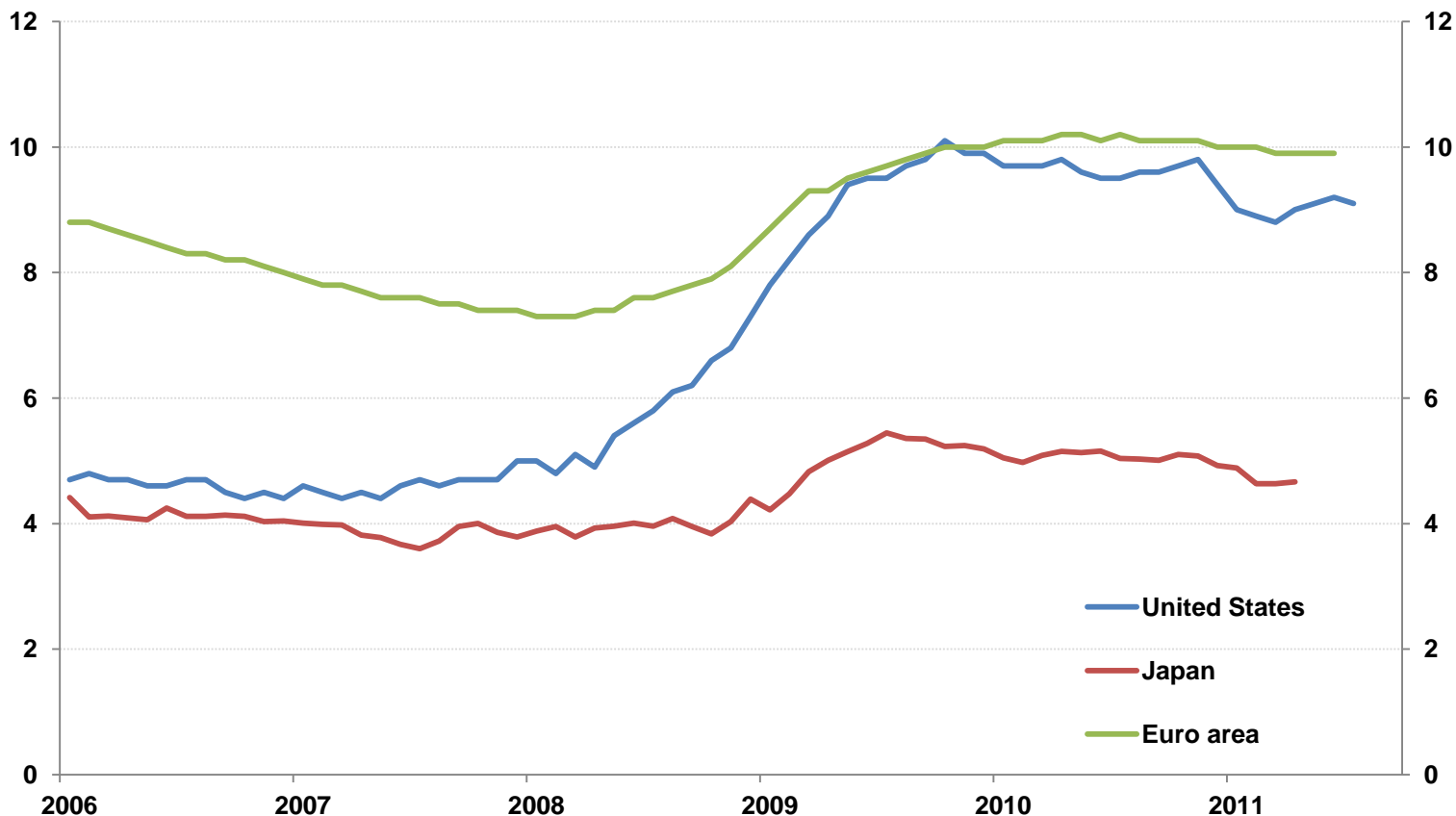
Index: 2000 = 100



Source: Dutch Central Planning Bureau.

