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OECD ECONOMIC OUTLOOK

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD Economic Outlook

provides a periodic assessment of economic trends, prospects and policies in OECD countries. It appears twice a year, in June and December.

Each number contains an overall analysis of the latest economic trends and short-term projections. This survey is the joint work of members of the Secretariat of the Economics Department. The journal also occasionally contains special studies by members of the Department or other parts of the Organisation designed to assist the interpretation of economic trends. Reference statistics are included. The French version of the OECD Economic Outlook *is entitled* **Perspectives économiques de l'OCDE.**

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CONVENTIONAL SIGNS

$	US dollar	.	Decimal point
c	US cent	I, II	Calendar half-years
£	Pound sterling	Q1, Q4	Calendar quarters
mbd	Million barrels per day	Billion	Thousand million
..	Data not available	Trillion	Thousand billion
0	Nil or negligible	s.a.a.r.	Seasonally adjusted at annual rates
–	Irrelevant	n.s.a.	Not seasonally adjusted

Note to Readers

Two significant changes have been made to the structure and content of the OECD Economic Outlook, partly in response to a readership survey. First, instead of a series of separate chapters dealing with forces shaping economic activity, monetary and fiscal policies, labour markets and inflation and foreign trade, there is now a synthesis chapter which seeks to give an overview of the current economic situation and prospects. The full range of summary statistics and projections which were hitherto presented in the separate chapters can now be found in the section Detailed Projection Tables and Other Background Data. The overview chapter is then backed up by supporting notes which treat specific topics of current interest in more depth, including in particular an analysis of fiscal policy from a medium- and longer-run perspective. Second, the structure of the country notes and their supporting statistical material have been re-modelled in order to improve the discussion of economic trends and policies.

Summary of projections[a]

Seasonally adjusted at annual rates

	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
	Percentage changes from previous period								
Real GDP									
United States	1.8	2.4	3.1	2.0	2.2	2.3	2.7	3.1	3.5
Japan	1.8	2.3	3.1	1.9	1.5	2.5	2.9	2.9	3.7
Germany*	1.4	1.2	2.9	2.9	–0.9	1.6	2.5	2.9	3.2
OECD Europe	1.0	1.2	2.5	1.3	0.1	1.3	2.0	2.5	2.9
Total OECD	1.5	1.9	2.9	1.7	1.2	2.0	2.5	2.9	3.3
Inflation[b]									
United States	2.7	2.3	1.9	2.8	2.3	2.3	2.1	1.9	1.7
Japan	1.9	1.7	1.7	2.2	1.7	1.6	1.7	1.7	1.7
Germany*	5.5	4.6	3.3	5.1	5.4	4.8	3.3	3.3	3.1
OECD Europe	5.3	4.9	4.2	5.0	5.0	5.0	4.4	4.3	4.0
Total OECD	3.5	3.2	2.8	3.5	3.2	3.3	3.0	2.8	2.6
	Per cent of labour force								
Unemployment									
United States	7.4	7.3	6.9	7.4	7.4	7.4	7.3	7.1	6.7
Japan	2.2	2.3	2.4	2.1	2.2	2.3	2.4	2.4	2.4
Germany*	7.6	8.3	8.1	7.6	7.6	8.1	8.6	8.4	7.9
OECD Europe	9.9	10.6	10.5	9.7	10.1	10.5	10.7	10.6	10.5
Total OECD	7.9	8.2	8.1	7.8	8.0	8.2	8.3	8.2	8.0
	Per cent								
Short-term interest rates[c]									
United States	3.4	3.1	4.0	3.8	3.1	3.1	3.2	3.7	4.2
Japan	4.3	3.6	3.8	4.8	3.8	3.5	3.6	3.6	4.0
Germany*	9.4	7.8	6.5	9.7	9.2	8.5	7.1	6.6	6.3
Major Four European countries[d]	10.7	8.9	7.6	10.7	10.6	9.4	8.4	7.8	7.3
	Per cent of GDP								
Government budget balances[e]									
United States	–4.7	–4.3	–3.4						
Japan	1.3	0.4	0.5						
Germany*	–3.2	–3.2	–2.7						
OECD Europe[f]	–5.4	–5.4	–4.8						
Total OECD[g]	–3.8	–3.8	–3.2						
	$ billion								
Current balances									
United States	–56	–65	–75	–47	–65	–62	–68	–72	–77
Japan	119	132	138	115	123	131	134	137	138
Germany*	–26	–25	–25	–27	–25	–25	–25	–25	–25
OECD Europe	–61	–50	–44	–64	–58	–52	–48	–46	–42
Total OECD	–32	–17	–15	–31	–32	–17	–17	–16	–15
	Percentage changes from previous period								
World trade[h]	4.7	4.9	6.1	4.6	3.6	5.1	5.8	6.1	6.3

*** Data are for the whole of Germany.**

a) Assumptions underlying the projections include :
- no change in actual and announced policies;
- unchanged exchange rates from 23 September 1992; in particular $1 = Y 121.65, DM 1.52;
- Dollar price (OECD fob imports) for internationally traded oil of $18 per barrel for 1992 II, and constant in real terms thereafter;
- The cut-off date for other information used in the compilation of the projections was 25 September 1992.

b) GDP deflator.

c) United States: 3-month Treasury Bills; Japan: 3-6 CD; Germany, Italy, United Kingdom: 3-month interbank rates; France: 3-month PIBOR.

d) Unweighted arithmetic average of Germany, France, Italy and the United Kingdom.

e) General government financial balances as per cent of nominal GDP.

f) Excluding Iceland, Luxembourg, Switzerland and Turkey.

g) Excluding Iceland, Luxembourg, New Zealand, Switzerland and Turkey.

h) Arithmetic average of the growth rates of world import volumes and world export volumes.

Introduction

The economic outlook

OECD growth has not recovered sufficiently to prevent unemployment from rising further. Recent indicators, in particular sagging business and consumer confidence, point to continued weakness in the coming months; the United States is a possible exception. In a number of countries, households and firms are still seeking to reduce high levels of indebtedness that were contracted in the buoyant asset-market conditions of the second half of the 1980s. This ongoing adjustment is leading them to increase saving and restrain investment, thereby damping aggregate demand and output (see special note on Balance-sheet Restructuring). In addition, banks and other financial intermediaries in some countries have adopted more cautious lending attitudes. Consumers are also being prudent because of fears of becoming unemployed. In Europe, high interest rates continue to hold back recovery.

Growth therefore seems likely to pick up only gradually. The pace of expansion of OECD output may edge up in 1993, to around 2 per cent, but is unlikely to reach 3 per cent until 1994.

The relatively weak recovery implies a further rise in OECD unemployment to 34 million persons by the end of 1993 (an unemployment rate of 8.3 per cent); it may begin to decline only in 1994. By then, eleven OECD countries could have double-digit unemployment rates, compared with only four in mid-1990 when OECD unemployment was at a cyclical low. Many of those who become unemployed over the next two years will drift into long-term unemployment, with all that entails in terms of erosion of skills and morale, and financial hardship.

There are better prospects on the inflation front. The widespread disinflation that started in 1990 seems set to continue in most countries over the next two years. Indeed, OECD inflation could fall to around 2½ per cent by the end of 1994, its lowest rate since 1960. The one major question mark concerns Germany, where disinflation is not yet well established, but inflation pressures there are likely to weaken as German activity slows in the course of 1993.

While the immediate outlook for OECD growth is relatively sombre, prospects are better in a number of non-OECD countries (see chapter

on Developments in Selected non-OECD Countries). Most strikingly, the Dynamic Asian Economies have continued to expand at around 7 per cent on average. China, which has major trading links with some of these economies, is emerging as a significant exporter and importer of manufactures. Activity has been relatively buoyant in several Latin American countries that have stabilised macroeconomic conditions and adopted outward-looking policies. And, in those Central and Eastern European countries most advanced in the reform process, there are signs that output declines are coming to an end.

Macroeconomic policy management in the current situation

A combination of weak growth in the OECD area, rising unemployment and continued disinflation is leading governments to scrutinise the room for flexibility in short-run macroeconomic policy implementation. In countries where unemployment is high and rising while inflation is low, the question arises as to whether the stance of macroeconomic policies can be adjusted somewhat to support demand in the near term. But short-term policy adjustment should not compromise the objective of a sound and stable macroeconomic environment to support growth over the medium term. Locking in low inflation, as well as avoiding short-term fixes, is particularly important.

Monetary policy

Short-term money market rates have been reduced to low levels in the United States for some time, although long-term rates have remained relatively high. In Japan, short-term and long-term rates have fallen considerably. For Europe, where interest rates have remained high on average despite fairly large declines in some cases, the projections incorporate a substantial reduction of interest rates in a number of countries as inflation pressures recede in Germany. Across the OECD area, in countries where demand turns out to be lower than projected and inflation is low and declining, there would be a case for easing monetary conditions more significantly. However, the timing and the extent of any further easing would depend on careful consideration of a wide range of economic and financial indicators: in a growing number of countries, simple rules for monetary management cannot be applied because of current and prospective distortions in the relationship between monetary aggregates, income and prices.

Over a number of years, many European countries have sought to move toward price stability by formally fixing their exchange-rate parities *vis-à-vis* the Deutschemark or the ecu. The fixing of domestic monetary policy through an exchange-rate target requires that other domestic policies, in particular fiscal and structural policies, reinforce the exchange-rate commitment; policy-makers' credibility cannot depend on that commitment alone. The recent exchange-market turmoil was driven

partly by market recognition that domestic policies in some European countries had not ensured – and were unlikely to lead quickly to – the convergence of economic fundamentals required to maintain existing parities for a prolonged period.

Tensions in currency markets began to mount during the summer of 1992 when a firming of German interest rates in an attempt to choke off strong domestic inflation pressures coincided with some further monetary easing in the United States. These factors led to a generalised weakening of the U.S. dollar and a decline of the Japanese yen against European currencies, despite its strength against the dollar. This gave rise to worry about the competitiveness of a number of European countries and intensified the conflicts between their internal and external policy goals. Markets became concerned that countries where weak or falling activity was leading to rising unemployment might be unwilling to remain locked into the high interest rates resulting from the policy mix in Germany. Maintaining existing parities became untenable for Italy, the United Kingdom and some other countries during the course of the autumn in the face of overwhelming exchange-market pressure; these countries were forced to depreciate their currencies either through the adjustment of their parities within the Exchange-Rate Mechanism (ERM) or temporary withdrawal from it.

The immediate effects for depreciating countries are easier monetary conditions, improved competitiveness and hence better export prospects. But, in the past, such short-term improvements in competitiveness arising from nominal exchange-rate changes have often been quickly eroded by higher inflation. In order to avoid this, credibility in the setting of both monetary and fiscal policies needs to be re-established. Wage moderation in the face of the terms-of-trade losses associated with currency depreciation would also contribute to a sustained improvement in economic performance.

The problem is more complicated in low-inflation countries whose currencies have maintained their DM parities and thus have appreciated considerably in effective terms, with a consequent unwelcome loss in competitiveness. A change in the German policy mix that achieved significant fiscal retrenchment would allow the Bundesbank to lower interest rates sooner, thereby easing pressure on monetary policy in these countries. Providing market participants with more systematic information about underlying trends in relative inflation performance in Germany and elsewhere might help set the stage for easier monetary conditions in low-inflation ERM countries. Several of these countries have out-performed Germany on the inflation front and are likely to continue doing so for some time. If this were fully reflected in risk premia on interest rates, market forces would move interest rates, without

causing exchange rate pressures, towards levels thought to be appropriate on the basis of domestic considerations in these countries.

Fiscal policy

The scope for using fiscal policy to stimulate activity in the short term, in the traditional sense of taking action that would widen budget deficits, appears to be very circumscribed at present because of the almost-universal lack of progress in reining in ''structural'', or underlying, budget deficits (see special note on Fiscal Policy over the Medium and Longer Term). Only nine OECD countries achieved some improvement in their structural or underlying budget balance over the 1980s – and much of this occurred in the first half of the decade. In the early 1990s, there was widespread slippage as both structural and cyclical deficits widened. In 1993 and 1994, if governments adhere to stated intentions, there should be an improvement in structural budget positions in almost all OECD countries. This is appropriate: it is difficult to see how consumer and business confidence can be restored unless the authorities deal effectively with unsound public-sector financial positions.

While there may be little or no scope in most countries to allow the process of budget-deficit reduction to depart from its planned medium-term trajectory, a number of countries are giving serious thought to: *i)* implementing a *temporary* widening of the budget deficit to boost demand in the near term; or *ii)* reallocating public expenditure in ways that would improve its ''quality'' or effectiveness in the sense of increasing its social rate of return.

A temporary fiscal expansion might strengthen confidence and demand in cases where activity remains weak. But it is imperative that any such package be both temporary and accompanied by a *credible* commitment to unwind it when the economy picks up. This is not easy to achieve: past experience is not encouraging. Financial markets could well be sceptical as to whether any such measures will really be fully unwound over the medium term, in which case there would be upward pressure on long-term interest rates. In order to allay such fears, it would be essential that any package of short-term temporary measures be accompanied by a detailed set of binding commitments to reduce ratios of debt to GDP to more sustainable levels over the medium term. An assured medium-term reduction in budget deficits is one key to a durable reduction in real long-term interest rates that would strengthen investment, output and employment. It would also provide monetary policy with more room for manœuvre.

Reallocating public expenditure to improve its quality may be a promising way for budgetary policy to support present and future economic activity without compromising fiscal consolidation, while improv-

ing medium-term supply potential. In fact, the quality of public-sector spending did not improve over the 1980s. In countries where there was little or no fiscal retrenchment, continuing deficits increasingly tended to be associated with rising interest payments, higher public consumption and social transfers. And, even where retrenchment did take place, it was achieved in part by squeezing public investment, which may have been politically easier to cut, even though some of it may have had a relatively high social return.

It is more important than ever, in the context of a weak recovery, for the public authorities to reassess their spending priorities, with a view to helping to build the physical and human capital base on which future growth and prosperity ultimately rest. One candidate in the current situation of high and rising unemployment is the reorientation of public expenditures away from ''passive'' policies of paying out unemployment benefits and associated income transfers towards ''active'' labour-market policies geared to improving job prospects for the unemployed. The desirability of this orientation was stressed in 1990 by OECD Ministers, but progress towards the goal has been disappointing. Another candidate would be productivity-increasing expenditures, e.g. certain forms of public infrastructure investment or expenditure that could improve basic education and training for young people and adults. At the same time, expanding these forms of public spending would require matching expenditure cuts in other areas.

More generally, there should be no relaxation of efforts to improve the efficiency and effectiveness of all forms of public spending. Some countries, of which New Zealand is perhaps the leading example, have progressed quite rapidly in implementing a wide range of public-sector reforms capable of generating an efficiency dividend which could be used either to improve public-sector finances or be redeployed in priority areas. These initiatives have been designed to reverse trends towards public expenditures with low or negative social returns, and to get better ''value for public money'' in areas of high social priority such as health and education. There seem to be significant possibilities to reduce costs and to improve responsiveness to people's needs.

Other policy imperatives

Much of the current economic policy discussion is focused on possible changes in the stance of macroeconomic policies, and an assessment of the issues involved is the main focus of this Introduction. However, the need for continued progress on reforms in all areas of structural policy remains as compelling as ever. Particularly important are reforms in the areas of labour markets, international trade, and the scope and effectiveness of the public sector.

Co-operation among OECD governments, through peer support, can help to maintain the momentum of necessary structural reforms. Such actions are crucial to lowering high and persistent unemployment. This is largely a structural problem in most countries, requiring a response in each country across the whole range of structural policies affecting labour and product markets. While changes in structural policies will yield their main results only over the medium to longer term, decisive reorientation of such policies can also have ''announcement'' effects that can contribute to reviving confidence in governments' ability to deal effectively with present problems.

One such decisive action would be a quick and successful conclusion to the Uruguay Round negotiations. The inability to conclude these negotiations to meet past deadlines has clearly hindered investment planning, as well as creating widespread uncertainty about the international rules of the game. Successful completion of the Round is essential, not only for the long-run economic gains it promises both for OECD and for non-OECD countries, but also because it could act as a catalyst in restoring confidence. OECD governments have it within their power to achieve this, and they should not be distracted from this crucial objective by sectoral pressures.

30 November 1992

OVERVIEW OF OECD ECONOMIC OUTLOOK

GENERAL ASSESSMENT OF OECD ECONOMIC OUTLOOK

The downturn in OECD countries has lasted longer than most analysts expected. Activity has been slowed by private-sector adjustments to falling asset prices and indebtedness problems in the United States, Japan, the United Kingdom and a number of smaller countries. These negative forces are expected to dissipate slowly, and OECD output may grow by only 2 per cent in 1993. By 1994, the cumulative effects of low interest rates in the United States, the projected fall of interest rates in Germany and other European countries, and the gradual waning of the restraining effects on Japanese demand of asset-price declines could push the pace of recovery to 3 per cent. The OECD-area unemployment rate could rise to 8¼ per cent in 1993, before falling slightly as growth picks up in 1994. Inflation is likely to be reduced further; by the end of 1994, OECD inflation is projected to be around 2½ per cent – its lowest rate since 1960. Major risks are that continued indebtedness problems and weak confidence will delay recovery, and that German inflation and interest rates will take longer than expected to ease, thereby putting further strains on exchange rates. These negative risks seem greater over the near term and could recede towards the end of the projection horizon.

A WEAK RECOVERY

Recent developments

The profile of the current recovery is more characteristic of the weak recoveries that have been seen over the past two decades in the major OECD economies than of the strong ones (see the special note on A Comparison of the Current Downturn with Past Cyclical Episodes). After a brief spurt of faster growth in the first quarter of 1992, OECD economic activity decelerated in the second quarter. Recent indications from surveys of business and consumer confidence (Figures 1 and 2) suggest that this weakness has persisted; area-wide GDP growth for the second half of 1992 is estimated to have been lower than in the first half; and for the year as a whole GDP growth probably did not exceed 1.5 per cent (see Table on Summary of Projections).

While the decline in OECD employment halted during the first half of 1992, unemployment continued its upward rise. The OECD unemployment rate appears to have reached 8 per cent in the second half of 1992 compared with 7.2 per cent a year earlier (Table 1). The deterioration in job prospects has affected almost all OECD countries; current levels of job vacancies are at or below the levels recorded virtually everywhere during the trough of the recession of the early 1980s.

The average rate of OECD inflation, as measured by the GDP deflator, was 3.5 per cent during the first half of the year, 1 percentage point lower than 12 months earlier. The most recent indicators suggest that inflation continued to fall during the second half of 1992.

Reasons for the weak recovery

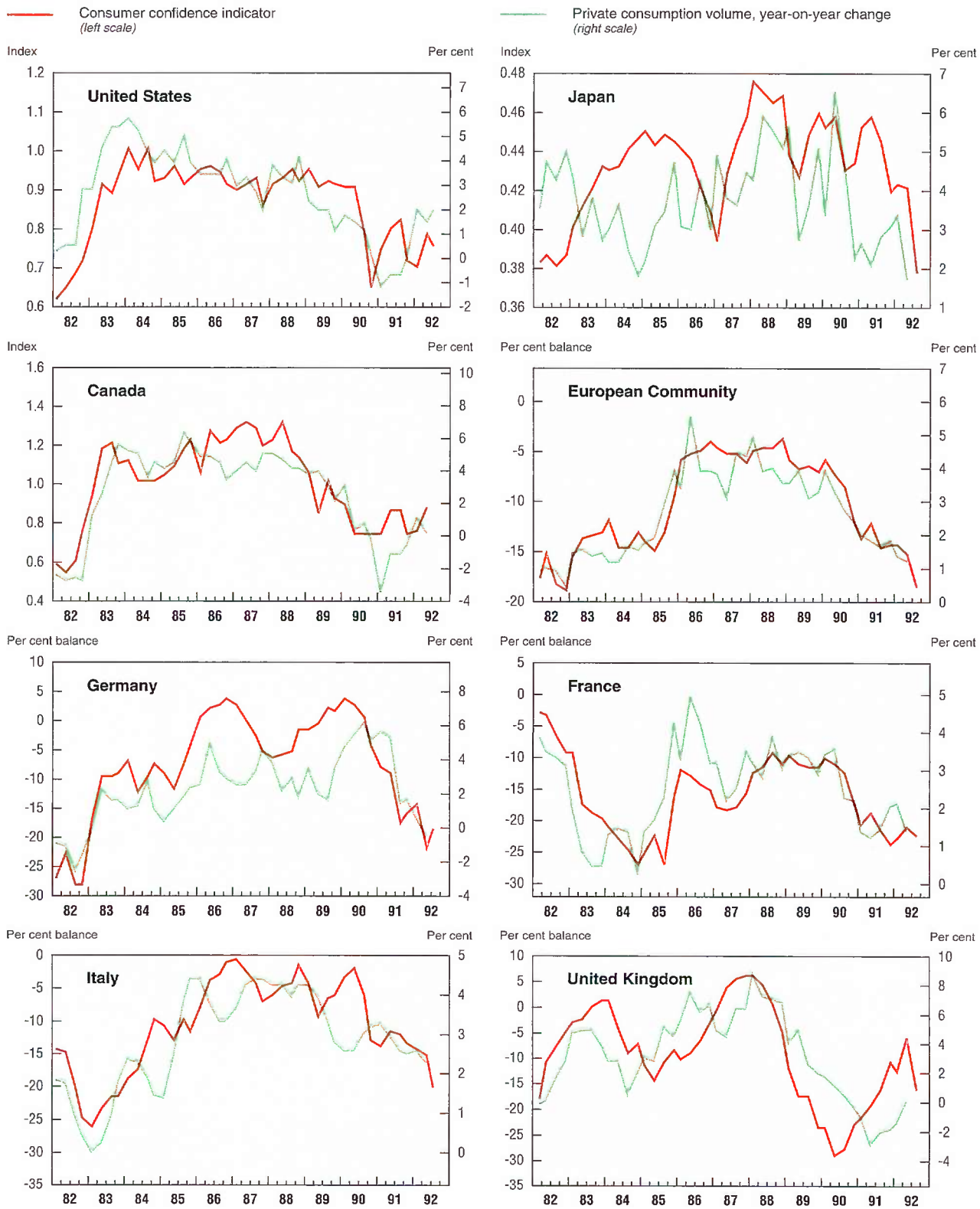
The primary reasons for an unexpectedly weak recovery so far differ across countries:

- for the United States, Japan, the United Kingdom, and a number of other countries, continuing adjustment to the steep rise in debt during the 1980s and asset-price declines appear to be weighing far longer, and more heavily, on activity than previously expected;
- the persistence of high interest rates in Europe; and
- a change in the pattern of employment losses compared with previous cycles.

Financial adjustments by households, firms and financial institutions

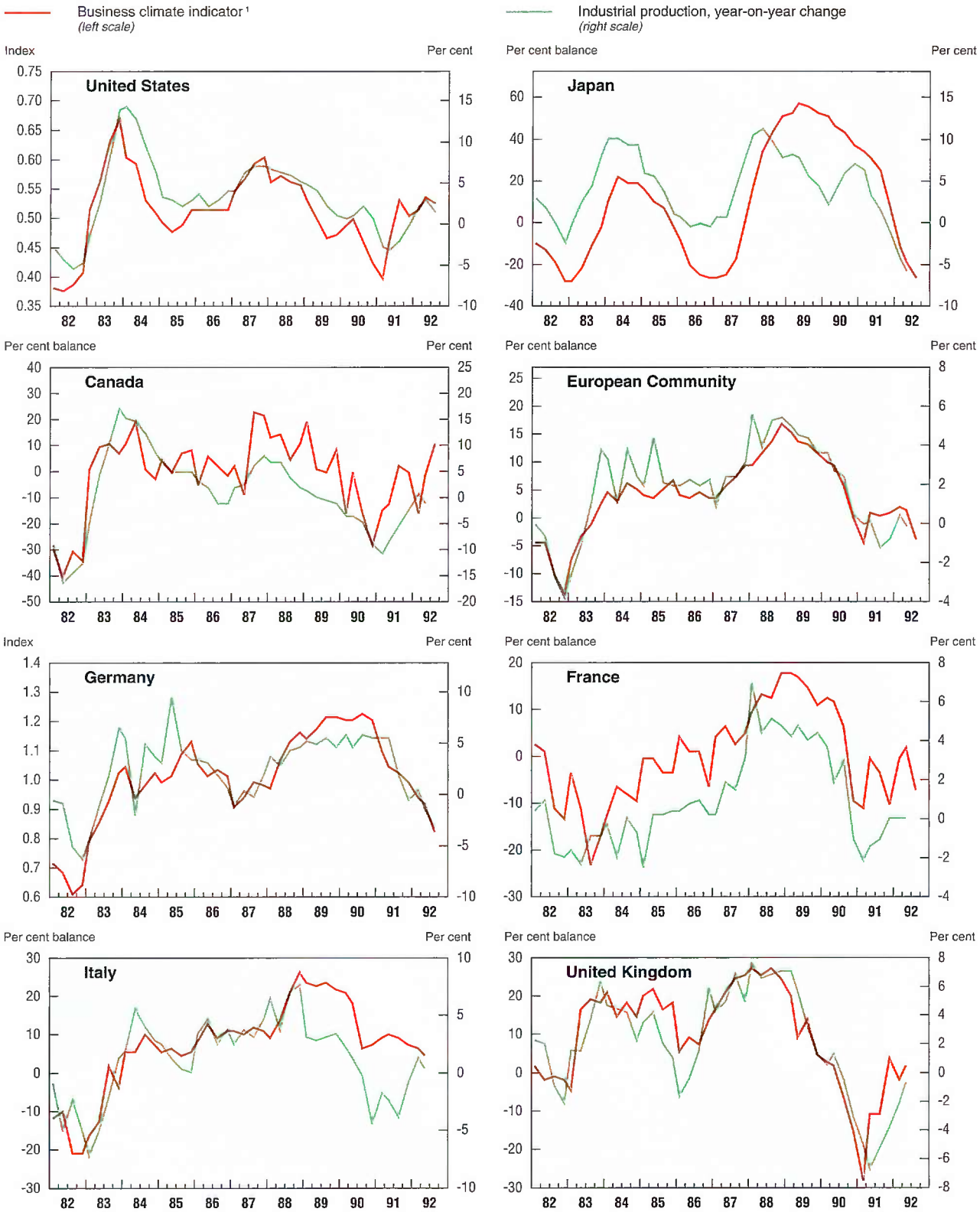
The process of adapting to lower asset prices and unwinding the excessive indebtedness incurred during

Figure 1. **Consumer confidence and private consumption in major OECD countries**



Sources: Consumer confidence indicators: United States, Un. of Michigan; Japan, Economic Planning Agency; Canada, The Conference Board of Canada; EC countries, Eurostat.

Figure 2. **Business climate and industrial production in major OECD countries**



1. Break in series for EC countries in January 1988.

Sources: Business climate indicators: United States, NAPM; European Community, Eurostat; all other countries, OECD, *Main Economic Indicators.*

Table 1. **Employment, labour force and unemployment**

	Share in total OECD 1991	Average 1981-90	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
	Per cent	Annual percentage changes										
Employment												
United States	31.2	1.3	–0.9	0.6	1.2	2.0	1.1	0.6	1.2	1.6	2.0	2.4
Japan	17.0	2.0	1.9	1.1	0.9	1.0	1.1	1.0	0.9	0.9	1.0	1.0
Germany	9.7	2.0	1.8	–2.1	–1.0	1.1	–2.3	–2.0	–1.1	0.1	1.3	1.5
Other major European countries	18.6	1.2	–0.8	–0.8	–0.4	0.4	–0.6	–0.8	–0.4	0.0	0.5	0.7
Smaller European countries	17.8	1.7	0	–0.4	–0.3	0.6	–0.4	–0.4	–0.4	0.2	0.7	0.9
Total OECD	100.0	1.5	–0.1	–0.1	0.4	1.2	0.1	–0.1	0.4	0.8	1.3	1.5
		Annual percentage changes										
Labour force												
United States	31.0	1.3	0.4	1.3	1.1	1.5	2.2	0.7	1.2	1.4	1.6	1.6
Japan	16.1	1.7	1.9	1.2	1.1	1.1	1.1	1.2	1.1	1.1	1.1	1.1
Germany	9.7	1.3	1.2	–1.1	–0.2	0.9	–0.6	–2.1	0	1.1	0.9	0.5
Other major European countries	19.1	0.4	0.3	0.2	0.2	0.3	0.4	0	0.3	0.2	0.3	0.4
Smaller European countries	18.3	1.2	0.9	0.7	0.6	0.8	0.5	0.7	0.6	0.7	0.8	0.8
Total OECD	100.0	1.2	0.8	0.7	0.7	1.0	1.0	0.4	0.8	0.9	1.0	1.0
		Millions										
Unemployment												
United States	28.9	8.2	8.4	9.4	9.4	9.0	9.3	9.5	9.5	9.4	9.2	8.8
Japan	4.6	1.5	1.4	1.4	1.5	1.6	1.4	1.5	1.5	1.6	1.6	1.6
Germany	8.9	1.7	2.6	2.9	3.2	3.2	3.0	2.9	3.1	3.3	3.3	3.1
Other major European countries	25.2	7.4	7.4	8.1	8.5	8.4	7.9	8.2	8.5	8.5	8.5	8.4
Smaller European countries	24.1	6.9	7.0	7.8	8.5	8.6	7.6	8.0	8.4	8.6	8.6	8.6
Total OECD	100.0	27.5	29.2	32.3	33.8	33.4	31.9	32.8	33.6	34.0	33.7	33.1
		Per cent of labour force										
Unemployment rate												
United States		7.1	6.7	7.4	7.3	6.9	7.4	7.4	7.4	7.3	7.1	6.7
Japan		2.5	2.1	2.2	2.3	2.4	2.1	2.2	2.3	2.4	2.4	2.4
Germany		5.8	6.7	7.6	8.3	8.1	7.6	7.6	8.1	8.6	8.4	7.9
Other major European countries		9.8	9.6	10.5	11.0	10.9	10.3	10.6	10.9	11.0	10.9	10.8
Smaller European countries		9.9	9.5	10.5	11.3	11.5	10.3	10.8	11.2	11.4	11.5	11.4
Total OECD		7.4	7.2	7.9	8.2	8.1	7.8	8.0	8.2	8.3	8.2	8.0

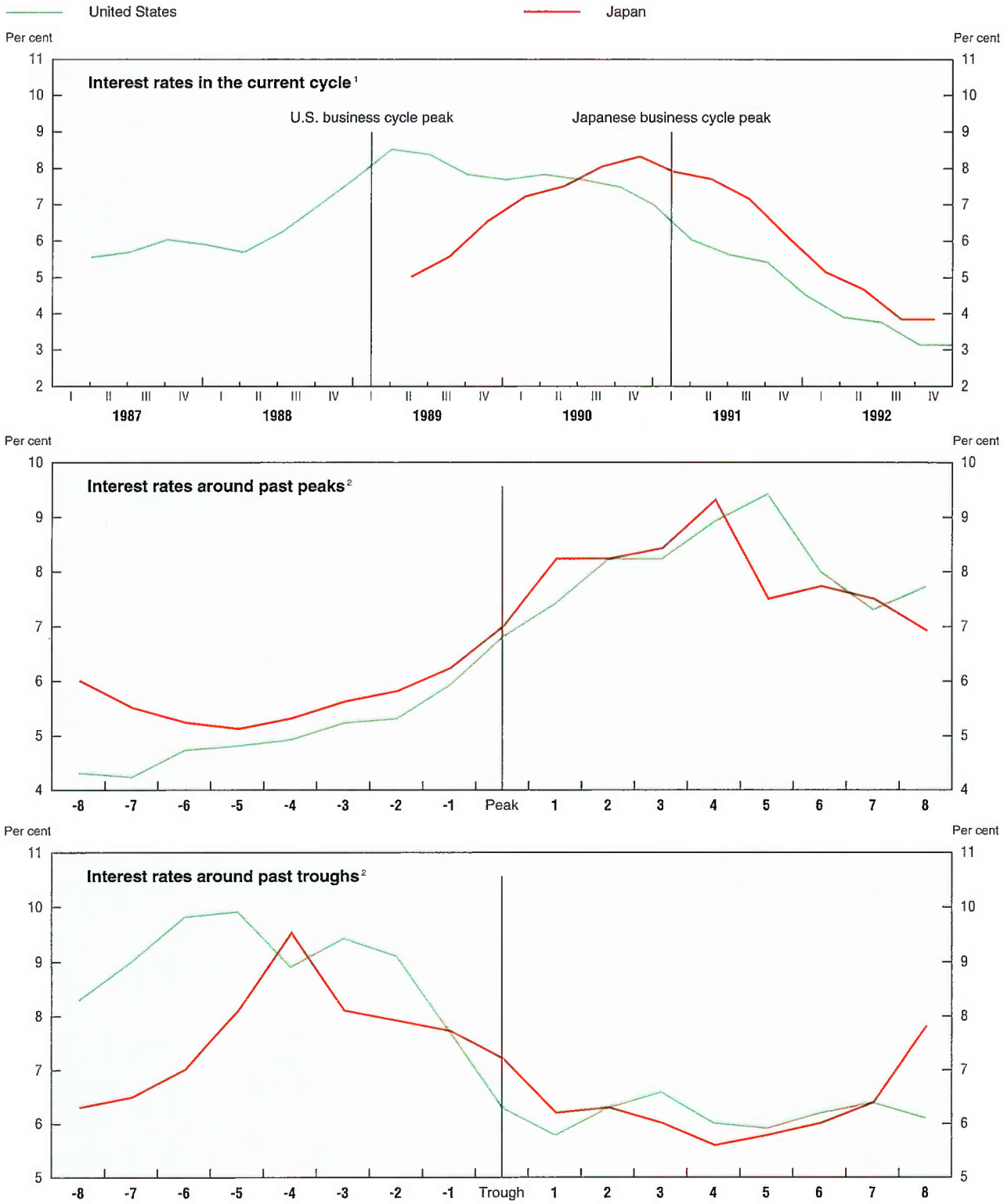
Note: For detail on individual OECD countries, see Tables 49 to 54 in the section on "Detailed Projection Tables and Other Background Data". For sources and definitions, see the section on labour force data in "Sources and Methods".

the prolonged expansion of the 1980s continues to exert a negative impact on spending by households and businesses in a number of OECD countries. Indebtedness problems have been most pronounced in the United States, Japan, the United Kingdom, Australia, Finland, Norway, Sweden and, to a lesser extent, Canada and some other countries, but the impacts have varied in severity across sectors in these countries. Once asset-price "bubbles" burst at the end of the 1980s, borrowers found themselves with assets whose market values and expected income streams were out of line with their debt obligations, damaging their solvency and that of the financial institutions that had lent to them. (For more details on the economic impact of asset-price deflation, see the special note on Balance-sheet Restructuring: Economic Impact and Policy Responses.)

Monetary conditions have eased markedly in several of the countries affected, but so far this has not relieved strains on borrowers sufficiently to generate buoyant spending. The easing in both the United States and Japan occurred closer to the business-cycle peaks in both countries than in previous downturns (Figure 3). However, the current weakness in U.S. activity has lasted longer than normal following the decline of interest rates. Falling interest rates have helped ease the adjustment by lowering debt-service charges, but debt to income ratios may not yet be at the levels desired by households and firms. The household saving rate has risen slightly in the United States, and the ratio of corporate-sector debt to GDP has been reduced by issuing new equity and retaining earnings. In other countries with debt problems, the adjustment has fallen more visibly on spending, as saving rates have increased sharply and investment rates have fallen (see Figure 18 in the special note on Balance-sheet Restructuring).

In Japan, money-market interest rates have also been falling since the cyclical peak in the first quarter of 1991, but the current downturn has lasted longer than normal following the easing of monetary conditions. While the cost of bank borrowing has declined significantly over the past 12 months, the stock-market slump has raised the cost of equity-related funds for large cor-

Figure 3. **Comparison of interest-rate movements in the current cycle with past peaks and troughs**



1. The short-term interest rates used are the 3-month Treasury bills for the United States and the 3-6 month deposits for Japan.

2. These two panels show average movements in interest rates around cyclical peaks and troughs. The data are averages of the three completed cycles since 1970.

porations, reducing the stimulative effects of lower interest rates. These corporations, which acquired funds at abnormally low rates on the basis of new equity and equity-linked debt issues during the stock-market boom of the late 1980s, can no longer rely on such a source of new funds. This changed situation, combined with the normal easing of investment rates after a strong build-up of the capital stock, has depressed business-sector investment relative to the extremely high levels of the late 1980s.

The behaviour of households and firms in retarding recovery also may have been compounded by a shift in the terms under which banks and other financial intermediaries are willing to supply credit. Increased prudence has been reflected in a widening of interest-rate margins and tighter lending terms in a number of countries (see Figure 20 in the special note on Balance-sheet Restructuring.) Real-estate loans in particular have been restrained. This credit restraint would weaken the demand effects of easier monetary conditions, unless the easing was pushed further than usual in response to a downturn. For example, borrowers in Japan have reported that lending terms have not eased as much as interest-rate data suggest. In part, banks' willingness to lend to private borrowers may be affected by regulatory considerations, such as the Bank for International Settlements' (BIS) capital standards, in addition to market pressures to maintain credit ratings. In the United States especially, but also in other countries, banks appear to have shifted their asset base away from loans considered risky under the Basle rules, although weak loan demand by private borrowers undoubtedly contributed to the shift to government securities as well.

High interest rates in Europe

Within Europe, high interest rates have been retarding growth. The role of the Deutschemark as the anchor currency of the Exchange-Rate Mechanism (ERM) of the European Monetary System and the credibility of the Bundesbank means that German nominal interest rates provide a floor to rates in other ERM countries and in those tying their currencies to the DM or the ecu without participating in the ERM. As a consequence, in countries such as France, Denmark and Ireland, which have outperformed Germany recently on the price front, real long- and short-term interest rates have stayed as high or higher than during the period of major disinflation in the first half of the 1980s.

The high level of European interest rates has stemmed in large part from the effects of the shift in the mix of German fiscal and monetary policy following reunification in 1990. Initially, fiscal expansion contributed to growth in Germany and throughout Europe – the German current-account balance deteriorated by about 6 per cent of GDP over 1990 and 1991, most of which reflected increased imports from EC partners. However, as inflation pressures became a greater concern in Germany, monetary tightening by the Bundesbank pushed up rates in Germany and elsewhere in Europe, just as the demand stimulus from increased exports to Germany was beginning to wane. Over time the higher interest rates became an increasing drag on activity in the rest of Europe.

During the summer months of 1992, a number of factors worked to put European currency markets under strain. They included general uncertainty about the progress towards European Monetary Union in the aftermath of the Danish referendum in June and with the approach of the French referendum in September. With a firming of German interest rates at a time when the U.S. dollar was weakening, the conflicts in several European countries between internal and external policy goals intensified during this period. Growing concerns emerged over the consistency of exchange-rate commitments with problems posed by losses in competitiveness, budget deficits and indebtedness in a number of countries that were formally or informally linked to the ERM. With interest rates remaining high, the slowing of German activity and the strengthening of European currencies against the dollar meant that neither domestic nor external demand were likely to provide a stimulus to recovery. Markets came to doubt the acceptability of the output costs of keeping domestic interest rates close to or above German levels in order to maintain exchange-rate stability. The authorities in these countries were forced to raise interest rates even higher in attempting to dissipate such doubt. Such interest- and exchange-rate pressures further dampened growth prospects and eroded confidence.

The changing pattern of job losses

Workers who have lost their jobs or who fear being laid off may be unusually cautious in their spending. This is typical behaviour in a period of weak activity. But this behaviour may have been exacerbated by two significant developments in the current downturn.

First, employment declines have been spread more widely across sectors and occupations, thereby putting a larger proportion of the work force at risk of being laid off. In previous downswings, many services have been relatively immune from job losses, as these have typically been concentrated in manufacturing industries and construction. But, as documented in the *OECD Employment Outlook: 1992,* there has been a much greater shakeout of jobs recently across a wide range of services as well as industry and construction. There is also some evidence that white-collar workers have been bearing

more of the brunt of recent job losses than in the past. Second, job separations may be more permanent than in past downturns. According to the U.S. Bureau of Labor Statistics, only 15 per cent of workers laid off between the beginning of the recession in July 1990 and June 1992 expected to be recalled to their old jobs, as compared with an average of 44 per cent in past downturns. There may also be a similar pattern to layoffs in Europe, reflecting in part industrial restructuring in anticipation of the Single Market from 1993 on.

THE STANCE OF FISCAL AND MONETARY POLICIES OVER THE PROJECTION HORIZON

In the OECD Secretariat projections, fiscal and monetary policies are assumed to adhere to the medium-term goals of the authorities. Fiscal policy is thus expected to tighten in almost all countries as the recovery gets under way, reversing a portion of the increases in so-called "structural" (*i.e.* non-cyclical) budget deficits that occurred over the period 1989-92. The deficit-reduction measures announced in many OECD countries for 1993 aim not only at improving macroeconomic balance and credibility in financial markets, but also at eliminating distortions arising from tax and social transfer programmes. For example, the planned fiscal consolidation in some countries involves tightening sick leave and pension eligibility, health-care and disability payments, and unemployment benefits in cases where these programmes have been abused or there have been large cost overruns (for details, see the section on Developments in Individual OECD Countries).

