OECD’s Economic Outlook 68 Reviews New Procedures for Calculating the NAIRU

The concept of the NAIRU - the Non-Accelerating Inflation Rate of Unemployment, or the unemployment rate that would be consistent in a given economy with stable inflation - has attracted considerable controversy in recent years. Views are mixed as to how the NAIRU should be measured, and even as to whether it is a useful concept in the first place.

The latest edition of the OECD’s Economic Outlook, to be published on 20 December 2000, contains an article which discusses the NAIRU concept and reports on new OECD procedures for estimating unemployment rates that are consistent with stable inflation.

The article presents revised estimates for several NAIRU-based measures of structural unemployment for most OECD countries and discusses their relevance for policy makers. In particular, it draws a distinction between a slow-moving NAIRU and a more volatile short-term NAIRU, affected by temporary factors such as oil price fluctuations. This “short-run” NAIRU is seen as a useful tool for monetary policy makers in assessing how best to react to specific types of economic shocks.

Other articles in the Economic Outlook 68 will cover such topics as the relationship between economic policies and institutions and economic growth, house prices and their relationship with the level of economic activity, and trends in immigration and their economic consequences.

The article on the NAIRU is available in electronic form to journalists on request from Nicole Le Vourch (nicole.levourch@oecd.org) or Sonia Primot (sonia.primot@oecd.org) in the OECD’s Media Relations Division for immediate publication (fax. 33 1 45 24 80 03). Electronic versions of the other articles to be published in the Economic Outlook 68 will be available to journalists on request to Nicole Le Vourch as of Thursday 14 December for immediate publication. For comment on the NAIRU article, please contact Pete Richardson in the OECD’s Economics Department (tel. 33 1 45 24 88 30 or pete.richardson@oecd.org).