OECD’s Economic Outlook Reviews Factors Affecting Economic Performance

The latest edition of the OECD’s Economic Outlook, to be published on 20 December 2000, contains a number of articles reviewing factors that in one way or another have an impact on economic performance. They cover such topics as immigration, the housing market, unemployment and the links between investment in physical and human capital, on the one hand, and economic growth, on the other.

These articles are available to journalists in electronic form for immediate publication on request from Nicole Le Vourch (nicole.levourch@oecd.org) or Sonia Primot (sonia.primot@oecd.org) in the OECD’s Media Relations Division (fax 33 1 45 24 80 03).

The main points that the articles cover are as follows, with names and telephone numbers of members of the OECD’s Economics Department whom journalists can contact for further comment:

- An article on **Links between policy and growth: cross-country evidence** assesses the role that the accumulation of physical and human capital, as well as policies and institutions, have played in shaping economic growth in the OECD countries over the past decades. The analysis suggests that investment in all forms of capital is important for economic growth, while the move towards stability-oriented macroeconomic policies has had a positive effect on growth over the past decade. There is also evidence of a strong contribution from research and development (R&D) activities, especially if directly performed by enterprises. The article also addresses policy issues more directly related to the current debate on the new economy. In particular, it underscores the role that appropriate conditions in financial markets and product market regulations have in fostering innovation and productivity enhancement. (Stefano Scarpetta, tel. 33 1 45 24 90 23 or stefano.scarpetta@oecd.org).

- An article on **Revised OECD measures of structural unemployment** reviews the conceptual background to, and presents revised estimates for, NAIRU-based measures of structural unemployment for most OECD countries. The policy-relevance of such measures is also discussed. Estimated NAIRUs fell in many OECD countries in the second half of the 1990s, although actual unemployment has remained well above the NAIRU for a majority of countries for much of the 1990s, particularly in Europe. Among the various estimates, the “short-run” NAIRU is seen as being useful in assessing to which shocks monetary policy should react. This measure may be strongly influenced by temporary shocks such as from oil and non-oil import prices; however, if such shocks are expected to dissipate in the near future no policy action may be necessary. (Pete Richardson, tel. 33 1 45 24 88 30 or pete.richardson@oecd.org).
• An article on **House prices and economic activity** reviews the role of house prices in influencing private consumption and residential investment in OECD countries. Deregulation of the mortgage markets in most OECD countries since the 1970s has made it easier for households to borrow for current consumption on the basis of their housing wealth, and the easing of borrowing constraints has often been accompanied by sizeable withdrawal of housing equity. The analysis presented and a review of existing empirical work for the major OECD countries suggest that house prices have a significant positive impact on private consumption through wealth effects and/or an easing of liquidity constraints. House prices also influence the profitability of house building, and in many countries there is a close association between profitability of house construction and private residential investment. A corollary of these results is that residential property prices can be useful indicators of demand pressures in the economy. (Sveinbjörn Blondal, tel 33 1 45 24 76 59 or sveinbjorn.blondal@oecd.org).

• An article on **Trends in immigration and economic consequences** reviews the size and nature of immigrant flows in OECD countries and some of the factors that influence the decision to migrate. It provides a preliminary assessment of the broad impact of immigration on labour markets and public finances. The analysis suggests that immigration has had no obvious impact on native unemployment and might even be beneficial for the economy and for native employment to the extent that it acts as a source of flexibility. Success with recent efforts to ease skilled labour shortages through net immigration, however, could prove difficult to achieve in the short term. The article also notes that while increased immigration may limit the adverse impact of ageing populations on living standards and government budgetary positions, it cannot on its own resolve the problem. (Jonathan Coppel, tel. 33 1 45 24 17 42 or jonathan.coppel@oecd.org).