General government budget deficits are projected to narrow by the equivalent of more than one percentage point of GDP over the next two years in the United States, Italy, Canada, Australia, Belgium, Finland, Greece and Portugal (Table 2). *Structural* deficits are projected to show an even greater reduction: by more than 2 percentage points of GDP in Italy, Belgium, Greece, Portugal and Spain; and by between 1 and 2 percentage points in Germany, the United Kingdom, Canada, Australia, Finland and Ireland (Figure 4). In the United States, the plans of the outgoing administration would also result in a significant reduction of the structural deficit; the fiscal plans of the new administration are not yet specified. Japan is currently permitting a temporary widening of its structural deficit. Concern about the size and deterioration of budget balances – and, in some cases, the necessity of maintaining credibility in financial markets – has led Germany, Italy, Canada, Belgium, Finland, Greece, Portugal, Spain and Sweden to propose

Table 2. **General government financial balances**[a]

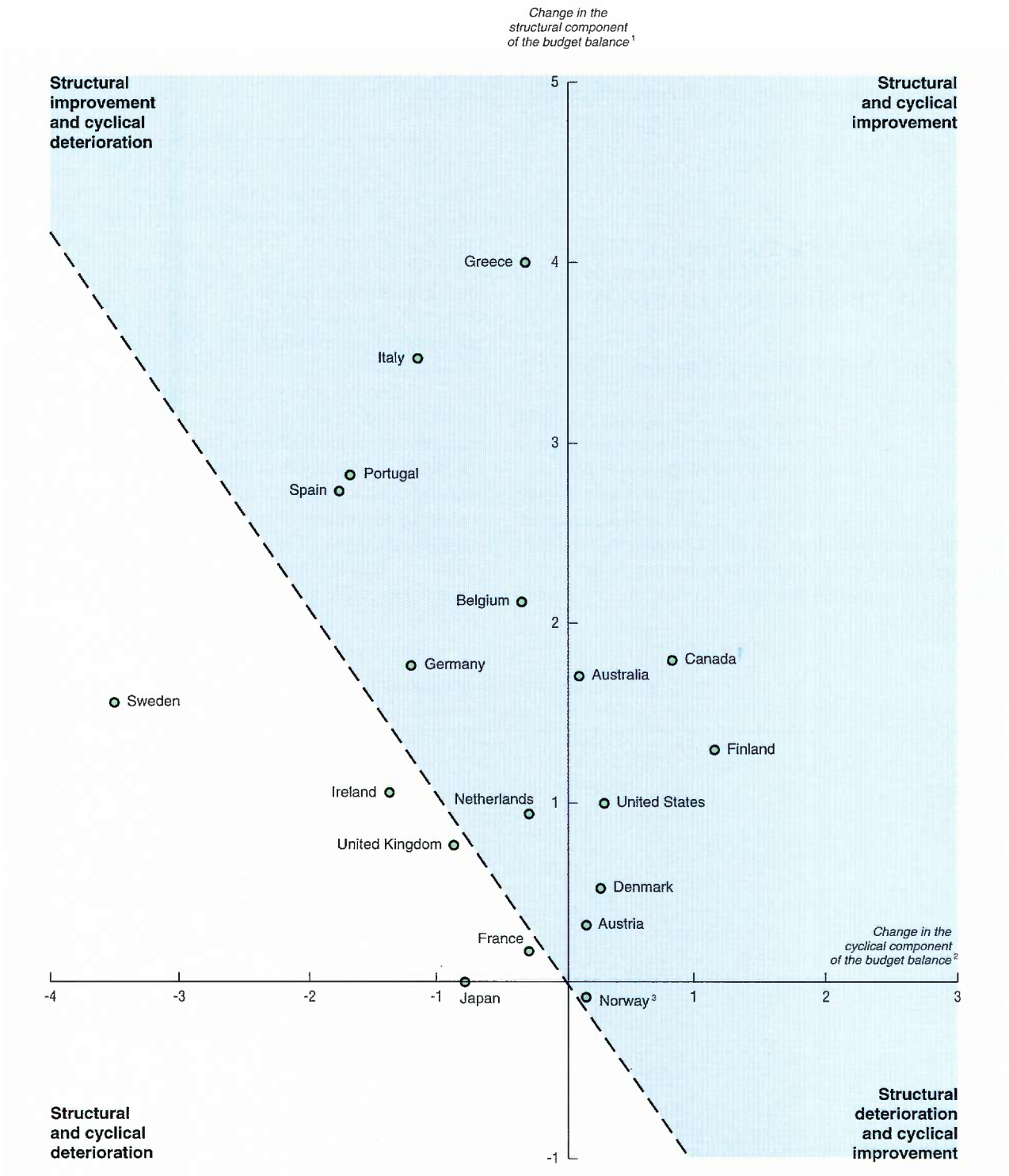
Surplus (+) or deficit (-) as a percentage of nominal GDP

	1987	1988	1989	1990	1991	1992	1993	1994
United States[b]	–2.5	–2.0	–1.5	–2.5	–3.4	–4.7	–4.3	–3.4
Japan	+0.5	+1.5	+2.5	+3.0	+2.4	+1.3	+0.4	+0.5
Germany	–1.9	–2.2	+0.2	–2.0	–3.2	–3.2	–3.2	–2.7
France	–1.9	–1.7	–1.1	–1.4	–2.2	–2.8	–3.0	–2.9
Italy	–11.0	–10.7	–9.8	–10.9	–10.2	–11.1	–10.2	–8.9
United Kingdom	–1.3	+1.0	+0.9	–1.3	–2.8	–6.6	–7.6	–6.7
Canada	–3.8	–2.5	–3.0	–4.1	–6.1	–5.8	–4.6	–3.2
Total of above countries[c]	–2.3	–1.6	–0.9	–1.7	–2.5	–3.7	–3.7	–3.0
Australia	+0.2	+1.6	+1.6	+1.2	–2.3	–4.9	–4.2	–3.1
Austria	–4.3	–3.0	–2.8	–2.0	–2.1	–1.9	–1.6	–1.4
Belgium	–7.3	–6.5	–6.4	–5.8	–6.4	–6.1	–5.5	–4.4
Denmark	+2.4	+0.6	–0.5	–1.4	–2.0	–2.6	–2.4	–1.8
Finland	–1.5	+1.3	+2.9	+1.4	–5.9	–8.2	–7.1	–5.7
Greece	–12.3	–13.8	–17.7	–18.6	–16.1	–13.2	–10.6	–9.5
Ireland	–8.2	–4.0	–1.1	–1.8	–1.9	–2.5	–2.8	–2.8
Netherlands	–6.5	–5.1	–5.1	–5.3	–2.6	–3.8	–3.7	–3.1
Norway	+4.8	+2.7	+1.4	+2.5	–0.4	–3.4	–3.2	–2.6
Portugal	–7.3	–5.5	–3.1	–5.4	–6.1	–5.4	–4.9	–4.2
Spain	–3.1	–3.3	–2.8	–4.0	–4.9	–4.7	–4.3	–3.8
Sweden	+4.3	+3.5	+5.6	+3.9	–1.5	–7.9	–9.9	–9.8
Total of above smaller countries[c]	–2.4	–2.0	–1.7	–2.3	–3.7	–5.1	–4.8	–4.2
Total of above European countries[c]	–3.5	–3.1	–2.2	–3.4	–4.3	–5.4	–5.4	–4.8
Total of above OECD countries[c]	–2.3	–1.7	–1.0	–1.8	–2.7	–3.8	–3.8	–3.2

a) On a SNA basis except for the United States, the United Kingdom, Australia, Greece and Sweden, where the data are based on national methods.
b) Excludes deposit insurance outlays.
c) 1987 GDP weights and exchange rates.

Figure 4. **The fiscal stance over the period 1992-94**

Changes in general-government budget balances as a percentage of GDP



1. Refers to the change in the cyclically-adjusted general-government budget balance.

2. Refers to the difference between the change in the overall budget balance and the cyclically-adjusted budget balance.

3. Refers to Norway's mainland economy.

Note: Countries falling within the blue area experience improving budget balances, while countries falling within the green area experience declining budget balances.

frontloading the reductions in structural deficits in 1993, despite the weakness of the projected recovery.

Monetary policy remains oriented towards achieving and maintaining price stability over the medium term. The slow recovery of growth to its estimated potential rate in 1994 that is projected in most OECD countries is consistent with this disinflationary stance. In the United States and Japan, little upward pressure on interest rates is projected to emerge until well into 1993. In Germany, inflation is projected to fall closer to the Bundesbank's medium-term target in 1993 and 1994, allowing interest rates to come down sharply.

In the three largest countries, domestic considerations dominate the setting of the monetary policy stance. In many European countries, monetary policy aimed for several years at locking-in low inflation and exchange-rate credibility by keeping their currencies within ERM bands. This strategy was expected both to provide exchange-rate stability for the conduct of intra-European trade and to allow lower interest rates over the medium term than could be realised with an independent monetary policy. It appeared to be successful from 1987 to mid-1992, despite the incomplete convergence in inflation rates and budgetary deficits, as parities remained almost fixed and exchange controls were lifted or eased in many countries. But the exchange-rate commitments came under increasing strain from the summer of 1992 onwards and a number of countries were forced to float or devalue their currencies.

The authorities in countries whose currencies were floating at the time of writing – Italy, the United Kingdom, Finland and Sweden – have lost the nominal anchor which served as the basis of their monetary policy. Over the projection horizon, they are assumed to follow policies consistent with gradually achieving their medium-term targets of low inflation and fiscal consolidation. For Italy, the projections embody a substantial reduction in the structural budget deficit over the next two years, despite higher short-term interest rates in the near term, reflecting the assumption that the authorities will be able to follow through on their announced intentions to cut the deficit. In terms of policy choices, however, the priorities consistent with re-entry of the lira into the ERM and achieving deficit-reduction targets leave no room for relaxation of the intended tight stance of policy, beyond what has been achieved through the recent lira depreciation.

In line with recent official statements, the United Kingdom is projected to pursue a policy of stimulating growth to the extent possible with ensuring gradual disinflation while remaining outside the ERM. Over the near term, U.K. short-term interest rates are projected to remain well below those of Germany and this, together with the depreciation of sterling, is likely to produce an upturn in both demand and inflation in 1993. However, the need to restore credibility in financial markets and put inflation expectations back on a downward track may ultimately place a floor below U.K. interest rates, even as rates in other European countries come down. With U.K. long-term rates remaining above German rates and some renewed upward pressure projected in late-1993, a significant reduction of the structural budget deficit may also be required to convince markets of the government's commitment to a medium-term strategy of low inflation.

PROSPECTS FOR 1993-94

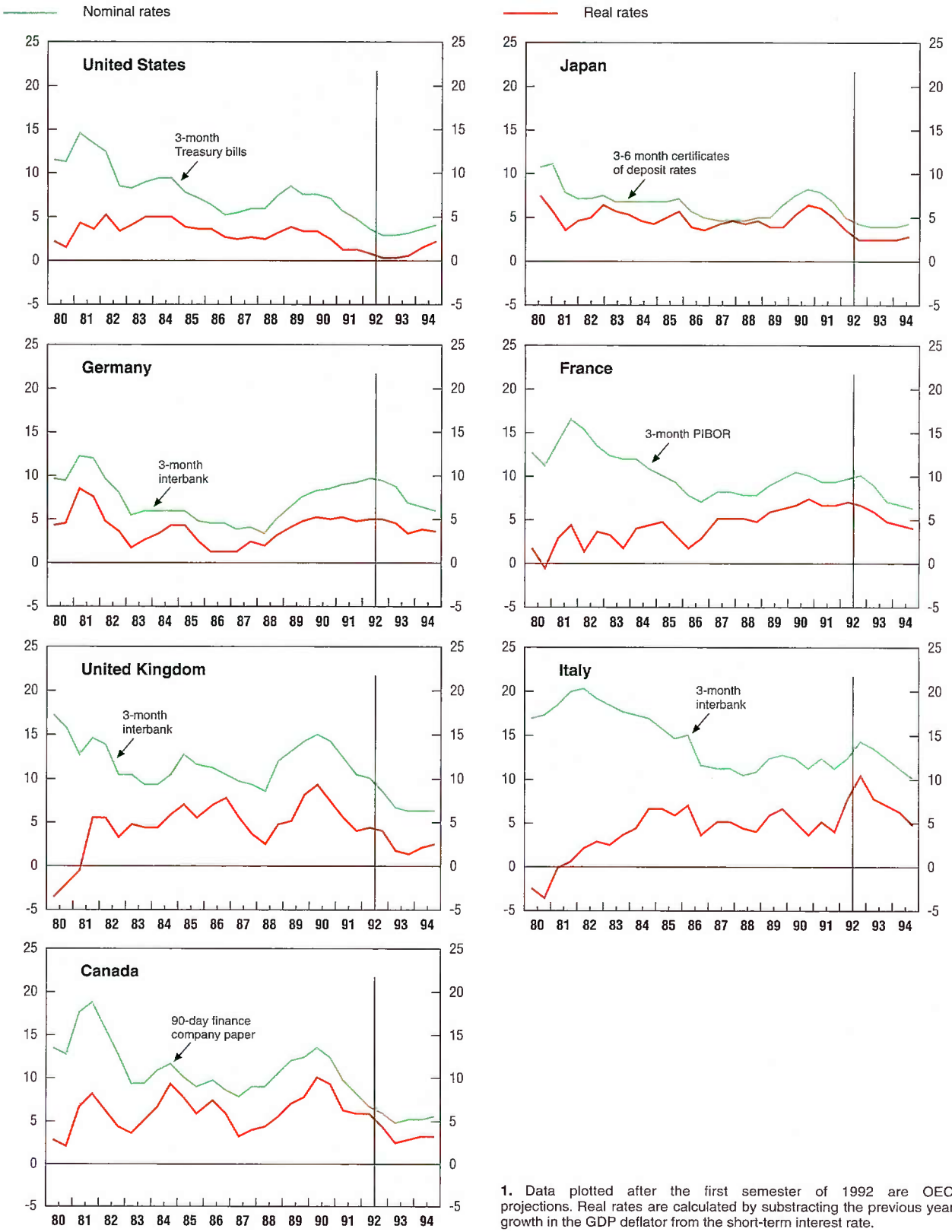
The outlook is for a slow and moderate recovery over the next two years: OECD-area GDP may grow by 2 per cent in 1993, accelerating slowly to 3 per cent in 1994 (see Table on Summary of Projections). Overall, a moderate recovery is projected: consumer spending remains cautious; inventory and construction spending is moderate; and fiscal policy aims at consolidation rather than giving a short-term boost to activity. While the recovery is relatively slow, it may be more sustainable than past recoveries. By locking in low inflation and avoiding fiscal imbalances, the overheating that contributed to ending past expansions may be avoided.

However, over the coming months, the negative forces which have slowed OECD economies are unlikely to dissipate rapidly. Confidence is currently weak in most OECD countries and is likely to revive only gradually, as households and firms first wait for evidence that the downside risks are receding, and then perceive that the recovery is gradually gathering strength. Over the near term, sluggish income growth, anxieties over employment prospects and debt burdens are likely to continue weighing on consumption growth in many countries. The debt situation should improve over the next year, but the point at which households and firms will resume normal spending patterns is difficult to predict. In countries like the United States where interest rates have fallen significantly, debt burdens on borrowers are likely to ease greatly over time as old loans are refinanced at low interest rates. Indeed, towards the end of 1992 signs of a return to more normal spending patterns began to emerge. In other countries where interest rates are projected to remain high into 1993, the cash-flow burden on debtors will not ease as quickly.

In Japan, the fall in equity prices will make the cost of equity-related funds for large firms substantially higher than the unusually low levels of the recent past, and will continue to exert a depressing effect on invest-

Figure 5. **Short-term interest rates**[1]

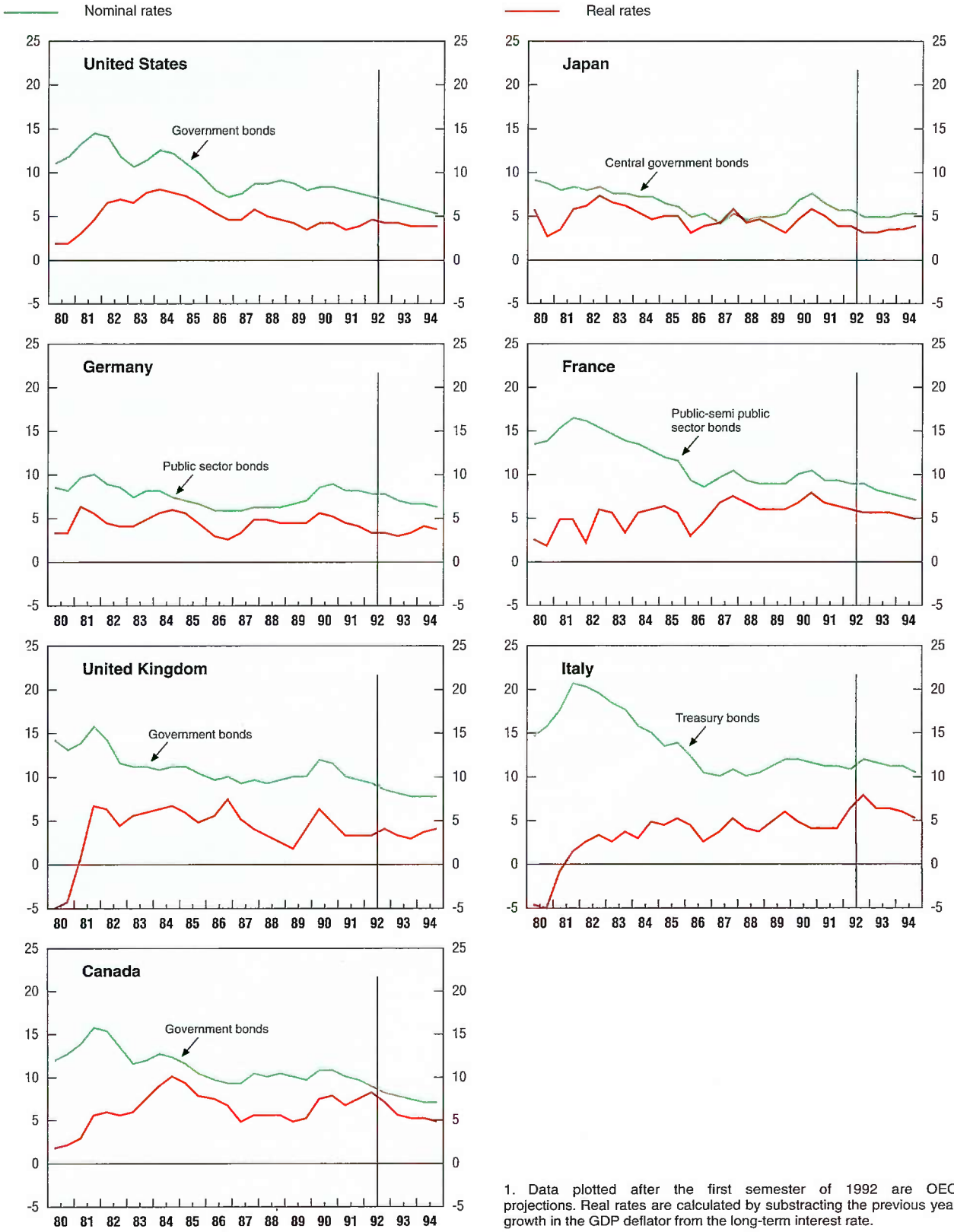
Per cent



1. Data plotted after the first semester of 1992 are OECD projections. Real rates are calculated by substracting the previous year's growth in the GDP deflator from the short-term interest rate.

Figure 6. **Long-term interest rates** [1]

Per cent



1. Data plotted after the first semester of 1992 are OECD projections. Real rates are calculated by substracting the previous year's growth in the GDP deflator from the long-term interest rate.

ment. However, medium- and small-sized firms, which traditionally rely on banks for financing, may gradually increase investment as the financial health of the banking system improves. The fall in real-estate prices, together with low interest rates, should encourage residential construction, as there is strong latent demand for new housing in Japan.

In the course of 1993, lower German inflation and interest rates, based on moderate settlements during the upcoming wage round, are projected to result in sharp interest-rate cuts elsewhere in Europe, although the recent currency-market turmoil could leave risk premia in some countries higher than before. Nevertheless, by the second half of 1994, nominal short-term rates in low-inflation European countries are expected to converge to around 6.5 per cent, while long-term rates could come down to about 6½ to 7 per cent (Figures 5 and 6), substantially improving European growth prospects in 1994 and beyond.

With OECD economic activity unlikely to recover to its potential growth rate of about 3 per cent before 1994, unemployment is likely to continue rising through much of 1993, before falling slightly in 1994. OECD unemployment is projected to peak at 34 million (8.3 per cent of the labour force) in the second half of 1993 – a rise of 10 million relative to the cyclical low in unemployment in the first half of 1990. This figure understates the magnitude of labour slack because short-time workers and persons who have withdrawn from the labour force are not included in the unemployment total. Only a few countries (the United States, Canada, Finland and Norway) are expected to record significant reductions in unemployment in 1994. European unemployment is projected to remain flat at around 10½ per cent over the next two years.

With limited prospects of a reduction in overall unemployment, long-term unemployment as a share of the labour force (and as a percentage of total unemployment) is expected to rise sharply over the next two years. During the late 1980s, long-term unemployment fell in some countries, although in many European countries it continued to account for 50 per cent or more of overall

Table 3. **Price and labour cost developments**[a]

Percentage changes from previous period, seasonally adjusted at annual rates

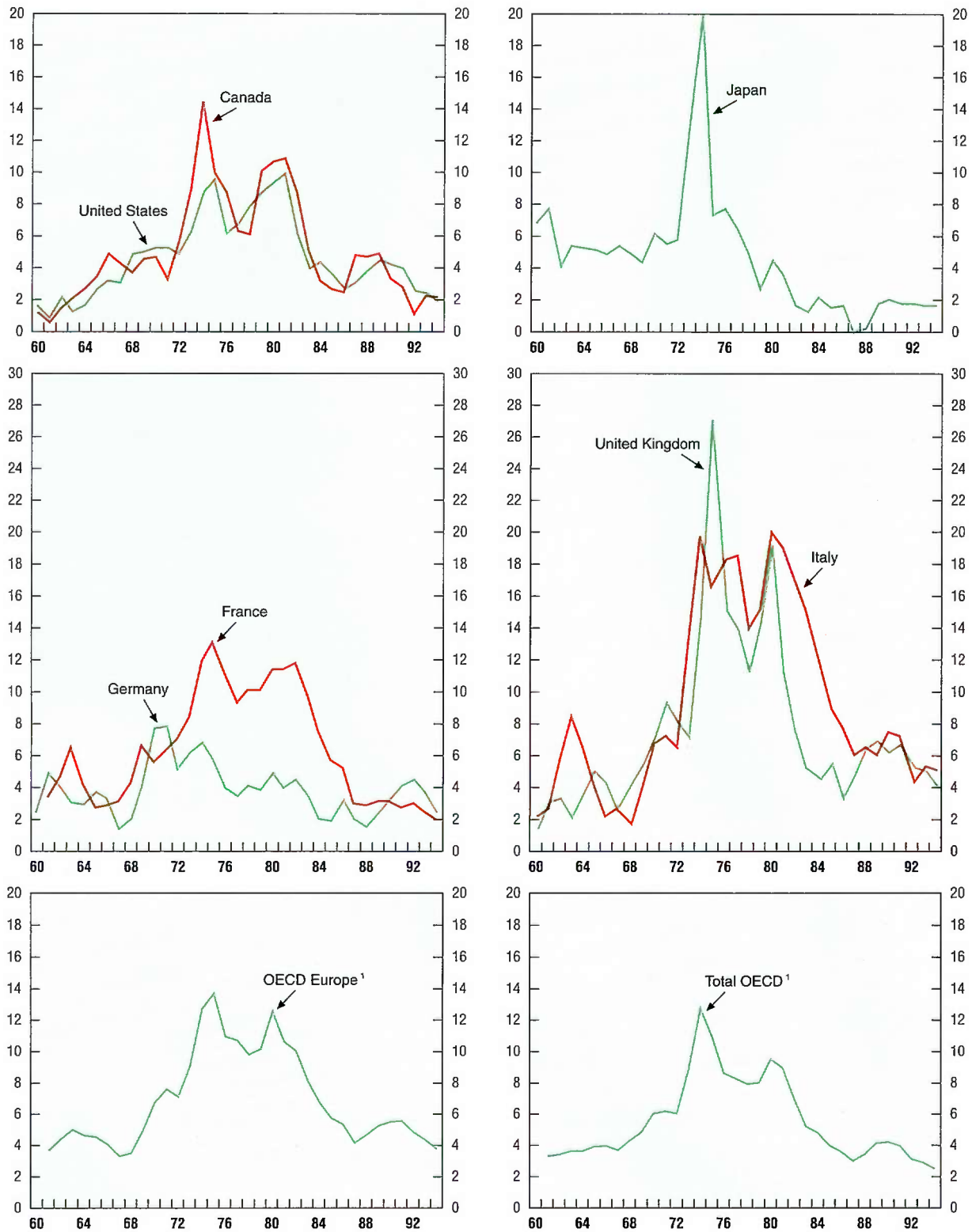
	Average 1980-90	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
GNP/GDP deflator											
United States	4.7	4.0	2.7	2.3	1.9	2.8	2.3	2.3	2.1	1.9	1.7
Japan	1.7	1.9	1.9	1.7	1.7	2.2	1.7	1.6	1.7	1.7	1.7
Germany[b]	2.9	4.5	5.5	4.6	3.3	5.1	5.4	4.8	3.3	3.3	3.1
Other major European countries	7.7	5.4	4.2	4.2	3.7	3.8	4.2	4.3	3.8	3.7	3.5
Total OECD	5.0	4.3	3.5	3.2	2.8	3.5	3.2	3.3	3.0	2.8	2.6
Total OECD adjusted[c]	4.8	4.0	3.1	2.9	2.5	3.1	2.9	3.0	2.6	2.5	2.3
Smaller European adjusted[c]	6.6	5.3	4.0	3.7	3.3	3.9	3.5	3.8	3.5	3.3	3.2
Wage rates[d]											
United States	4.9	3.3	3.6	2.9	2.4	3.4	3.5	2.7	2.6	2.4	2.3
Japan	3.5	3.9	2.9	3.0	3.3	2.7	3.0	2.9	3.2	3.3	3.3
Germany[b]	3.7	5.9	8.7	6.2	4.6	9.1	8.7	5.9	4.4	4.8	4.4
Other major European countries	8.9	7.0	5.3	4.4	4.8	5.2	4.8	4.3	4.3	5.1	4.9
Smaller European countries[e]	7.2	6.7	5.6	4.6	4.2	5.6	5.1	4.5	4.3	4.2	4.1
Total OECD[f]	5.6	4.8	4.5	3.7	3.5	4.4	4.3	3.5	3.4	3.5	3.4
Compensation per employee[d]											
United States	4.9	4.1	3.7	3.0	2.8	3.9	2.8	3.1	3.0	2.8	2.6
Japan	3.9	4.6	3.0	3.1	3.3	2.8	3.0	3.0	3.4	3.3	3.3
Germany[b]	3.7	5.8	8.9	6.4	4.8	9.3	8.9	6.1	4.6	5.0	4.4
Other major European countries	9.2	7.1	5.5	4.6	4.9	5.5	5.0	4.4	4.3	5.2	5.0
Smaller European countries[g]	7.6	7.2	6.0	5.0	4.2	4.9	5.8	4.8	4.6	4.2	4.0
Total OECD[g]	5.9	5.3	4.6	3.9	3.6	4.6	4.2	3.8	3.7	3.7	3.5
Unit labour costs[d]											
United States	4.2	4.1	1.4	1.7	1.8	1.0	1.0	1.9	1.8	1.8	1.6
Japan	0.9	1.9	2.4	1.7	1.3	2.0	2.6	1.4	1.4	1.5	0.7
Germany[b]	1.9	3.6	5.4	4.2	2.9	3.8	8.1	3.4	2.2	3.3	2.7
Other major European countries	6.7	6.2	3.8	2.8	2.7	3.7	4.2	2.5	2.1	3.1	2.6
Smaller European countries[g]	5.5	5.8	3.4	2.9	2.2	2.2	3.4	2.7	2.7	2.1	1.9
Total OECD[g]	4.1	4.2	2.6	2.2	2.0	2.1	2.8	2.1	1.9	2.1	1.7

a) 1987 GDP weights and exchange rates.
b) Up to and including 1991, western Germany; subsequently data concern the whole of Germany and the whole economy.
c) Excluding Turkey.
d) Business sector.
e) Excluding Greece, Iceland and Luxembourg (for which data are not available) and Turkey.
f) Excluding countries in footnote *e* and New Zealand.
g) Excluding Iceland, Luxembourg and Turkey, for which data are not available.

Figure 7. **Long-term inflation performance**

GDP deflator

Percentage change from previous year



1. Excluding Turkey, a high-inflation country.

Source: OECD, Analytical Data Bank.

Table 4. **Capital income shares and rates of return in the business sector**

A. Capital income shares[a]

	Average		1990	1991[b]	1992[b]	1993	1994
	1975-79	1980-89					
United States	32.9	33.0	33.3	32.8	33.5	33.8	33.8
Japan	29.8	31.1	32.2	31.7	31.1	30.9	30.9
Germany*	33.6	34.1	37.8	37.3	37.4	37.6	37.8
France[d]	29.4	31.4	36.1	35.8	36.5	36.8	37.3
United Kingdom[d]	30.3	31.3	29.4	28.1	28.9	31.0	32.2
Italy	34.7[e]	36.8	37.3	36.4	35.7	36.2	36.3
Canada	35.9	37.4	34.8	32.4	31.5	31.9	32.3
Major seven countries	31.9	32.9	33.9	33.2	33.4	33.7	33.9
Australia	32.8	36.1	37.4	35.8	36.6	37.0	37.6
Austria[f]	31.6	33.1	36.8	36.4	36.1	36.2	37.3
Belgium	29.9	31.9	36.1	34.3	33.8	33.3	33.4
Denmark	30.2	33.4	37.5	38.7	39.7	39.9	39.9
Finland	35.1[e]	31.1	28.9	23.8	27.0	29.8	32.0
Greece	36.0	29.1	30.4	34.9	36.7	38.3	39.0
Ireland	16.0	21.2	26.9	25.0	24.4	23.6	23.9
Netherlands[f]	29.6	36.4	40.6	40.2	39.5	39.0	38.8
New Zealand[f]	30.3	33.8	40.7	38.2	39.7	41.0	41.8
Norway[g]	22.8	24.0	25.3	25.4	26.2	25.2	24.3
Spain	30.6	35.3	37.6	37.8	38.0	38.2	39.2
Sweden	26.4	33.0	29.9	31.4	35.1	36.7	37.0
Switzerland[d]	22.3	20.9	22.2	20.8	19.8	20.6	21.6
Total of above small countries	29.1	32.5	34.0	33.5	34.1	34.5	35.0
Total of above OECD countries	31.5	32.8	33.9	33.2	33.5	33.8	34.0

* From 1991 data refer to total Germany and whole economy.

B. Rates of return[a]

	Average		1990	1991[b]	1992[b]	1993	1994
	1975-79	1980-89					
United States	15.5	15.0	16.6	16.1	17.1	17.8	18.3
Japan	14.6	14.5	15.7	15.3	14.7	14.3	14.2
Germany[c]	13.4	12.7	14.8	14.7	14.2	14.0	14.0
France[d]	11.5	11.6	14.0	13.8	14.2	14.4	14.8
United Kingdom	9.3	9.7	9.9	9.6	10.4	11.3	12.1
Italy	12.4[e]	12.9	13.2	12.8	12.2	12.2	12.2
Canada	15.0	17.3	16.9	16.0	15.5	15.6	16.1
Major seven countries	14.1	14.0	15.3	15.0	15.2	15.5	15.7
Australia	11.0	11.3	12.7	11.8	12.5	12.8	13.3
Austria[f]	12.0	10.7	11.7	11.4	11.1	10.9	11.1
Belgium	11.4	11.9	14.2	13.4	13.0	12.7	12.7
Denmark	9.5	9.5	10.4	10.6	10.7	10.7	10.7
Finland	9.7[e]	9.2	8.4	6.3	7.1	8.0	9.0
Greece	16.3	10.1	9.3	11.0	11.6	12.0	12.1
Ireland	5.1	6.9	9.8	8.6	8.4	8.1	8.2
Netherlands[f]	13.3	15.3	17.6	17.4	17.0	16.6	16.5
New Zealand[f]	10.5	11.6	15.9	13.5	14.2	14.7	15.0
Norway[g]	6.4	5.8	5.0	4.9	5.0	4.7	4.5
Spain	17.1	16.2	18.1	18.2	18.1	18.0	18.5
Sweden	8.4	10.4	9.5	10.4	12.0	12.5	12.5
Switzerland[d]	8.1	7.5	8.0	7.4	6.8	7.0	7.3
Total of above small countries	11.5	11.6	12.7	12.4	12.5	12.6	12.8
Total of above OECD countries	13.7	13.8	15.0	14.6	14.8	15.1	15.3

a) Problems in making an appropriate imputation for the labour income of the self-employed and in deriving a consistent measure of the capital stock across countries mean that great care is needed in interpreting cross-country differences in the levels of capital income shares and of rates of return. For details see "Sources and Methods".
b) Partly OECD estimates.
c) Western Germany.
d) Excluding the adjustment to employment for unpaid family workers (see "Sources and Methods"), for which data are not available.
e) Average 1977-79.
f) Excluding the adjustment for unpaid family workers prior to: 1985 for Austria, 1986 for New Zealand, 1987 for Netherlands.
g) "On-shore" economy (*i.e.* excluding shipping as well as crude petroleum and gas extraction).
Source: OECD, National Accounts and OECD estimates.

unemployment. Long-term unemployment may also emerge as a serious problem in countries such as Finland, New Zealand, Norway and Sweden, which have been relatively untouched by this phenomenon in the past.

Against a background of weak growth and rising unemployment, further disinflation is expected over the projection period. By the second half of 1994, the area-wide inflation rate, as measured by the GDP deflator, is projected to drop to around 2½ per cent – its lowest level since 1960 (Figure 7). Unit labour costs in the business sector may rise by less than 2 per cent in 1994 (Table 3). In Germany, wages and inflation are projected to decelerate somewhat faster than would have been predicted on the basis of the past relationship between the unemployment rate and inflation, reflecting in part the credibility of the Bundesbank's determination to lower inflation

Table 5. **World trade and payments summary**

Seasonally adjusted at annual rates, percentage changes from the previous period for volumes and prices, $ billion for current balances

	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
A. Merchandise trade volumes										
World trade[a]	3.5	4.7	4.9	6.1	4.6	3.6	5.1	5.8	6.1	6.3
OECD exports	2.8	3.7	4.1	5.8	3.4	1.9	4.7	5.3	5.9	6.3
OECD imports	2.6	4.3	3.9	5.6	3.9	3.3	3.8	4.9	5.7	6.2
of which: Energy	–0.4	4.3	3.9	4.4	3.7	4.4	3.5	4.1	4.4	4.7
Non-OECD exports	2.6	6.5	6.6	6.3	7.4	7.6	5.9	6.9	6.0	6.2
Non-OECD imports	9.1	6.8	7.8	7.7	6.6	5.2	8.6	8.7	7.6	6.9
of which: South and East Asia[b]	16.1	11.2	11.0	10.6						
Memorandum items										
Intra-OECD trade[c]	1.2	2.9	2.9	5.3	2.6	1.2	3.1	4.1	5.4	6.5
OECD exports to non-OECD	9.5	6.6	8.1	7.5	5.9	5.9	8.9	8.8	7.7	5.8
OECD imports from non-OECD	5.5	8.0	6.6	6.1	7.8	7.4	6.0	6.8	6.3	5.3
B. Trade prices *(average values)*										
Trade prices, in local currency										
OECD exports	–0.3	0.6	2.9	2.6	–0.1	2.3	3.2	2.7	2.6	2.6
OECD imports	–1.0	–0.8	2.7	3.0	–1.4	1.1	3.3	3.1	3.0	3.0
of which: Energy	–5.4	–10.3	3.7	2.2	–13.6	–1.6	7.0	2.5	2.2	2.1
Non-energy raw materials	–1.9	–1.3	2.5	2.9	–2.1	–2.1	5.0	2.3	3.0	3.4
Trade prices in dollars										
OECD exports	–1.4	3.6	0.3	2.3	4.8	9.2	–4.8	2.4	2.3	2.3
OECD imports	–2.5	1.4	–0.2	2.6	2.8	6.6	–4.8	2.8	2.6	2.6
of which: Energy	–6.6	–8.2	1.1	1.5	–10.0	3.7	–0.6	1.9	1.4	1.4
Non-energy raw materials	–2.9	1.8	–0.4	2.5	3.0	4.1	–3.7	1.9	2.6	3.0
Memorandum items										
OECD terms-of-trade with rest of world[d]	2.5	4.9	0.2	0.0	6.0	3.4	–1.1	–0.1	0.0	0.0
C. Current balances										
United States	–4	–56	–65	–75	–47	–65	–62	–68	–72	–77
Japan	73	119	133	138	115	123	131	134	137	138
Germany	–20	–26	–25	–25	–27	–25	–25	–25	–25	–25
OECD Europe	–54	–61	–50	–44	–64	–58	–52	–48	–46	–42
Total OECD	–20	–32	–17	–15	–31	–32	–17	–17	–16	–15
OPEC	–48	–31	–32	–33	–34	–28	–31	–32	–33	–33
Latin America	–20	–21	–25	–26	–19	–24	–25	–25	–26	–26
Four Asian NIEs	10	11	12	14	10	11	13	12	12	16
Other non-OECD countries	–30	–36	–42	–48	–28	–43	–41	–43	–46	–49
World total (statistical discrepancy)	–108	–109	–103	–108	–101	–117	–102	–105	–109	–107
Memorandum items										
Current balances (percentage of GDP)										
United States	–0.1	–0.9	–1.1	–1.1	–0.8	–1.1	–1.0	–1.1	–1.1	–1.2
Japan	2.2	3.2	3.3	3.3	3.2	3.2	3.3	3.4	3.3	3.3
Germany	–1.2	–1.3	–1.3	–1.2	–1.5	–1.2	–1.2	–1.2	–1.2	–1.1

a) Arithmetic average of the growth rates of the world import volume and the world export volume.
b) Dynamic Asian Economies and China.
c) This is a simple arithmetic average of the intra-OECD export and import volumes implied by the total OECD trade volumes and the estimated trade flows between OECD and the non-OECD areas. Historical figures are based on the 1987 structure of trade by value, deflated by total OECD export prices.
d) Ratio of OECD export prices to the non-OECD and OECD import prices from the non-OECD.

towards its medium-term target. The United Kingdom and Italy are partial exceptions to this optimistic inflation outlook; the recent depreciations of sterling and the lira seem likely to induce an upward spike in inflation rates, followed by a gradual return to lower rates, if the projected disinflationary policy stances are implemented in the two countries. Despite the projected improvements in inflation performance, for the EC as a whole inflation is not expected to drop below 4 per cent until the second half of 1993.

Despite the relatively weak cyclical rebound in output and employment, productivity growth for the OECD as a whole is expected to remain at around 1½ per cent in 1993 and 1994. With the projected moderation in wage inflation, average profit rates and the capital share of income in many countries could approach or exceed the peaks achieved in the late 1980s. Among the major countries, the improvement is concentrated in the United States, France and the United Kingdom (Table 4).

Looked at over a longer period of time, labour's average share of income is back to the levels of the late 1960s and early 1970s, having fallen considerably during the 1980s, especially in Europe. The gaps between real wages and productivity levels which opened up in the 1970s and were often cited as a major cause of rising unemployment in Europe, have now largely disappeared. Along with the increase in profit shares, rates of return to capital have also improved greatly in many countries (Table 4B), although these calculations are subject to great uncertainty. However, unemployment rates remain considerably higher than in the 1960s and 1970s in most countries. Despite the improvement in profitability, firms have been, and are likely to continue to be, very cautious in increasing capacity and employment. In part, this caution may stem from reluctance to incur the fixed costs of hiring – and the accompanying risk of separation costs – in the face of uncertainty about the medium-term prospects for demand growth.

World trade has proved surprisingly resilient in the face of weak OECD economic activity. It is projected to accelerate through 1993 to reach growth rates of 6 per cent in 1994 (Table 5), on the assumption that the Uruguay Round is completed in a timely and satisfactory fashion, and without resort to major new protectionist measures. In particular, the strong rises in imports projected for Central and Eastern European countries depend on market access for their exports, as their import demand is financially constrained by their export earnings. With projected import volumes growing around 11 per cent, South-and East-Asian economies are set to further increase their share of world imports. Trade between OECD countries is expected to pick up in line with the projected recovery in economic activity. The United States may gain further shares in export markets because of continued improvements in competitiveness, while Japan, Germany and most countries with currencies linked to the Deutschemark are likely to see market-share losses in 1993-94. (A special note discusses in greater detail the main factors behind recent changes in competitiveness and their likely impact on trade flows.)

The U.S. and German current-account deficits are expected to stabilise at about 1 per cent of their respective GDPs over the projection period. In Japan, the current-account surplus could rise to $140 billion (3¼ per cent of GDP) in 1994, despite the loss of market shares, reflecting substantial terms-of-trade gains and continuing growth in investment income. The French current-account may move into a small, but growing surplus because of the country's good competitive position arising from its low inflation rate. Despite the depreciation of sterling, the U.K. current-account is projected to widen to $30 billion (2¾ per cent of GDP) in 1994, higher real net exports being more than offset by a deterioration in the terms of trade. The Italian current-account deficit is projected to remain relatively unchanged at around $22 billion (1.7 per cent of GDP) in 1994.

RISKS AND POSSIBLE POLICY RESPONSES

The major downside risk to these projections is that the forces making for demand weakness will persist or even intensify over the short term. For the United States and Japan, the projections assume that the spending caution stemming from indebtedness problems and/or falling asset prices will taper off during 1993. This could prove too optimistic, particularly for Japan, where the adjustment process set in later than in the United States. The process of adjustment to financial excesses has been more prolonged than expected, and if expectations are influenced by further poor outcomes – falling asset prices, lower real incomes, financial uncertainty and higher risk premia – business and consumer confidence may continue to slump. The projected recovery in Europe is very dependent on moderate settlements from the next German wage round and continued progress in German fiscal consolidation. Problems on either of these fronts could slow the projected reductions in European interest rates and thereby postpone recovery in countries with currencies linked to the Deutschemark. In other European countries, because of currency-market and policy uncertainty, governments may be forced to maintain high interest-rate differentials with Germany, restraining the projected recovery. Tied to the possibility of weaker out-

put growth, there is a risk that a more morose mood of households and businesses may lead to deflation for a broad class of assets or goods, triggering a new round of debt problems.

The risks on the opposite side are that a faster-than-projected recovery of domestic demand may emerge, perhaps in the course of 1994, based on the cumulative effects of lower inflation and interest rates, improved cash flow and a rebound of consumer and business confidence. In the United States, there is a risk that fiscal policy might ease, just as private-sector demand revives on its own. For the United Kingdom, Italy and other countries whose currencies have recently depreciated, there is the additional risk immediately ahead that depreciation, unless accompanied by appropriate policy settings, will spark off a wage-price spiral – as often occurred following past devaluations.