Unemployment remains stubbornly high

Unemployment rate
In percent of labour force



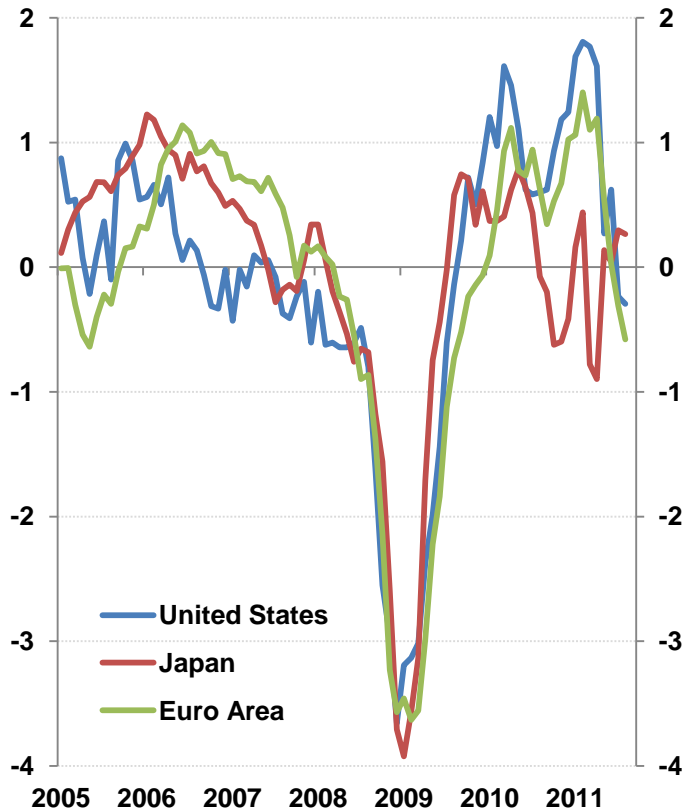
Source: OECD Main Economic Indicators; and Eurostat.

Five causes of slowdown

- **Japan disaster global impact greater than expected**
- **Commodity prices more damaging**
- **Fiscal consolidation may have been faster than anticipated**
- **Faster private sector balance sheet adjustment**
- **Policy uncertainties**

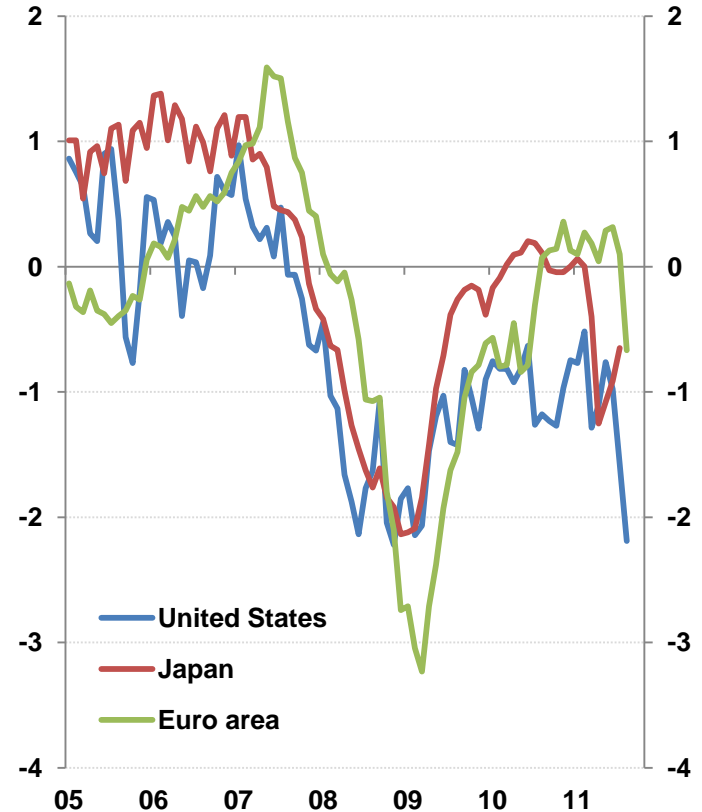
Confidence has weakened

Business confidence



Note: Manufacturing PMI. Normalised and presented in units of standard deviation.
Source: Markit.