As an illustration of some of these risks and the scope of possible policy responses, three scenarios are outlined below. These deal individually with the risks of a slower recovery in the United States and Japan, and for Europe the risk that interest rates may not fall as projected because of less progress either on wage disinflation or fiscal consolidation in Germany. A summary of results is provided in Table 6. These are based on a combination of model simulations and OECD Secretariat judgements about the behaviour of private-sector agents and the possible policy responses of national authorities. Model-based analyses may be of limited reliability, however, if the forces shaping this weak recovery differ from those of the past which are captured in the model, especially with respect to the responsiveness of demand to interest-rate declines. Also, the fiscal policy responses discussed below could have adverse medium term consequences well beyond the projection horizon, if the efforts at offsetting cyclical demand weakness lead to a sustained increase in public-sector deficits.

Continued weakness in the United States and Japan

The first scenario (see Table 6) is a combination of an immediate weakening in domestic demand in Japan of the order of 1 per cent of GDP and a 1 per cent weakening in U.S. consumption, brought on by the factors discussed above. For the United States, this is equivalent to an upward shift of about ½ percentage point in the household saving rate from the beginning of 1993, compared with the more gradual increase embodied in the central projection. For Japan, the saving rate increases by about 1 percentage point initially, before drifting down to ½ percentage point above the central projection for 1994. If interest rates or the fiscal policy stance did not change in either country, this would imply a significant slowing of GDP growth in both countries, by 1 to 1½ percentage

Table 6. **Alternative scenarios: summary of effects**

Percentage differences from baseline

	Scenario 1: Sustained weakness in U.S. and Japanese private sectors							
	United States		Japan		Germany		OECD Europe excluding Germany	
	1993	1994	1993	1994	1993	1994	1993	1994
Real GDP growth	–1.1	0.0	–0.9	0.1	–0.2	0.1	–0.1	–0.1
Consumer price inflation	–0.2	–0.5	–0.9	–1.2	–0.2	–0.2	–0.1	–0.1
Short-term interest rate	–0.5	–1.1	–1.6	–1.7	–0.6	–0.6	–0.5	–0.5

	Scenario 2: Higher wages in Germany By 1 per cent in 1993				Scenario 3: Slower fiscal consolidation in Germany By 1 per cent of GDP			
	Germany		OECD Europe excluding Germany		Germany		OECD Europe excluding Germany	
	1993	1994	1993	1994	1993	1994	1993	1994
Real GDP growth	–1.0	–0.8	–0.3	–0.5	0.3	–0.2	–0.1	–0.1
Consumer price inflation	0.2	–0.1	–0.2	–0.4	0.2	0.1	0.0	0.0
Short-term interest rate	1.0	1.0	1.0	1.0	0.7	0.3	0.7	0.3

Note: Unless otherwise stated, fiscal policies are unchanged in real terms and exchange rates are assumed to be endogenous.
Source: OECD estimates based on simulations with the Economics Department's world model, INTERLINK.

point during the next two years, with corresponding reductions in world export growth.

The scenario explores a case in which there is no change in fiscal policies in response to the prospect of much weaker growth, but where short-term interest rates are allowed to fall in line with nominal GDP; for Japan, this would imply record lows for short-term interest rates of just over 2 per cent in 1993. Such easing is estimated to be sufficient to confine the slowdown to 1993. Further progress towards price stability is made in both countries, especially in Japan where inflation is very sensitive to downturns. For other OECD countries, inflation falls modestly, and concomitant lowering of domestic interest rates helps reduce the negative spillovers from weak U.S. and Japanese demand; otherwise higher exchange rates and real interest rates in the other countries may serve to both amplify trade losses and tighten domestic monetary conditions.

The scenario, as presented, embodies assumptions on private and public sector behaviour which may not be warranted. First, spillovers may be larger – a substantial weakening of growth in the United States and Japan might affect asset prices and confidence elsewhere in the OECD, reducing domestic demand in these countries as well. Second, interest-rate changes were assumed to have "normal" effects on demand and output, but lower interest rates may not be as effective as in the past if the weakness in demand reflects changes in desired wealth or debt stocks.

Such a shortfall in spending, which is inherently of uncertain duration, may suggest the use of discretionary fiscal policy as a means of temporarily bolstering aggregate demand. Given the current U.S. budget position and the past difficulties in reducing the deficit, however, it could be difficult to convince financial markets that any deviation from the promised path of fiscal consolidation would be temporary. Hence, the short-run stimulus to U.S. demand and consumer confidence from any fiscal action could be offset, at least in part, by some steepening of long-term interest rates. Recent U.S. bond-market developments suggest that the latter possibility cannot be ignored. Moreover, particularly in the United States, where some signs of more vigorous recovery began to emerge in October and November of 1992, fiscal expansion runs the risk of providing unnecessary additional stimulus which may be difficult to reverse in later years. Although the Japanese general government budget is in surplus, the future needs of an ageing population require that deviations from long-term fiscal plans be temporary. Many other OECD countries face similar constraints. (See the special note on Fiscal Policy over the Medium and Longer Term.)

Higher German wages or fiscal slippage

In the absence of the projected wage moderation in Germany, there may be some short-term reversal of interest-rate cuts, and much less easing in 1993-94. Non-accommodation by the Bundesbank would probably produce the desired effect of slowing inflation by the end of the projection period. However, this could contribute to renewed tensions in exchange markets and continued stagnation among European economies. In the second scenario, German wage increases in 1993 are assumed to be 1 percentage point higher than projected in the coming wage round (see Table 6). The resultant interest-rate responses have a substantial negative effect on average growth in 1993-94 in Germany and the rest of Europe – by nearly 1 and 1/2 percentage point, respectively. The tightening of monetary policy in Germany would produce some upward pressure on currencies linked to the Deutschemark, which in turn would lead to somewhat more disinflation among ERM partners.

Broadly similar results occur if the German fiscal consolidation that is built into the projections does not occur – for example, because conditions in the eastern Länder do not improve as expected. The third scenario envisages slippage in government expenditures equivalent to 1 per cent of real GDP in 1993 (see Table 6). Initially, this improves German growth prospects in 1993, but ensuing higher inflation and crowding-out rapidly wipe out most output gains in 1994. Elsewhere in Europe, higher interest rates and effective exchange appreciation quickly offset the initial demand stimulus from Germany, giving somewhat slower growth in both 1993 and 1994.

Under scenarios 2 or 3, limited monetary autonomy and a commitment to lower structural budget deficits give other European economies little room to implement offsetting policies. Markets may question whether the authorities in these countries would be willing to accept the output losses that the "common" monetary policy entailed by exchange-rate constraints may produce, especially if continued high inflation or large budget deficits in Germany led markets to foresee an extended period of high German interest rates. These market expectations could lead to higher risk premia on interest rates, even in countries which have successfully adhered to their medium-term policy path and maintained fixed exchange parities. For countries that wish to pursue budget consolidation, the persistence of high German interest rates would make fiscal tightening more difficult. With domestic interest rates tied to those in Germany, budget-deficit reduction might not lead to the usual fall in interest rates in these countries and, as a result, the normal "crowding-in" of investment could be more limited.

The balance of risks

On balance, the negative risks seem greater in the near term, particularly in Europe and Japan. For the United States, recent indications of increased activity suggest that positive and negative risks may be more balanced. For policy-makers, the key difficulty will be in determining whether unexpected weaknesses are self-correcting or require policy responses. Towards the end of the projection horizon, the balance of risks may turn positive; the financial positions of firms and households, the condition of banks and other financial institutions, inflation and government fiscal positions may be much healthier than for some time. The policy challenge would then be to prevent renewed imbalances and financial excesses which might bring the expansion to a premature end. The recent experience of asset price rises and crashes may, in retrospect, be helpful in encouraging a renewed focus by private-sector lenders and borrowers on the underlying fundamentals of their transactions, permitting a more efficient and productive allocation of capital world-wide.

FISCAL POLICY OVER THE MEDIUM AND LONGER TERM

OECD governments are committed to putting public finances on a sound basis, as this is essential to providing the policy environment conducive to satisfactory economic progress. But this commitment has been called into question in recent years, with slippage in the process of fiscal retrenchment and a rise in public debt ratios in all but two OECD countries. Despite a projected reduction of budget deficits areawide of just over ½ per cent of GDP in 1993-94, debt ratios are still likely to be rising.

An important indicator of the soundness of public finances is the extent of government indebtedness – which on average in OECD countries rose from 22 per cent of GDP in 1979 to 40 per cent in 1989 (Table 7). Action to reduce government deficits affects government debt slowly, and so policies for reducing debt ratios have to be judged over the medium to long term. The difficulties in reducing debt levels experienced by those countries which cut borrowing during the 1980s, illustrate that it is necessary to prevent the rate of increase of debt becoming too large and to take early remedial action in order to avoid an unsustainable debt position. Nevertheless, short-term considerations are also important in assessing the soundness of fiscal stances. The effects of cyclical factors are often regarded as temporary in judging the evolution of budgetary positions. However, it is not always clear that a "cyclical" widening of the deficit will be fully reversed and, in any case, governments have to pay attention to the build-up of debt that can arise in a situation of underutilisation of resources since debt repayment can threaten the future flexibility of policy.

Long-term factors, in particular relating to the pension and health-care requirements of ageing populations, also point to the need for further strengthening of public finances. This will have to take place on a larger scale than in the 1980s if governments are to cope with future expenditure claims relating to ageing populations without either increased taxation or increased indebtedness, while allowing for some debt reduction in highly-indebted countries.

Governments need not only to ensure that this retrenchment is achieved, but also to examine the "quality" of their spending, which may have deteriorated in the 1980s. Improving the efficiency and effectiveness of public expenditure implies ensuring more competition in the provision of public services and greater managerial autonomy. Public investment projects need to be appraised consistently with greater consideration given to the possible role of user charges in ensuring their efficient use.

These points are elaborated in this chapter, which covers in order: a discussion of the appropriateness of different indicators of fiscal policy (supported by an Annex which reviews different concepts of fiscal positions); the prospective evolution of debt ratios; longer-term considerations pointing to the need for future

Table 7. **General government net debt**

Per cent of GDP

Liabilities (+) or assets (–)

	1974	1979	1989	1992	1994
High-debt countries					
Belgium	47.2	62.0	120.3	124.3	125.0
Italy	44.6	55.6	96.1	106.7	112.4
Ireland	57.6	73.4	107.3	97.4	93.6
Greece	20.3	27.6	73.5	81.7	83.6
Medium-debt countries					
Netherlands	19.0	21.8	57.2	59.7	61.7
Canada	4.9	12.1	40.3	53.9	55.6
Austria	17.6	36.0	56.9	52.1	49.0
United States	21.7	19.1	30.4	37.9	41.9
Spain	..	5.8	30.4	35.8	38.8
United Kingdom	59.9	47.8	30.4	35.6	45.3
Low-debt countries					
Denmark	–13.6	1.8	26.0	29.1	30.9
France	8.1	13.8	24.8	28.8	32.2
Germany	–4.7	11.5	22.5	22.7	25.9
Australia	..	..	12.2	15.8	22.1
Finland	–10.6	–6.8	–1.6	11.0	22.0
Japan	–5.3	14.9	14.7	6.1	4.8
Sweden	–30.1	–19.8	–5.4	3.4	22.8
Norway	–9.2	9.8	–20.2	–16.6	–9.6
Average of above countries[a]	14.2	22.7	39.8	43.6	47.7

Note: The countries have been classified into the three groups on the basis of 1992 debt shares.
The data for Austria, Greece and Ireland refer to gross financial liabilities.
The debt data for Australia refer to fiscal years.

a) Unweighted average.

retrenchment; and some background on past and prospective short-term developments in public finances.

Indicators of fiscal policy

One fundamental indicator of the state of public finances is the level of public debt relative to GDP (hereafter referred to as the debt ratio). A sustainable fiscal policy requires that current and prospective debt be not too high; that the consequences of new borrowing for public-sector indebtedness and the debt burden for current and future generations of taxpayers are carefully considered; and that such borrowing does not divert savings from what might be more productive uses in the private sector (by putting upward pressure on interest rates). Although the choice of an optimal level of public debt is difficult, high indebtedness will restrict a government's ability to maintain appropriate expenditure and taxation plans, as it tends to be associated with the need to devote a steadily-increasing share of expenditure to debt-service payments. This is especially a problem in an environment of high interest rates – and large government deficits tend to put upward pressure on interest rates.

One of the driving forces of the public-sector debt is the government borrowing requirement. Attention in the short term therefore tends to be focused on changes in budget positions, though this needs to be done with an eye to the consequences for debt ratios over time, for which the level of real interest rates and the growth rate are also important factors. Commonly-used measures of government borrowing may vary across countries, depending in particular on coverage: whether all or just part of general government (broadly consisting of central government, lower levels of government and the social-security system) is included. Treatment of public enterprises and off-budget liabilities may also differ across countries. The main differences are illustrated in the Annex on alternative concepts of fiscal positions, which gives examples of various measures used in the United States, Japan and Germany.

Some economists have proposed that what matters for the government is that the present values of all future streams of its income and expenses are such as to ensure a sustainable long-term evolution of the debt ratio.[1] Others have considered that the fundamental issue is an inter-generational one, namely the size of the public-sector debt which is being left to unborn generations and the way in which the net flow of income and expenditure cumulates to households over a lifetime.[2]

Stable or declining debt ratios over the medium term

In the medium term, a minimum objective of fiscal policy might be to ensure that the debt ratio is moving towards a level that allows a reasonable degree of manœuvre in public finances. Highly-indebted countries can only move gradually toward lowering debt ratios, but it is important that they do move in this direction.

In the OECD Secretariat projections to 1994, only a few countries manage to stabilise their debt ratios (see Table 7), even though nearly all countries are tightening fiscal policy (Figure 8).[3] Current weak activity, however, tends to exaggerate the extent to which debt ratios are deteriorating; with more normal growth rates, the cyclical influences on borrowing would be less and the denominator of the debt ratio would be greater.

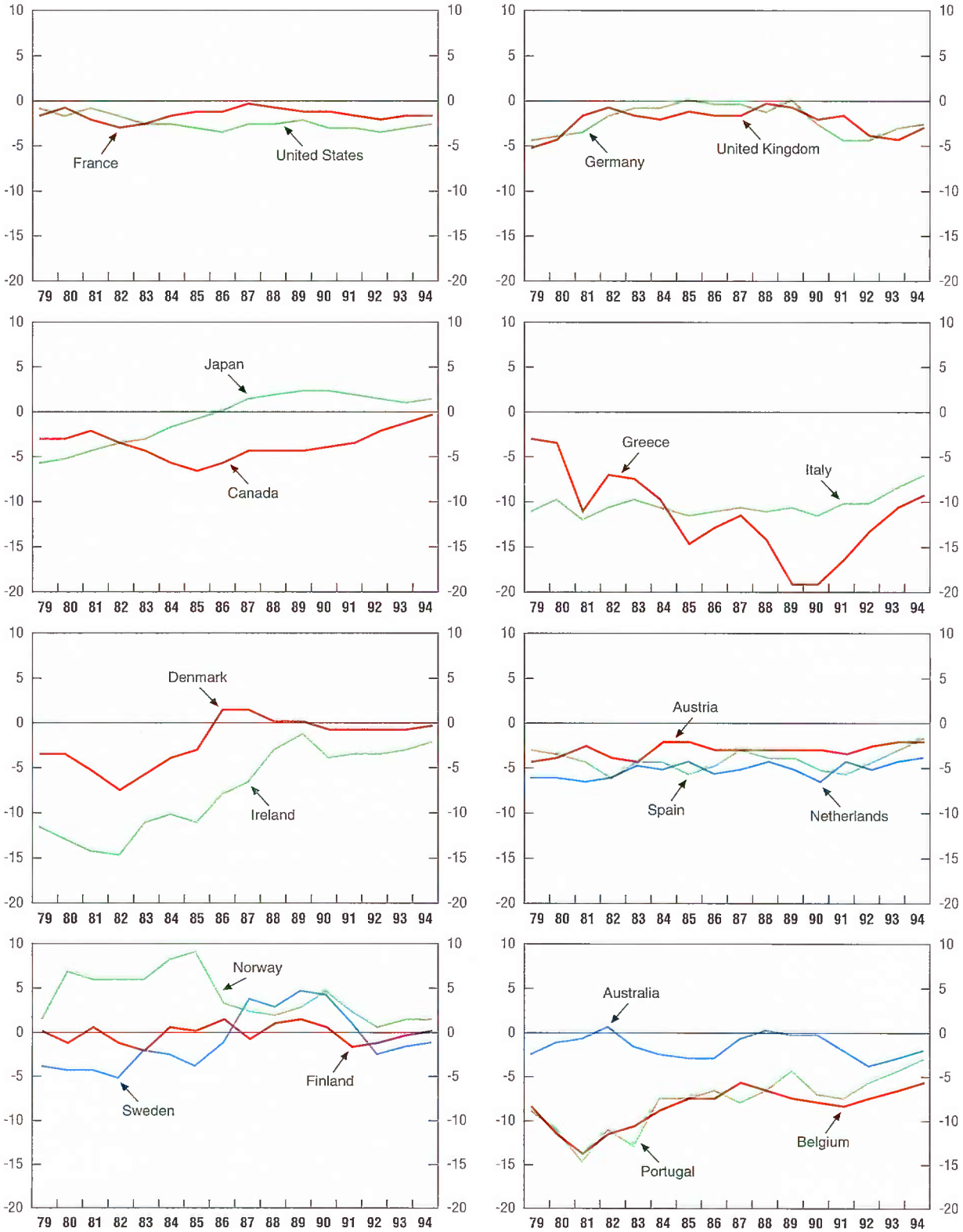
As the current period of weak growth eventually unwinds, increased tax revenues and reduced transfer payments should be sufficient to stabilise debt ratios in a number of countries and to put debt on a downward trend in many.[4] The longer the current downturn lasts and the higher are interest rates, however, the higher will be the eventual levels at which debt ratios would stabilise.

Countries can be grouped into those with high, medium or low-debt ratios (see Table 7):

- Amongst the high-debt countries (net debt above 60 per cent of GDP), debt ratios may continue to rise over the period 1992-94 in Italy, Belgium and Greece. Cyclical factors are responsible for some of this increase, but current policies are unlikely to result in a major fall in the debt ratios in Italy and Belgium beyond 1994. In Ireland, which is running a large primary budget surplus, the debt ratio may continue its recent decline, despite slower growth, and may fall from an estimated 97 per cent of GDP in 1992 to some 94 per cent by 1994.[5]
- Amongst the countries with a medium level of indebtedness (30 to 60 per cent of GDP), the debt ratio is falling only in Austria. As the downturn ends, current policies should result in a fall in the debt ratio in Canada in the years after 1994, while in Spain the ratio continues to rise, but tax and expenditure plans should moderate the increase post-1994. In the United Kingdom, the prolonged and deep recession is leading to a rapid rise in public debt, reversing the reductions achieved in the second half of the 1980s. In the United States, the debt ratio is rising but the growth in Federal debt should slacken before accelerating again at the end of the decade. In the remaining country in the group, the Netherlands, debt appears to be on a slow upward path.
- Amongst the countries with a low level of debt, Japan has policies in place which should reduce its debt ratio

Figure 8. **Evolution of non-cyclical general government balances**

As a percentage of trend GDP



further. In France, the ratio is only rising moderately. In Denmark, current policies should result in a reduction in the debt ratio in the medium term. In Finland, Norway and Sweden, debt is low but is rising extremely fast. Moreover, the debt ratio is only low because these countries have social-security funds with significant assets to set against future pension liabilities. The central governments, by themselves, have a high level of debt and so are in a more difficult position. In addition, considerations of longer-term sustainability for Norway would have to take into account the future path of income from oil resources. Government debt remains low in Germany; while the debt ratio may increase over the next few years, it should stabilise over the medium term on the basis of present expenditure plans. However, off-budget liabilities, including the resolution of the liabilities of the *Treuhandanstalt* (the agency charged with the privatisation of industry in the eastern Länder), will need to be addressed over this period (see the Annex for some quantification).

Within the European Community, many governments have in place programmes that will bring deficits down towards the target for government borrowing of 3 per cent of GDP enshrined in the Maastricht Treaty. Indeed, by 1994 actual government deficits should be below this level in at least four countries (Germany, France, Denmark and Ireland) and close to it in the Netherlands and Spain (Table 8). It is notable that European countries would appear to be setting themselves fiscal targets that are in general considerably more ambitious than those set for government borrowing in the Maastricht Treaty. Government borrowing is greatly in excess of the target only in Italy, the United Kingdom and Greece.

Recessions in some countries (particularly the United Kingdom, Finland and Sweden) have left output at low levels relative to previous trends, and government borrowing in these countries is high. If the projected cyclical upturn is not sufficient to eliminate the gap between actual and trend output in these countries, there will be a rapid build-up of government debt. Finland and Sweden, for example, could quickly move from a situation with little net government debt to a situation which resembled that of Belgium or Ireland during the early 1980s.

Table 8. **Changes in general government financial balances**

Per cent of GDP

Surplus (+) or deficit (-)

	1974	1979	1989	1992	1994	Change in balance		
						1979-89	1989-92	1992-94
United States	–0.3	0.4	–1.5	–4.7	–3.4	–1.9	–3.2	1.3
Japan	0.4	–4.7	2.5	1.3	0.5	7.3	–1.2	–0.8
Germany	–1.3	–2.6	0.2	–3.2	–2.7	2.8	–3.4	0.5
France	0.3	–0.8	–1.1	–2.8	–2.9	–0.3	–1.7	–0.1
Italy	–7.8	–10.2	–9.8	–11.1	–8.9	0.3	–1.3	2.2
United Kingdom	–3.8	–3.2	0.9	–6.6	–6.7	4.1	–7.5	–0.1
Canada	1.9	–2.0	–3.0	–5.8	–3.2	–1.0	–2.8	2.6
Australia	–0.8	–2.4	1.6	–4.9	–3.1	4.0	–6.5	1.8
Austria	1.3	–2.4	–2.8	–1.9	–1.4	–0.4	0.9	0.4
Belgium	–2.9	–7.4	–6.4	–6.1	–4.4	1.0	0.3	1.8
Denmark	3.1	–1.7	–0.5	–2.6	–1.8	1.1	–2.0	0.8
Finland	4.6	0.4	2.9	–8.2	–5.7	2.5	–11.1	2.5
Greece	–2.2	–2.5	–17.7	–13.2	–9.5	–15.2	4.5	3.8
Ireland	–6.9	–10.6	–1.1	–2.5	–2.8	9.5	–1.4	–0.3
Netherlands	–0.2	–3.7	–5.1	–3.8	–3.1	–1.4	1.3	0.6
Norway	4.7	1.3	1.4	–3.4	–2.6	0.1	–4.8	0.8
Portugal	..	-6.3	–3.1	–5.4	–4.2	3.2	–2.3	1.2
Spain	–0.3	–2.1	–2.8	–4.7	–3.8	–0.7	–1.9	1.0
Sweden	2.0	–2.9	5.6	–7.9	–9.8	8.6	–13.5	–1.9
Average of above countries[a]	–0.5	–3.3	–2.1	–5.1	–4.2	1.2	–3.0	0.9

a) Unweighted average.

Longer-term considerations point to the need for further retrenchment

Over the longer term, setting the stance of fiscal policy has to take into account the need to reduce debt ratios in certain countries and the pressures that ageing populations will exert on public expenditure in virtually all OECD countries. Pressures on expenditure appear to be growing faster than previously envisaged as estimates of life expectancy are raised. Recent projections for the OECD area of the age structure of the population in 2030 now envisage a ratio of people over 60 to people of working age of 0.66 compared with an estimate for the same year of 0.55 made as recently as 1988.[6] For 1992, this ratio is estimated to be 0.27.

Some governments have social-security schemes which build up assets that can be used to fund future pension expenditure. For instance, the Japanese Government has a policy of running a surplus on social security with a partially-funded scheme and of not allowing the central government deficit to rise. This permits it, for the time being, to maintain a surplus on the general government account. Over the longer term, the assets of the social-security system can be used to moderate the rise in taxation that would otherwise be necessary to balance the system as the population ages. Meanwhile, the currently low central-government deficit will tend to moderate the rise in its debt ratio, despite some short-term expenditure increases. In the United States, although there is a partially-funded social-security system, the Federal Government has allowed its own deficit to more than offset the social-security and pension-fund surpluses. When these surpluses disappear early in the next century, as pension expenditure starts to rise rapidly, the unsustainability of current U.S. fiscal policy will become even more evident. In many countries the objective of the social-security system for pensions is to balance revenue and expenditure year by year. In others, pensions are provided directly by the central government. Hence, an indicator of long-term sustainability is required that takes into account the position of both social-security systems and central governments.

Such a long-term indicator of the extent to which current fiscal policies are sustainable, which takes pension liabilities into account, was developed by Blanchard *et al* (see note 1). The indicator is based on the change in current expenditure or taxation that is necessary to reach a given level of net government indebtedness over a 40-year time horizon. An illustrative exercise has been carried out to calculate a version of this indicator,[7] which takes account of pension commitments but excludes the impacts of demographic changes on other public spending such as health, education and family allowances (which are considered below). It suggests that OECD countries would, on average, need to reduce government expenditures (or increase taxation) by 1 to 1½ percentage points of GDP (compared with current plans) in 1994 and maintain this lower level over the 40 years if they were to meet future increases in pension expenditure due to ageing populations, while still meeting reasonable long-term debt targets. In the case of highly-indebted countries, a reasonable target is assumed to be a debt ratio of 50 per cent. This cut would be additional to the retrenchment which is projected over the period 1992 to 1994. The alternative, if no changes are made, is that debt ratios would, on average, rise over these 40 years by something like 90 percentage points of GDP, a situation which most would think unsustainable.

Other forms of expenditure such as health, education and family allowances are affected by long-term demographic trends. The net impact of these three types of expenditure varies considerably across countries. If relative age-specific expenditures remain unchanged, these demographic trends are only likely to add significantly to the budgetary pressure arising from pensions in Canada, Australia and, most importantly, the United States where public health provision is concentrated on the retired population.[8] In another group of countries (Japan, France, the United Kingdom and the Netherlands), increased health expenditure might be balanced by falling overall expenditure on education. In Germany, Belgium and Denmark, it is possible that there may be substantial offsets to rising pensions expenditure through falling health and education expenditures. However, in the past, the influence of demographic factors on health-care expenditures has been overwhelmed by increases in the quantity of health care consumed per person.

Evolution of public finances

Some retrenchment in the 1980s[9]

During the 1980s, performance on fiscal retrenchment varied considerably across countries (Table 9). About half the Member countries reduced their deficits (see Table 9, top two panels), by on average over 3 percentage points of GDP, although the process of reducing government borrowing (abstracting from cyclical fluctuations) was nonetheless slow (see Figure 8). As a consequence of the slow reduction in borrowing for this group as a whole, net general government debt still rose during the period from 25 to 39 per cent of GDP, reflecting the high initial rate of borrowing. By contrast, the remaining countries failed to reduce their deficits (see Table 9,

Table 9. **Changes in government financial balances and expenditure components 1979 to 1989**

Per cent of GDP

	Financial balance	Revenue excluding interest	Net interest	Expenditure excluding interest	Consumption	Transfers	Investment	Subsidies	Other
Ireland	9.5	5.5	2.9	–6.9	–2.3	2.4	–3.2	–2.3	–1.4
Sweden	8.6	6.5	1.5	–3.5	–2.7	0.6	–0.8	0.3	–0.9
Japan	7.3	5.7	0.0	–1.6	–0.5	1.3	–1.4	–0.5	–0.4
United Kingdom	4.1	1.4	–0.4	–2.4	–0.4	0.3	–0.7	–1.2	–0.4
Australia	4.0	3.9	1.1	–0.9	–0.6	0.5	–0.5	–0.2	–0.1
Germany	2.8	0.4	0.9	–3.3	–0.8	–0.6	–1.2	–0.1	–0.6
Belgium	1.0	–0.3	5.3	–6.6	–2.8	–0.3	–2.0	–0.7	–0.7
Average of above countries[a]	**5.3**	**3.3**	**1.6**	**–3.6**	**–1.4**	**0.6**	**–1.4**	**–0.7**	**–0.6**
Portugal	3.2	8.7	4.2	1.3	2.2	3.0	–0.3	–3.0	–0.6
Finland	2.5	3.6	0.3	0.8	1.8	0.5	–0.3	–0.7	–0.4
Denmark	1.1	6.7	3.3	2.2	0.5	3.5	–1.8	0.2	–0.1
Italy	0.3	10.1	4.1	5.7	2.1	3.9	0.5	–0.6	–0.1
Norway	0.1	0.8	–2.5	3.2	1.6	3.7	–0.7	–1.1	–0.2
Average of above countries[a]	**1.4**	**6.0**	**1.9**	**2.6**	**1.6**	**2.9**	**–0.5**	**–1.0**	**–0.3**
France	–0.3	3.5	1.4	2.4	0.4	2.7	0.0	–0.3	–0.3
Austria	–0.4	0.1	1.3	–0.8	0.1	0.7	–1.1	–0.2	–0.2
Spain	–0.7	10.1	2.9	7.9	2.6	2.3	2.5	0.2	0.2
Canada	–1.0	4.0	3.1	1.9	0.1	2.3	–0.2	–0.3	0.0
Netherlands	–1.4	–0.7	2.7	–2.0	–2.9	0.8	–0.9	0.5	0.4
United States	–1.9	0.6	0.9	1.5	0.6	1.0	0.0	0.0	0.0
Greece	–15.2	1.0	5.8	10.4	4.2	6.5	0.2	–0.7	0.2
Average of above countries[a]	**–3.0**	**2.7**	**2.6**	**3.0**	**0.7**	**2.3**	**0.1**	**–0.1**	**0.0**
Average of all countries[a]	**1.2**	**3.8**	**2.0**	**0.5**	**0.2**	**1.8**	**–0.6**	**–0.6**	**–0.3**

Note: Totals may not add due to rounding.
a) Unweighted average.

bottom panel): their debt ratio rose from 20 to 45 per cent of GDP.

The countries which reduced their government deficits over the period 1979 to 1989 followed a variety of strategies. Slightly more than half chose to reduce non-interest expenditures by more than the increase in net interest payments (Table 9, top panel). Amongst these countries, there were across-the-board reductions in the share of all non-interest expenditures except for transfer payments such as pensions and unemployment benefit. Most of these countries also chose to raise taxation significantly, with the exception of Germany, the United Kingdom and Belgium. The remaining countries which reduced their deficits did so by substantial increases in taxation that were partially offset by increases in both net interest payments, government consumption and transfers (Table 9, middle panel). Other forms of expenditure such as investment, subsidies and capital transfers were typically reduced. Of the countries where deficits increased, overall expenditure always rose but revenues lagged (most noticeably in Greece) despite significant increases in taxation in some countries (France, Canada and Spain) (Table 9, lower panel).

Slippage since 1989

In the period since 1989, there has been a significant deterioration of budget balances with, until 1992, net borrowing increasing by about 3 percentage points of GDP (see Table 10). Some of this was due to the cyclical downturn but there was, for the area as a whole, a significant increase in the underlying structural deficit in most countries during the period of the onset of the current downturn (see Figure 8). Expenditure on transfer payments has risen markedly, relative to GDP, especially in those countries where the recession has been particularly marked (which tend to be those grouped in the bottom panel of Table 10). Unlike the experience during the 1980s, however, public investment has only been reduced in a few cases (Italy, Finland and Sweden).

Renewed retrenchment expected in 1993-94

Between 1992 and 1994, policies are projected to reduce general government borrowing by about ¾ of a percentage point of GDP as the recovery picks up slowly in 1993-94. The structural (or underlying) deficit is expected to decline slightly more, by about 1 per cent of

Table 10. **Changes in government financial balances and expenditure components 1989 to 1992**

Per cent of GDP

	Financial balance	Revenue excluding interest	Net interest	Expenditure excluding interest	Consumption	Transfers	Investment	Subsidies	Other
Greece	4.5	5.8	5.7	–4.5	–2.0	–1.5	0.3	–0.6	–0.7
Netherlands	1.3	1.7	0.2	0.2	–0.7	2.2	–0.1	–0.4	–0.9
Austria	0.9	1.4	0.2	0.2	–0.2	0.4	–0.1	0.2	–0.1
Belgium	0.3	1.5	0.4	0.8	0.0	0.6	0.0	0.2	0.0
Average of above countries[a]	**1.8**	**2.6**	**1.6**	**–0.8**	**–0.7**	**0.4**	**0.0**	**–0.1**	**–0.4**
Japan	–1.2	–1.0	–0.5	0.7	0.1	0.4	0.5	–0.4	0.2
Italy	–1.3	2.1	2.5	0.9	0.7	0.8	–0.3	–0.1	–0.2
Ireland	–1.4	–0.8	0.0	0.6	0.1	0.3	–0.2	0.2	0.2
France	–1.7	–0.1	0.4	1.2	0.3	1.1	0.0	–0.3	0.0
Denmark	–2.0	–2.7	–0.2	–0.5	–0.8	1.3	–0.1	–0.1	–0.8
Portugal	–2.3	1.2	2.0	1.5	1.7	0.0	0.2	–0.2	–0.3
Spain	–1.9	0.7	0.3	2.4	0.7	2.1	0.6	–0.4	–0.6
Canada	–2.8	3.7	0.6	5.8	2.1	3.5	–0.1	0.5	–0.1
Average of above countries[a]	**–1.8**	**0.4**	**0.6**	**1.6**	**0.6**	**1.2**	**0.1**	**–0.1**	**–0.2**
United States	–3.2	–0.2	0.3	2.8	0.2	2.7	–	–0.1	0.0
Germany	–3.7	4.6	0.7	7.6	2.9	2.7	0.6	0.4	0.9
Norway	–4.8	1.3	0.5	5.6	1.6	3.0	0.0	0.9	0.1
Australia	–6.6	–1.4	–0.3	5.3	1.9	2.8	0.5	0.1	0.1
United Kingdom	–7.5	–1.4	–0.3	6.7	2.5	2.8	0.3	0.1	0.1
Finland	–11.1	1.8	0.7	12.2	5.2	6.3	–0.4	0.7	0.4
Sweden	–13.5	–4.9	0.7	7.9	1.3	3.8	–0.3	2.1	0.9
Average of above countries[a]	**–7.2**	**0.0**	**0.3**	**6.9**	**2.2**	**3.4**	**0.1**	**0.6**	**0.5**
Average of all above countries[a]	**–3.0**	**0.7**	**0.7**	**3.0**	**0.9**	**1.9**	**0.1**	**0.2**	**0.0**

Note: Totals may not add due to rounding. In 1989 the level data for Germany, on which the changes are based, refer to western Germany, whereas in 1992 the figures refer to both eastern and western Germany.

a) Unweighted average.

GDP, reversing the slippage in 1989-92, although the actual budget balance for the area in 1994 may be 2 per cent of GDP worse than in 1989 because of still weak economic conditions. (A fuller discussion of the differences by country can be found in the General Assessment of OECD Economic Outlook chapter.)

The implications for the "quality" of government budgets

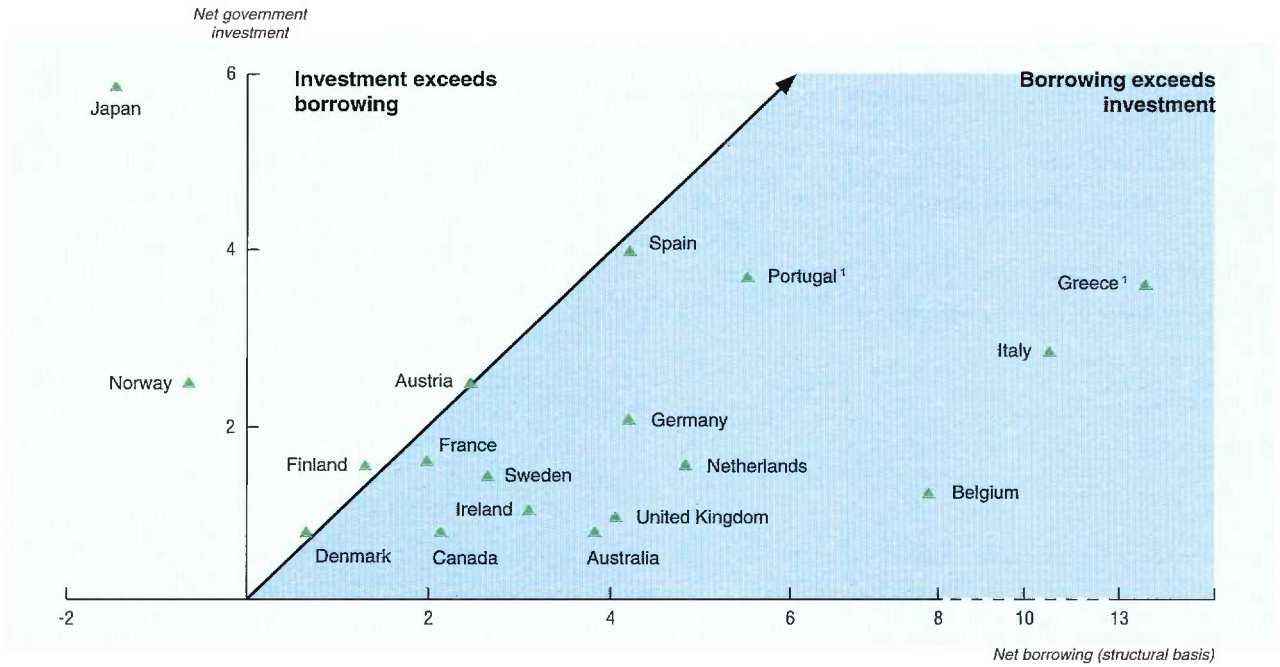
At the level of broad aggregates, the composition of government budgets would appear to have deteriorated markedly since the beginning of the 1980s. Interest payments are projected to have risen by 2½ percentage points of GDP over the 15-year period (1979-94) despite a small fall in public investment (½ percentage point of GDP). Government budgets did not adapt to the rise in interest rates, with the result that interest payments are now forcing cuts in expenditure so offsetting earlier bond-financed expenditure increases.

However, little information about the "quality" of the budget is to be found in the movements in broad aggregates such as public consumption, investment and income transfers. Certain types of government consumption such as spending on education and training may raise human capital and economic growth. On the other hand, investment in under-utilised infrastructure projects may be closer in nature to a subsidy than to investment in building up the public capital stock. The difficult issue for policy makers is to put in place systems for reviewing public spending which will ensure that only projects with an adequate social rate of return are undertaken, whether they are classed as consumption or investment.

The overall financial position of the government will not deteriorate provided that the physical assets acquired, or human capital formed, with the borrowed money provide a sufficient income stream, either through direct charges or through increased tax revenues, for the government to service the debt. On this argument, it is not the deficit *per se* which is the problem, but the fact

Figure 9. **Government investment and borrowing**

1992 data, as a percentage of trend GDP



1. Data refer to gross government investment.

that it finances current consumption or transfers rather than investing for the future – and as such is intergenerationally ''unfair''. In all but four countries (Japan, Denmark, Finland and Norway), structural budget deficits in 1992 are estimated to exceed net investment (Figure 9). Matching borrowing to investment would require significant further falls in structural budget deficits despite the retrenchment achieved in the 1980s – and probably even greater cuts if only investment with a reasonable social rate of return were included in the calculation.

One additional issue which needs to be considered in analysing fiscal policy is the extent of off-budget liabilities. Governments need to be able to assess their future liabilities, not only on major expenditure items such as pensions and health, but also on other forms of financial loans and guarantees. The cost of the support to the U.S. savings and loans system illustrates the need for improvements in supervisory frameworks in certain countries so as to alleviate unexpected fiscal burdens arising from problems in the financial sector. It also underlines the need for greater transparency in the setting of fiscal policy.

ANNEX: ALTERNATIVE CONCEPTS OF FISCAL POSITIONS

This Annex defines different concepts of fiscal balance and illustrates them with the position of the United States, Japan and Germany.

Net lending (or borrowing) of general government is the measure of a country's fiscal position most commonly used by the OECD Secretariat. This concept covers all levels of government. (These different levels – federal or central, state and local, and social security – are often cited separately; retrenchment objectives in all three of these countries are stated in terms of the financial position of federal or central government.) Net lending attempts to distinguish between revenues and expenditure items on the basis of the Government Debt Criterion, according to which expenditure or revenue items are included only if they affect the size of the government's net debt.[10] On this basis, the United States ran a deficit in FY 1992 (ending in September 1992) estimated at $258 billion (4.4 per cent of GDP) (Table 11); Japan is projected to record a surplus of $41 billion (1.1 per cent

Table 11. **Public sector gross borrowing requirement in 1992 in the United States, Japan and Germany**

	United States[a]		Japan[b]			Germany		
	$ billion	% of GDP	Yen trillion	$ billion	% of GDP	DM billion	$ billion	% of GDP
Net borrowing of general government	**258**	**4.4**	**–5.1**	**–41**	**–1.1**	**97**	**62**	**3.5**
of which:								
Federal or central	321	5.4	7.5	59	1.6	30	19	1.1
Social security	–51	–0.9	–16.4	–130	–3.5	15	10	0.5
State and local	–12	–0.3	3.7	30	0.8	25	16	0.9
Off-budget funds[c]	–	–	–	–	–	25	16	0.9
Statistical discrepancy[d]	–	–	–	–	–	2	1	0.1
+ Gross acquisition of financial assets	**67**	**1.1**	**22.0**	**174**	**4.7**	**16**	**10**	**0.6**
of which:								
Lending	67	1.1	22.0	174	4.7	31	20	1.1
Liquidation of financial assets[e]	0	0	0	0	0	–15	–10	–0.5
= Gross borrowing of general government	**325**	**5.5**	**16.9**	**133**	**3.6**	**113**	**72**	**4.1**
of which:								
Federal or central	290	4.9	..	..	..	41	27	1.5
State and local	35	0.6	..	..	..	37	24	1.3
Off-budget funds[c]	–	–	–	–	–	35	22	1.2
+ Other public sector gross borrowing[f]	**1**	**0**	**2.5[g]**	**20**	**0.5**	**57**	**37**	**2.1**
of which:								
Public corporations	0	0	..	..	..	27	17	1.0
Others[h]	1	0	..	..	..	30	19	1.1
= Total public sector gross borrowing	**326**	**5.5**	**19.4**	**153**	**4.1**	**170**	**109**	**6.1**

a) Fiscal year from 1 October 1991 to 30 September 1992.
b) Fiscal year from 1 April 1992 to 31 March 1993.
c) Germany: ERP Fund, Unity Fund and Credit Fund.
d) The components of net borrowing for Germany are on an administrative basis.
e) In Germany, the deficit of the social security fund is financed by a rundown in assets of the fund.
f) Borrowing from the private sector, public corporation borrowing from general government is included in gross acquisition of financial assets by general government.
g) Borrowing of public corporations and financial institutions has been Y 4.8 trillion (1.3 per cent of GDP), Y 1.2 trillion (0.3 per cent of GDP) and Y 1.6 trillion (0.4 per cent of GDP) in FY 1988, FY 1989 and FY 1990, respectively. For FY 1992 estimates are based on the average for the period 1988 to 1990.
h) United States: Postal Service; Germany: *Treuhandanstalt.*

of GDP) in the current fiscal year (ending in March 1993); and Germany is projected to run a deficit of $62 billion (3.5 per cent of GDP) in calendar 1992.

General government gross borrowing extends the net lending (borrowing) measure to include the acquisition of financial assets as an expenditure item on the basis of the Public Policy Criterion, which includes expenditure or revenue items furthering economic policy goals rather than being the result of debt management (see note 10). Recalculating the deficits on this basis changes the picture for the three main economies markedly (see middle line in Table 11). The Japanese surplus becomes a deficit (3.6 per cent of GDP), as significant lending by the social security system to public corporations no longer reduces the deficit of general government. Similarly, the U.S. deficit increases substantially to 5.5 per cent of GDP as part of the state, local and social-security surpluses are not counted, while the financing of deposit insurance institutions adds to the deficit though only by a small amount in 1992. The German deficit increases somewhat from 3.5 to 4.1 per cent of GDP.

Yet another issue is the *coverage of the public sector.* General government borrowing does not include borrowing by public enterprises and public financial institutions, such as the *Treuhandanstalt* in Germany and the Postal Savings Institutions and the Housing and Road Building corporations in Japan. Even though these enterprises and institutions are relatively independent from the government, they will tend to invest in activities that markets have found not worthwhile and which tend to be less profitable. Indeed in Japan, these institutions undertake activities that in most other OECD countries would be classified as general government investment. Hence, their selling of long-term assets to the public may lead to crowding out of private investors, just as ordinary government borrowing does, and over the longer term the absence of full commercial goals may result in the government assuming responsibility for some of the debt. So it may be appropriate to include borrowing by public enterprises and financial institutions from private markets in order to arrive at a measure of total *public sector borrowing.* On this basis, the German deficit in 1992

would be 6.1 per cent of GDP and Japan would have a deficit amounting to 4.1 per cent of GDP (see note *g* in Table 11). Borrowing by public enterprises and financial institutions is almost non-existent in the United States, though several government-sponsored, but nevertheless private, enterprises borrow large amounts on capital markets.

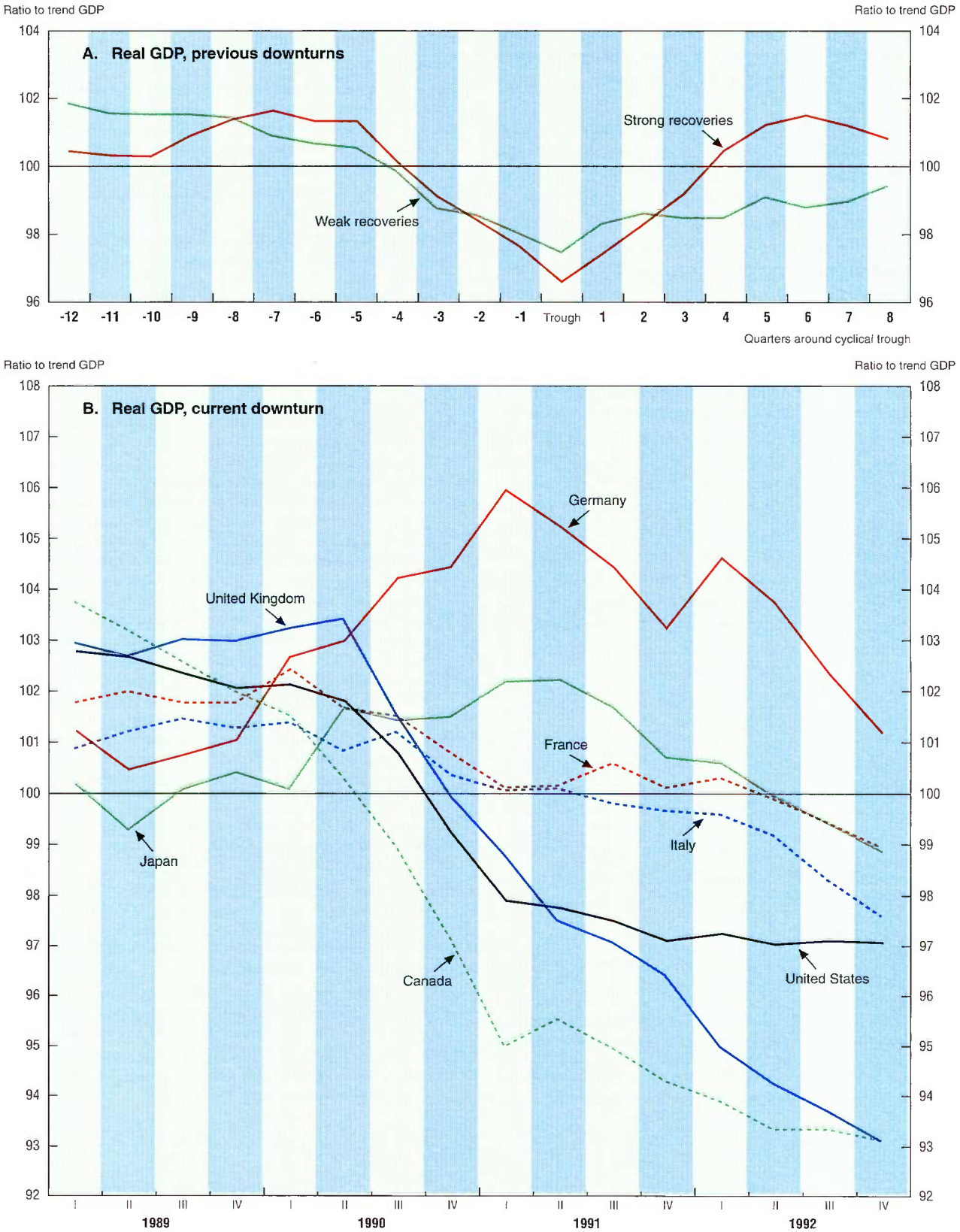
The government's financial position may be affected by price and valuation changes (in particular the effect of inflation on the real value of debt), by "revenues" which create liabilities for the future (such as insurance contributions for future health care and retirement) and by payment of previously-guaranteed debt, which merely represents the liquidation of a liability that always existed.

The size of these effects is often hard to determine, as they are contingent on uncertain future developments (demographic, health and economic developments as well as future legislation). In principle, account can be taken of these factors in a framework known as *generational accounts*.[11] Such accounts indicate in present-value terms the lifetime financial burden the government imposes on present and future generations. In such a system, a reduction in social insurance contributions, while relieving the financial burden on present generations, would find its counterpart in the accrual of government debt that has to be repaid through taxing future generations; the change in this debt would be counted as borrowing by general government. Such accounts have been attempted in the United States and there is interest in them in some other OECD countries.

NOTES

1. Blanchard, O., J-C. Chouraqui, R.P. Hagemann and N. Sartor (1990), "The sustainability of fiscal policy: new answers to an old question", *OECD Economic Studies,* No. 15 (Autumn).
2. This can be measured either in absolute terms or relative to the public-sector capital stock that is bequeathed to future generations. See Auerbach, Alan, J., J. Gokhale and L.J. Kotlikoff (1991), "Generational accounts: a meaningful alternative to deficit accounting" in *Tax Policy and the Economy,* (edited by David Bradford), NBER and the MIT Press, Cambridge, Mass. Techniques of inter-generational accounting have been put into practice in the United States; see *Budget of the United States Government: Fiscal Year 1993, Section 3* (1992), pp. 5-14, Washington.
3. A stable debt ratio can be achieved, even if nominal interest rates are higher than the growth of nominal GDP, by running a sufficiently high government surplus excluding interest payments.
4. The medium-term analysis presented here assumes that current adverse cyclical effects on government borrowing disappear over the period to 1999, that each economy grows at its trend growth rate and that interest rates are unchanged from their levels in 1994.
5. The fall in the debt ratio in Ireland has been from a peak of 120 per cent in 1987.
6. World Bank (1992), *World Development Report* for the 1992 projections and note 8, below, for the 1988 projections.
7. This indicator is based on the work by Blanchard *et al.* (see note 1). The way in which this indicator is calculated takes into account the need for highly-indebted countries to reduce debt as well as new population projections and newly available pension data. All countries have been assumed to aim either to keep their indebtedness unchanged at 1994 net debt ratios or to reduce net indebtedness to a maximum of 50 per cent of GDP over 40 years. The primary balance data used to project non-pension expenditure are adjusted for estimated cyclical factors. The movement in pension expenditure has been projected by using recent World Bank population projections (see note 6) and assuming that the share of pension expenditure in GDP moves in line with the ratio of retired people to working-age people. Future non-pension expenditure and taxation are assumed to remain constant as a percentage of GDP at the levels of 1994 – abstracting from cyclical influences on expenditure. Future expenditure and taxation has to be discounted in order to compute the necessary expenditure cuts. For illustrative purposes, it has been assumed that the gap between real interest rates and the growth of real output will be 1.5 percentage points for all countries, somewhat lower than the current difference which is relatively high and might be expected to fall. A lower differential would raise the scale of the expenditure cuts required.
8. See OECD (1988), *Ageing Populations: the Social Policy Implications,* Paris; and OECD (1992), *Economic Survey of the United States,* Paris.
9. A detailed discussion of public expenditure trends in the 1980s can be found in Oxley, H. and J.P. Martin (1991), "Controlling government spending and deficits: trends in the 1980s and prospects for the 1990s", *OECD Economic Studies,* No. 17 (Autumn).
10. Blejer, M.I. and A. Cheasty (1991), "The measurement of fiscal deficits: analytical and methodological issues", *Journal of Economic Literature,* Vol. XXIX, pp. 1644-1678.
11. Kotlikoff, L.J. (1992), *Generational Accounting: knowing who pays, and when, for what we spend,* The Free Press, New York. See also note 2.

Figure 10. **Real GDP in past and current downturns**



COMPARISON OF THE CURRENT DOWNTURN WITH PAST CYCLICAL EPISODES

This special note examines some of the characteristics of cyclical downturns and subsequent recoveries in the seven largest OECD countries during the last twenty years, and compares them with the current cycle. A particular concern is to see the extent to which past behaviour can throw light on current and prospective economic developments.

In this study the term "downturn" encompasses recessions – periods in which the level of GDP declines – and growth recessions – periods in which the economy continues to grow, but at a rate which is substantially below its long-run trend. Each country has experienced three downturns in the past two decades, so that there is limited data with which to conduct a detailed country-by-country analysis. However, business-cycle behaviour appears to be sufficiently similar across countries to allow broad inferences to be drawn from a sample that pools episodes from all seven countries. This sample, totalling 21 past downturns, has been divided into two subsamples – "weak" and "strong" recoveries – in order to see whether there are differences in past episodes that can help explain the weakness in the current cycle.

The classification of a particular episode as a strong or weak recovery is based on the pickup in GDP growth in the year following the cyclical trough. The trough is taken to be the quarter in which the ratio of real GDP to its long-term trend level reaches a minimum, using OECD Secretariat estimates of trend GDP. The use of this ratio instead of the more simple cyclical indicator of variations in real GDP enables comparisons to be made across countries which have different *trend* rates of growth: an increase in the ratio indicates that GDP is growing faster than trend, while a decrease indicates growth is below trend.

Table 12. **Recent cyclical downturns in the seven largest countries**

Country	Trough quarter	Quarters since peak	Output gap at trough[a]	Strength of recovery[b]
United States	70Q4	7	–2.8	1.1
	75Q1	8	–4.5	3.7
	82Q4	16	–5.9	3.8
Japan	71Q4	7	0.4	3.8
	75Q1	8	–3.6	1.9
	83Q4	15	–2.0	0.2
Germany	71Q4	8	0.2	1.5
	75Q2	9	–4.8	4.7
	82Q4	11	–3.6	1.7
France	72Q3	16	–1.0	0.8
	75Q3	6	–2.5	2.2
	85Q1	20	–2.6	0.1
Italy	72Q2	12	–2.5	2.8
	75Q3	6	–3.9	4.1
	83Q2	13	–2.9	0.5
United Kingdom	72Q1	16	–3.2	6.6
	75Q3	10	–1.7	2.7
	82Q4	14	–3.6	0.9
Canada	71Q1	9	–3.7	1.3
	75Q2	5	–0.7	3.1
	82Q4	15	–7.3	3.2
Averages:[c]				
All recoveries		11	–3.0	2.4
Strong recoveries[d]		10	–3.4	3.8
Weak recoveries[d]		12	–2.6	1.0*
Standard deviations:				
All recoveries		4	1.8	1.6
Strong recoveries[d]		4	2.2	1.1
Weak recoveries[d]		4	1.2	0.6

a) Output gap is the difference between actual and trend GDP, expressed as a percentage of trend GDP. Trend GDP is estimated by OECD Secretariat.
b) Strength of recovery measures the change in GDP expressed as a percentage of trend GDP in the four quarters following the trough.
c) * indicates that the difference between the averages for weak and strong recoveries is statistically significant at the 5 per cent level.
d) The split between weak and strong recoveries is based on the strength-of-recovery indicator in the last column of the table.

Length and depth of recessions

The average length of the downturns examined in the study was 11 quarters, with the average level of GDP at the cyclical trough around 3 per cent below its estimated trend level (Table 12). The length of individual recessions has ranged from 5 to 20 quarters, with a sample standard deviation of 4 quarters. The mean and standard deviation of the weak and strong recovery subsamples are similar to those for the total sample, indicating that the length of downturns has been uncorrelated with

Figure 11. **Demand components of GDP in the previous downturns**

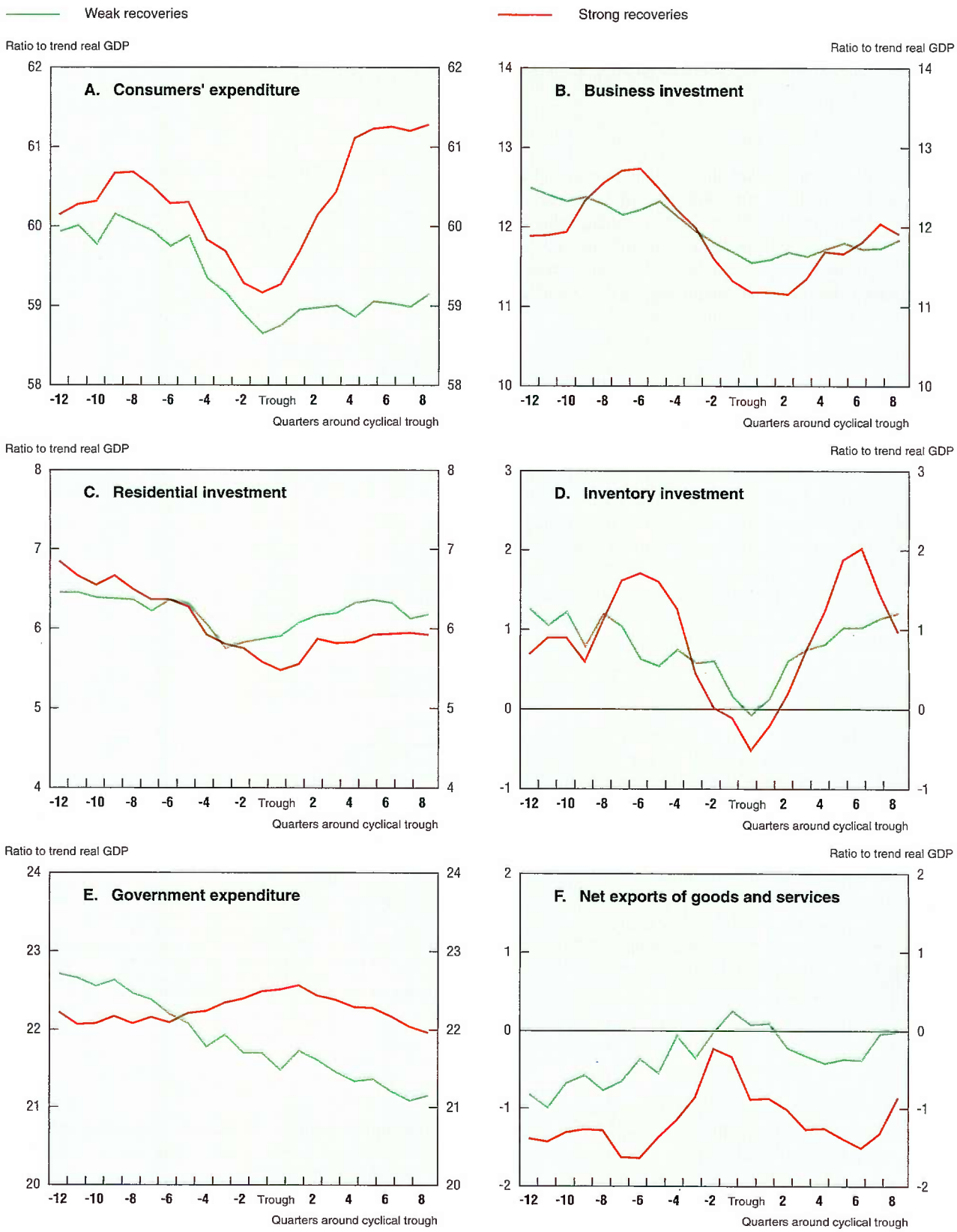


Figure 12. **Consumers' expenditure in the current downturn**

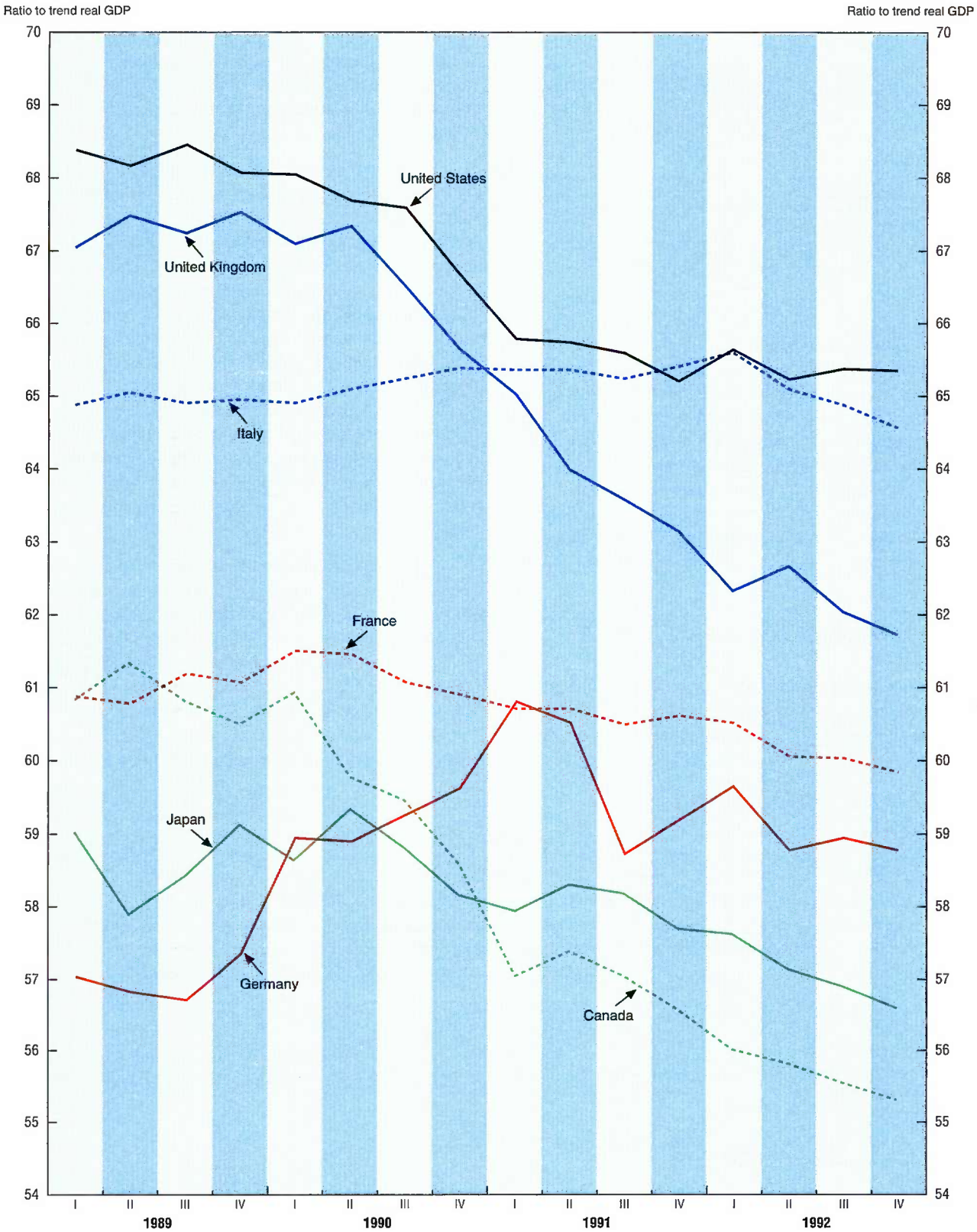


Table 13. **Some features of the current downturns in the seven largest countries**

Country	No. of quarters from last peak until 1992 Q4[a]	Projected output gap 1992 Q4[a]
United States	15	–2.9
Japan	6	–1.2
Germany[b]	7	1.2
France	11	–1.1
Italy	13	–2.4
United Kingdom	16	–6.9
Canada	18	–6.9

a) Data for the last two quarters of 1992 are OECD Secretariat projections.
b) Western Germany only.

the strength of the subsequent recovery. The current downturn has already lasted longer than the sample average of 11 quarters in all the major seven countries except Germany and Japan, where the downturn did not begin until the second and third quarters of 1991, respectively.[1] So far the downturn has been shallower than the sample average in Germany, France, Japan and Italy, and close to average in the United States, but has been much deeper than average in Canada and the United Kingdom (Table 13).

GDP and its demand components

Prior to the turning point, annualised GDP growth rates have averaged 3 to 4 percentage points below trend, so that the ratio of GDP to its trend has fallen by almost 1 percentage point per quarter (Figure 10). After the turning point the annualised growth rate has averaged 3 to 4 percentage points above trend, increasing the ratio by 1 percentage point per quarter. The difficulty in forecasting the turning points of an economic cycle is illustrated in Figure 10. This shows that the rate at which the ratio has declined prior to the trough does not appear to diminish even in the trough quarter, so that there is no immediate indication that the turning point has been reached.

Analysis of the demand composition of GDP suggests that prior to the trough virtually all components of aggregate demand are weak (Table 14). Weak and strong recoveries have both been led typically by consumers' expenditure and inventory investment. However, strong recoveries have been led by a more decisive rebound in consumer spending, which tends to be reinforced by a stronger pickup in inventory investment 3 to 6 quarters after the trough (Figure 11). In weak recoveries, consumer spending has not provided a strong lead, and the rebuilding of inventories has been more gradual. Residential and business investment both tend to pick up after the cyclical trough, but when weighted according to their contributions to overall GDP, neither component has provided a major stimulus to aggregate demand in the early stages of a typical recovery.

In the current downturn, consumer spending has been especially weak in Canada and the United Kingdom, in both cases declining by over 5 percentage points as a proportion of trend GDP (Figure 12). In the United States, the decline has been around 2½ percentage points, with little change since early 1991. The situation in the United States is typical of a weak recovery, where consumer spending does not provide a decisive lead, and hence there are limited incentives for firms to hire and to

Table 14. **Components of aggregate demand around the cyclical trough**

Changes in two quarter averages to the quarter cited[a] for each demand component expressed as a per cent of trend GDP

	Quarter				
	T-4	T-2	T	T+2	T+4
All recoveries					
GDP	–0.6	–1.8	–1.3	0.8	1.0
Consumers' expenditure	–0.3	–0.6	–0.2	0.5	0.4
Business investment	–0.2	–0.5	–0.4	0.0	0.2
Residential investment	–0.2	–0.4	–0.1	0.2	0.1
Government expenditure	–0.1	0.0	0.0	0.1	–0.2
Inventory investment	–0.2	–0.7	–0.6	0.4	0.7
Net exports of goods and services	0.3	0.5	0.2	–0.4	–0.3

a) T = trough quarter; T-4 refers to 4 quarters before the trough quarter, T-2 to 2 quarters etc.

invest. In France and Italy, consumer spending has grown at the same rate as trend GDP for the past four years, mitigating the downturn in both countries. In Japan, however, consumer spending has been growing more slowly than trend GDP for the past two years, contributing to a more pronounced downturn.

Inventory investment was weak in Canada during 1990, in the United States in late 1990 and early 1991, and in the United Kingdom throughout 1991 (Figure 13). There has been some recovery in Canada and the United States, but its strength has been noticeably weaker than in previous upturns. This in part reflects the lack of business confidence about future sales, but may also reflect the effects of new inventory management techniques such as "just-in-time", together with the further incentive to economise on stockholding provided by high interest rates. The result has been that, unlike in previous cycles, rebuilding inventories has not so far provided a significant stimulus to demand. In Japan, France, Italy and Germany, variations in inventory investment have not played a major role in the current cycle.

Inflation

Disinflation has usually started in the year before the cyclical trough. In both weak and strong recoveries, inflation two years after the trough has been, on average, 2 percentage points below its highest rate.[2] Strong recoveries have been characterised by more disinflation in the year around the cyclical trough, offset by a rise in the subsequent year.

OECD economies entered the current downturn with much lower inflation rates than in past episodes. Germany experienced rising inflation until the first quarter of 1992. Elsewhere the rate of inflation peaked earlier. Inflation rates for the fourth quarter of 1992 are projected to range from 1.4 per cent in Japan to 4.8 per cent in the United Kingdom. Inflation has declined markedly in Canada (–4.1 percentage points since 1989 Q2), Italy (–3.8 percentage points since 1990 Q4), and the United Kingdom (–3.6 percentage points since 1991 Q2). There has been considerably less disinflation in France and Japan, reflecting the smaller output gaps that have emerged in these two countries.

The role of monetary and fiscal policies

Interest-rate reductions have typically occurred 1 to 2 years before the cyclical trough in previous recessions (Figure 14). Strong recoveries have been preceded by larger cuts in interest rates than weak recoveries, although the difference is not statistically significant. Furthermore, although interest-rate cuts have been deeper before strong recoveries, they followed sharper rises over the two preceding years.

Since the beginning of 1990, short-term interest rates have fallen by over 4 percentage points in the United States and the United Kingdom, and by over 8 percentage points in Canada; and since early 1991 by over 4 percentage points in Japan. In the past, interest-rate reductions of this scale have been sufficient to generate recovery within two years, but this time the response has been more muted. However, the relationship between changes in monetary conditions and changes in economic activity is not necessarily stable over time.

Strong recoveries have, on average, been those where the fiscal stance has eased most (Figure 15). (Fiscal stance is measured using OECD Secretariat estimates of cyclically-adjusted net government lending, expressed as a percentage of nominal GDP). Strong recoveries have been preceded, on average, by an easing of fiscal policy of around 2 per cent of GDP, typically in the year before the cyclical trough. The fiscal positions of governments have tended to be stronger before the downturn in these cycles, thus providing more scope to ease. In contrast, in weak recoveries the budget deficits have often been larger going into recession, so that the fiscal stance has had to tighten ahead of the cyclical trough.

In the current downturn, fiscal policy has been tightened in Canada, but has been more or less neutral in Italy, France and the United States. The United Kingdom experienced some fiscal relaxation in 1990, and a greater stimulus in 1992, which on past experience could be expected to contribute to recovery. Japan also eased fiscal policy in 1992, and in August announced a fiscal package that will support demand in 1993.

Debt to GDP ratios in recent downturns

An important feature of the present cycle that differs from previous episodes is the degree of balance-sheet restructuring that is being undertaken by firms and households in a number of countries.[3] This has entailed increased saving and reduced spending, and has therefore countered the effects of easier fiscal and monetary policies. Data on household- and corporate-sector balance sheets are less comprehensive and less comparable than that for GDP, but some analysis of the role of debt has been possible using the data collected for the special note on the topic in this issue. These data are not available for Germany and Italy.

Debt ratios have typically risen during upswings and fallen, but to a lesser extent, during periods of slower

Figure 13. **Inventory investment in the current downturn**

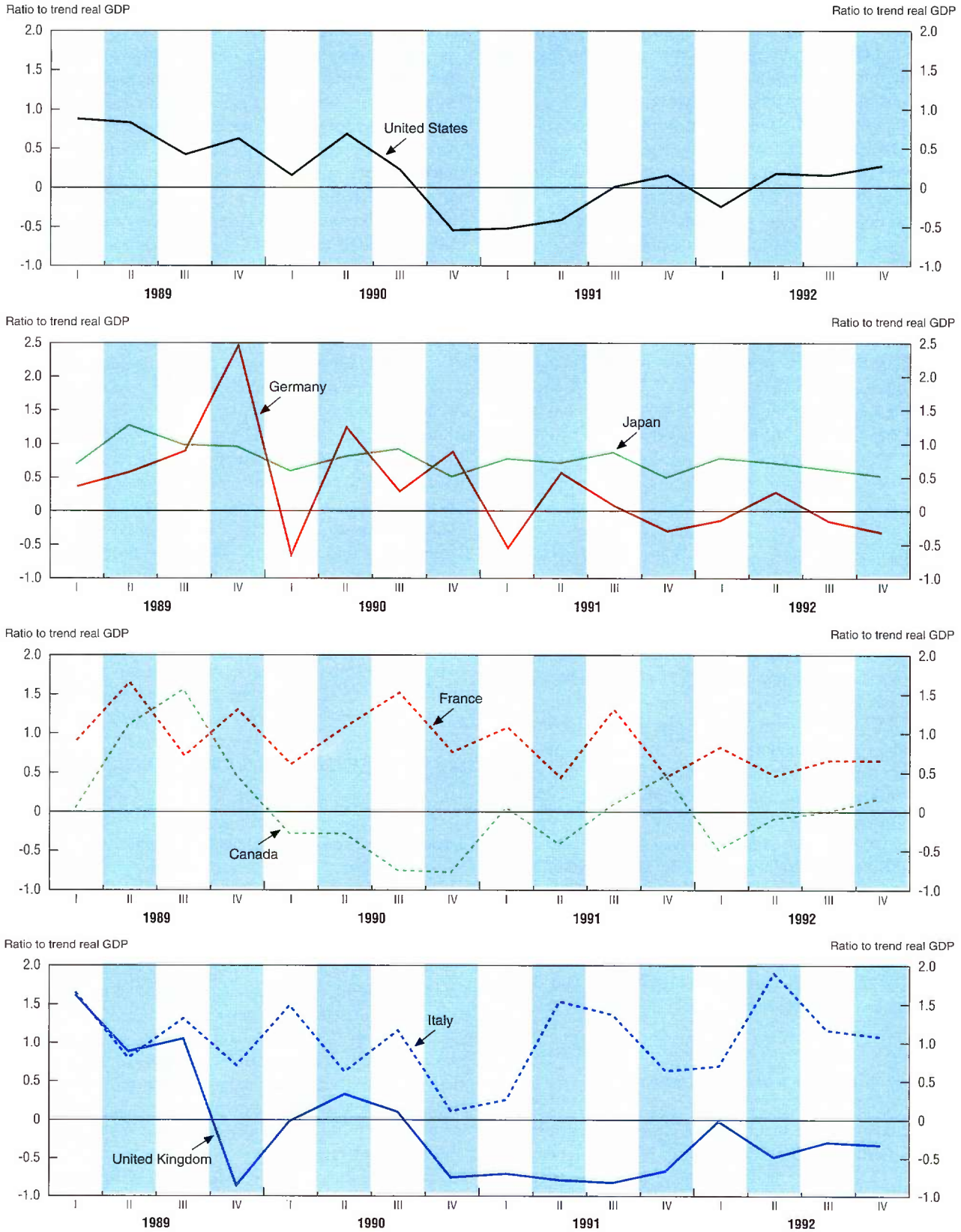
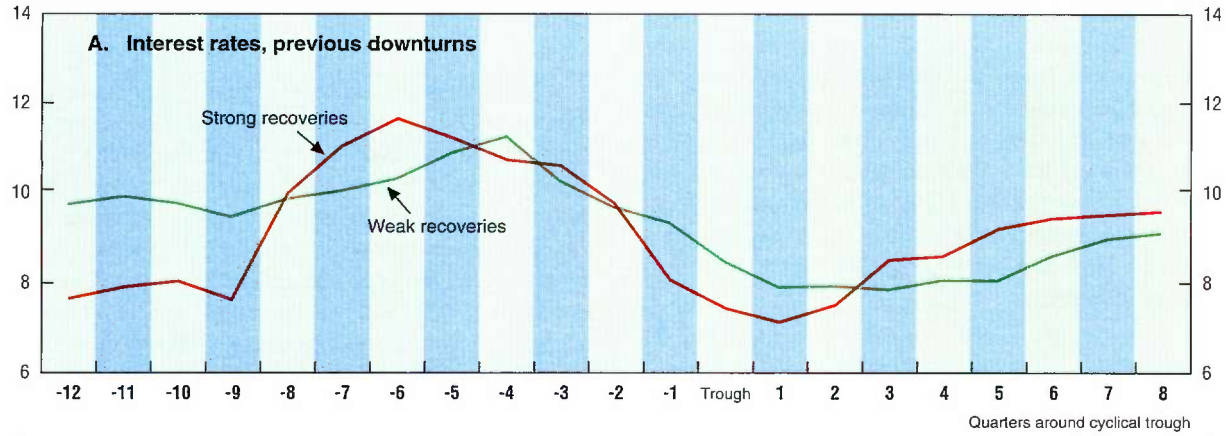
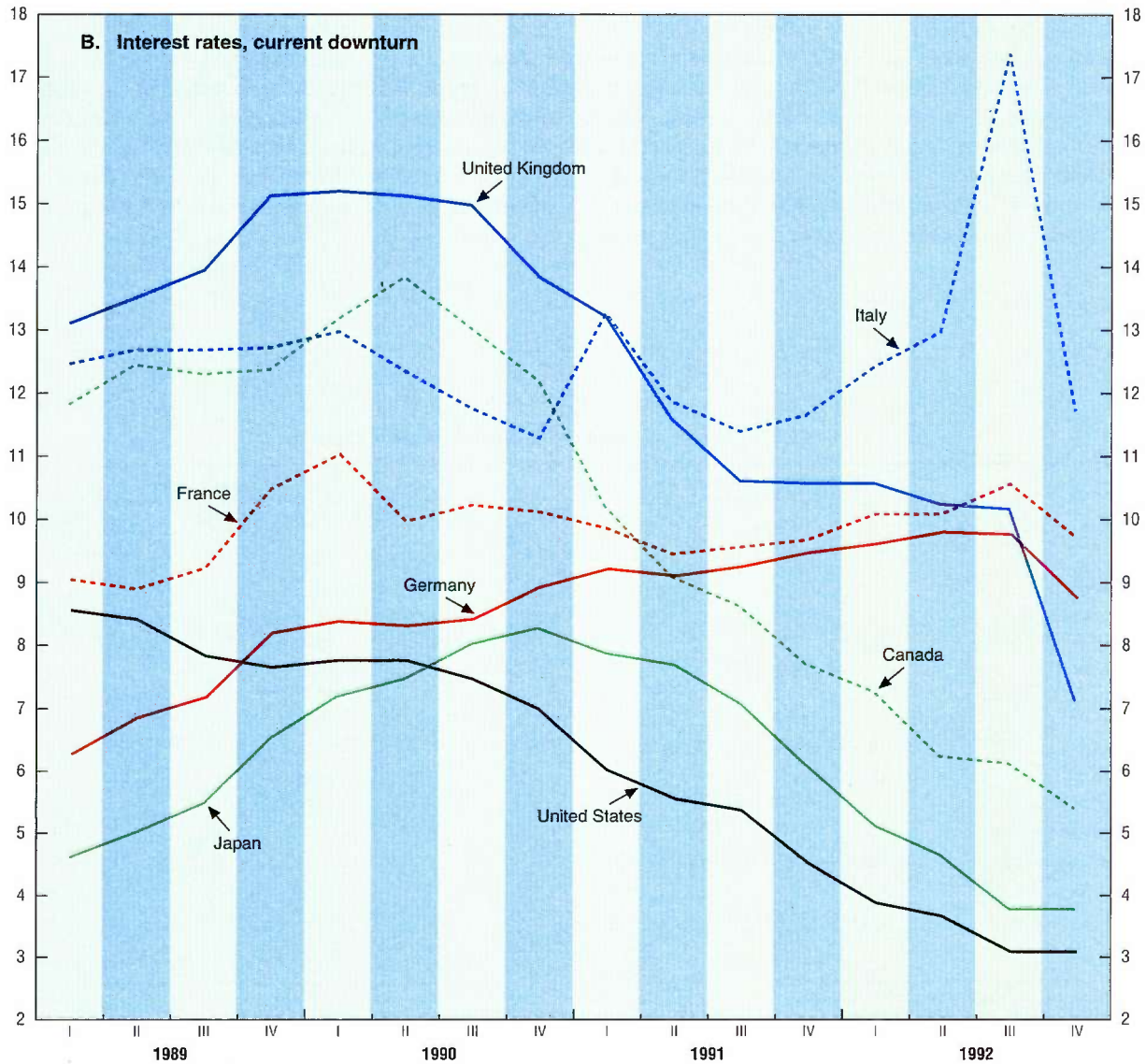


Figure 14. **Short-term interest rates in past and current downturns**

Per cent





economic growth. The pattern of the current cycle appears to be no exception, although increases in debt ratios during the late 1980s were substantially above average. Data on household debt ratios are available for eight previous downturns in the largest seven economies, and show that the ratio fell in seven instances – the sole exception was in Japan in 1980-81 – by an average of 2.7 percentage points, ranging from 0.3 to 9.6 percentage points (Table 15). The declines in the ratio during the current downturn have been somewhat greater than in past episodes in the United States and Japan, slightly less in France and much less in Canada. U.K. data are only available to 1991 and show no decline in the ratio over the period 1989-91.

Corporate-sector debt ratios have tended to fall further than household-sector debt ratios during past downturns, with an average decrease of 6.2 percentage points, ranging from 0.6 to 10.8 percentage points (Table 15). In the current episode, there has been marked differences in the behaviour of corporate-sector debt ratios across countries (see Figure 17 in the special note on balance-sheet restructuring). The ratio in the United States has declined much more than in past downturns, whereas it has only declined marginally in Japan, compared with an average fall of 9 percentage points during the two downturns in the 1970s. The ratio has not yet begun to decline in Canada, France and the United Kingdom.

Conclusions

Recovery from recession in the major seven countries in the last two decades has in some instances been rapid, but there have also been times in which recovery has been much more gradual. A strong recovery is typically grounded in a marked revival in consumer spending. In weaker recoveries, the initial stimulus is more evenly shared between consumer spending and inventory investment. The current downturn appears typical in many respects of a weak recovery, with consumer spending picking up slowly.

In the past, strong recoveries have often followed a relaxation in fiscal policy, but there has been no such generalised easing in the current cycle. However, fiscal easing is not a necessary condition for recovery: a number of previous rebounds have occurred in the face of fiscal tightening. In contrast, none of the recoveries studied has occurred without some monetary easing, but there is no clear relationship between the scale of interest-rate reductions and the timing and pace of the subsequent expansion.