Consumer confidence

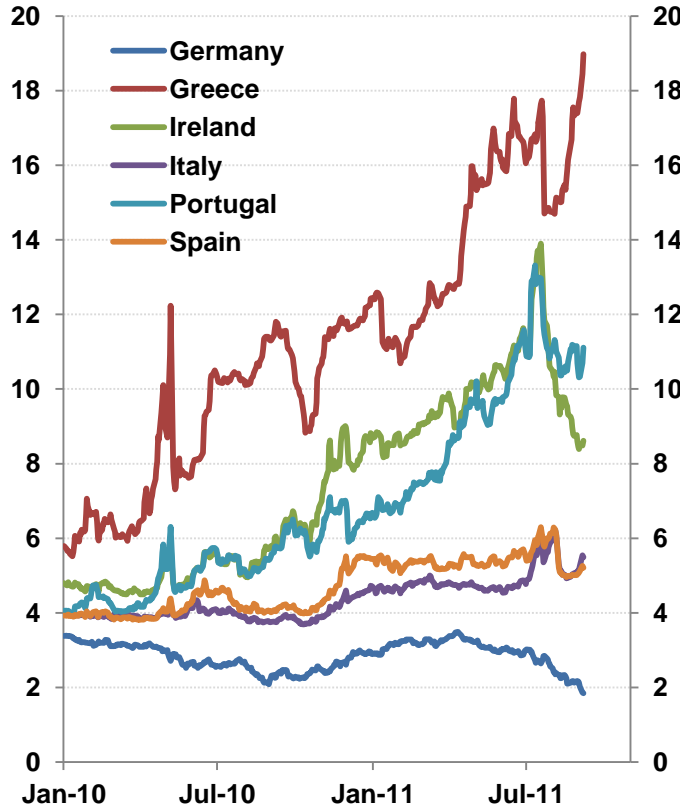


Note: Normalised and presented in units of standard deviation. *Source:* OECD Main Economic Indicators; Japanese Cabinet Office.

Higher risk perceptions reflected in yields

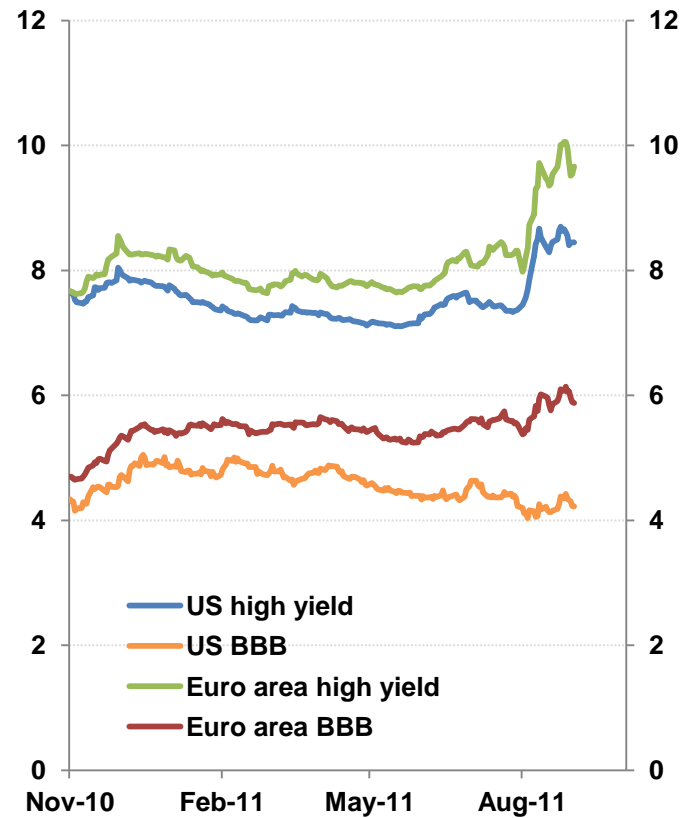
Euro-area sovereign bond yields

In per cent



Corporate bond yields

In per cent



Source: Datastream; and OECD Main Economic Indicators.