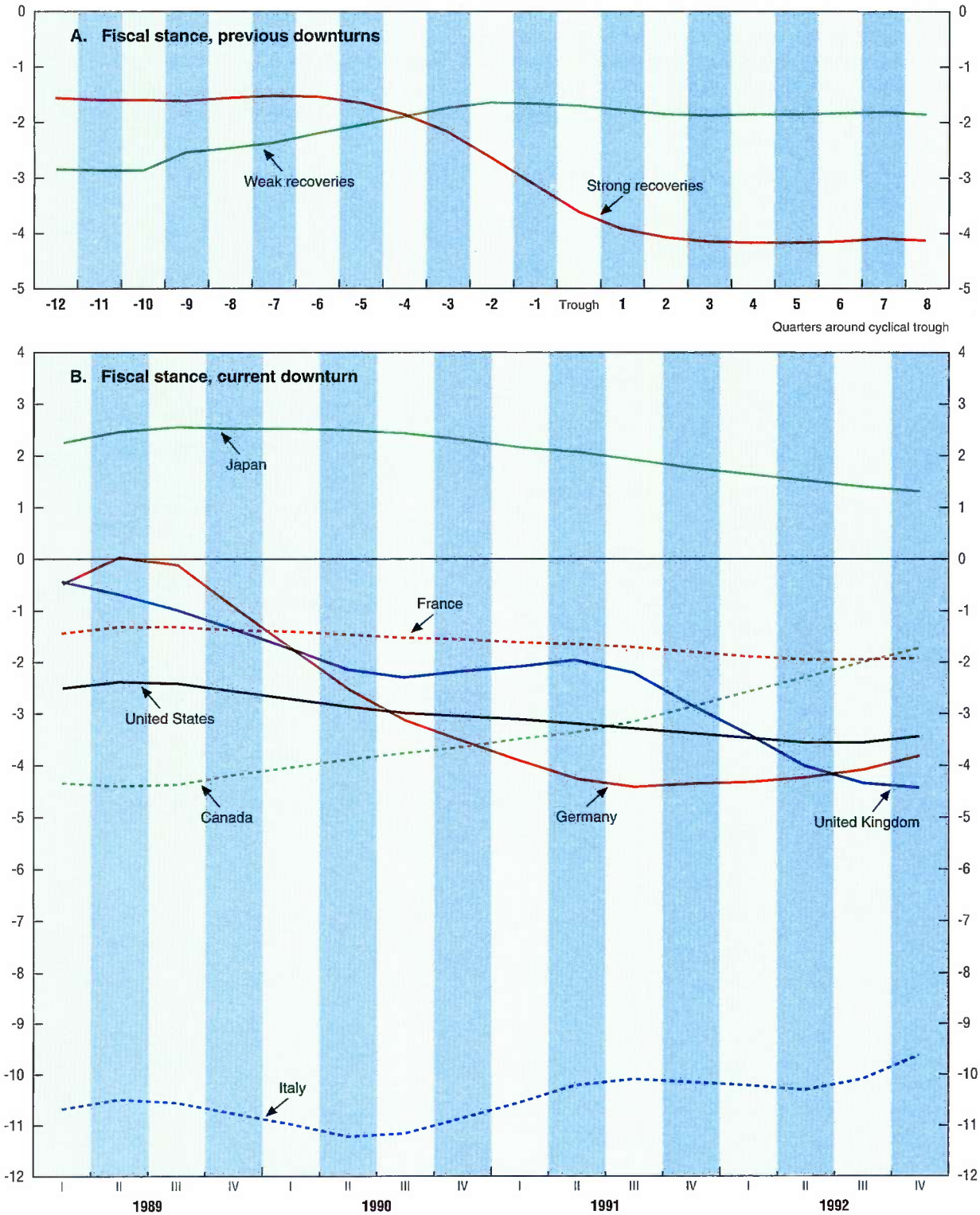
Table 15. **Household and corporate-sector debt ratios**

	Household sector		Corporate sector	
	Period	Change in debt ratio[a]	Period	Change in debt ratio[a]
Past downturns[b]				
United States	1973-1975	–1.3	1974-1978	–2.9
United States	1980-1981	–1.8	1980-1981	–0.6
Japan	1973-1974	–0.3	1972-1974	–10.8
Japan			1975-1980	–7.6
France	1980-1983	–2.1	1977-1980	–6.2
United Kingdom	1979-1980	–0.5	1977-1980	–9.5
Canada	1972-1974	–3.0	1973-1975	–1.8
Canada	1979-1984	–9.6	1981-1987	–10.0
Average of past episodes		–2.7		–6.2
Current cycle[c]				
United States	1991-1992	–2.0	1989-1992	–4.5
Japan	1990-1991	–0.8	1990-1991	–0.2
France	1989-1991	–1.7		
Canada	1991-1992	–0.3		

a) Debt ratio equals debt as a percentage of GDP.
b) Period begins in the year in which the debt ratio was at a peak, and ends in the year in which the debt ratio reached a trough.
c) Provisional 1992 data are available only for the United States and Canada.

Figure 15. **Fiscal stance** [1]

Surplus (+) or deficit (–) as a percentage of nominal GDP



1. Cyclically adjusted net government lending. A declining curve indicates an expansionary fiscal policy.

Although it is possible to identify common features in economic cycles, it is nevertheless the case that no two recessions or recoveries are exactly alike. In the current cycle, recovery in a number of countries has been restrained by the effects of balance-sheet restructuring, which has countered the stimulus offered by easier monetary policy. As balance sheets are brought closer to their desired positions, the private sector should begin to respond to the easier monetary conditions already in place.

NOTES

1. OECD Secretariat projections to the end of 1994 suggest that the downturn will also be longer than average in Japan and Germany.
2. Inflation is measured using the GDP deflator.
3. The economic impact of balance-sheet restructuring in the current cycle is discussed in detail in the next special note.

BALANCE-SHEET RESTRUCTURING: ECONOMIC IMPACT AND POLICY RESPONSES

Adjustments to falling asset prices, high indebtedness and weak balance sheets have contributed to the current cyclical downturn in a number of OECD countries. This process has been most evident in the United States, Japan, the United Kingdom, Australia, and several Nordic countries, although other countries, such as Canada, have experienced it to a lesser degree. The extent of these adjustments, which contributed to the delay in the recovery, has caught many economic forecasters and policymakers by surprise. The discussion below considers this process in more detail, outlining noteworthy differences across countries, and describing how the setting of monetary policies has been affected.

Debt and asset prices

The current imbalances in private-sector balance sheets had their origins in the pronounced increases of private debt and of asset prices that occurred in several OECD countries during the 1980s. Trends in household and corporate debt are shown in Figures 16 and 17 for some of the countries most affected, both as ratios of the stock of debt to GDP and as ratios of debt payments to disposable income or cash flow.[1]The former measure probably gives a better picture of the overall balance-sheet position, while the latter depends on interest rates and current income or cash flow and may be a better indicator of near-term pressures on spending.

Both measures of household-sector debt burdens increased during the 1980s to some of their highest levels in at least 20 years in all the countries shown in Figure 16. This increase was especially sharp in the United Kingdom, where the ratios of both household debt to GDP and interest payments to disposable income doubled during the decade. Households in Australia and Sweden also experienced a substantial worsening in their debt-payment burdens, despite relatively small increases in debt relative to GDP, because of a generally rising trend in real interest rates over the 1980s. In Japan, by contrast, relatively lower real rates of interest and strong income gains moderated the cost of servicing a comparatively larger increase in debt. Finally, household debt burdens in the United States and Canada have tended to rise in upswings and decline in downswings. During the prolonged expansion of the 1980s ratios of household debt to GDP and of debt payments to personal income exceeded the levels reached in the previous three cycles.

Corporations also generally took on more debt relative to GDP in the 1980s, especially, among the countries included in Figure 17, in Japan, the United Kingdom, Australia and Sweden. For a time, however, cyclical improvements in cash flow or profits kept up with or outpaced increased interest obligations, with Australia a notable exception. By the late 1980s, however, narrower margins and higher interest rates pushed debt-payment burdens higher. In several of the countries included in Figure 17, a sizeable proportion of corporate borrowing was used to replace equity with debt and so boost overall sectoral leverage. When recessions in these countries reduced cash flow and profits, debt-payment burdens reached levels visibly above historic highs in the United States, the United Kingdom and Australia, and matched the previous peak in Canada. In Japan and, through 1990 in Sweden, debt-payment burdens have also risen rapidly but remain below their mid-1970s peaks.

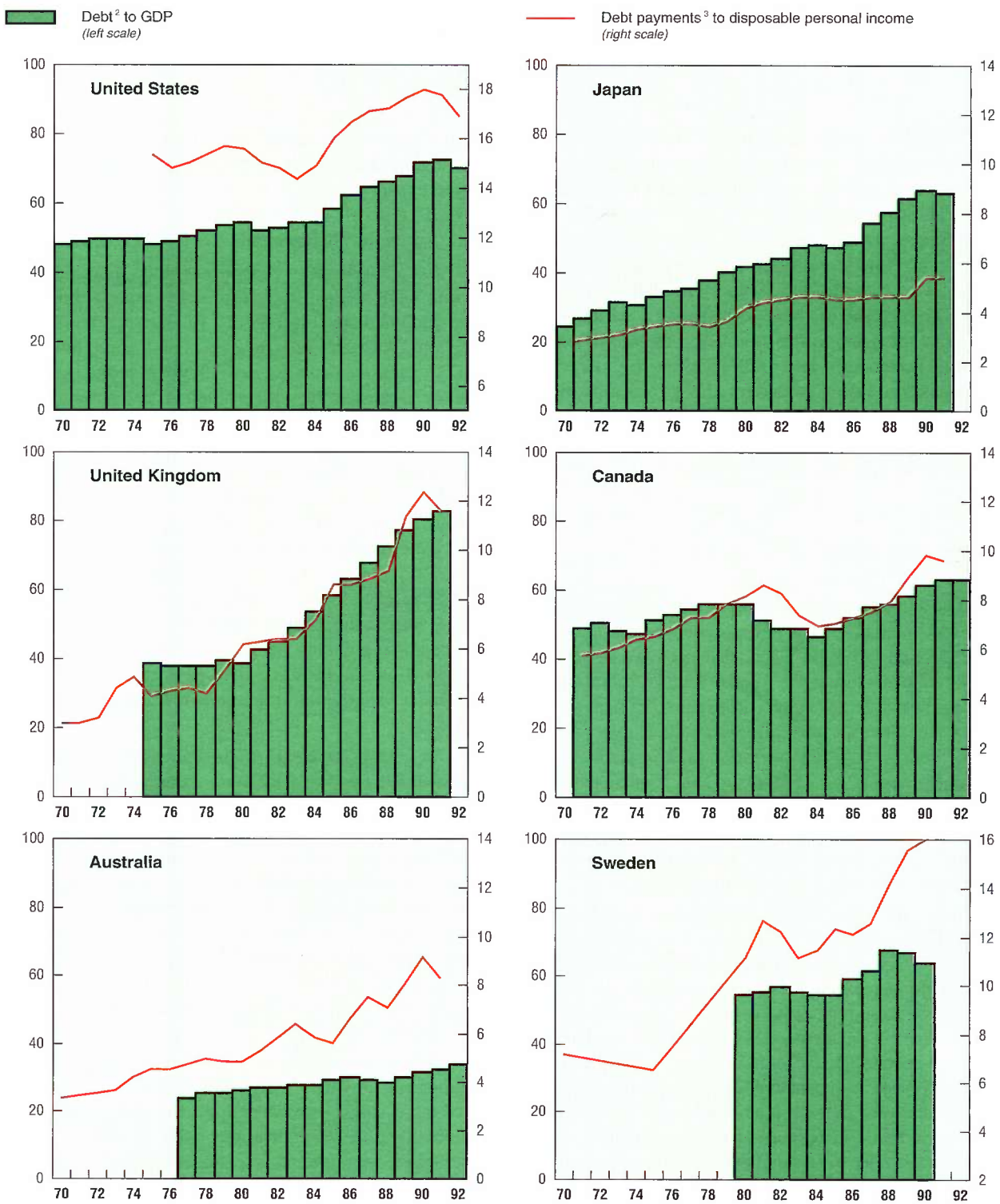
In several countries these increases in debt were accompanied by – and to some extent induced by – a marked inflation of asset prices, most notably equities and real estate. Some increase in asset values was justified by the prolonged economic expansion of the 1980s, but borrowed funds helped to bid up prices and higher asset valuations appeared to enlarge firms' and households' capacity for debt. In the case of equities, this process was largely confined to Japan and some of the Nordic countries, while for real estate – where debt-financed investment is more common – it was much more widespread.

When economic activity began to slow, the assumptions on which many asset transactions had been based increasingly proved, or appeared likely to prove, to be unrealistic. Asset-price appreciation slackened, and in many cases, went into reverse. Some of the more striking declines are listed in Table 16. Significant declines in real estate prices also have been recorded in major metropolitan areas in France, Canada, and Australia. As a conse-

Figure 16. **Developments in household-sector debt ratios**[1]

Ratios of debt to GDP and of debt payments to income

Per cent



1. Data for 1992 shown based on part-year data, as available.
2. Debt: Total debt owed by household sector. For Australia, debt to domestic financial institutions only.

3. Debt payments: gross interest payments (plus scheduled principal payments for the United States) as a share of disposable income.
Source: *National Accounts.*

Table 16. **Major declines in asset prices**

		Year of peak	Per cent decline since peak
Equities			
Japan:	Tokyo Stock Exchange	1989	–60 (1992 Aug.)
Finland:	Industrials	1989	–55 (1992 July)
Norway:	Industrials	1990	–25 (1992 Sept.)
Real estate			
United States:	Commercial property, North-east	1989	–25 (1991 Q4)
Japan:	Residential land, 6 major cities	1990	–20 (1992 II)
United Kingdom:	House prices, first time buyers, South-east	1988	–25 (1992 Q2)
	Commercial property, London	1989	–45 (1992 March)
Finland:	House prices	1989	–25 (1992 I)
Norway:	House prices	1987	–30 (1992 I)

Source: National sources, Bank of England, *Annual Report* of the BIS.

quence of this weakness in asset prices, as well as slower growth in income, debt levels which had seemed manageable when they were incurred increasingly became excessive. In reaction to this, cash flows have been redirected towards repaying outstanding debt, depressing spending on consumption and investment. The resultant levelling off or downturn in debt burdens is evident for most of the countries included in Figures 16 and 17, although the improvements so far have been small relative to the earlier increases.

A number of factors underlie these debt and asset-price fluctuations, factors that can help explain why over-indebtedness and asset-price deflation have been more severe in certain countries than in others. The most fundamental cause of these developments was the failure of economic policy to recognise the implications of financial liberalisation at an early stage and to respond to them sufficiently forcefully. Liberalisation boosted both the demand for and the supply of credit. The removal of controls unleashed a pent-up demand for credit that had existed in a number of countries. At the same time, suppliers of credit were freed to compete, leading to the introduction of new products and, in some cases, a relaxation of underwriting standards, such as occurred when commercial banks in the United Kingdom began to compete vigorously with building societies, the traditional source of home-purchase financing, in offering mortgages.[2] Remaining regulatory barriers among types of financial firms in some countries may not have prevented the increase in competition. The existence of powerful but separate banks and securities firms in the United States and Japan set up a strong competitive dynamic that did not exist in countries where banks are major participants in the securities markets, such as Germany and France.

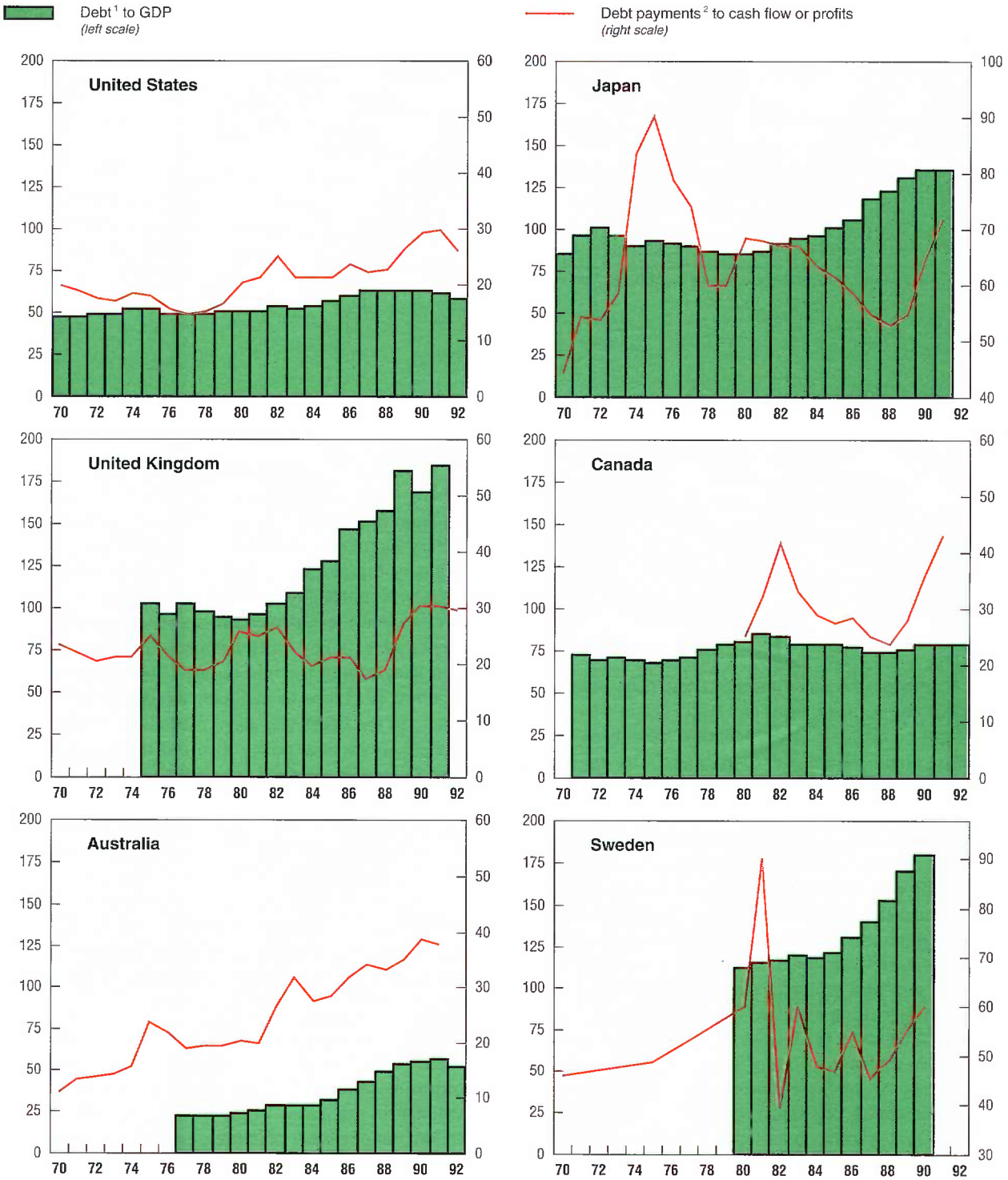
Against this background, monetary policy in most instances underestimated the degree of stimulus that came from the freeing of credit markets, partly because monetary aggregates became less reliable indicators of inflationary pressures, and because the inflation that did emerge was unusually concentrated in asset markets. Efforts to limit exchange-rate appreciation may have worsened this policy misjudgement in Japan and the United Kingdom in the mid-to-late 1980s, while restrictive policy in France to maintain the strong position of the franc in the ERM may have moderated credit expansion there. Prudential policy also did not adapt quickly enough in some countries to prevent a substantial erosion of credit standards. Eventually, supervisory regimes were strengthened to cope with more liberalised markets, for example, through risk-based standards of capital adequacy for international banks. However, by the time many of these measures became effective the debt/asset price cycle had already gone into reverse and, despite the contributions they are likely to make to medium-term stability, they probably added momentum to the current downturn.

These developments were reinforced by particular institutional features of certain countries. For example, government policies to promote home ownership and investment in real estate in the United States and United Kingdom, among other countries, encouraged borrowing. Liberal tax relief for interest payments more generally in countries like the United States and Norway also fed the demand for credit. In Japan, banks' substantial holdings of equities gave a cyclical bias to their ability to lend,

Figure 17. **Developments in corporate sector debt ratios**

Ratios of debt to GDP and of debt payments to cash flow or profits

Per cent



1. Debt: Total debt (excluding trade credit, except for Sweden) of non-financial corporate sector. For Australia, debt to domestic financial institutions only.

2. Debt payments: United States and Sweden – net interest payments as a share of cash flow; Canada – gross interest payments as a share of cash flow; Australia – net interest payments as a share of profits before tax; other countries – gross interest payments as a share of profits after tax.

Source: *National Accounts.*

which was reinforced when a portion of their unrealised capital gains on equities was allowed to count towards internationally agreed risk-based capital standards.

Adjustment by households and non-financial firms

Increases in asset prices and debt levels are normal in business-cycle expansions, as are the corresponding corrections when activity eventually slackens. However, because of financial liberalisation and the other factors described above, the current credit cycle and the associated effects on expenditure have been of unusually large amplitude in a number of countries.

As households relied more heavily on credit to finance consumption, saving rates in the countries particularly affected declined to unusually low levels during most of the 1980s (Figure 18). Rising asset prices – especially for residential real estate – probably contributed to this process directly via increased wealth and borrowing capacity, and indirectly by bolstering confidence. Saving rates have since rebounded particularly sharply in the United Kingdom and in the three Nordic countries shown in Figure 18, as high interest rates made elevated debt-to-income ratios especially burdensome, and deep recessions encouraged precautionary savings.[3] Saving rates have risen much less in other countries, probably because lower interest rates eased the burden of debt obligations in countries like the United States, Japan and Australia, or because household debt burdens were lower, as in France. Still, even in these countries household borrowing has slowed sharply or even switched to net repayments, removing a force that had boosted consumption earlier.

The impact of financial adjustments on investment outlays has been especially severe in the construction sector. The aforementioned cycle in property prices – both residential and commercial – contributed to a parallel cycle in construction activity. Data presented in Figure 19 for several of the most-affected countries show buoyant construction activity during much of the 1980s followed by a steep fall, though in the United States the slowdown has been moderated by the recovery this year of residential construction. In terms of other categories of investment, it is difficult to disentangle the direct effects of indebted firms' efforts to restructure their balance sheets from their normal responses to a period of weak demand. Large corporations outside the property sector typically have substantially more financial flexibility than do households because of their access to the capital markets – witness the record pace of bond refinancing and equity issuance in the United States – and so can restructure their balance sheets with less disturbance to current expenditures. Also, excepting countries such as the United Kingdom or Australia, firms' debt positions did not deteriorate as much as those of households (Figures 16 and 17). Non-residential investment may have been most directly affected in Japan, where the large rise and fall in equity prices had an important impact on the cost and availability of external finance. Low-cost equity and equity-linked debt helped support the 1980s investment boom in Japan, and the plunge in stock prices there has contributed to the present contraction in investment.

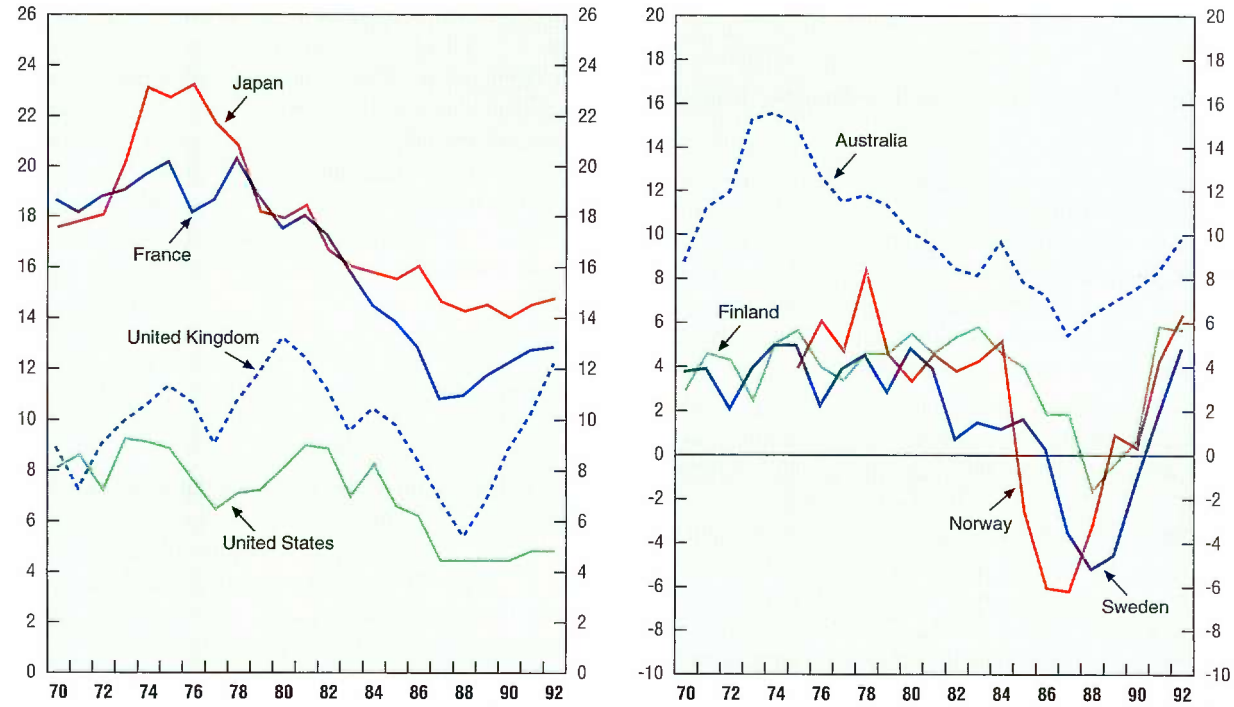
Adjustment by financial institutions

Falling asset prices and financial strains on private borrowers have also put pressure on banks and other financial institutions in many countries. As already mentioned, financial liberalisation implied increased competition in the financial sector and, in some cases, was not accompanied by adequate supervision. Depository institutions found property lending to be a fertile field for expansion: competition from securities markets was limited relative to commercial lending, governments encouraged investment in housing, and real estate seemingly provided solid security for loans, especially during a long period of rising prices. The subsequent declines in property values and real estate activity eroded the collateral values underlying bank loans and reduced borrowers' capacity to maintain payments. The result has been a widespread reduction in bank profitability (Table 17).

The difficulties of depository institutions have been the most severe in the United States and in several Nordic countries. Losses at commercial banks and savings and loan institutions in the United States have precipitated numerous failures and required a substantial injection of public funds to meet government obligations to protect depositors. The situation in Norway, Sweden and Finland has been even more grave, as heavy losses at the largest commercial banks and deep, prolonged recessions threatened systemic collapse. In all three countries, extensive financial commitments have been made by governments to maintain public confidence and recapitalise their banking systems. Sizeable asset problems arising from real-estate exposures also have struck banks in Japan, where the banking system has recently announced plans to set up a special corporation to help manage non-performing loans. Full details of how this corporation will operate were not available at the time of writing, but official statements indicate that public funding will not

Figure 18. **Personal-sector saving ratios** [1]

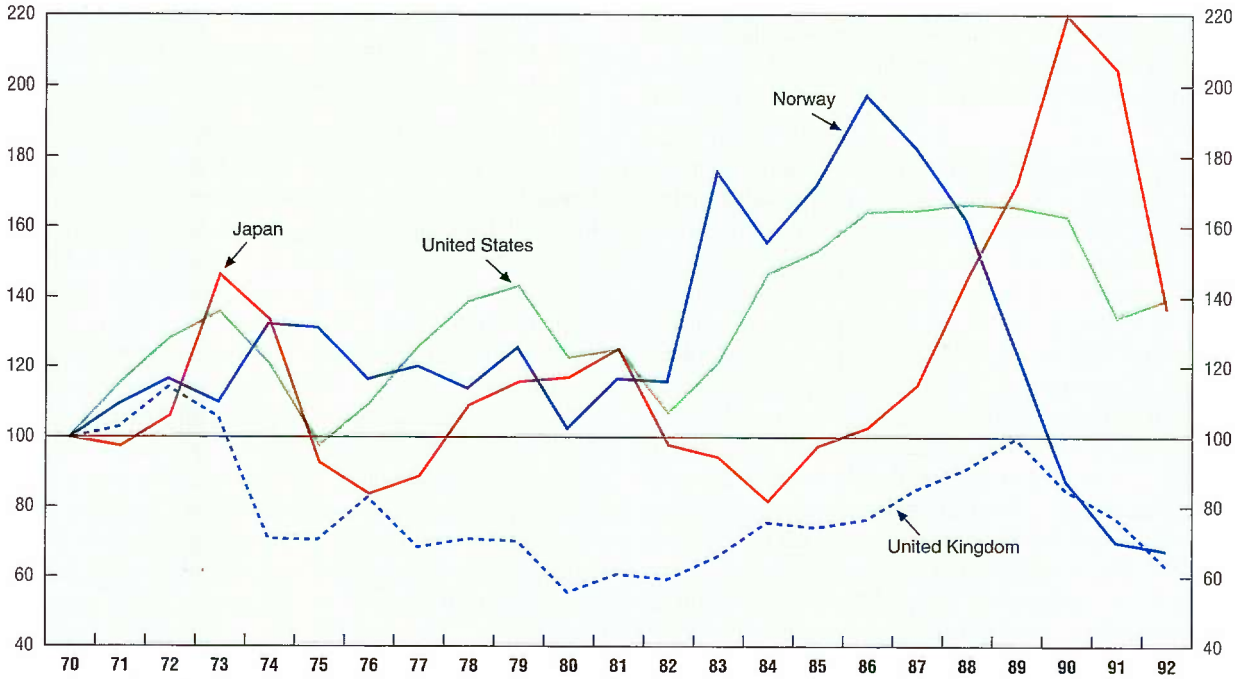
Per cent of personal income



1. Data for 1992 are OECD projections.

Figure 19. **Indices of construction activity** [1]

Second quarter, 1970 = 100



1. **United States :** work put in place, total.
Japan : news orders, total.
United Kingdom : news orders, total.
Norway : buildings started.

Table 17. **Pre-tax profits at commercial banks**[a]

	1981-89	1990-91		1981-89	1990-91
United States	0.83	0.73	Canada	0.82[b]	1.17
Japan	0.62	0.40	Australia	0.86	0.81[c]
Germany	0.58	0.49	Norway	0.43	–3.69
France	0.38	0.28	Sweden	0.52	0.11
Italy	0.89	0.82	Finland	0.50	0.21[c]
United Kingdom	0.83[d]	0.56			

a) Per cent of total assets.
b) 1982-89.
c) 1990 only.
d) 1984-89.
Source: National sources, Bank of England, OECD Directorate for Financial, Fiscal and Enterprise Affairs.

go beyond tax relief for banks that write off bad loans against other income.

In response to pressures on asset quality, banks have attempted to increase earnings and reduce exposure to risky borrowers. Banks also have had to meet new international risk-based capital adequacy standards. Virtually all banks in the major countries probably now satisfy these standards; nonetheless, costs of funding new lending have increased to the extent that banks have had to raise additional capital and remunerate it at a market rate. An increase in interest rates on loans relative to market rates is shown in Figure 20 for several countries, along with an accompanying slump in lending activity. This pattern does not necessarily imply a "credit crunch" in the sense that credit-worthy borrowers have been denied credit – much of the slowdown in loan growth is the result of borrowers' attempts to rein in their debts. However, this reduction in credit demand is consistent with the view that higher lending margins reflect a less accommodative supply of credit. Credit terms other than interest rates also have become less attractive. An unusually high proportion of new commercial lending in the United States is now collateralised, and surveys of borrowers in Japan show that lower interest rates are not being accompanied by the perception of more accommodative lending terms, in contrast with past patterns.

The strains on depository institutions and the reduction in credit supply may tend to exacerbate problems of asset-price deflation. With regard to equity markets this concern primarily relates to Japan, where price declines erode the capital base of banks and consequently may induce them to reduce credit supply further. In the case of property, sales of real estate into already soft or illiquid markets, either by borrowers who no longer can obtain credit or by lenders who have seized collateral, can force additional mark downs of prices.

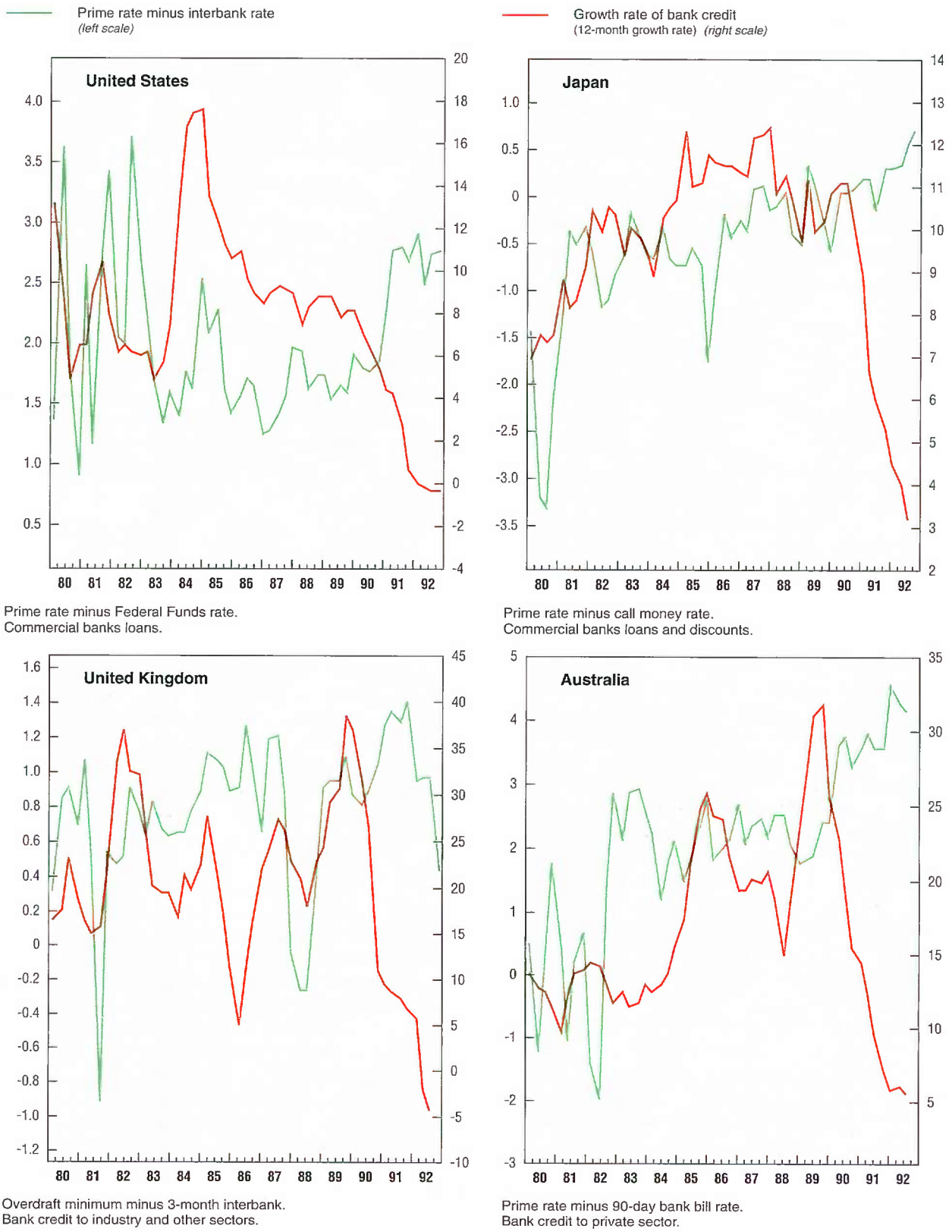
The response of monetary policy

At least initially, the contractionary impact of balance-sheet restructuring on spending coincided with the objectives of monetary policy. Inflationary pressures had emerged in many countries by the end of the 1980s, and asset-price inflation and increases in indebtedness had created imbalances that clearly needed correcting. As the process of balance-sheet restructuring and asset-price declines has gathered momentum, however, it has become apparent in a number of countries that demand may have been depressed to a greater extent than was intended.

In countries where exchange-rate policies have permitted, such as the United States, Japan and Australia (and very recently in the United Kingdom) monetary policies have been relaxed in order to cushion the impact of financial restructuring and asset-price deflation. The visible results of this monetary accommodation have so far been modest, however. Part of the problem is that construction activity, normally strongly responsive to lower interest rates, remains depressed in countries where high debts and rising unemployment lower consumer demand for housing, and an over-supply of commercial buildings has inflated vacancy rates.

Figure 20. **Interest rate margins and bank credit**

Per cent



Prime rate minus Federal Funds rate.
Commercial banks loans.

Prime rate minus call money rate.
Commercial banks loans and discounts.

Overdraft minimum minus 3-month interbank.
Bank credit to industry and other sectors.

Prime rate minus 90-day bank bill rate.
Bank credit to private sector.

Conclusion: What lies ahead?

Economies are still searching for an equilibrium that is consistent with a liberalised financial system. Both the private sector and policymakers have been learning how to cope with the new environment and this process undoubtedly has further to go. Firms and households probably will wish to carry somewhat higher debts than they did when regulation was more widespread, as binding controls have been removed and new financial services make debts easier to manage. Still, establishing comfortable debt levels may require considerable adjustment in some countries. Depository institutions likely will be less willing to take on risk than they did in the 1980s, or else will demand higher margins. This process too will take time. However, provided sound and consistent fiscal and monetary policies foster a predictable macroeconomic environment, the result of these adjustments should be a more stable, efficient financial system.

NOTES

1. The data in figures 16 and 17 are not directly comparable across countries.
2. The ratio of mortgages to purchase prices for first-time buyers in the United Kingdom averaged over 85 per cent from 1982 through 1988, well above its short-lived peak in the early 1970s of 81 per cent. See Fleming, M.C. and J.G. Nellis (1990), "The Rise and Fall of House Prices: Causes, Consequences and Prospects", *National Westminster Bank Quarterly Review,* November.
3. Households in the United Kingdom have been particularly hard hit by the problem of "negative equity" as home values have fallen below mortgage balances. More than a million households may be affected – see "Negative Equity in the Housing Market", *Bank of England Quarterly Bulletin,* August 1992, and "The Domestic Economy", *Bank of England Quarterly Bulletin,* November 1992.

MEASUREMENT AND IMPLICATIONS OF CHANGES IN OECD COUNTRIES' INTERNATIONAL COMPETITIVENESS

Policy-makers in OECD countries are concerned about the evolution of international competitiveness because of its implications for trade performance and hence domestic output and employment. Furthermore, marked changes in competitive positions may sometimes contribute to unwelcome pressures on exchange rates. This annex: *i)* summarises the evolution of international competitiveness for most OECD countries over the past five or so years, paying particular attention to the role of changes in relative profit margins; *ii)* examines the contribution to changes in competitiveness, measured by relative unit labour costs, of changes in some of its key components (nominal effective exchange rates, relative productivity developments and relative wage behaviour); and *iii)* relates, in broad-brush terms, export performance to competitiveness for a number of OECD countries.

Measures of international competitiveness and their evolution

Several indicators have been developed by the OECD Secretariat to measure changes in international competitiveness. These are mainly indicators of real effective exchange rates based on cost or price differentials, as other non-price factors influencing countries' competitive positions do not lend themselves readily to quantification.[1] They are used primarily as tools to analyse and forecast international trade trends and are calculated so as to obtain a comprehensive picture of competition by exporters and domestic producers on domestic and foreign markets, including third-country markets. The most commonly used indicators are: *i)* indices of relative export unit values of manufactures; and *ii)* indices of relative unit labour costs in manufacturing, both expressed in a common currency.[2]

Table 18 shows these two indicators of international competitiveness for almost all OECD countries since 1987.[3] Over the past five years, the United States, France, the Netherlands, Austria, Norway and New Zealand have registered the largest gains in international competitiveness, measured by relative unit labour costs, while Canada, Australia, Italy, Sweden, Spain and the United Kingdom have registered the biggest losses. These developments have been only partly reflected in movements in relative export unit values: the gains in international competitiveness measured on that basis have been the largest for the United States, France, Australia and Portugal, while the losses have been largest for Italy, Spain, Sweden and Finland.

The differing trends between relative unit labour costs and relative export prices, as proxied by unit values, are indicative of changes in relative profitability in the manufacturing sector.[4] For example, in Belgium, France and to a lesser extent the Netherlands, the decrease in relative unit labour costs since 1987 did not translate one-to-one into lower relative export prices, as exporters seem to have rebuilt their comparatively low (by historical standards) relative profit margins – although in the case of France, exporters were able to do this while still becoming more competitive on a relative price basis. Similarly, large rises in relative unit labour costs were absorbed by a squeeze in relative profitability in a number of countries, *e.g.* Spain, Canada, Portugal, Sweden, Australia and Japan (after 1989). This suggests that, by and large, exporters in these countries have pursued a policy of squeezing their margins when their relative competitiveness declines in order to maintain their market shares. Obviously, this policy cannot be sustained for a long period – unless the starting point is one of exceptionally comfortable relative margins.

Decomposition of relative unit labour costs

Countries that have registered the largest changes in competitiveness between 1987 and 1992, as measured by changes in relative unit labour costs expressed in a common currency, fall into two broad groups: *i)* those where the change has been mainly accounted for by changes in relative domestic costs; and *ii)* those where the main factor has been changes in their nominal effective exchange rate. Figure 21 shows, for a selected num-

Table 18. **Competitive positions**

Indices, 1987 = 100

	Average 1988-90	1991	1992	1993	1994	Average 1988-90	1991	1992	1993	1994
	Manufacturing unit labour costs in local currency					*Export prices of manufactures in local currency*				
United States	101	105	104	105	105	105	107	106	107	108
Japan	97	103	109	110	111	103	108	109	109	111
Germany [a]	101	107	112	115	118	104	105	105	108	111
France	96	102	103	104	105	105	104	102	103	105
Italy	109	125	128	133	138	111	119	122	130	134
United Kingdom	106	121	124	127	130	106	109	112	122	126
Canada	109	119	119	120	121	101	97	98	100	103
Austria	95	100	103	105	107	102	96	95	98	101
Belgium-Luxembourg	99	106	108	111	113	108	106	107	108	111
Denmark	103	107	107	108	108	105	107	107	107	109
Finland	108	121	115	113	115	110	115	120	133	141
Netherlands	98	101	103	106	108	105	104	102	103	105
Norway	107	111	113	114	115	123	116	118	122	126
Portugal	123	155	170	180	188	111	117	116	118	121
Spain	112	127	136	141	146	107	106	109	118	124
Sweden	116	138	137	134	133	110	115	114	115	117
Switzerland	106	119	124	127	128	107	115	117	120	123
Australia	116	128	129	131	133	108	98	100	106	109
New Zealand	109	118	119	121	122	121	117	123	126	128
Singapore	113	132	138	144	149	98	94	94	94	95
Taiwan	112	123	129	135	141	101	101	100	100	101
Korea	136	167	175	182	189	101	101	106	110	113
Hong Kong	124	157	170	182	194	104	108	111	114	118
	Relative unit labour costs in manufacturing, in a common currency					*Relative export prices of manufactures, in a common currency*				
United States	89	81	77	76	75	95	93	89	89	88
Japan	91	88	96	100	98	99	103	110	112	111
Germany [a]	98	97	101	105	106	97	98	101	104	104
France	91	89	90	91	90	98	96	95	96	95
Italy	104	111	107	101	103	103	109	109	105	105
United Kingdom	105	110	106	95	95	103	103	101	97	97
Canada	118	126	118	114	115	105	103	98	97	98
Austria	93	91	92	93	93	97	90	90	92	92
Belgium-Luxembourg	96	98	100	102	102	102	101	105	105	105
Denmark	97	94	94	96	95	97	99	100	101	100
Finland	107	107	86	78	78	107	108	98	98	101
Netherlands	95	91	94	96	96	99	98	98	99	98
Norway	100	92	93	93	93	115	104	107	107	108
Portugal	109	123	136	141	144	97	98	100	97	97
Spain	117	127	129	122	124	109	110	110	109	111
Sweden	112	121	122	116	113	103	105	106	103	102
Switzerland	100	105	104	107	106	99	104	104	106	107
Australia	120	120	108	103	103	110	96	89	89	90
New Zealand	101	93	85	84	83	112	101	97	97	96
Singapore	117	139	149	155	159	100	102	106	106	105
Taiwan	124	128	137	141	146	109	109	112	110	108
Korea	152	165	154	159	164	111	102	97	99	100
Hong Kong	116	135	141	151	159	96	96	96	99	100

a) For unit labour costs, Western Germany only

Figure 21. **Decomposition of relative unit labour costs** [1]

1987 = 100

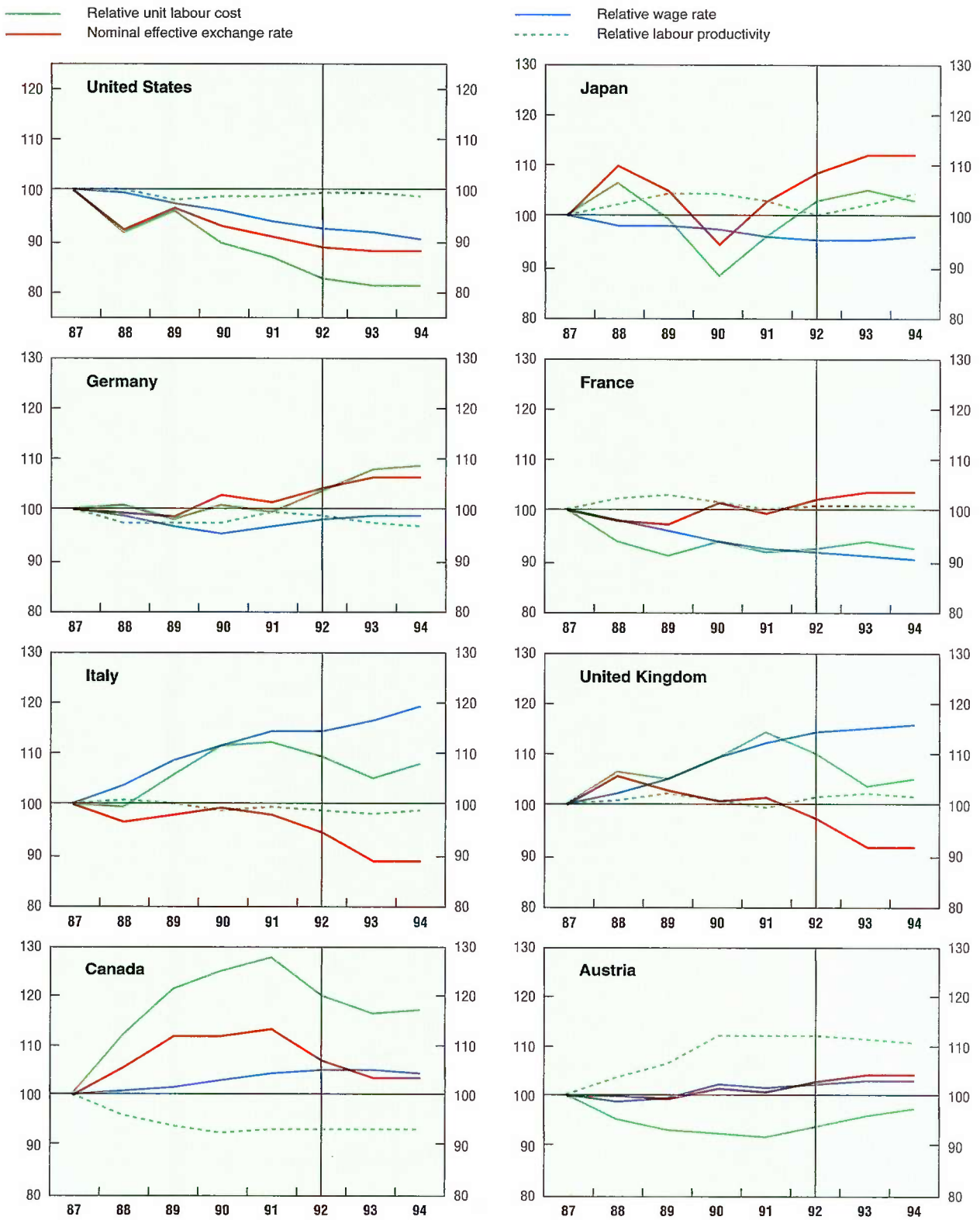
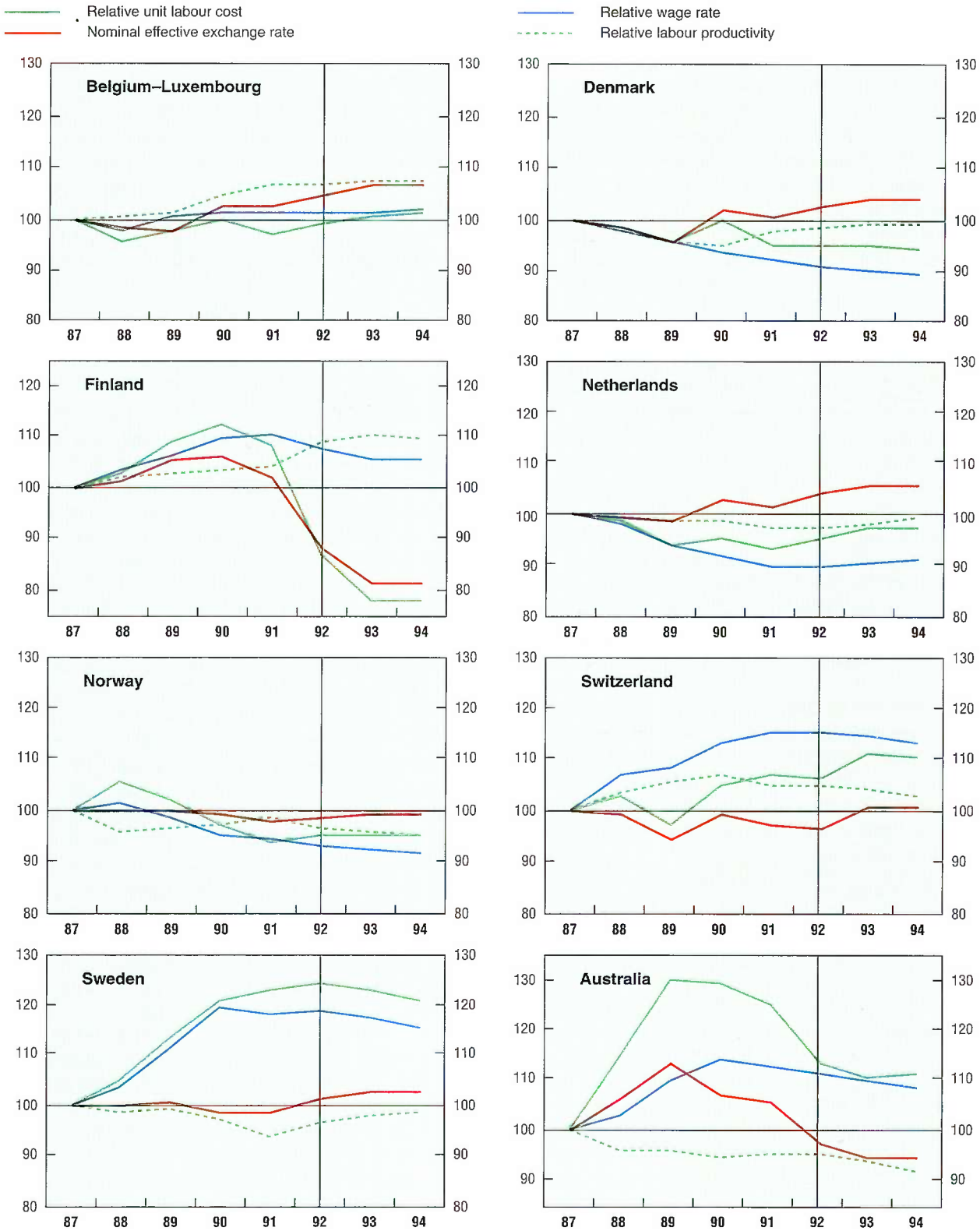


Figure 21. (cont.) **Decomposition of relative unit labour costs** [1]

1987 = 100



1. The vertical line indicates the end of the historical period and the beginning of the projection period.

ber of OECD countries, the decomposition of relative unit labour costs into relative costs (split between wages and labour productivity), and nominal effective exchange rates.[5]

Many European countries are in the first grouping, as their currencies, at least until recently, were mostly fixed *vis-à-vis* their most important trading partners. In France, the Netherlands, Norway and, to a lesser extent, Denmark, the improvement in relative unit labour costs mirrors fairly closely the drop in relative wages. Austria, and to some extent, Switzerland, also belong to the first grouping, as the drop in relative unit labour costs is largely accounted for by an improvement in relative productivity in Austria, and combined improvements in relative wages and relative productivity in the case of Switzerland.

Similarly, but in the opposite direction of deteriorating competitiveness, Italy, the United Kingdom, Finland and Sweden also fall into the first grouping; the loss in competitiveness in these countries between 1987 and 1992 is mainly accounted for by an increase in relative wages. Italy, which joined the narrow band of the ERM system in early 1990, at a time when wages were growing faster domestically than abroad, suffered losses of competitiveness which could not be regained by a small subsequent effective depreciation of the lira. The experience of the United Kingdom, though, illustrates the point that a depreciation needs to go hand in hand with wage moderation in order to restore a country's competitive position. Despite a nominal effective depreciation of about 5 per cent between 1988 and 1991, relative unit labour costs rose by about 10 per cent, as the potential improvement in competitiveness due to the change in exchange rates was more than offset by the continuous rise in relative wages over that period. This was one of the factors that prompted the United Kingdom authorities to join the ERM in order to impose some external discipline on domestic wages.

The United States, Japan, Germany, Canada and Australia (since the late 1980s) belong to the second grouping of countries where changes in nominal effective exchange rates have accounted for a large part of the changes in relative unit labour costs. In the United States, the 5 per cent depreciation of the nominal effective exchange rate between 1987 and 1991 accounts for much of the improvement in its competitive position. This improvement was further consolidated by a good record in terms of relative wages which offset the rather poor performance in relative productivity. By contrast, in Canada, there was a substantial deterioration in competitiveness until recently, accounted for by a fall in relative productivity compounded by a 15 per cent effective appreciation of the Canadian dollar between 1987 and 1991. On the other hand, the effective depreciation that occurred during 1992 led to a substantial drop in Canadian relative unit labour costs. In Australia, the deterioration in relative unit labour costs until 1990 has mainly been the result of higher relative wages. However, the sharp depreciation of the Australian dollar since mid-1989 helped reverse this trend in relative unit labour costs.

In Japan and Germany, changes in nominal effective exchange rates also accounted for most of the changes in relative unit labour costs. In Japan, relative wages and productivity remained broadly stable, while in Germany, the drop in relative wages offset, to some extent, the appreciation of the Deutschemark between 1987 and 1990.

Export competitiveness and export performance

Fluctuations in price or cost competitiveness are certainly not the only, nor necessarily the most significant, determinant of trade trends. However, as indicated by Figure 22, there are obvious links over time between movements in indicators of changes in relative export prices and subsequent market-share gains or losses in the manufacturing sector for a number of countries, e.g. in the case of the United States in the late 1980s, and of Japan, Australia and New Zealand since 1989.[6]

In Europe, the highest correlations between export competitiveness and export performance seem to have been in Italy, Sweden, Austria, Switzerland, Belgium and Germany. In Germany, the recent market-share losses have also been linked to the unification process, as domestic production has been diverted from exports to satisfy demand in the eastern Länder. On the other hand, in Canada, Spain and Portugal, there seems to be only a weak correlation between cost or price competitiveness and export performance. In Canada, price competitiveness is probably not the main factor determining trade trends. Given the large number of joint U.S.-Canadian firms in the manufacturing sector – and the size of the United States as an export market for Canada – managerial and industrial organisation seems to play a predominant role. In Spain and Portugal, important structural changes have been taking place in the wake of EC entry in 1986 and the subsequent large inflows of foreign direct investment. Despite a deterioration in the relative competitive position of these two countries, market-share gains have been sustained, reflecting in particular an improvement in supply-side factors such as a rise in the rates of return to productive capital. It has been noted that Spanish export growth has been particularly strong in sectors where there had been a concentration of foreign

direct investment.[7] Moreover, it should also be stressed that, although international comparisons of levels of competitiveness are difficult to make, costs and prices are probably still lower relative to productivity levels in Spain and Portugal than in the majority of other OECD countries.

Recent changes in international competitiveness and their influence on the projections

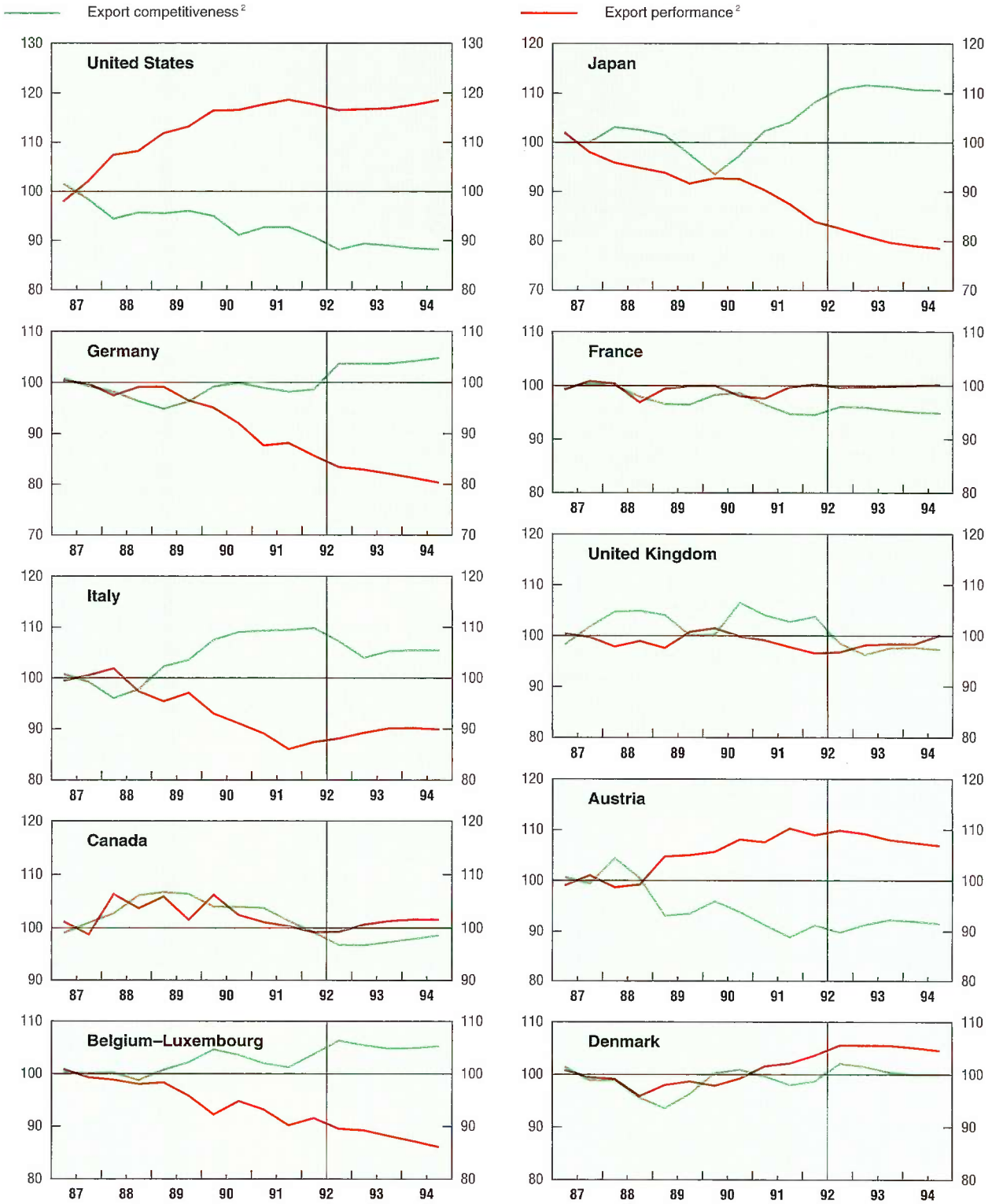
Given the long lags involved, changes in international competitiveness that occurred in the late 1980s and early 1990s are still affecting export market performance, and will continue to do so in some cases throughout the projection period. For example, in the case of Germany and Japan, the rise in relative unit labour costs since 1990, compounded with the effective appreciations of the Deutschemark and the yen during 1992, is likely to imply further market-share losses over the projection period. Most countries with currencies linked to the Deutschemark are also likely to register market-share losses over the next two years. In France, though, continued relative wage moderation (Figure 21) should be beneficial to exporters, leading to a further small gain in market shares. In the United Kingdom and Italy, the effective depreciations of the pound sterling and the lira of about 15 and 10 per cent respectively between the first and second half of 1992, are expected to lead to substantial improvements in relative unit labour costs and market-share gains from mid-1993 on, under the assumption that relative wage growth will not erode the competitiveness gains from depreciation. The United States is also expected to make continuing market-share gains, due to the effective depreciation of the dollar which occurred during 1992. In Finland, market-share gains are projected to be even greater, given the 16 per cent effective depreciation of the markka between 1990 and 1992, which, together with moderation in relative wages, led to a 23 per cent drop in relative unit labour costs.

NOTES

1. For further details on the definitions and caveats of these indicators, see Durand, M., J. Simon and C. Webb (1992), "OECD's indicators of international trade and competitiveness", OECD Economics Department, Working Paper, N° 120.
2. These two indicators are therefore measures of *real* effective exchange rates since they can be expressed as nominal effective exchange rates deflated either by relative export unit values in local currency or by relative unit labour costs in local currency.
3. The only OECD countries for which these indicators are not calculated because of lack of available data are Turkey, Greece, Ireland and Iceland. See also Figure 30 in the section on Detailed Projection Tables and Other Background Data. A fall in the indicators indicates an improvement in competitiveness.
4. It should be noted that the relative unit labour cost indicator is calculated for the entire manufacturing sector, including those products that are not traded; the relative export unit value indicator has a narrower coverage.
5. The 16 countries included in this analysis are those for which sufficiently detailed statistics are available. The indicators of relative unit labour costs shown in Figure 21 differ therefore from those in Table 18 and Figure 30, reflecting the difference in country coverage.
6. In the case of New Zealand, this may also reflect the large structural changes that the economy has undergone since 1984.
7. See OECD *Economic Survey, Spain 1990/91.*

Figure 22. **Export competitiveness and export performance** [1]

1987 = 100

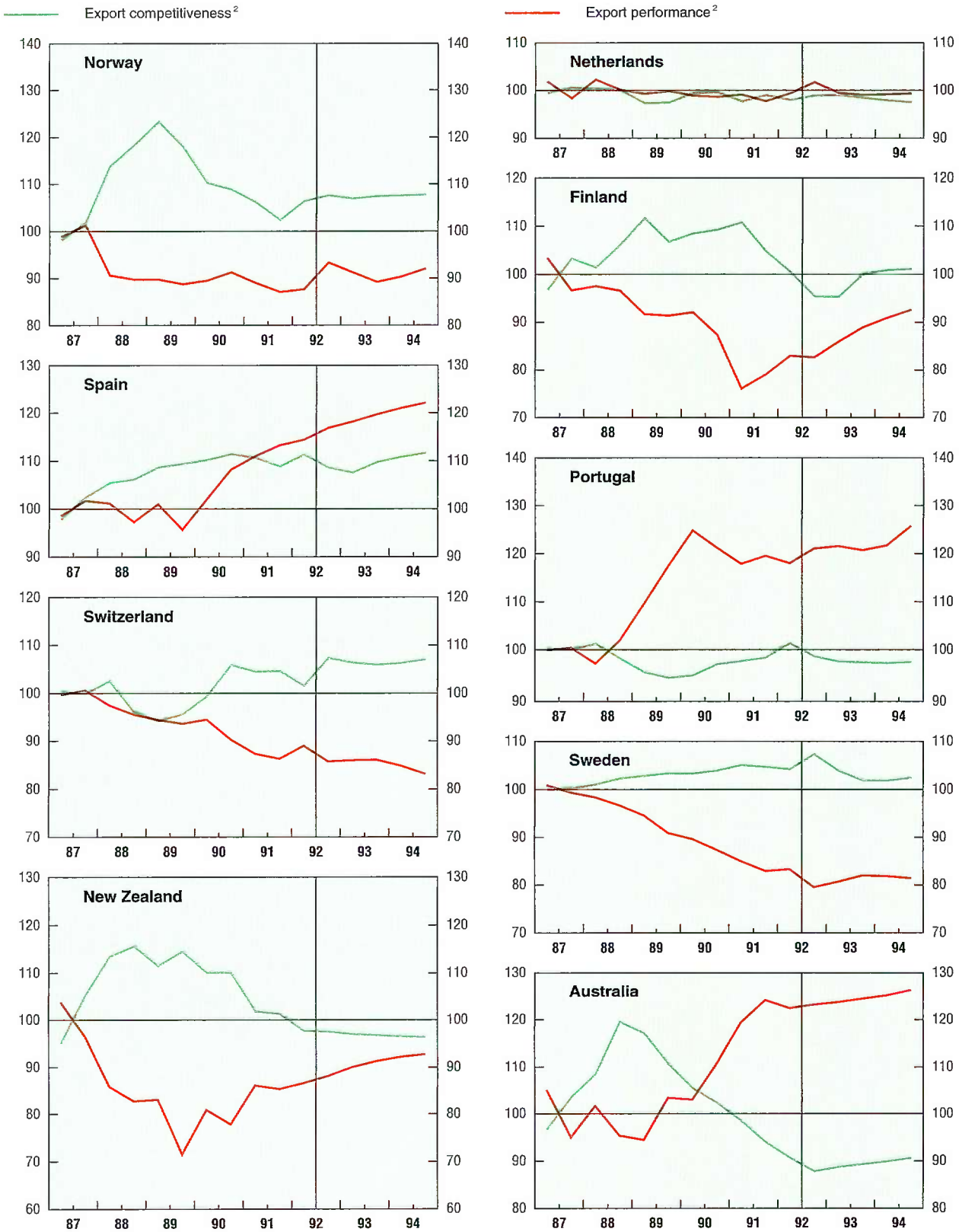


1. The vertical line indicates the end of the historical period and the beginning of the projection period.

2. Export competitiveness is measured by relative export unit values of manufactured goods. Export performance is the ratio of each country's export volumes of manufactures to its export markets.

Figure 22. (cont.) **Export competitiveness and export performance** [1]

1987 = 100



DEVELOPMENTS IN INDIVIDUAL OECD COUNTRIES

UNITED STATES

The recovery of activity since the 1990-91 recession continues to be rather weak, despite further reductions in interest rates, a lower value of the dollar and modest additional stimulus from fiscal policy. The momentum of output growth has been constrained by the influence of private-sector debt reduction, military and related cut-backs, substantial excess capacity in commercial real estate and waning export-market growth. When the economy will overcome its structural problems is difficult to predict. The OECD Secretariat projection depicts a gradual pickup in GDP growth over the next two years, but a more prolonged period of slow growth is possible. Wage and price increases should continue to moderate, and inflation performance is likely to be the best for over a quarter-century.

Recent developments

The most recent national-accounts data suggest that the 1990-91 recession was more severe than previously reported. In relation to this deeper recession, the recovery of activity since the trough has been unusually weak. Since early 1991, growth has averaged 1.8 per cent at an annual rate, compared with 4 to 5 per cent in the first year and a half of a typical recovery – and most of this modest GDP growth has occurred in a few interest-sensitive sectors. Dollar weakness and a decline in mortgage rates have contributed to strength in exports and residential investment since early 1991. Also, faster declines in computer prices have induced strong growth of investment in computing equipment.

While there have been some signs of easing credit-supply constraints, balance-sheet problems have held back the recovery. Difficulties with excess debt loads have led firms to reduce bank borrowing, slow the growth of hiring and limit the pace of non-computer investment. Debt-equity ratios have improved noticeably over the past year; however, the business sector continued to shed short-term debt in the second quarter, and further debt reductions may be forthcoming. Businesses have also kept a tight rein on inventories throughout

UNITED STATES
Demand and output

Percentage changes from previous period, seasonally adjusted at annual rates, volume (1987 prices)

	1987 current prices billion $	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Private consumption	3 052.2	1.2	–0.6	2.0	2.0	2.5	2.4	2.1	1.9	2.2	2.4	2.8
Government consumption	881.5	2.8	1.2	–0.5	–0.8	–1.0	–0.2	0.4	–1.2	–1.2	–1.0	–0.8
Private fixed investment	723.0	–2.8	–8.5	4.8	7.0	10.0	7.1	5.4	6.9	8.7	10.2	10.6
Residential	225.2	–9.1	–12.6	12.2	9.6	11.7	16.0	5.7	10.3	12.0	12.0	11.0
Non-residential	497.8	–0.4	–7.1	2.3	6.1	9.3	4.0	5.3	5.7	7.5	9.5	10.5
Final domestic demand	4 656.8	0.8	–1.4	1.9	2.2	2.9	2.5	2.2	2.0	2.5	2.9	3.4
* change in stockbuilding	26.3[a]	–0.5	–0.3	0.3	0.3	0.2	–0.3	0.6	0.2	0.3	0.2	0.2
Total domestic demand	4 683.0	0.4	–1.8	2.2	2.5	3.1	2.3	2.9	2.2	2.8	3.1	3.6
Exports of goods and services	364.0	8.1	5.8	5.1	5.1	7.4	4.2	1.8	6.0	6.5	7.7	7.6
Imports of goods and services	507.0	3.0	–0.1	8.4	5.9	7.3	6.4	7.7	4.6	6.6	7.3	8.2
* change in foreign balance	–143.1[a]	0.5	0.6	–0.4	–0.1	–0.1	–0.3	–0.7	0.1	–0.1	0	–0.1
GDP at market prices	4 540.0	0.8	–1.2	1.8	2.4	3.1	2.0	2.2	2.3	2.7	3.1	3.5
Industrial production	–	1.0	–1.9	1.4	3.8	5.2	–0.5	3.0	3.8	4.5	5.2	6.0

* As a percentage of GDP in the previous period.
a) Actual amount.

UNITED STATES

Employment, income and inflation

Percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Employment[a]	0.5	–0.9	0.6	1.2	2.0	1.1	0.6	1.2	1.6	2.0	2.4
Unemployment rate	5.5	6.7	7.4	7.3	6.9	7.4	7.4	7.4	7.3	7.1	6.7
Compensation of employees	6.2	3.0	3.8	4.1	4.8	4.2	3.3	4.3	4.4	4.8	5.1
Unit labour cost	5.3	4.2	1.9	1.7	1.7	2.2	1.1	1.9	1.7	1.7	1.6
Household disposable income	6.8	4.2	5.2	4.5	5.1	6.4	3.5	4.8	4.9	5.1	5.2
GDP deflator	4.3	4.0	2.7	2.3	1.9	2.8	2.3	2.3	2.1	1.9	1.7
Private consumption deflator	5.2	4.3	3.0	2.5	2.3	3.3	2.3	2.6	2.5	2.3	2.0

a) Household basis.

1991 and 1992: inventory change has contributed nothing to overall GDP growth since the trough, while in most past recoveries it had accounted for half the pickup in activity. In addition, overbuilding in the 1980s created a glut of commercial office space; office vacancy rates in many U.S. cities remain in the 20 per cent range. Accordingly, investment in this sector continued to fall in the first three quarters of 1992, after plunging in 1991.

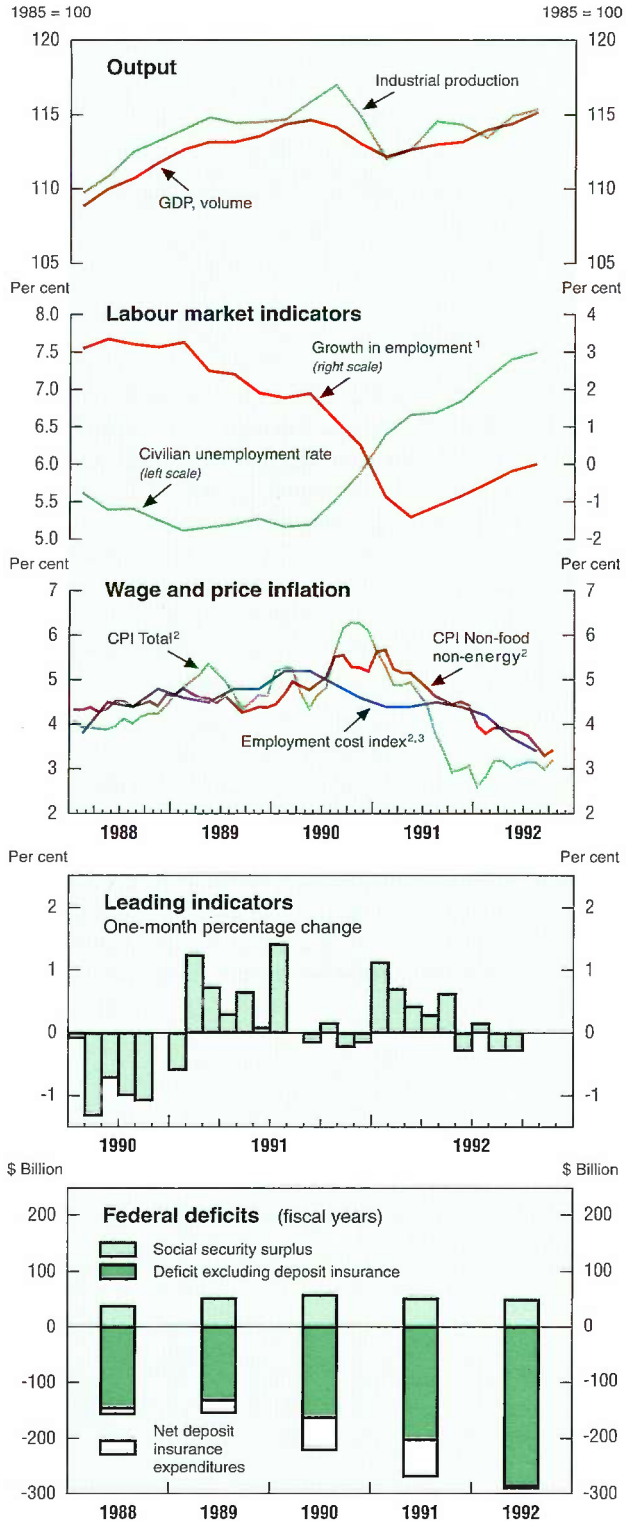
By historical standards, the level of household debt is still quite high relative to income, although recent quarters have seen a slight decline in debt-to-income ratios. Home equity debt continued to increase in the first half of 1992, but this rise was largely offset by a reduction of consumer instalment debt. Saving rates have edged up a little from their trough of 1989-90, but the erratic pattern of consumption growth since early 1991 has probably had more to do with weakness of employment and income than with consumer efforts to pay off debts. As of early 1991, productivity was well below trend levels, and since then firms have not needed to boost hiring much to meet increased demand for output. Over the past six quarters, rapid productivity growth has returned output per hour worked to a level that seems fairly close to its long-run trend.

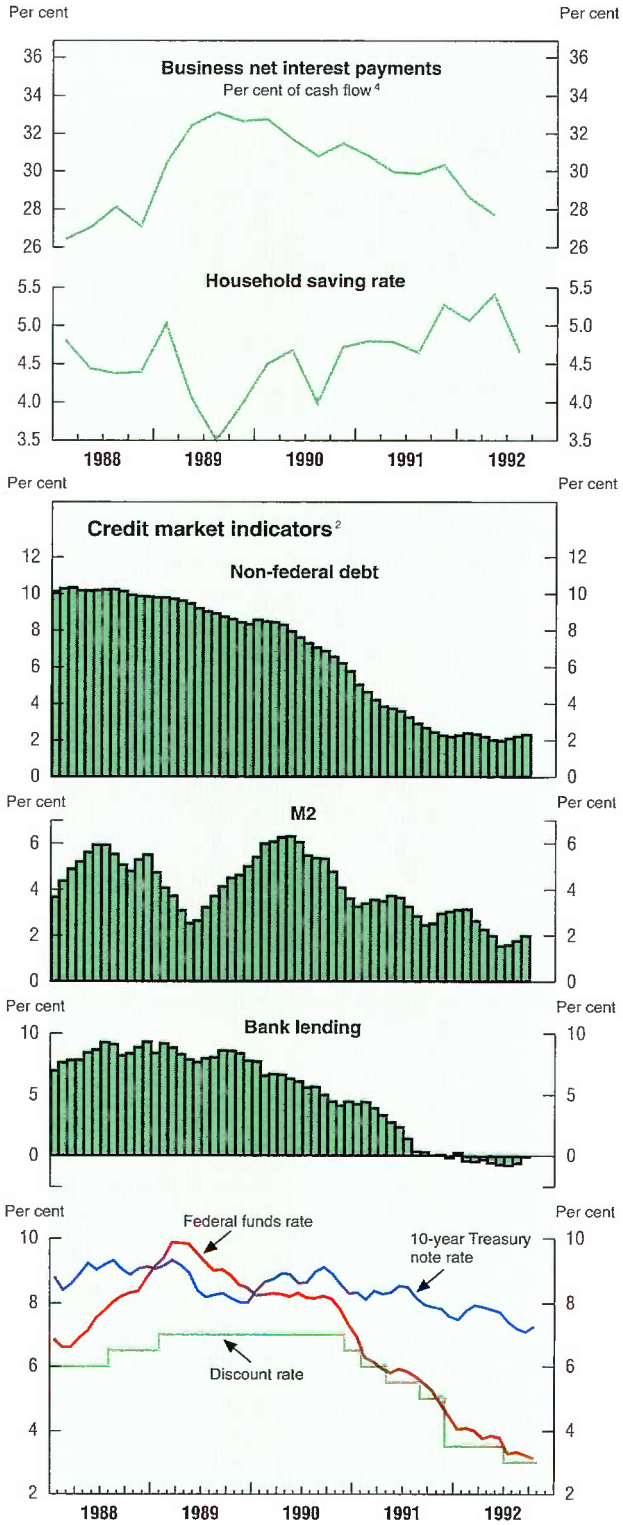
The large federal government budget deficit has limited the scope for fiscal policy to help the economy to come out of the recession. Indeed, substantial defence spending cuts since the first quarter of 1991 (totalling nearly 9 per cent in real terms) have slowed the pace of recovery. The 1990-91 recession served to accentuate rising state budget difficulties that had begun in the latter part of the 1980s, and these have also been a drag on growth. Nevertheless, strong growth in entitlement outlays (especially on health care) has contributed to aggregate spending.

Despite ongoing structural adjustment, GDP increased 2.7 per cent in the third quarter. Consumption picked up strongly, and the first indicators for the fourth quarter were favourable. Federal purchases and inventory change also contributed to the third-quarter pickup in real activity, but neither of these components is likely to show much strength in coming quarters. Residential construction slowed, but recent figures on housing starts suggest renewed strength in the near term. Investment in non-residential structures plunged: the sector has apparently not yet stabilised even after declining nearly 20 per cent in real terms from its 1990 peak. Foreign trade figures have also been disappointing. In the first three quarters of 1992, real net exports slumped more than in any three quarters since 1984. This drop-off, combined with increased profits on foreign investments in the United States, led to a sharp widening in the current-account deficit in the second quarter, and this trend is likely to have persisted in the third quarter. By October 1992, the unemployment rate had receded from its June peak of 7.8 per cent by 0.4 percentage points, but this was largely due to declining labour-force participation. Employment has stagnated, although growth of hours worked in October and falling claims for unemployment insurance point to possible employment gains by year-end.

Weakness of activity and sluggish labour demand slowed the growth of both wages and employee benefits in the first half of 1992. The third-quarter employment-cost index registered a year-on-year rise of only 3½ per cent, down 1¾ percentage points from the 1990 peak increase. Thus, unit labour costs have continued to decelerate in 1992, as has the rate of inflation. Although the effects of the Gulf war obscured the reduction in price growth in late 1990 and early 1991, an ongoing deceleration of inflation is clear from recent data. "Core" inflation, as measured by the CPI excluding food and energy, rose at an annual rate of about 3 per cent in the second and third quarters of 1992, compared with 5½ per cent over the first three quarters of 1990.

United States





1. Four-quarter percentage change.
2. 12-month percentage change.
3. Total compensation of private, non-farm workers.
4. Defined as depreciation (book value) plus undistributed profits after capital consumption adjustment and before net interest payments.

Sources: Department of Commerce; Federal Reserve Board; Congressional Budget Office and OECD, *Main Economic Indicators.*

UNITED STATES
Financial indicators

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Household saving ratio[a]	4.5	4.9	5.0	5.0	5.2	5.2	4.8	4.9	5.0	5.2	5.3
General government financial balance[b]	–2.5	–3.4	–4.7	–4.3	–3.4	–4.8	–4.7	–4.5	–4.1	–3.7	–3.2
Current balance[b]	–1.6	–0.1	–0.9	–1.1	–1.1	–0.8	–1.1	–1.0	–1.1	–1.1	–1.2
Short-term interest rate[c]	7.5	5.4	3.4	3.1	4.0	3.8	3.1	3.1	3.2	3.7	4.2
Long-term interest rate[d]	8.6	7.9	7.1	6.3	5.6	7.3	6.8	6.4	6.1	5.8	5.5

a) As percentage of disposable income.
b) As percentage of GDP.
c) 3-month Treasury bills.
d) 10-year government bonds.

Policies and other forces acting

Monetary policy is still being set with a view to assuring that a self-sustaining recovery gets under way without hindering progress on the path to price stability. When both economic and monetary indicators suggested further stagnation, the authorities cut both the federal funds and discount rates by ½ percentage point in July and the funds rate alone by a further ¼ point in early September. These rates, at about 3 per cent, their lowest levels in nearly 30 years, are now down about 4 percentage points compared with their previous peaks in 1989. Other short-term market rates came down by a full percentage point through the summer and early autumn to below the rate of inflation[1]. After experiencing some reversal early in the year in the light of signs of an acceleration in output growth and concerns that fiscal policy might veer towards ease, neither of which were borne out, the bond market rallied through the spring and summer, with the rate on ten-year Treasury notes falling about 1 percentage point. The decline in very long-term bond rates was smaller, with the result that the yield gap between three-month and 30-year rates has been in excess of 4½ percentage points – a record level. Most recently, with a waning probability of further reductions in official rates, given signs of a pickup in activity and with expectations that the new Administration will introduce a budgetary stimulus package, financial markets have pushed up the entire spectrum of rates (other than very short rates) by up to a half a point.

Banks have been quick to cut rates on deposits but more reticent to reduce lending rates (such as the prime rate, which was trimmed by only ½ point to 6 per cent in July), in part because of the need to improve their capital positions. Despite a reacceleration in M1 growth since the early summer, the resulting disintermediation meant that it was not until late September that M2 recovered to the peak registered in March. Bank customers continue to shift away from M2 assets, especially from low-yielding time deposits and money-market funds, towards stock

UNITED STATES
The federal budget deficit
$ billion, current services basis, fiscal years except as noted

	1991	1992	1993			1994		
			CBO	OMB	OECD	CBO	OMB	OECD
Total deficit[a]	269	290	331	342	–	268	286	–
"On-budget" deficit[b]	321	340	388	401	–	336	356	–
"Off-budget" surplus[c]	52	50	57	59	–	68	70	–
Deposit insurance outlays	66	4	49	59	–	17	27	–
National accounts deficit[d]	197	270	257	–	–	226	–	–
Calendar-year basis	210	291	–	–	278	–	–	252

a) Includes social security surplus and deposit insurance outlays.
b) Excludes social security surplus.
c) Mainly social security.
d) Differs from the total budget deficit primarily due to the exclusion of financial transactions, notably deposit insurance outlays.
Sources: Congressional Budget Office (CBO), *The Economic and Budget Outlook: An Update,* August 1992 and updates; Office of Management and Budget (OMB), *Mid-Session Review: The President's Budget and Economic Growth Agenda,* July 1992; and OECD.

and bond investments, thereby generating a decoupling of the historical relationship between M2 velocity and short-term interest rates. Accordingly, M2 and M3 growth have both been running below the lower limits of the targeted bands which the Fed fixed for 1992 (2½ to 6½ per cent and 1 to 5 per cent, respectively), although the rise in domestic non-financial debt (4.9 per cent through the first half) was just inside its band (4½ to 8½ per cent).

Parallel to the evolution of long-term rates, the trade-weighted value of the dollar fell steadily from the spring until early September – a cumulative decline of over 7 per cent. A large part of this depreciation has been unwound since then, especially against the European currencies, and in effective terms the dollar was only ¾ per cent lower in early November than the level assumed in *Economic Outlook 51*.

Little has changed on the federal budget front since the spring, although at the time of writing the incoming Administration is reported to be considering a fiscal stimulus package. The Congress voted down a constitutional amendment which would have required a balanced federal budget as well as an attempt to allow defence expenditure savings to be transferred to domestic programmes. Thus, policy is still set under the terms of the 1990 Budget Enforcement Act (BEA) with its discretionary spending caps and "pay-as-you-go" requirements applicable to any increased outlays due to changes in entitlement programmes. While the 1992 Fiscal Year deficit outcome, at about $290 billion (nearly 5 per cent of GDP), was substantially smaller than earlier estimates, largely due to the freezing of savings and loan resolution activity, there has been further slippage from 1991, even on a cyclically-adjusted basis, once deposit insurance outlays are excluded. Capital-gains tax receipts have been disappointing; mandatory spending increases, especially on health care, have been surprisingly large; and emergency spending has been authorised in the wake of the Los Angeles riots and various natural disasters. On the other hand, half of all individual taxpayers have refused the reduction in payroll withholding tax rates instituted last winter. At the state level, certain states (notably California) have found it exceedingly difficult to meet their balanced-budget requirements due to the effect of low levels of activity on revenues and have been forced to adopt austerity measures.