The outlook

Annualised quarter-on-quarter GDP growth, in per cent

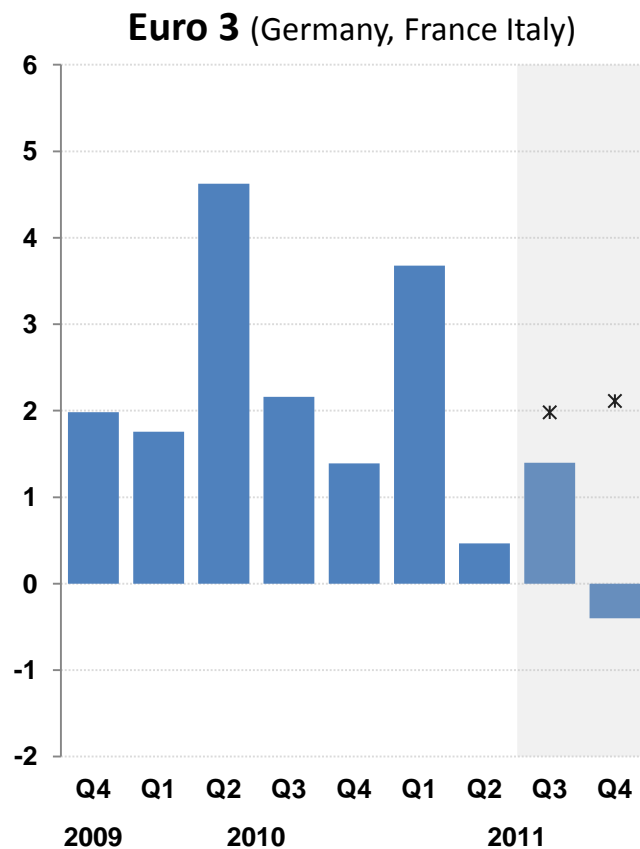
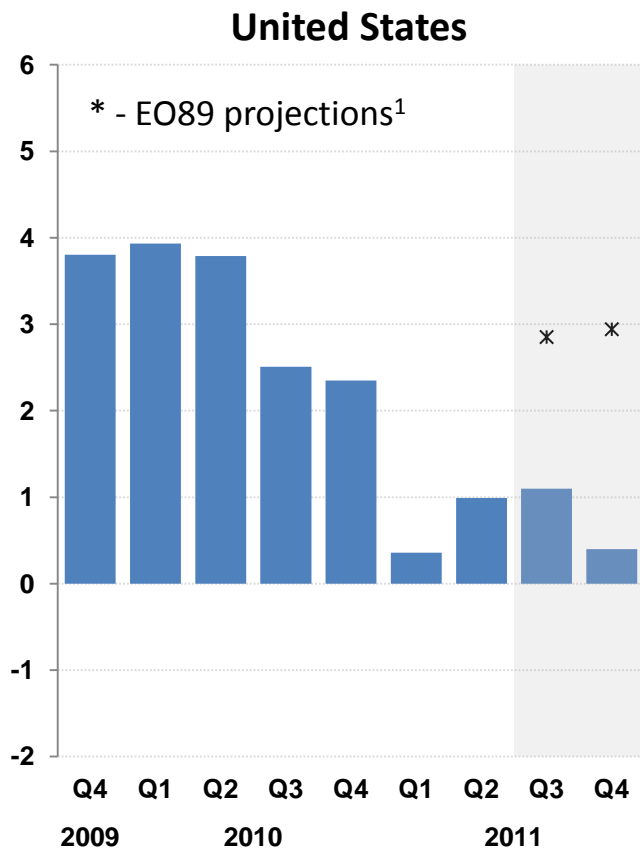
	2011 Q1	2011 Q2	2011 Q3	2011 Q4
United States	0.4	1.0	1.1	0.4
Japan	-3.6	-1.3	4.1	0.0
Germany	5.5	0.5	2.6	-1.4
France	3.6	0.0	0.9	0.4
Italy	0.6	1.0	-0.1	0.1
United Kingdom	1.9	0.7	0.4	0.3
Canada	3.6	-0.4	1.0	1.9
G7	0.8	0.4	1.6	0.2
G7 excluding Japan	1.6	0.7	1.1	0.2
Euro 3 ¹	3.7	0.5	1.4	-0.4

1. Weighted average of Germany, France and Italy.

Source: OECD, Quarterly National Accounts database; and OECD Indicator Model forecasts.

Recent weakness is expected to continue for the next two quarters in most major OECD economies

Annualised quarter-on-quarter real GDP growth, in per cent



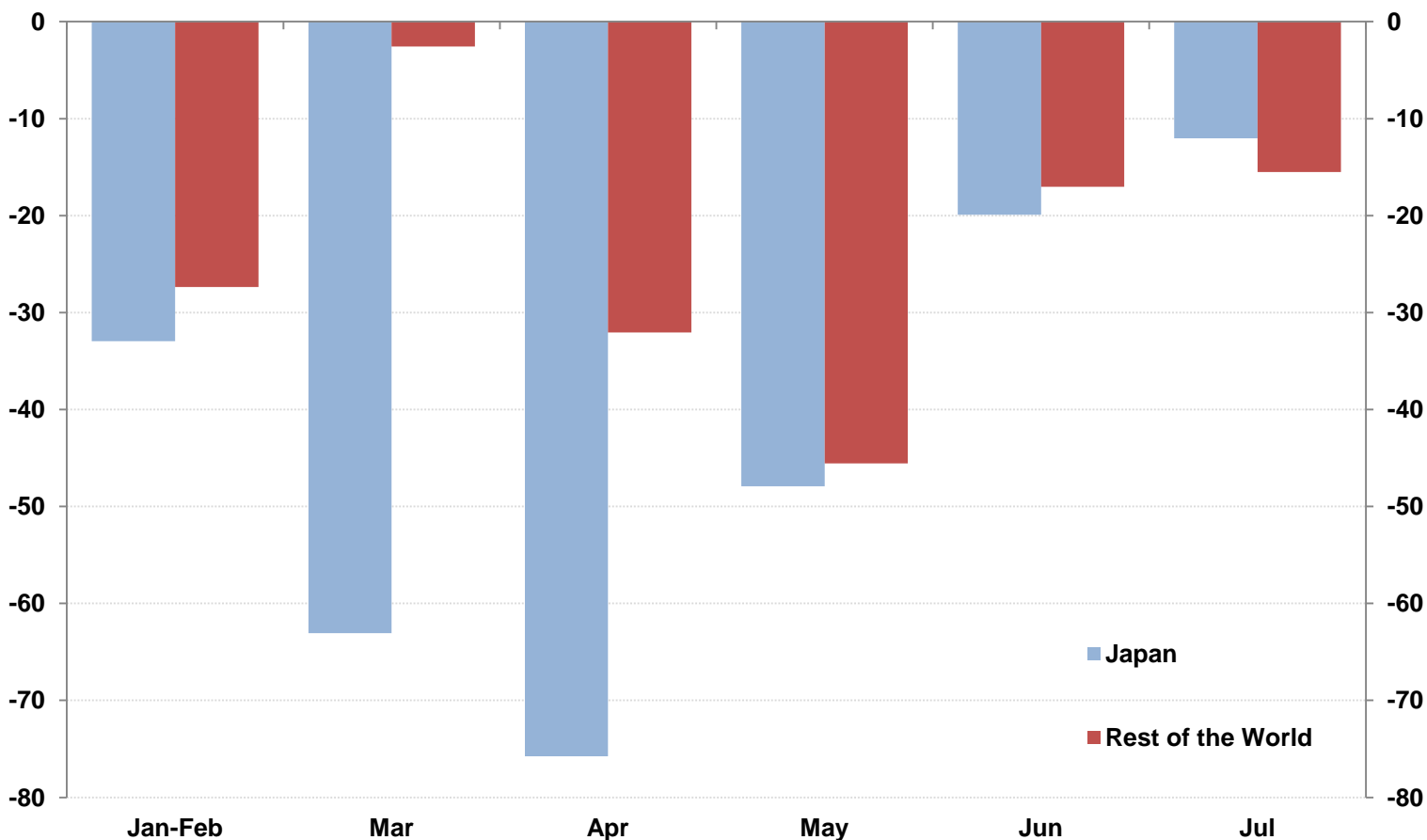
1. Refers to OECD Economic Outlook No. 89 projections (published in May 2011).
 Source: OECD, Quarterly National Accounts database; OECD Economic Outlook 89 database;
 and OECD Indicator Model forecasts.