1993 is the last fiscal year in which the BEA enforces separate spending caps on defence, international and domestic discretionary expenditure, and they are quite restrictive. However, even abstracting from any stimulus provided by a package of reforms being considered by the incoming Administration, the total deficit could be expected to rise, due to a resumption of activity by the Resolution Trust Corporation. Deposit-insurance outlays, which plunged from $66 to about $4 billion in 1992, are projected to surge once again in 1993. Nevertheless, on a national-accounts basis which exclude these, and with an assumption of unchanged policies, federal spending caps and tightening at the state and local level imply a reduction in the general-government deficit from 4.7 to 4.3 per cent of GDP. For 1994, little is known except that a further $25 billion in federal savings must be found to keep within the BEA limits. The OECD Secretariat projections assume this will be met entirely by defence cuts, and, combined with the effects of the cyclical recovery, the general-government deficit would fall further to some 3.4 per cent of GDP. For the medium term, however, the federal deficit outlook is disquieting: once defence savings are exhausted around the middle of the decade, the deficit will begin to widen again, unless the trend of exploding health-care spending can be curbed or taxes are raised substantially. The Congressional Budget Office predicts that under current policies the structural deficit would account for 3.7 per cent of GDP in 1997 and over 5 per cent by 2002, with federal debt held by the public jumping from its current level of 51 per cent of GDP to 57 and 66 per cent, respectively, ratios not seen since the end of the Korean war.

Prospects

For some time, conditions have appeared favourable for a strong recovery, with declining unemployment, to get under way. But the economy has remained sluggish, and this continues to be the case. While the pickup could be limited by the assumed fiscal tightening at both the federal and state levels (abstracting from any federal budget stimulus package), the usual forces making for a rebound are latent and are likely to bring about faster growth at some point. However, it has proved difficult to identify precisely when this will be.

Low short-term interest rates resulting from earlier monetary easing, as well as the gradual ebbing of inflation expectations in response to the substantial spare capacity in the economy, should still make for declining long-term interest rates, although bond yields are expected to remain high in real terms. Lower rates will serve to overcome the legacy of balance-sheet problems built up during the 1980s. With an improvement in confidence which may just now be getting under way, households should be willing to begin to spend more, especially on housing and associated durable goods. Aided by improved profitability, firms are expected to continue to invest in more up-to-date machinery and equipment and to begin hiring in the face of rising demand, thereby

UNITED STATES
External Indicators[a]

	1991	1992	1993	1994
	$ billion			
Merchandise exports	416.0	433	458	499
Merchandise imports	489.4	522	552	605
Trade balance	–73.4	–89	–94	–106
Invisibles, net	69.8	33	29	31
Current balance	–3.7	–56	–65	–75
	Percentage change			
Merchandise export volumes[b]	6.5	4.5	5.1	7.4
Merchandise import volumes[b]	0.7	9.9	6.0	7.5
Export performance[c]	1.4	–0.1	–0.2	1.1
Terms of trade	2.1	2.0	0.9	–0.5

a) For further detail, see tables in Foreign Trade section of the Detailed Projections and other Backgound Information.
b) Derived from values and unit values on a national accounts basis. Certain adjustments to the balance of payments basis are therefore excluded, the most important being the omission of foreign trade of the Virgin Islands.
c) Ratio between the total of export volumes and export market of total goods.

providing households with greater income growth and removing their major source of uncertainty. Thus, real GDP growth may pick up, though rather slowly, from 1¾ per cent in 1992 to 2½ per cent in 1993 and 3 per cent in 1994. However, even as employment strengthens, a return of previously discouraged job-seekers to the labour market will limit the decline in the unemployment rate, perhaps to some ¾ of a percentage point over the projection horizon.

Excess plant capacity, as well as significant slack in the labour market, should continue to exert downward pressure on wage and price inflation. In the very short term this may be masked to some extent by the impact of the depreciation of the dollar during the spring and summer on the prices of tradeable goods, but the pace of disinflation should pick up again during the course of 1993. Price inflation is projected to fall to 2 per cent by the end of 1994 – its lowest rate since the mid-1960s. Even so, the Federal Reserve Board is assumed to begin tightening its stance by the end of 1993 in order to slow the economy towards a sustainable rate of growth beyond the short-term projection horizon, before the economy overheats. Thus, short-term interest rates could rise to some 4¼ per cent by the second half of 1994, still substantially below nominal income growth. However, long-term rates are projected to continue to fall, given the assumed fiscal tightening and a rapid decline in bond rates in Europe.

The external sector should provide further support to the recovery. While there have been signs of an end to the adjustment to the competitiveness advantage enjoyed by U.S. exporters in recent years, continued wage moderation and the projected upturn in market growth should allow a noticeable export stimulus. Through-the-year goods and services volume export growth is projected to jump from 2 per cent in 1992 to over 6 per cent in 1993 and 7½ per cent in 1994. Nevertheless, import volumes may also rise quickly in line with the increased buoyancy of domestic demand; and the surplus on investment income is likely to dwindle as earnings on foreign investment in the United States rebound. The current-account deficit may thus widen slightly over the projection period, but should remain around 1 per cent of GDP.

The risks to this projection would appear to be well-balanced. One alternative scenario involves a more lengthy transition period of sluggish growth while the economy overcomes its structural weaknesses. Households and companies may not feel comfortable until their balance sheets have returned to a state similar to that reached in the early 1980s – despite the low level of current and prospective interest rates. Adjustment to the downsizing of the military may be more painful than in similar episodes in the past, given the much slower pace of job creation generally. The recent decline in the stock-to-sales ratio may prove to be related more to permanent improvements in inventory control than to the economy's cyclical position, implying less of a contribution to growth from this source in the upswing. On the other hand, a more optimistic outcome for activity could be envisaged, especially if confidence is favourably affected by the election outcome. The latest indicators suggest that credit availability may be becoming easier and that the pace of monetary expansion is picking up, auguring well for a quickening of growth from the 1½ to 2 per cent range which has prevailed since early 1991.

NOTE

1. Previous recoveries have often been characterised by negative short-term rates in real terms.

JAPAN

GDP growth has been slowing and labour market conditions have eased in the manufacturing sector. Against the background of declining industrial production, weakening consumer spending and concern about the effects of falling asset prices on the health of financial institutions, a comprehensive package of economic measures was announced in August. This aimed at increasing public investment, strengthening financial market confidence and containing the effects of non-performing loans on bank balance sheets. The measures were followed by a partial recovery in equity prices and should provide the basis for a return to moderate short-term growth. However, uncertainty attaches to their longer-run effectiveness.

Recent developments

The weaknesses in the economy which emerged in the final quarter of 1991 continued into the first half of 1992, with real GDP growth falling to 1.9 per cent (s.a.a.r.) in the first half. Whilst employment has continued to expand, labour market conditions have eased considerably and overtime hours have fallen. With bonus increases depressed because of the deterioration in corporate earnings, the growth of real personal income has slowed. Inflation performance has been good, but the steep fall in equity prices since 1990 has reduced personal wealth and combined with slower income growth to cause a deceleration in consumer spending, particularly on luxury goods.

Slower growth of consumer spending has accentuated the slowdown in activity caused by weaker corporate investment, which declined by 3.5 per cent in the first half of 1992. The most positive element in private-sector demand has been residential investment: having fallen by nearly 20 per cent in 1991 compared with the previous year, housing starts have shown signs of recovery since early 1992, climbing to an annual rate of over 1.4 million units in mid-year from a low of 1.26 million.

As private-sector demand has weakened, the contributions to GDP growth from public spending and net exports have risen. Total domestic demand is estimated to have grown by 1.2 per cent in 1992, nearly all of which is attributable to the public sector. Public investment has been growing at an estimated rate of nearly

JAPAN

Demand and output

Percentage changes from previous period, seasonally adjusted at annual rates, volume (1985 prices)

	1987 current prices trillion Y	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Private consumption	204.6	4.2	2.7	2.1	2.2	3.2	1.8	1.5	2.2	2.9	3.2	3.4
Government consumption	33.0	1.9	3.4	1.9	2.7	2.9	2.9	2.6	2.7	2.9	2.8	2.9
Gross fixed investment	99.2	9.5	3.4	–0.2	2.6	2.7	–0.8	2.3	2.9	2.4	1.8	4.9
Public[a]	23.7	4.6	4.7	9.8	9.4	–0.5	9.7	13.2	10.9	2.9	–5.0	5.3
Private residential	19.5	4.6	–8.0	–4.8	5.9	7.7	–2.7	3.0	6.3	7.9	7.8	7.1
Private non-residential	55.9	12.4	6.0	–2.1	–0.3	2.7	–3.5	–1.2	–0.5	0.9	2.8	4.2
Final domestic demand	336.7	5.7	3.0	1.3	2.4	3.0	1.0	1.8	2.5	2.7	2.7	3.9
* change in stockbuilding	0.7[b]	–0.2	0	–0.1	–0.1	0.1	0.1	–0.4	–0.1	0.2	0.2	–0.1
Total domestic demand	337.4	5.4	3.0	1.2	2.3	3.1	1.1	1.4	2.4	3.0	2.9	3.7
Exports of goods and services	36.2	7.3	5.2	4.0	3.1	5.5	2.9	1.8	3.0	4.3	5.7	6.2
Imports of goods and services	25.2	8.6	–4.6	0	3.0	5.7	–2.7	1.6	2.8	4.8	5.9	6.5
* change in foreign balance	11.0[b]	–0.2	1.4	0.6	0	0	0.8	0	0.1	0	0	0
GDP at market prices	348.4	5.2	4.4	1.8	2.3	3.1	1.9	1.5	2.5	2.9	2.9	3.7
Industrial production[c]	–	4.6	2.1	–5.3	2.3	3.7	–9.2	–1.1	3.2	4.1	3.6	3.7

* As a percentage of GDP in the previous period.
a) Including public corporations.
b) Actual account.
c) Mining and manufacturing.

JAPAN

Employment, income and inflation

Percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Employment	2.0	1.9	1.1	0.9	1.0	1.1	1.0	0.9	0.9	1.0	1.0
Unemployment rate	2.1	2.1	2.2	2.3	2.4	2.1	2.2	2.3	2.4	2.4	2.4
Compensation of employees	8.7	7.9	5.3	4.8	5.0	5.2	4.9	4.6	5.0	5.0	5.0
Unit labour cost	3.3	3.4	3.5	2.4	1.8	3.3	3.4	2.1	2.0	2.1	1.3
Household disposable income	6.3	6.2	4.9	4.4	4.6	5.0	4.8	4.5	4.0	4.9	4.6
GDP deflator	2.1	1.9	1.9	1.7	1.7	2.2	1.7	1.6	1.7	1.7	1.7
Private consumption deflator	2.6	2.6	2.1	1.5	1.7	2.9	1.6	1.4	1.5	1.8	1.7

10 per cent a year in real terms, partly as a result of the "front-loading" announced in late March. The foreign balance, having made a positive contribution to growth in 1991 for the first time since 1986, also continued to boost GDP growth in 1992. The contribution from net exports amounted to 0.6 per cent, accounting for one-third of the estimated GDP growth of 1.8 per cent.

Exports have been restrained by an appreciation in the effective exchange rate of the yen since 1990, while import volumes have fallen because of weaker domestic demand. In addition, whereas export prices have risen slightly, import prices have declined substantially, the fall in oil prices being a major factor. The trade surplus thus rose to $130 billion (at an annual rate) in the first half of 1992, with the current account surplus reaching $115 billion (3¼ per cent of GDP).

The appreciation of the yen has been one element behind good inflation performance. The inflation rate, as measured by the year-on-year rise in the consumer price index, averaged 2 per cent in the first half of 1992 – a significant deceleration compared with nearly 4 per cent at the beginning of 1991. In addition, lower energy and food prices contributed to the fall in inflation. The "core rate", which excludes food and energy, has fallen more slowly, from a peak of around 3 per cent in early 1990 to about 2½ per cent recently.

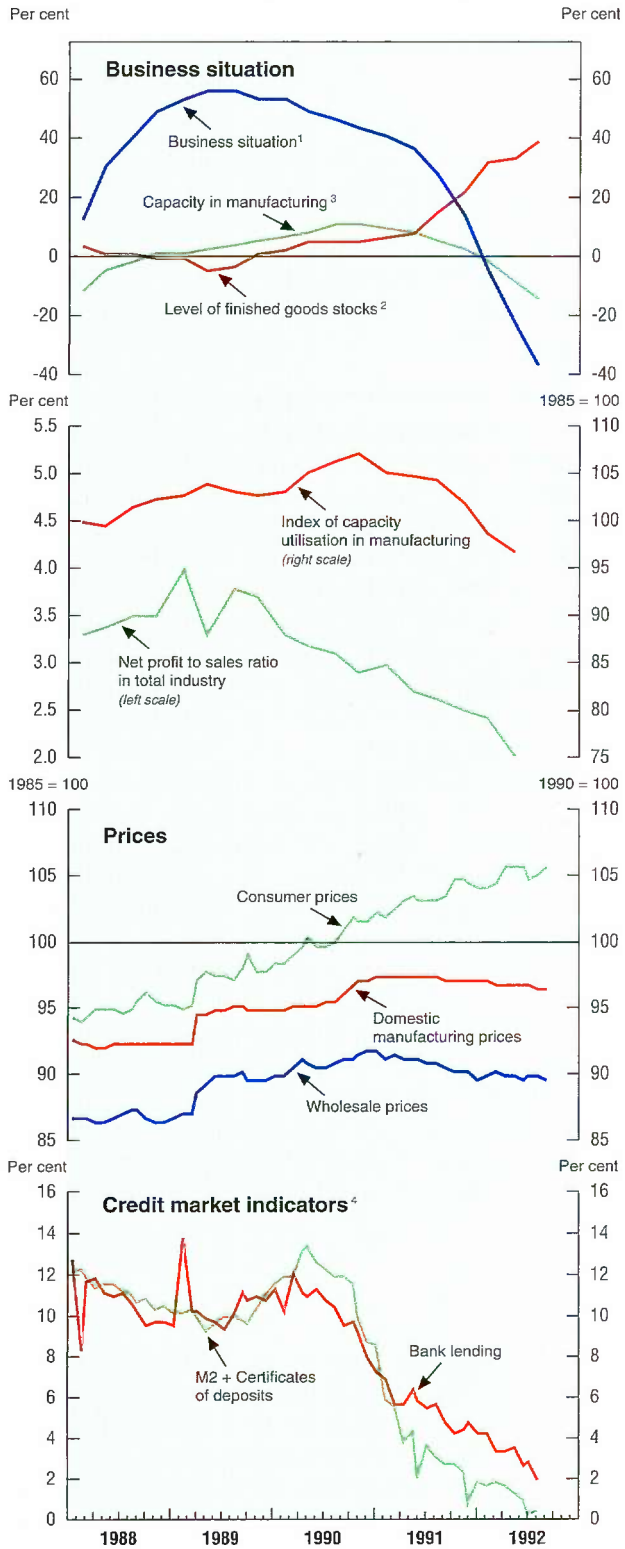
Policies and other forces acting

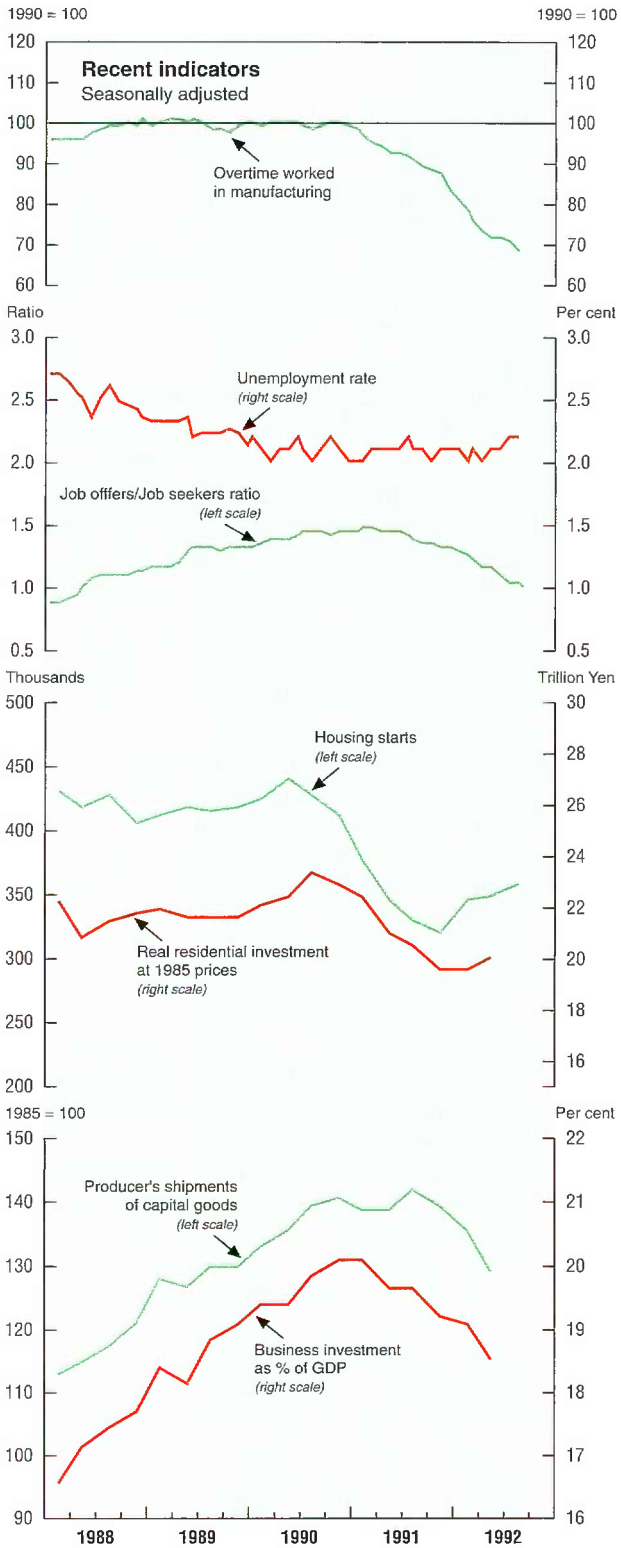
Monetary policy has been progressively eased since mid-1991, the official discount rate being cut from 6 per cent to 3¼ per cent by July 1992. Short-term rates [three to six-month certificates of deposit (CDs)] subsequently settled at around 3¾ per cent through to mid-November, compared with a late-1990 peak of 8¼ per cent. Long-term rates have also fallen significantly from their peak, though more gradually than short rates: from January 1992 the yield curve became upward-sloping for the first time since September 1991. Despite the gradual easing of monetary conditions, the growth rate of broad money (M2+CD) has come to a virtual halt (falling by 0.6 per cent in the year to October). The tightness of monetary policy is difficult to gauge, however, since demand for M2+CD has been depressed by portfolio considerations – particularly a move from bank deposits to higher yielding postal savings and trust funds. More broadly-defined liquidity, which is also monitored by the Bank of Japan, has been decelerating but has continued to expand (at a rate of 2.8 per cent in October).

Bank lending has been held back by balance-sheet weaknesses, as equity and land price declines have reduced bank asset values and eroded loan quality. Unrealised capital gains (45 per cent of which are allowed to be counted as bank capital) fell by around two-thirds from their peak to the end of March and, with the Nikkei index falling further to a six-and-a-half year low of 14 309, there was an additional erosion of bank capital up to mid-August. The subsequent recovery in stock prices allowed the city banks to meet the interim BIS capital-adequacy targets (of 8 per cent) on 30 September, the Nikkei closing at 17 399. The banks were also able to make a further issuance of subordinated loans (including perpetual loans which have recently been permitted by the Ministry of Finance). Some relief has also come from increased operating profits as banks have been able to widen their interest-rate spreads. Nevertheless, overall pre-tax profits have continued to decline once non-performing loans arising from falling land prices are taken into account. As a result, the banks have become more cautious in their lending behaviour: the criteria for loans are formally unchanged but customer collateral and income are being evaluated much more conservatively.

A number of measures were announced in August aimed at reducing the burden of non-performing real-estate debt on bank balance sheets and relieving the downward pressure on the stock market. Action to revive

Japan





1. Per cent of replies "good" *minus* per cent of replies "bad".
2. Per cent of replies "too high" *minus* per cent of replies "too low".
3. Per cent of firms with insufficient capacity *minus* per cent of firms with excessive capacity.
4. Twelve-month per cent change.
Sources: Bank of Japan, *Short-Term Economic Survey of Principal Enterprises in Japan;* EPA, *Japanese Economic Indicators.*

JAPAN
Financial indicators

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Household saving ratio[a]	14.1	14.6	15.1	15.3	14.9	14.8	15.4	15.4	15.1	15.0	14.8
General government financial balance[b]	3.0	2.4	1.3	0.4	0.5	1.6	1.0	0.5	0.3	0.4	0.6
Current balance[b]	1.2	2.2	3.2	3.3	3.3	3.2	3.2	3.3	3.4	3.3	3.3
Short-term interest rate[c]	7.7	7.2	4.3	3.6	3.8	4.8	3.8	3.5	3.6	3.6	4.0
Long-term interest rate[d]	7.4	6.3	5.3	5.1	5.4	5.6	5.0	4.9	5.2	5.3	5.4

a) As percentage of disposable income.
b) As percentage of GDP.
c) 3-6 month CD.
d) Central government bonds.

the stock market included moves to make it easier for some types of public funds to invest in shares and confirmation that financial institutions could postpone the write-off of valuation losses on stock holdings until the fiscal year-end (a move designed to avoid the need for financial institutions to sell stocks ahead of the 30 September deadline for closing their mid-year accounts).

To ease the burden of problem loans on bank balance sheets a private-sector agency is to be established, by early 1993 at the latest, to which financial institutions will be able to sell their non-performing credits collateralised by land, thus facilitating the gradual write-off of such loans against tax. The new agency will decide the terms of purchase with the assistance of real estate appraisers and a price-setting committee formed within the agency. It will be wholly capitalised by participating private financial institutions, and will finance its operations by borrowing from the institutions which sell the loans, paying back such borrowing as it disposes of collateralised properties.

The announcement of these financial measures appears to have had an initially significant impact on confidence, deriving from the perception that a floor has been put under the stock market and that the arrangements to improve the liquidity of the property market would allow the institutions affected by bad loans to improve their balance sheets. Nevertheless, some uncertainty has persisted, since the scheme would not necessarily help weaker banks with insufficient operating profits against which to write off their non-performing loans. For such banks, the scheme may act to conceal rather than solve the problem of bad loans.

As far as fiscal policy is concerned, the central government deficit is expected to be significantly larger in calendar years 1992 and 1993. This development partly reflects the operation of "built-in stabilisers" on revenues and is a counterpart to unexpectedly strong revenue growth during the 1988-90 period (partly associated with the asset-market boom), which was used automatically to reduce government borrowing. In addition, however, discretionary fiscal measures have been taken to support demand, which will raise central government borrowing in the short term. Whilst the "front-loading" announced in March did not increase aggregate total public spending or borrowing for FY 1992, the additional Y 8.6 trillion of public investment included in the August package will have to be financed at least partially by construction bond issues. The total amount of additional public spending is Y 10.7 trillion (2.3 per cent of GDP), including Y 2.1 trillion of loans and investments by public institutions for promoting private investment. A supplementary budget was submitted to the Diet on 30 October, proposing additional construction bond issues amounting to Y 2.3 trillion. The remaining three-quarters of the package will be financed from sources such as the Fiscal Investment and Loan Fund, with some recourse to local-authority bond issues.

Net of Y 1.55 trillion allocated to the advance purchase of land, the total "first-round" boost to demand from additional public investment amounts to about Y 7 trillion (1.5 per cent of GDP). Together with the commitment already built into the 1992 Budget, the measures could result in average annual growth rates of real public investment of between 9 and 10 per cent in 1992 and 1993, according to OECD Secretariat estimates.

Prospects

The Bank of Japan's August business survey *(Tankan)* showed that manufacturing industries and traders were still facing conditions of deficient demand and finding it difficult to shed excess inventories. According to the *Tankan,* a reduction in inventory levels was expected during the second half of 1992. At the same time, manufacturing enterprises were expected to continue cutting their capital spending. Although residential investment was expected to continue to recover, offset-

JAPAN
External Indicators[a]

	1991	1992	1993	1994
	$ billion			
Merchandise exports	306.6	335	353	377
Merchandise imports	203.5	198	206	224
Trade balance	103.0	137	148	154
Invisibles, net	–30.1	–18	–15	–16
Current balance	72.9	119	132	138
	Percentage change			
Merchandise export volumes[b]	2.5	1.6	3.2	5.5
Merchandise import volumes[b]	2.8	0.7	3.1	5.8
Export performance[c]	–4.1	–6.2	–3.5	–2.0
Terms of trade	8.5	8.1	1.6	–1.5

a) For further detail, see tables in Foreign Trade section of the Detailed Projections and other Backgound Information.
b) Customs basis.
c) Ratio between the total of export volumes and export market of total goods.

ting to some extent the negative trend in non-residential investment, capital expenditure growth in the second half of 1992 is estimated to have relied very heavily on the expansion of public investment.

Business fixed investment is projected to continue to decline into the first half of 1993, as corporate profits remain depressed. The strength of the upturn will then depend largely on a recovery in consumer expenditure. Although the combination of moderate employment growth and low inflation is making for real personal income gains of 2½ to 3 per cent a year, experience in other OECD economies suggests that the personal sector may remain cautious. Even though the Japanese consumer does not appear to be overborrowed insofar as the burden of interest payments is relatively light, levels of consumer credit and other borrowings did move up significantly in response to higher asset prices during the "bubble", and the adjustment to lower levels of borrowing may not yet be complete. On this argument, the recovery in consumption may be gradual. The OECD Secretariat projection is thus for a rather slow pickup in GDP growth, to 2.3 per cent in 1993, rising to 3 per cent in 1994. Inflation should abate further, falling to around 1½ per cent by end-1994 as measured by the consumption deflator. The current account surplus could rise to $130-140 billion (3¼ per cent of GDP).

The above projections are based on the premise that monetary policy will remain relatively flexible, with a further decline in short-term rates assumed. Evidence of further monetary easing emerged in late November with a fall in the call rate and bond yields. With inflation under control and the yen relatively strong, monetary policy has scope to focus on supporting demand. The slow growth of the money supply is not thought to signal demand weakness, but there are some risks in this respect since movements of the aggregates have become difficult to interpret.

GERMANY

The German economy is estimated to have grown very slowly in 1992. This reflected the combined effects of tight monetary policy, the strength of the Deutschemark, weak foreign demand, and a still very hesitant recovery in the eastern Länder. Inflationary pressures have persisted, however, and monetary policy has in response been held tight. The government budget is burdened by huge expenditures related to unification and the weakness of the domestic economy, but the underlying fiscal position is shifting towards consolidation. An easing of monetary policy in response to an expected slowing of wage and price increases, as well as a strengthening of world activity, should lead to a pickup of growth later next year. By the end of 1994, German GDP could be growing at close to its potential rate of some 3 per cent.

Recent developments

The German economy grew about 3 per cent in the first half of 1992. Much of this growth was the result of extraordinary factors: activity was boosted by more working days than normal and the accelerated purchase of medical services due to anticipated changes in social security benefits; construction investment was favoured by mild weather, and other investment benefited from a postponement of expenditures from the second half of 1991. However, in the year to mid-1992, western German investment was on average flat, after several years of strong growth, reflecting deteriorating business expectations and falling exports. In the eastern Länder, investment growth was buoyant due to large public sector infrastructure programmes and generous incentives to private investment. All-German exports of goods and services declined, whereas imports rose relatively strongly. In eastern Germany, exports to the Newly Independent States of the former Soviet Union remained depressed despite a large-scale official export credit programme, while development of new markets was hampered by the very weak competitive position of industry. Eastern German industrial output thus continued to contract sharply, whereas construction and services sectors boomed.

The unemployment situation has worsened in western Germany in 1992 and has failed to improve in the east. In the old Länder, unemployment attained 1.9 million (6.2 per cent of the western German labour force) in October, while in the new Länder, it has stabilised at around 1.2 million (about 15 per cent of the eastern German labour force), reflecting the intensive use of employment-sustaining measures such as short-time work, delayed layoffs in the civil service, retraining pro-

GERMANY

Demand and output

Percentage changes from previous period, seasonally adjusted at annual rates, volume (1991 prices)

	1991 current prices billion DM	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Private consumption	1 607.3	1.4	1.2	2.2	2.0	1.0	0.8	2.0	2.2	2.4
Government consumption	554.0	3.0	0.6	1.2	3.6	1.5	0.3	0.2	1.5	1.8
Gross fixed investment	648.0	3.2	1.0	4.7	12.3	–9.1	4.5	4.9	4.4	5.1
Machinery and equipment	301.9	0.9	–0.8	5.9	10.9	–15.9	4.7	5.5	5.8	6.5
Construction	346.1	5.1	2.6	3.7	13.5	–2.9	4.5	4.4	3.2	4.0
Final domestic demand	2 809.3	2.1	1.0	2.6	4.6	–1.3	1.5	2.3	2.6	2.9
* change in stockbuilding	–5.9[a]	0	–0.1	0.1	0.1	0.2	–0.3	0.1	0.1	0.1
Total domestic demand	2 803.4	2.2	0.9	2.7	4.7	–1.2	1.2	2.5	2.7	3.1
Exports of goods and services	831.9	–1.0	3.1	4.6	–2.4	–0.5	4.3	4.5	4.5	4.6
Imports of goods and services	808.9	2.4	2.8	4.1	3.6	0	3.3	4.7	3.7	4.1
* change in foreign balance	23.0[a]	–1.0	0.1	0.1	–1.7	–0.1	0.3	–0.1	0.2	0.1
GNP at market prices	2 826.4	1.2	1.0	2.9	2.9	–1.3	1.5	2.4	3.0	3.2
GDP at market prices	2 798.9	1.4	1.2	2.9	2.9	–0.9	1.6	2.5	2.9	3.2

* As a percentage of GNP in the previous period.
a) Actual amount.

GERMANY

Employment, income and inflation

Percentage changes from previous period, seasonally adjusted at annual rates, volume (1991 prices)

	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Employment	–2.1	–1.0	1.1	–2.3	–2.0	–1.1	0.1	1.3	1.5
Unemployment rate	7.6	8.3	8.1	7.6	7.6	8.1	8.6	8.4	7.9
Compensation of employees	8.9	6.4	4.7	9.3	8.9	6.1	4.6	5.0	4.4
Unit labour cost	5.0	4.0	2.7	3.5	7.5	3.2	2.2	3.0	2.4
Household disposable income	6.6	5.2	4.6	3.3	5.9	5.0	4.8	4.8	4.0
GDP deflator	5.5	4.6	3.3	5.1	5.4	4.8	3.3	3.3	3.1
Private consumption deflator	4.8	4.1	3.0	4.6	4.0	4.8	2.9	3.1	2.8

* En pourcentage du PNB de la période précédente.
a) Montant effectif.

grammes, and public works. In addition, there was a sharp drop in the labour force, mainly through early retirements. At present, the number of employed in eastern Germany is 40 per cent lower than before unification.

Despite growing unemployment, wage/price pressures have not yet abated. In western Germany, the latest wage round resulted in 5½ per cent average annual wage increases. With slow growth of productivity and currency appreciation, the rise in unit labour costs (measured in a common currency) has been steeper than that of major trading partners. The western German 12-month CPI-inflation rate went up from 4 per cent in the second half of 1991 to 4½ per cent in the first half of 1992. Lower headline inflation since mid-year reflects the disappearance of the effect on the price level from last year's increase in indirect taxes and low import prices rather than the beginning of a disinflation process, which so far has been confined to industrial producer prices. "Core" inflation, as measured by the CPI excluding food and energy, in fact turned up during the three months to October, reaching 4.8 per cent on a year-to-year basis. In eastern Germany, continued convergence to western German wages produced average year-on-year wage increases of 35 per cent in the first half of 1992. The progressive removal of consumer subsidies accompanying the process of transition to a market economy contributed to average consumer price rises of about 15 per cent.

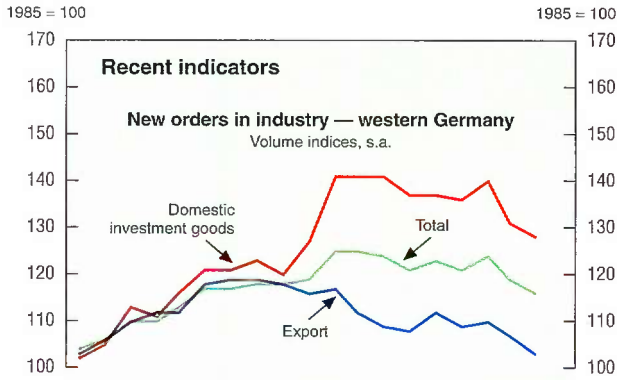
In the first three quarters of 1992, the current-account deficit amounted to DM 32 billion compared with DM 29 billion a year earlier. Most of the increase reflected a deterioration of the invisibles balance. Falling export and rising import volumes resulted from adverse relative export price movements, weak growth abroad, and continued robust demand for imports in eastern Germany. But adverse movements on trade volumes were mitigated by a favourable movement in the terms of trade, with import prices falling due to the strengthening of the Deutschemark and softening producer prices world-wide. The DM-balance on investment income worsened as receipts were held down by low asset yields abroad and the high exchange rate, while payments were sharply up due to high interest rates at home. Non-factor services also showed a deterioration.

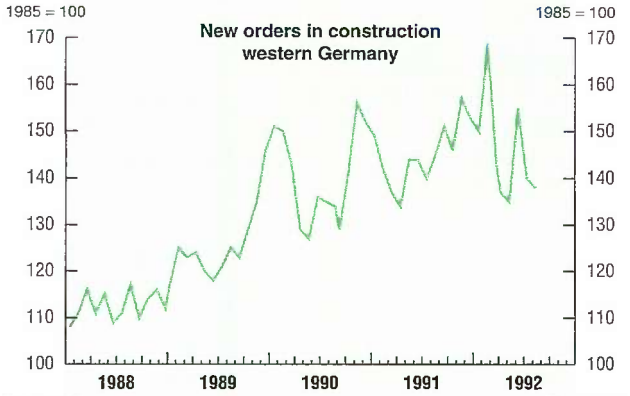
Current and forward-looking indicators do not point to any strengthening of growth in the near term. In fact, for western Germany they suggest a fall in activity in the second half of 1992: third-quarter industrial production and new orders were both below the second-quarter averages, which were already below first-quarter levels; the business climate indicator and capacity utilisation rates have continued the steady declines which started in 1991. Consumption growth appears to be slowing, despite stimulative mid-year tax and benefit changes that boosted disposable incomes, suggesting a weakening of consumer confidence. In eastern Germany, overall output is turning up but the industrial sector remains in a critical state: industrial production and orders in August were about 10 and 30 per cent, respectively, lower than at the start of the year.

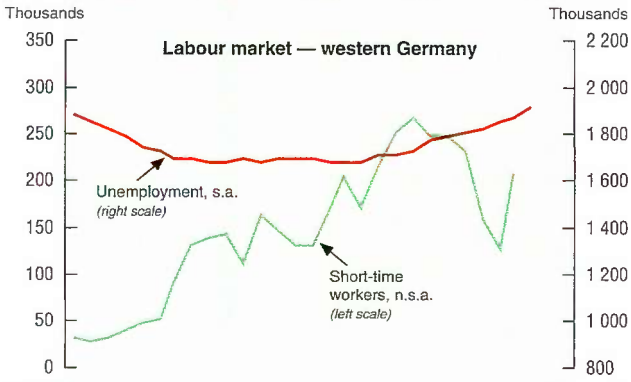
Policies and other forces acting

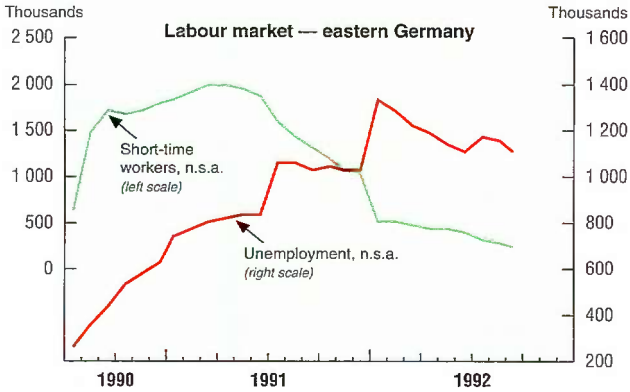
Monetary policy is geared to bringing inflation down over the medium term to a target range of 0 to 2 per cent. Faced with rapid monetary growth, rising pressures on financial and real resources, and a persisting cost-price spiral in the late phase of the post-unification boom, the Bundesbank raised interest rates several times in the year to July 1992, when the discount rate reached an all-time peak of 8¾ per cent, with the Lombard rate at 9¾ per cent. As a result of the appreciation of the Deutschemark within the ERM after the mid-September currency crisis, room was found to lower the discount and Lombard rates by ½ and ¼ percentage points, respec-

Germany

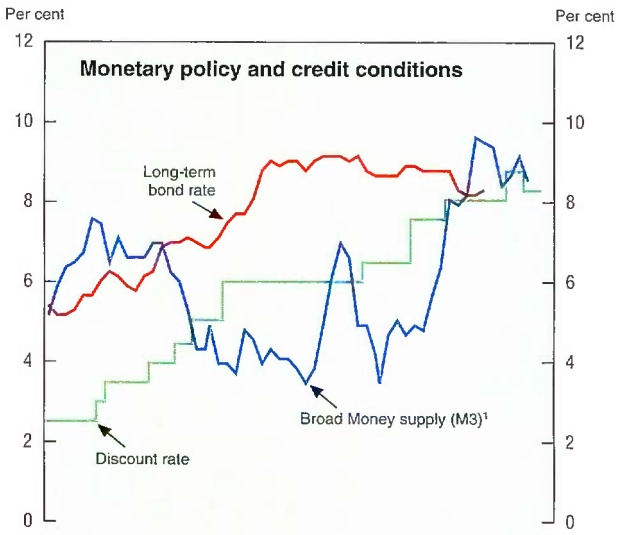


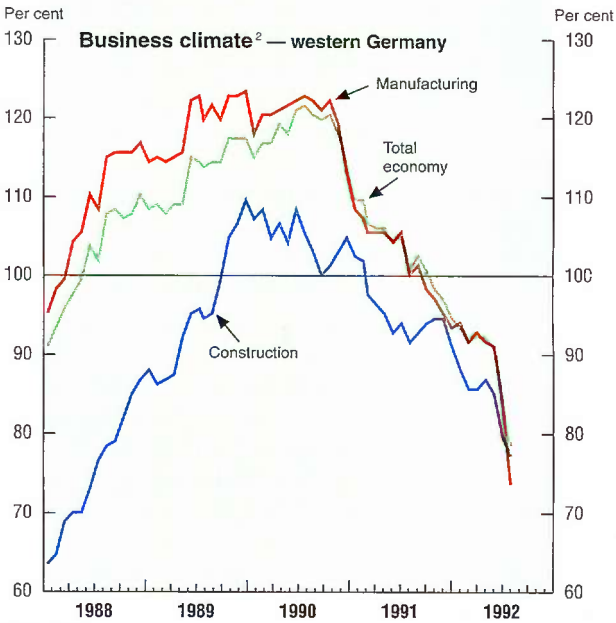


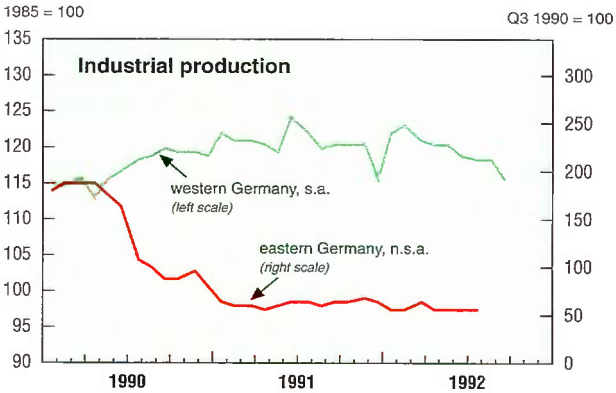




1. Change over previous six months at annual rate. Western Germany only up to December 1990. All Germany from January 1991 onwards.







2. Weighted average of present and future (six months ahead) business situation. A level of 100 corresponds to "normality".

Sources: Deutsche Bundesbank; IFO; OECD, *Main Economic Indicators.*

GERMANY
Financial indicators

	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Household saving ratio[a]	12.9	12.8	12.2	12.8	13.1	12.8	12.8	12.5	12.0
General government financial balance[b]	–3.2	–3.2	–2.7	–4.3	–2.2	–3.0	–3.4	–3.0	–2.4
Current balance[b]	–1.3	–1.2	–1.2	–1.5	–1.2	–1.3	–1.2	–1.2	–1.1
Short-term interest rate[c]	9.4	7.8	6.5	9.7	9.2	8.5	7.1	6.6	6.3
Long-term interest rate[d]	7.9	7.2	6.7	8.1	7.7	7.3	7.1	6.8	6.6

a) As percentage of disposable income.
b) As percentage of GDP.
c) 3-month interbank rate.
d) Public sector bonds, 7-15 years.

tively. In effective terms, the DM appreciated by about 5 per cent between April and early November.

The intermediate objective of monetary policy for 1992, as set in late 1991, has been to bring growth of the broad money supply (M3) into line with its 3½ to 5½ per cent target range. However, M3 grew from its fourth-quarter 1991 base by 8 to 10 per cent (annual rate) in each month up to October 1992. By itself, this would seem to call for a further tightening of monetary conditions, but the Bundesbank has accepted that an overshooting is inevitable for 1992. M3 velocity has been distorted by the rise of the shadow economy in the eastern Länder and the more widespread use of the Deutschemark as a parallel currency in the central and eastern European countries. In addition, Germany's change from a large net capital exporter to a net capital importer together with the rise in the share of bank-financed investment arguably has contributed to an upward shift in the ratio of money demand to GDP. The current M3 target may also not have adequately allowed for structural changes in the German economy that would warrant tolerance of higher nominal income growth: potential output growth may have been raised more as a result of unification than was allowed for in fixing the 1992 target range, and there is a need to accommodate administered price increases in the eastern Länder. Finally, M3 growth appears to have been boosted by portfolio shifts in response to both an inverted yield curve and the pending introduction of a withholding tax on interest income. More recently, large Bundesbank currency-market interventions have added to base money and broad money creation, but this will affect money supply only as long as speculative funds remain "parked" in Germany. The increase in bank deposits which reflects speculative currency inflows should, in any event, not be seen to add to current or future spending pressure.