Impact of Japan disaster is fading

Japan disaster

Car production

12-month percent change, number of units produced

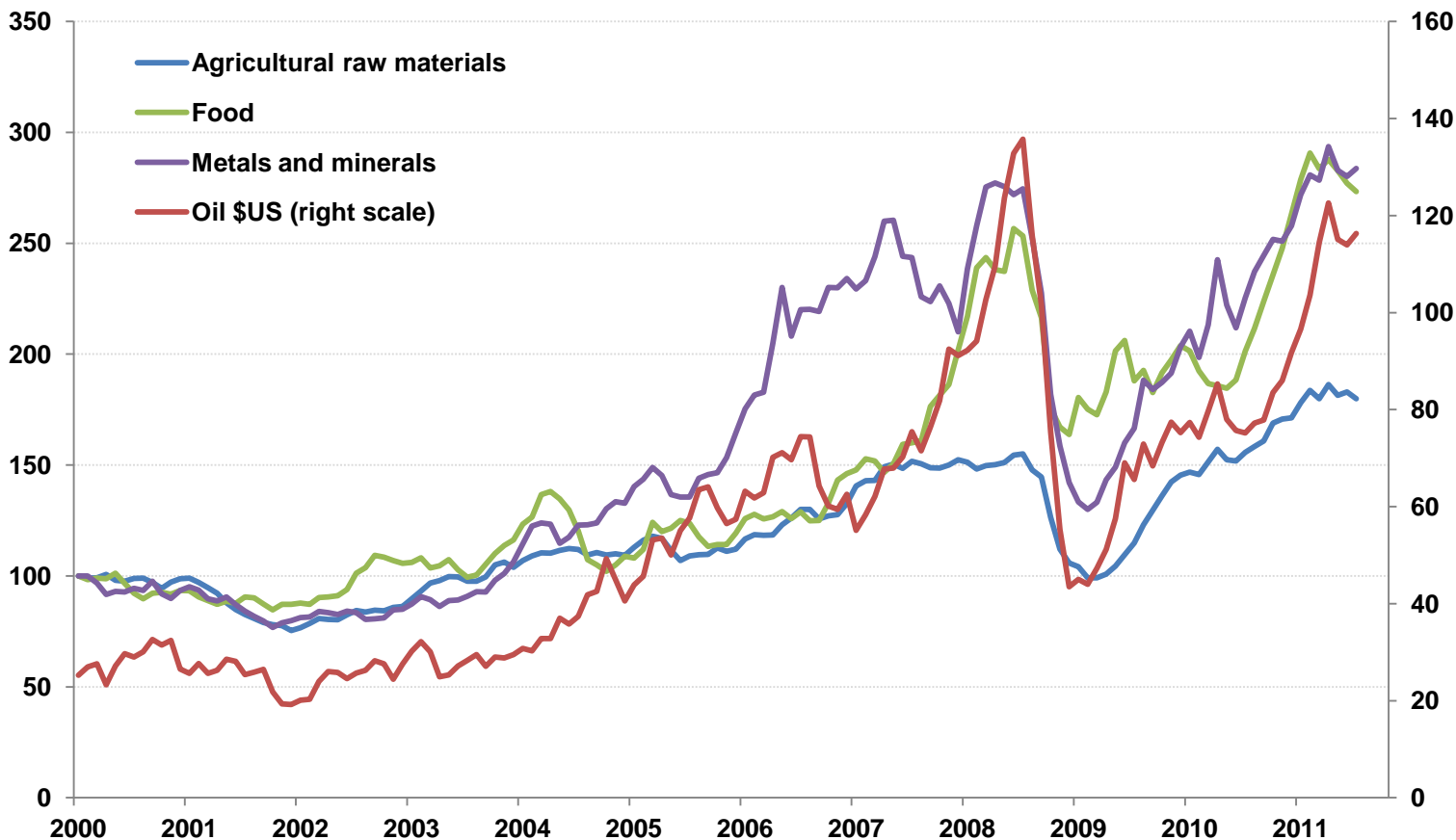


Note: 2011

Source: Toyota Motor Corporation and Honda Motor Co. Ltd monthly reports.

Commodity prices remain high

Index: Jan 2000 = 100; US\$ per barrel (Brent)

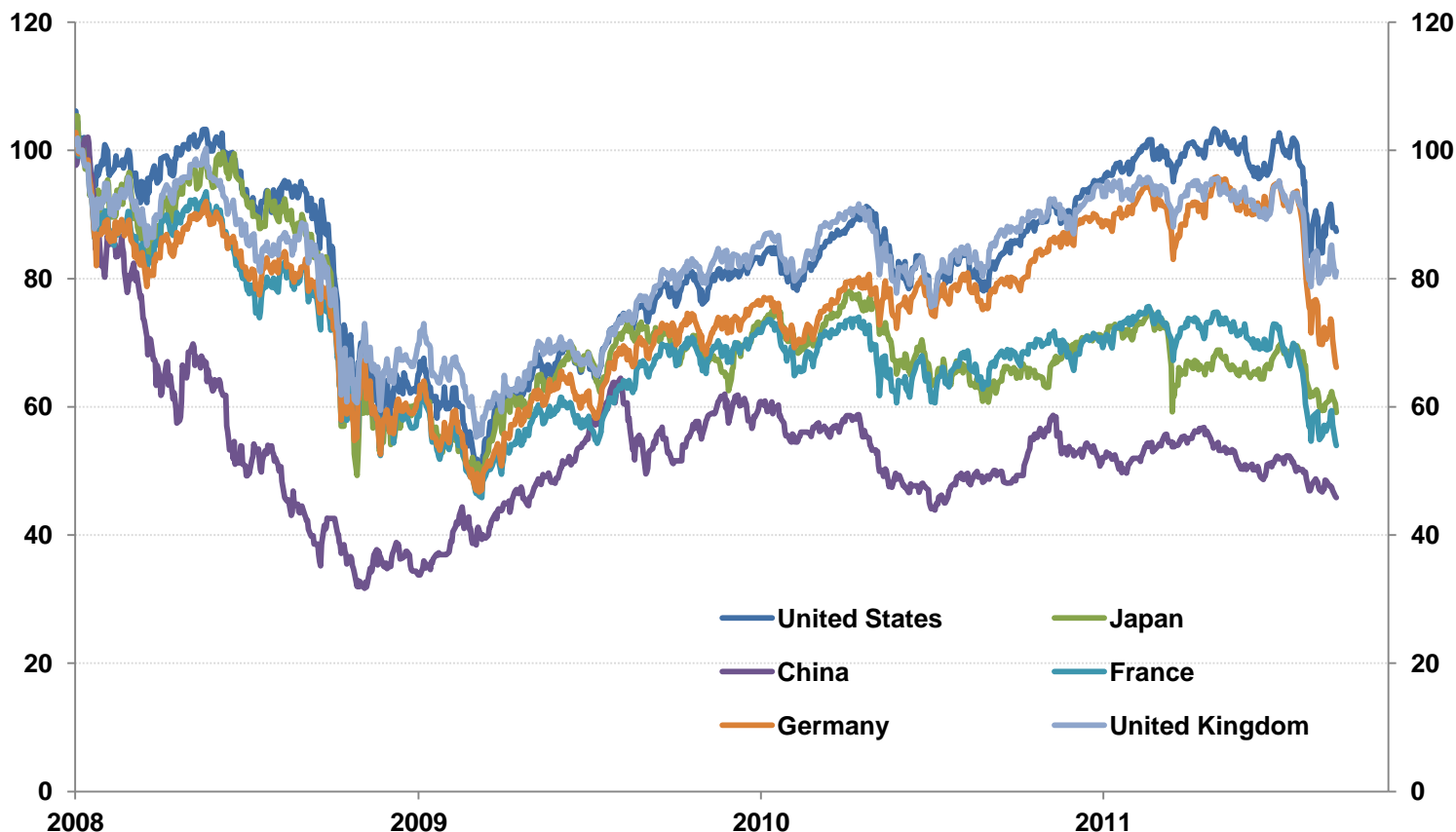


Source: OECD Main Economic Indicators; and Datastream.

Equity prices have tumbled

Equity prices

Index: August 2008 = 100



Note: United States: Wilshire 5000; France: CAC-40; Germany: DAX Index; Japan: Nikkei 225; United Kingdom: FTSE 100; China: Shanghai Composite Index.

Source: Datastream.

Policy imperative is to restore confidence: medium term

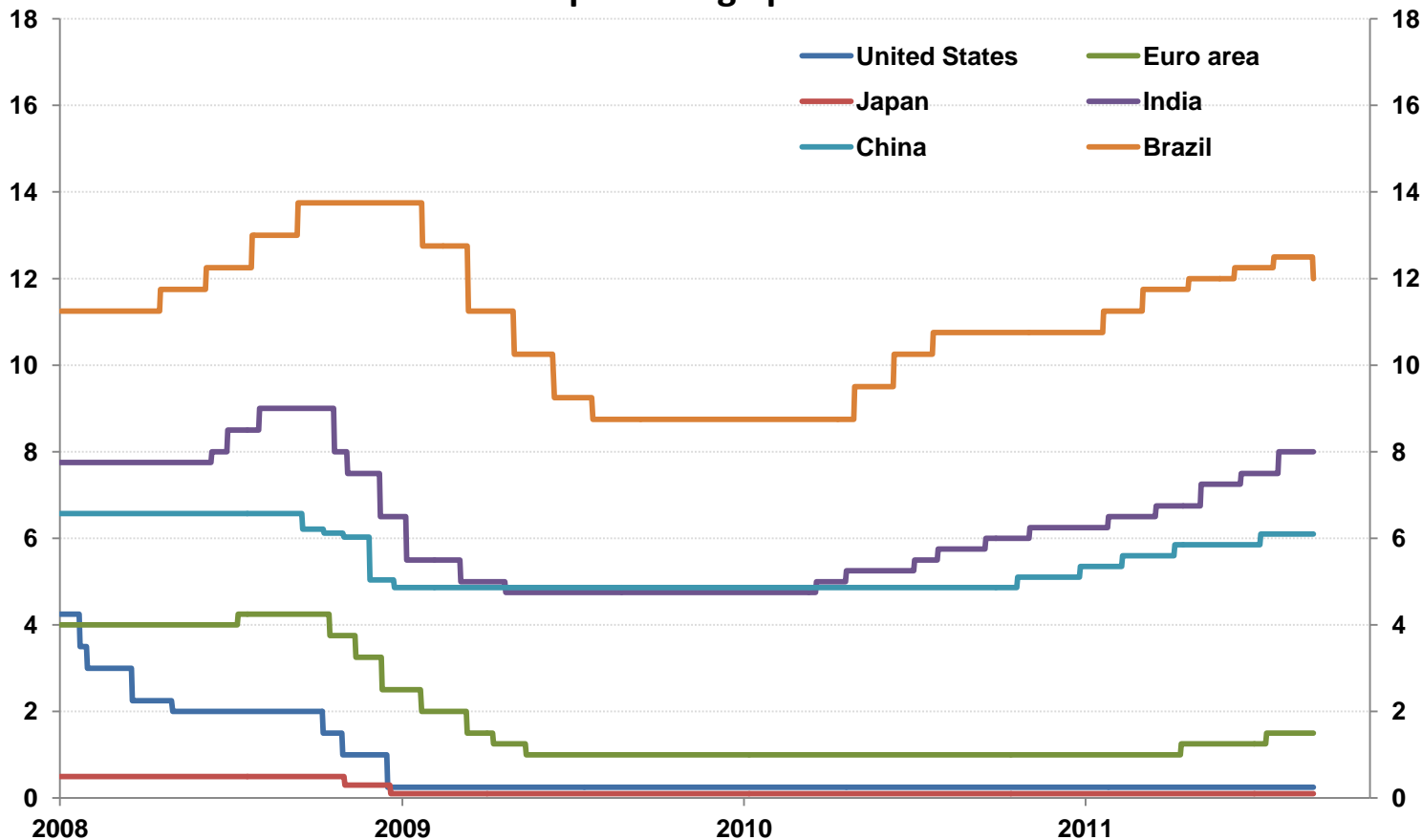
- **Fiscal consolidation**
- **Structural policies**
- **Banking recapitalisation**
- **Euro-area architecture**

Policy imperative is to restore confidence: short term

- **Monetary policy**
- **Fiscal policy**
- **Exchange rate adjustment**

Room for monetary policy response in some economies

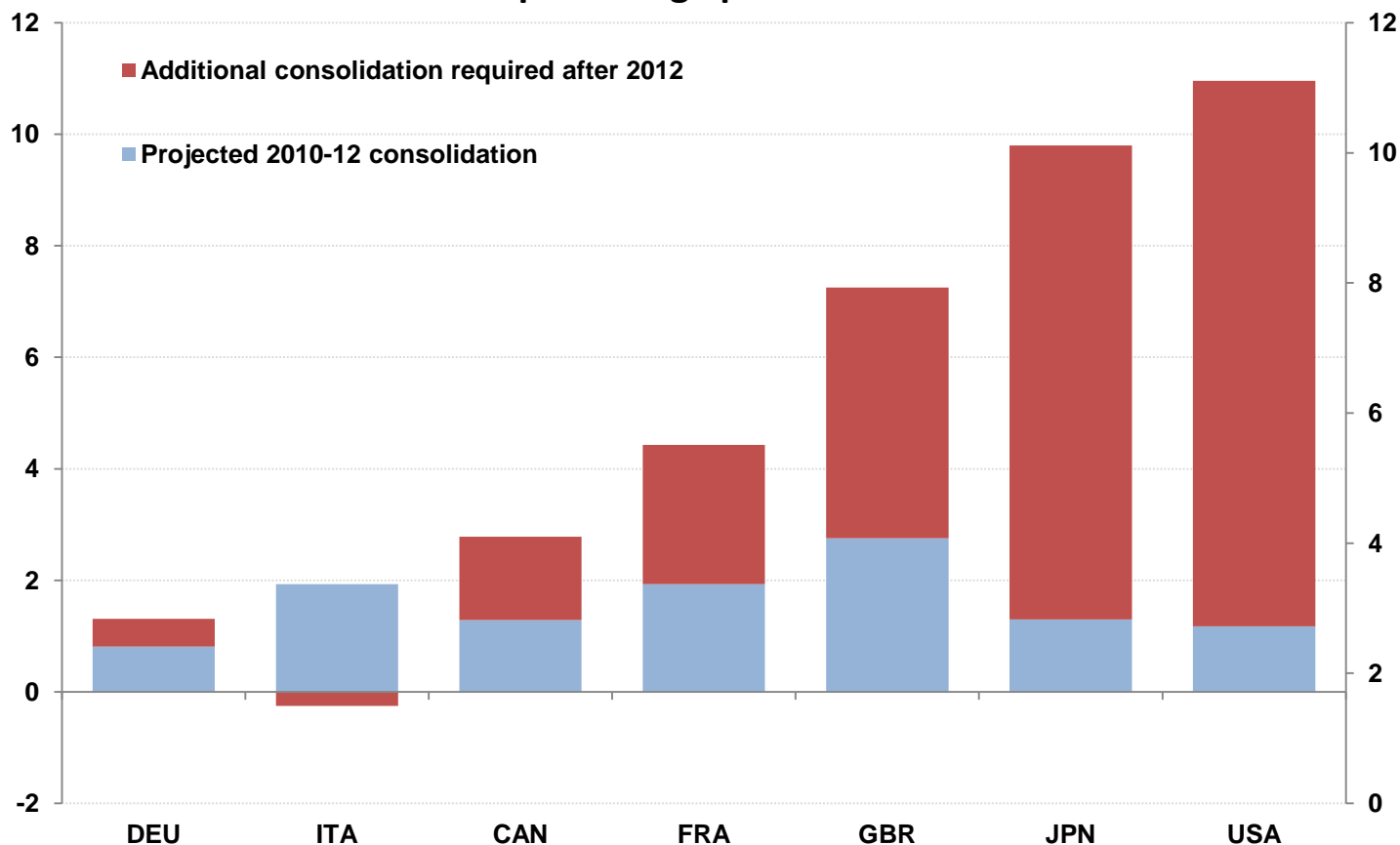
Central bank policy rates percentage points



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

Fiscal consolidation required is large in many countries

Improvement in underlying primary balances percentage points of GDP



Note: Consolidation through 2011 and 2012 as projected in Economic Outlook 89; consolidation after 2012 assumed to be an additional ½ percentage points of GDP each year.

Source: OECD Economic Outlook 89 database; and OECD calculations.

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