GERMANY
Medium-term public gross indebtedness
Deutschemark billions

	End-1991	Projected end-1995
General government	1 162	1 554
(as per cent of GDP)	41.5	45.7
Unity fund	51	93
ERP fund	16	43
Credit Repayment Fund	28	140
Memorandum items:		
Treuhandanstalt	39	250
Eastern German housing debt	42	52[a]
Railways and postal system	125	215

a) End-1993; debt servicing in planned primarily to come from rent.
Source: Submission from Ministry of Finance.

The government financial position has continued to worsen, reflecting high expenditures related to unification. However, fiscal policy is shifting towards consolidation, which has become an absolute priority. Despite cyclical weakness, the general government deficit is projected to remain stable in 1993 at 3¼ per cent of GDP and to decline in 1994 to 2¾ per cent. A considerable part of the reconstruction of eastern German industry and infrastructure, however, has been, and will continue to be, financed by off-budget borrowing. There is now growing public concern that such rapidly rising off-budget debts (see Table) will eventually have to be serviced, wholly or in part, by federal and state budgets. Moreover, it is becoming clearer that transfers to the eastern Länder, estimated to reach DM 170 billion in 1992, will remain high for an extended period. These potential additional budgetary costs of unification have given rise to a vigorous public debate as to their financing, including the possibility of expenditure cuts in other spending areas.

Besides policies, wage trends and international developments have been important factors shaping German economic developments recently and will be crucial

GERMANY

Projections for western and eastern Germany

Percentage changes from previous year, volume (1991 prices)

	western Germany			eastern Germany		
	1992	1993	1994	1992	1993	1994
Private consumption	1.2	1.2	2.1	3.5	1.0	3.0
Public consumption	2.6	1.0	1.2	5.0	–2.0	1.9
Gross fixed investment	1.8	–1.5	2.8	12.4	15.5	14.9
Final domestic demand	1.6	0.5	2.1	5.9	3.9	6.0
* Change in stocks	0.0	0.0	0.0	–1.0	0.5	1.0
Total domestic demand	1.6	0.5	2.1	5.4	4.1	6.5
Exports	1.5	2.2	4.1	16.0	16.0	15.0
Imports	3.3	2.5	3.8	10.0	6.0	6.0
* Foreign balance	–0.5	0.0	0.4	–6.5	1.8	–1.6
GNP at market prices	1.0	0.5	2.3	3.3	6.0	10.4
GDP at market prices	1.3	0.7	2.4	2.0	5.0	10.0
Memorandum items:						
GDP deflator	4.5	3.9	2.8	19.0	11.0	4.5
Private consumption deflator	3.8	3.5	2.5	12.5	8.0	6.0
Employment	0.8	–0.4	0.7	–14.0	–4.5	3.0
Unemployment rate (per cent)	5.8	6.5	6.5	15.4	16.5	15.6

* As a percentage of GNP of the previous year.

for the ability of the economy to regain strength in 1993-94. The latest round of wage settlements in western Germany, though a shade lower than in the previous year, still reflected labour-market tightness and high profit margins stemming from the post-unification boom. A revival of economic growth depends critically on forthcoming negotiations generating lower growth in nominal wages in 1993 and 1994, with a corresponding moderation of prices. Only in such an environment of decelerating inflation could the Bundesbank afford to cut interest rates significantly.

Agreements for rapid convergence of eastern German wages to western German levels have exacerbated the problems of competitiveness and unemployment in eastern Germany: eastern German wages have already reached 60 per cent of western levels, with productivity only about one-third as high as in western Germany. By contrast, wages in the neighbouring Czech and Slovak Federal Republic are only 10 per cent of western German levels, yet productivity is roughly the same as in eastern Germany. Thus, although much of the employment loss in the eastern Länder has been the inevitable result of economic restructuring, rapid convergence of wages has severely handicapped the ability of eastern German industry to develop in a market environment and provide new jobs.

Prospects

With little near-term buoyancy, growth of all-German output is projected to remain low in 1993, at just about 1 per cent. Most demand components may record little growth: consumption will be depressed by lower growth of disposable incomes and a higher VAT rate as from 1 January 1993, and investment spending will be curtailed by the lagged effects of high interest rates, falling capacity utilisation rates and pressures on profit margins. In spite of the projected pickup of world trade real net exports are unlikely to support output growth, in view of the losses in competitiveness and the collapse of the traditional export markets of eastern German firms. Demand for labour is expected to fall further in both western and eastern Länder. Inflation, however, should begin to soften in 1993, abstracting from the indirect tax increase, allowing the Bundesbank to cut interest rates.

In 1994, all-German economic growth may rebound quite vigorously, as inflation slows further, interest rates continue to come down and activity picks up abroad. Inflation is expected to decelerate further, with the rise of the western German GDP deflator coming down from 4.5 per cent in 1992 to some 2.5 per cent in 1994, after the temporary VAT spike at the beginning of 1993. Helped by an upturn in exports, investment spending could resume and consumption may be boosted by

GERMANY
External Indicators[a]

	1991	1992	1993	1994
	$ billion			
Merchandise exports	378.1	406	423	455
Merchandise imports	353.8	377	389	416
Trade balance	24.3	29	35	39
Invisibles, net	–44.1	–55	–60	–64
Current balance	–19.8	–26	–25	–25
	Percentage change			
Merchandise export volumes[b]	–2.3	0.7	2.4	4.4
Merchandise import volumes[b]	9.3	1.3	2.8	4.7
Export performance[c]	–5.4	–3.5	–2.3	–1.9
Terms of trade	–2.7	2.5	1.7	0.8

a) For further detail, see tables in Foreign Trade section of the Detailed Projections and other Backgound Information.
b) Customs basis.
c) Ratio between the total of export volumes and export market of total goods.

renewed growth of employment in the western Länder and the first net job creation in eastern Germany since unification. By the end of the projection horizon, GDP growth may be close to the all-German potential growth rate of 3 to 3.5 per cent and inflation in the western Länder close to the Bundesbank's medium-term target of 2 per cent. Growth of output in eastern Germany may finally take off, to reach double-digit rates by 1994.

There are significant risks to this optimistic scenario. The first and probably most important one would be a delay in the appearance of conditions that would prompt the Bundesbank to lower interest rates: either because the widely-expected normalisation of money demand relative to nominal income does not proceed as fast as the Bundesbank expects, or because wages and prices prove to be more resilient to growing slack than envisaged. Such developments, and especially the latter, would delay the projected easing of monetary policy, with negative consequences for growth and employment. Another downside risk attaches to the consumption propensity of private households, which in the face of the current weakness of the economy might be more subdued than projected, depressing sales expectations and private investment. This risk would be compounded by further delays in the projected pickup of activity abroad. A shortfall of private aggregate demand would pose a dilemma for the fiscal authorities: accepting slippages from medium-term stabilisation plans would put the credibility of the Government's budget consolidation policy, and hence private-sector confidence, at risk while raising taxes to meet consolidation objectives would further weaken demand. In the absence of at least as much disinflation as embodied in the present projections, there would seem to be no room for countering such a development through accelerated interest-rate cuts.

FRANCE

Output growth is expected to be above the EC average but insufficient to bring down unemployment before the end of 1993. More vigorous expansion is expected in 1994. Domestic demand has been weak since spring 1992, and business and consumer surveys point to continuing sluggishness in the coming months. Export growth has also slowed since early 1992. Budgetary slippage has been contained, although the deficit has widened owing to cyclical factors. Wage increases and underlying inflation have been stable. A pickup in export growth and a decline in interest rates during 1993 and 1994 should progressively boost demand. Price inflation may fall to close to 2 per cent in 1994. The current-account surplus might rise to ½ per cent of GDP.

Recent developments

The current economic situation is dominated by consumer and business pessimism, despite good results on the external account, low inflation and somewhat better growth prospects than in most European countries. Currently, major factors inhibiting faster growth are high interest rates and slowing demand in major export markets.

In the first half of 1992, output grew at 2 per cent, spurred by strong exports. Domestic demand growth remained weak. Business investment fell for the third consecutive half-year, reflecting a fall in capacity utilisation rates and high financing costs. Investment surveys point to an 11 per cent drop in industrial investment in real terms in 1992. Private consumption continues to increase slowly. Sales of durables remained depressed in the first half of 1992, but have increased somewhat in the third quarter. The financial positions of households and enterprises remain stronger than in most other OECD countries. But the private sector has exhibited as much pessimism as elsewhere, which appears related to poor job prospects and uncertainties about financial market and foreign demand developments.

Export growth, which was strong in early 1992 buoyed by market share gains, subsequently slowed and imports fell. Both trade volume developments together with a terms-of-trade gain contributed to a surplus in merchandise trade of FF 20 billion in the 12 months to September. The current account also showed a small surplus over this period, the first since 1986.

FRANCE

Demand and output

Percentage changes from previous period, seasonally adjusted at annual rates, volume (1980 prices)

	1987 current prices billion FF	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Private consumption	3 235.6	2.9	1.5	1.6	1.9	2.6	1.5	1.3	2.0	2.3	2.6	2.9
Government consumption	1 018.6	1.9	2.9	2.1	1.9	2.0	1.9	1.7	2.0	2.0	2.0	2.0
Gross fixed investment	1 054.8	2.9	–1.2	–1.1	–0.2	3.1	–1.1	–1.8	–0.4	2.0	3.2	4.2
General government	161.8	3.9	3.6	2.4	2.7	3.6	1.8	2.0	2.6	3.6	3.6	3.6
Household	288.8	–0.6	–2.5	1.7	–1.0	2.4	2.7	–2.8	–1.3	1.3	2.3	3.8
Other	604.3	4.3	–2.0	–3.3	–0.6	3.3	–3.7	–2.5	–0.9	1.8	3.5	4.5
Final domestic demand	5 308.9	2.7	1.2	1.1	1.5	2.6	1.0	0.7	1.5	2.2	2.6	3.0
* change in stockbuilding	20.7[a]	–0.1	–0.1	–0.1	0.1	0.1	–0.3	0	0.1	0.1	0.1	0.1
Total domestic demand	5 329.6	2.6	1.0	1.0	1.5	2.7	0.7	0.7	1.6	2.3	2.7	3.1
Exports of goods and services	1 101.4	5.5	3.6	5.9	3.9	5.8	7.0	2.1	4.1	5.2	6.0	6.1
Imports of goods and services	1 094.3	6.5	2.9	2.1	3.7	5.2	1.2	2.5	3.8	4.5	5.2	6.0
* change in foreign balance	7.0[a]	–0.4	0.1	0.9	0	0.1	1.5	–0.1	0	0.1	0.2	0
GDP at market prices	5 336.6	2.2	1.2	1.9	1.6	2.8	2.1	0.6	1.6	2.4	2.9	3.1
Industrial production[b]	–	1.9	0.2	–0.4	1.4	3.2	–2.0	0.5	1.3	2.5	3.3	3.5

* As a percentage of GDP in the previous period.
a) Actual amount.
b) Quarterly index.

FRANCE

Employment, income and inflation

Percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Employment	1.1	0.2	0.1	–0.1	0.5	0.2	–0.3	–0.2	0.2	0.6	0.8
Unemployment rate	9.0	9.6	10.3	10.8	10.8	10.2	10.4	10.7	10.9	10.8	10.7
Compensation of employees	6.6	5.0	4.3	3.9	4.4	4.2	4.0	3.7	4.1	4.5	4.6
Unit labour cost	4.2	3.8	2.3	2.3	1.5	2.1	3.4	2.1	1.7	1.6	1.4
Household disposable income	6.6	5.2	4.8	4.4	4.7	5.1	4.6	4.2	4.5	4.7	4.8
GDP deflator	3.1	2.8	3.2	2.6	2.1	3.4	3.3	2.4	2.2	2.0	2.1
Private consumption deflator	3.0	3.1	2.9	2.4	2.2	2.9	2.6	2.4	2.3	2.2	2.2

Overall employment was stable in the first three quarters of 1992, but labour shedding in industry accelerated. Unemployment continued to increase until June; it edged down in July and August in response to new labour market programmes, but increased again in September to 10.3 per cent. Wage increases remained at around 4 per cent. Consumer price inflation fell below 3 per cent due to a decline in import prices, but underlying inflation remains slightly higher.

Policies and other forces acting

Monetary conditions have remained tight. The call money interest rate was close to 10 per cent between January and mid-September, with little change in the small premium over German rates. Longer-term yields, however, started to rise in May. Public-sector bond yields, for instance, increased by ½ percentage point to 9.6 per cent up to late August. The franc was firm until mid-July, but then slid towards the bottom of the ERM grid.

Uncertainties about the result of the referendum on the Maastricht Treaty pushed short-term interest rates higher in September. The floating of the lira and pound sterling and the devaluation of the peseta a few days before the referendum added to financial market nervousness. Heavy exchange-market intervention by the French and German monetary authorities and a sharp increase in short-term interest rates were successful in halting and turning around the slide of the franc. At the time of writing, the franc is trading close to its central rate, and the call money rate has fallen to 9 ½ per cent and thus below the rates observed before the financial market crisis. Long-term interest rates fell to below 9 per cent by the end of September and have remained there since.

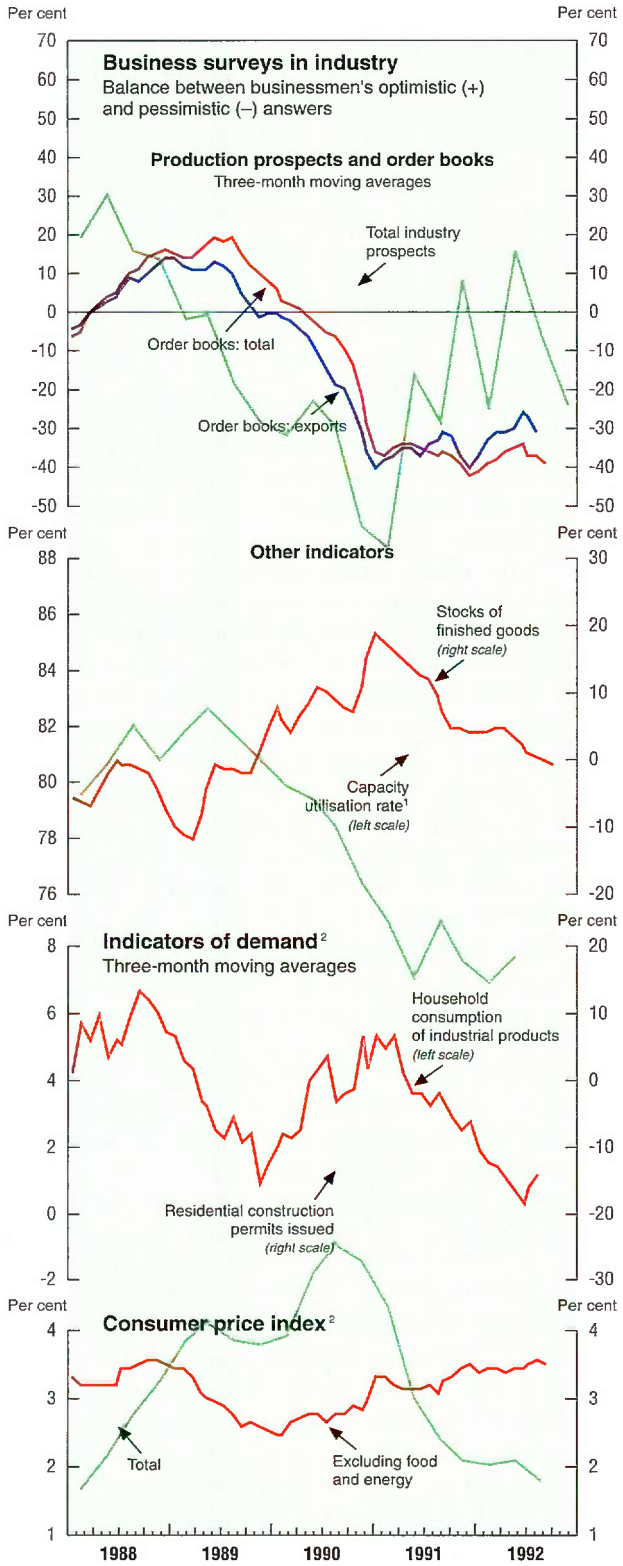
M3 has grown rapidly since the start of the year, by more than the upper target limit of 6 per cent and considerably faster than nominal GDP. However, M3 growth has been decelerating since June. Growth was especially rapid for the short-term mutual fund component of M3. Most other components of M3 increased by less; over the last 12 months M1 has not changed, while M2 has fallen.

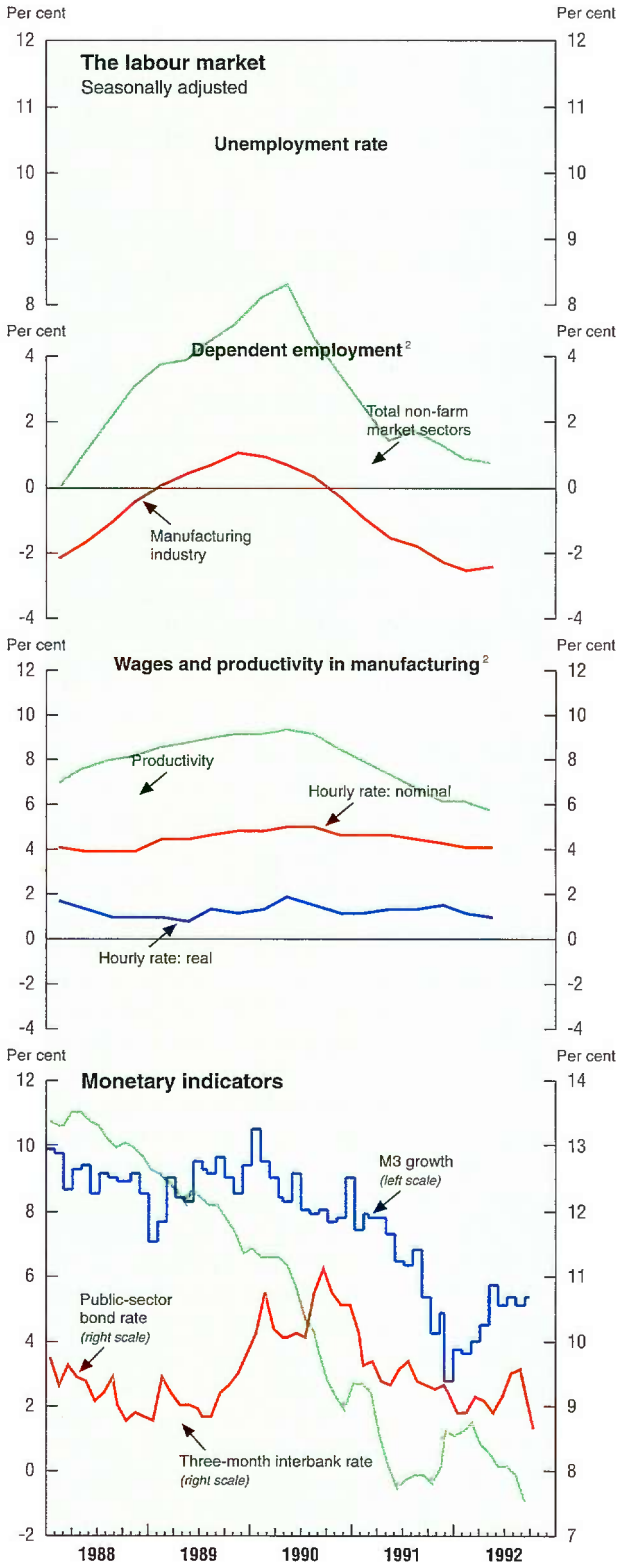
While public expenditure growth was largely in line with budget projections, revenue shortfalls on indirect and corporate taxes raised fiscal deficits above official projections in both 1991 and 1992. According to the latest official estimates, the State budget deficit may reach FF 185 billion in 1992 (2.5 per cent of GDP) as compared with the budget estimate a year ago of FF 90 billion and an outcome for 1991 of FF 132 billion. On a national-accounts basis, the general government deficit widened from 2.2 per cent in 1991 to an estimated 2.8 per cent of GDP in 1992. The slippage can largely be attributed to cyclical factors.

The 1993 Budget aims at expenditure restraint. Government expenditure is planned to increase by 3.4 per cent, somewhat above the official forecast for inflation of 2.8 per cent but considerably below projected nominal GDP growth. Certain ministries – Education, Research, Employment and Justice – will have larger increases, reflecting government priorities, while for others nominal expenditure will fall. Tax changes are minor. The government also announced further partial privatisations in the budget, which might yield additional revenues of FF 16 billion. About half of the receipts will be allocated to provide capital for nationalised enterprises, while the other half is to fund labour market programmes. Based on the assumption of faster growth next year and a fall in interest rates the central government deficit is budgeted to fall to FF 165 billion in 1993 or 2.2 per cent of GDP.

In order to avoid increasing deficits, unemployment insurance contribution rates were increased in August 1992. Employer and union organisations also agreed to a downward sliding scale for benefit payments. Earlier in the year, the government had already enacted

France





1. 100 less percentage of unused capacity, including that needing additional personnel to exploit it.
2. Year-on-year percentage change.

Sources: INSEE, *Tendances de la conjoncture;* OECD, *Financial Statistics.*

FRANCE
Financial indicators

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Household saving ratio[a]	12.2	12.6	12.9	12.9	12.7	12.8	13.0	12.9	12.9	12.8	12.7
General government financial balance[b]	–1.4	–2.2	–2.8	–3.0	–2.9	–2.8	–2.8	–3.0	–3.0	–3.0	–2.9
Current balance[b]	–1.3	–0.5	0.1	0.3	0.3	–0.1	0.2	0.2	0.3	0.3	0.4
Short-term interest rate[c]	10.3	9.6	10.1	8.2	6.5	10.1	10.1	9.0	7.4	6.7	6.3
Long-term interest rate[d]	10.4	9.5	9.1	8.2	7.3	9.0	9.1	8.4	8.0	7.5	7.1

a) As percentage of disposable income.
b) As percentage of GDP.
c) 3-month PIBOR.
d) Public and semi-public sector bonds.

additional measures to promote employment, especially targeting long-term unemployed and improved conditions for short-time work in order to avoid a further increase in full-time unemployment.

Prospects

Recent indicators suggest continuing weakness in the coming months. Consumer confidence has been stuck at low levels, and residential construction permits have fallen steeply. Prospects for industry are also being judged much less favourably than in mid-1992, partly because foreign demand has slackened. According to the latest INSEE survey, industrial investment could fall again somewhat in 1993 in real terms.

Fiscal policy is unlikely to give an impetus to growth, with the expected increase in the general government deficit to 3 per cent of GDP essentially attributable to cyclical factors. However, nominal interest rates are projected to fall significantly from 1993 onwards, in line with German interest-rate developments. Given sound macroeconomic fundamentals, the current differential with German rates might disappear by end-1994. Short-term rates could fall to close to 6 ¼ per cent and long-term rates to 7 per cent by the end of 1994. Falling nominal and real interest rates and renewed strength of foreign demand are the major forces likely to dissipate the weak confidence of consumers and investors and lead to stronger growth of spending during 1993. An improved employment outlook could also contribute to reducing precautionary savings. In particular, increased spending on durable goods is expected, following a prolonged period of weakness. Business investment is likely to recover only slowly, despite the generally healthy financial position of firms, since current capacity utilisation rates are low and may return to normal only gradually. However, a strengthening of business investment can be expected from mid-1993 onwards. Residential investment may lag, given a backlog of unsold dwellings and financial difficulties in the real estate sector.

FRANCE
External Indicators[a]

	1991	1992	1993	1994
	$ billion			
Merchandise exports	207.7	230	240	259
Merchandise imports	216.5	227	235	252
Trade balance	–8.8	3	5	7
Invisibles, net	2.2	–2	–2	–2
Current balance	–6.6	1	3	5
	Percentage change			
Merchandise export volumes[b]	4.4	6.2	3.8	5.8
Merchandise import volumes[b]	3.1	1.8	3.6	5.1
Export performance[c]	–0.8	1.4	–0.2	0.3
Terms of trade	0.1	0.9	0.6	–0.2

a) For further detail, see tables in Foreign Trade section of the Detailed Projections and other Backgound Information.
b) Customs basis.
c) Ratio between the total of export volumes and export market of total goods.

Unemployment is projected to increase further to 10 ¾ per cent in 1993. Employment could pick up again in the second half of 1993 and unemployment start to drift down in 1994. The recent sharp fall in import prices is likely to produce further disinflation: consumer price inflation may approach 2 per cent by the end of 1994. Still lower increases in unit labour costs will mean some continuing widening of profit margins. Improving relative cost developments during the projection period are likely to offset the adverse effects on competitiveness of the recent effective appreciation of the franc. The resulting pickup in export growth, sluggish import demand over the coming year and a terms-of-trade gain may increase the current-account surplus to around ½ per cent of GDP.

Major uncertainties attach to the timing and degree of monetary easing and the speed of recovery in external demand incorporated in the projections. The former

depends crucially on trends in German inflation and the course of German monetary policy. The latter will be influenced not only by the growth of export markets but also developments in the currency relationships with France's major competitors in these export markets. The already low level of business confidence may delay the projected recovery if an environment of high uncertainty persists.

ITALY

Output growth will be slow in the near term, as budgetary stringency and income restraint damp domestic demand. This will limit the inflationary effects of the lira depreciation in September 1992 and help to put the economy back on a sustainable growth path. By mid-November, the lira had depreciated by about 11 per cent against the Deutschemark. Net exports should make a positive contribution to economic growth in 1993 and 1994, but rising interest payments will keep the current account of the balance of payments in large deficit. Although adjustment in the Italian economy will require several years, the pace of expansion could be somewhat stronger by 1994.

Recent developments

A rebound of export volumes and buoyant real private consumption maintained a moderate pace of economic growth in the first half of 1992. Underpinned by large real income gains, consumer spending rose twice as fast as the OECD average. However, in an environment of squeezed profits and high and rising real interest rates, entrepreneurs curtailed capital spending outside construction. With import penetration growing and business confidence sagging, industry has remained in a slump. In August 1992, industrial output was 4 per cent lower than a year earlier; capacity utilisation, at 76 per cent, was down by 1.8 per cent and stocks of finished goods were high.

Labour-market slack increased further in the first half of 1992. Job losses gathered speed in industry, gains in service employment dwindled, and overall employment ceased to rise. In industrial firms with more than 500 employees, employment was almost 5 per cent lower than a year earlier. By mid-1992, the rate of unemployment had climbed to 11 per cent.

Responding to the weakness of labour markets, the effective abolition of the *scala mobile* and measures of wage restraint, nominal wage growth has decelerated sharply[1]. Between September 1991 and September 1992, the year-on-year rate of contractual hourly wage increases in industry came down from 10.9 per cent to 4.0 per cent. Wage moderation has also spread to the

ITALY

Demand and output

Percentage changes from previous period, seasonally adjusted at annual rates, volume (1985 prices)

	1987 current prices trillion L	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Private consumption[a]	614.0	2.8	2.8	2.0	0.5	1.3	2.6	0.5	0.3	0.9	1.2	1.8
Government consumption	166.3	1.3	1.7	0.9	–0.1	0.6	0.7	0.7	–0.5	0.1	0.7	0.9
Gross fixed investment	194.1	3.3	0.9	0.1	0	3.4	–1.6	–2.9	0.6	1.7	3.8	4.5
Machinery and equipment	95.8	3.1	0.7	–1.4	–0.4	4.0	–4.6	–5.6	1.0	2.1	4.3	5.3
Construction	98.3	3.4	1.2	1.7	0.5	2.8	1.7	0.1	0.3	1.3	3.2	3.6
Residential	51.0	2.7	1.8	0.9	0.4	2.1	0	0	0.1	1.6	2.2	2.3
Non-residential	47.3	4.1	0.6	2.5	0.5	3.6	3.6	0.2	0.4	1.1	4.3	4.9
Final domestic demand	974.5	2.7	2.2	1.4	0.3	1.6	1.4	–0.2	0.2	0.9	1.7	2.2
* change in stockbuilding	12.4[b]	–0.2	0.1	0.5	0	–0.1	0.8	0	0	0	–0.3	0
Total domestic demand	986.9	2.4	2.3	1.8	0.3	1.5	2.2	–0.2	0.2	0.9	1.4	2.2
Exports of goods and services	176.4	7.8	–0.8	4.8	6.1	5.9	8.1	4.5	6.8	6.5	5.7	5.6
Imports of goods and services	179.4	7.9	2.9	6.8	3.5	4.5	8.5	4.4	3.1	3.5	4.7	5.0
* change in foreign balance	–3.1[b]	–0.3	–1.0	–0.8	0.5	0.2	–0.5	–0.2	0.7	0.6	0	–0.1
GDP at market prices	983.8	2.2	1.4	1.2	0.8	1.7	1.8	–0.4	1.0	1.5	1.5	2.2
Industrial production	–	0	–1.9	0	1.1	3.0	0.8	0	1.0	2.2	3.2	3.2

* As a percentage of GDP in the previous period.
a) Final consumption in the domestic market by households.
b) Actual amount.

ITALY

Employment, income and inflation

Percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Employment	1.9	0.9	0.2	0.1	0.3	0.4	0.1	0.1	0.2	0.4	0.4
Unemployment rate	11.1	11.0	11.0	11.3	11.4	11.0	11.1	11.3	11.4	11.4	11.4
Compensation of employees	11.8	9.1	5.3	4.8	6.5	5.4	5.1	4.7	4.9	7.0	7.0
Unit labour cost	9.4	7.6	4.1	4.0	4.7	3.6	5.5	3.7	3.3	5.5	4.7
Household disposable income	11.4	8.9	7.5	5.4	5.8	8.0	7.0	4.6	5.2	5.7	6.6
GDP deflator	7.5	7.3	4.5	5.3	5.2	2.7	5.5	5.3	5.0	5.4	5.0
Private consumption deflator	6.2	6.7	5.4	6.0	5.3	4.8	5.6	6.5	5.5	5.5	4.9

private service sector. Together with labour shedding, the slower rise in wages reduced the annual rise in unit labour costs (total economy) to 3.6 per cent in the first half of 1992 from 7 per cent in the previous six months. Strong international competition kept the rise in prices of tradeable goods below that of costs, bringing the year-on-year rise in producer prices down to 2.7 per cent by June 1992. Assisted by falling energy prices and moderate advances in some administered prices, 12-month consumer-price inflation came down from its previous peak of 6.9 per cent in June 1991 to 5.0 per cent in October 1992.

On the external side, the seasonally-adjusted current-account deficit narrowed to an annualised $20.2 billion in the first half of 1992, as exports rebounded and import prices fell. However, official reserves showed a steep decline due to massive outflows of non-bank capital.

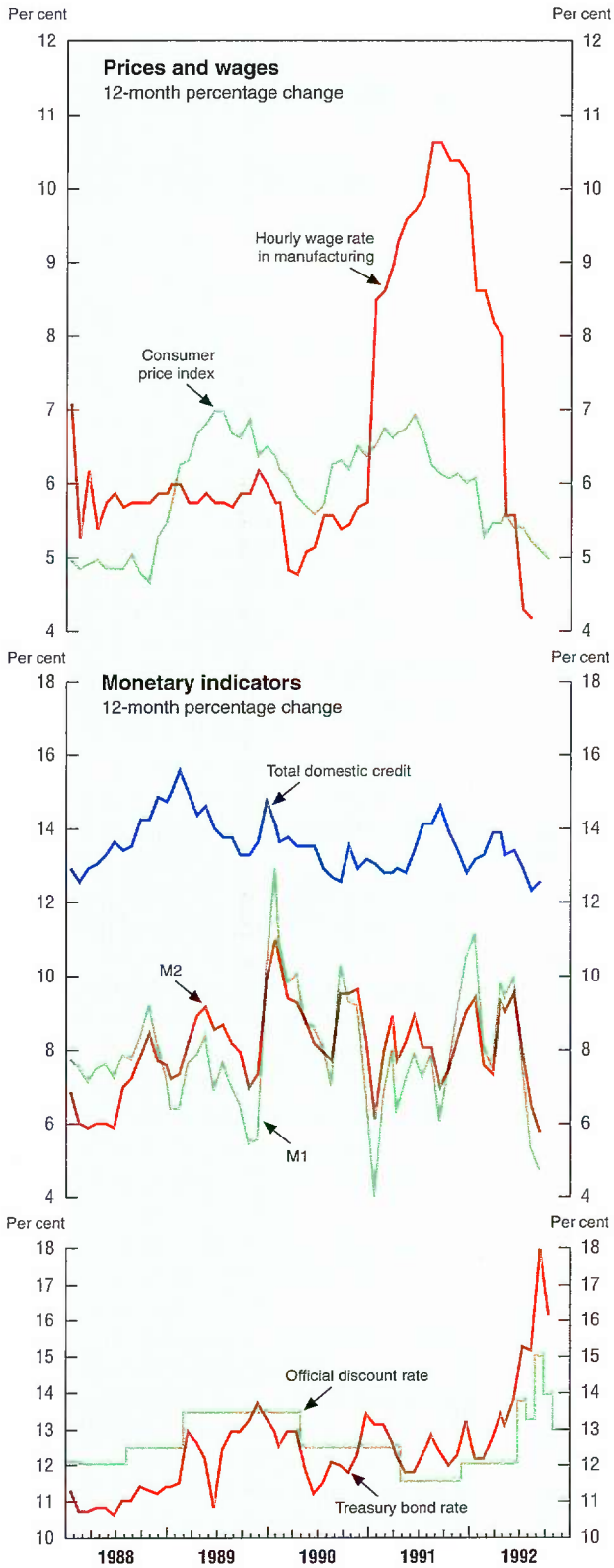
Policies and other forces acting

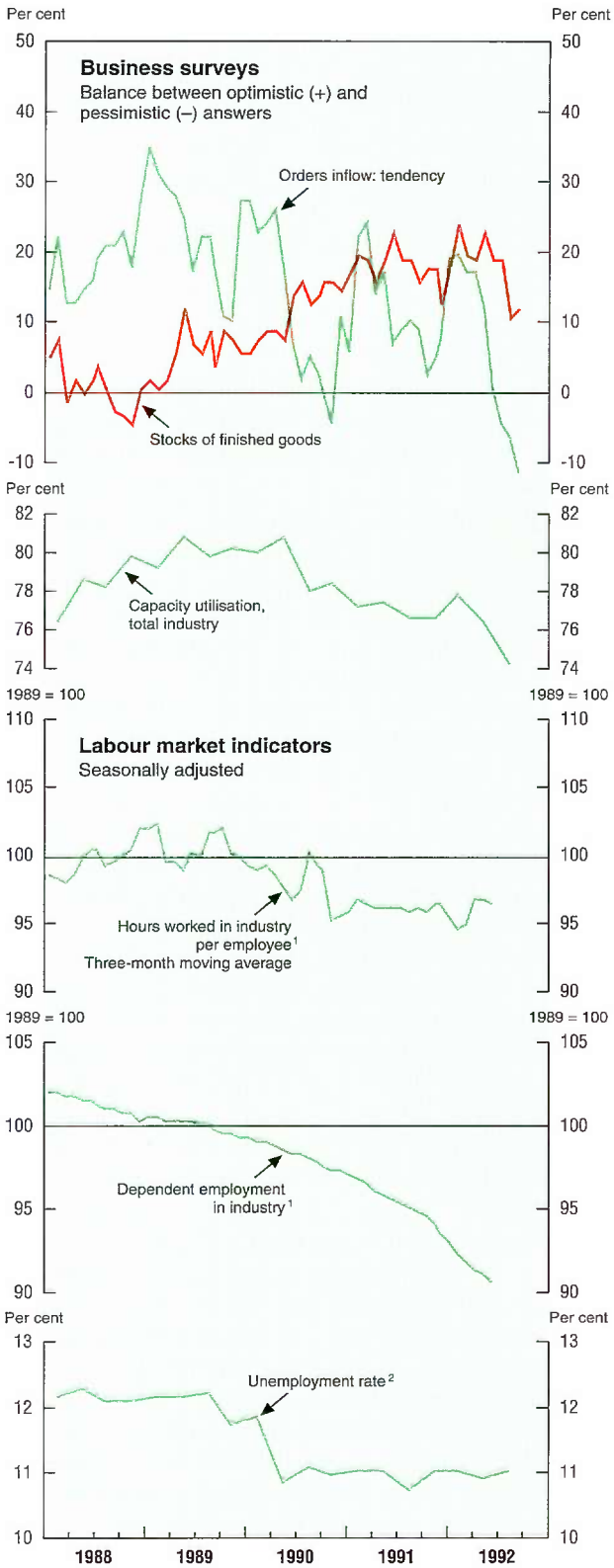
From late 1991, a quickening build-up of public debt to 106 per cent of GDP in mid-1992 weakened investors' confidence at home and abroad. Risk premia in domestic interest rates soared during the first nine months of 1992, damping private expenditure and further enlarging the budget deficit. Market sentiment deteriorated more generally and stock prices tumbled following announcement of the Government's initial intention to freeze the foreign liabilities of EFIM, one of the major public holding corporations. Reflecting deepening misgivings about budgetary trends, Italy's foreign-currency-denominated public debt was downgraded by the credit-rating agency Moody's in August, the second downgrading in little over a year. Pessimistic market sentiment persisted despite the abolition of the *scala mobile*. On 16 September, in the face of continuing large losses of official reserves, Italy withdrew the lira from the exchange rate mechanism (ERM) of the EMS, only three days after a currency realignment had reduced the central value of the lira by 7 per cent relative to other participating currencies. In mid-November, the lira was trading at a level about 11 per cent below its previous floor against the Deutschemark, reversing, at least for the time being, the cumulative rise since 1987 in relative unit labour costs in manufacturing (expressed in a common currency).

Prior to the currency depreciation, the Bank of Italy had raised the rate of fixed-term advances (Lombard rate or *anticipazioni a scadenza fissa*) in several steps from 12 per cent in November 1991 to 16.5 per cent in September. It had also lifted the discount rate from 12 per cent in December 1991 to 15 per cent in September. In the process, the short-term interest differential *vis-à-vis* Germany had widened sharply, reaching 7 percentage points in early September. In October and November, the Lombard rate and discount rate were lowered in two stages to 15 per cent and 13 per cent, respectively. For 1993, M2 growth is to be limited to a range between 5 to 7 per cent, the same target as for 1992.

Earlier hopes of significant progress on fiscal consolidation were dashed by higher-than-expected interest payments and depressed revenues, reflecting both flagging economic growth and smaller privatisation proceeds. To rein in the escalating 1992 budget deficit, the new Government, which took office in June, introduced an emergency budget in July. The corrective measures combined spending cuts (lower transfers to local authorities, cuts in social spending and defence expenditure, and a freeze of public sector employment) with revenue gains (higher stamp duties, one-off taxes on real estate and bank deposits and higher employee social security contributions). However, even with this fiscal retrenchment (amounting to L 30 trillion or 2 per cent of GDP), the

Italy





1. In large enterprises.
2. Break in series from Q1 1991.

Sources: Bank of Italy; OECD, *Main Economic Indicators*.

ITALY
Financial indicators

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Household saving ratio[a]	16.1	15.6	15.6	14.1	13.3	15.7	15.5	14.4	13.9	13.4	13.3
General government financial balance[b]	–10.9	–10.2	–11.1	–10.2	–8.9	–11.1	–11.1	–10.6	–9.8	–9.5	–8.3
Current balance[b]	–1.3	–1.8	–1.9	–2.1	–1.7	–1.7	–2.1	–2.1	–2.0	–1.8	–1.7
Short-term interest rate[c]	12.1	12.0	13.6	13.0	10.9	12.7	14.5	13.5	12.5	11.5	10.3
Long-term interest rate[d]	11.9	11.4	11.5	11.7	10.9	11.1	12.0	11.8	11.5	11.3	10.5

a) As percentage of disposable income.
b) As percentage of GDP.
c) 3-month interbank rates.
d) Treasury bonds.

State budget deficit for 1992 totalled an estimated L 160 trillion (10.7 per cent of GDP), surpassing the original deficit target set in September 1991 by more than L 30 trillion.

The prospective large budget deficit overrun in 1992, after major slippages in 1991, has greatly added to the fiscal adjustment required to put the economy on a sustainable course of debt reduction. The package of fiscal restraint for 1993, which was approved by Parliament in November, implies an adjustment of L 93 trillion (6 per cent of GDP) relative to the 1993 State budget deficit projected on unchanged policies. The link between nominal income growth and pensions will be suspended, new entitlements to early retirement schemes blocked, public pay frozen, transfers to local authorities further curtailed and tax expenditures reduced. The 1993 budget also suspends compensation for inflation-induced fiscal drag, increases co-payments for health services, imposes a minimum tax liability for the self-employed and includes, in addition, higher taxes on real estate and company assets. If implemented fully, the proposals would reduce the State budget deficit in 1993 to an estimated L 150 trillion (9.4 per cent of GDP). As part of a far-reaching privatisation programme, submitted to Parliament in November, the Government plans to reduce radically State control of the banking and financial system.

Recognising the need for decisive action on a sustained basis, the Government has obtained from Parliament through delegation laws special powers in four areas: public employment, pensions, health care and local authorities' finance. Using these powers, the authorities decided to raise the compulsory retirement age to 65 years for men and 60 years for women, to lengthen the reference period for the calculation of pension claims, to reorganise the health system and to alter public employment conditions. The gradual implementation of these measures will contribute to moderating the trend of public expenditure.

Prospects

The technical assumptions adopted for the projections hold the lira constant at a level 12 per cent lower than the old ERM floor rate against the Deutschemark, implying a fall of the effective exchange rate by 9.2 per cent. In line with the Government's medium-term stabilisation plan, fiscal consolidation is assumed to resume as from 1993, reducing general government borrowing requirements (excluding proceeds from privatisation) from an estimated 11.1 per cent of GDP in 1992 to 8.9 per cent in 1994. Reflecting spending cuts and increases in direct taxation, the primary balance (net of interest payments) should swing into surplus in 1993 and rise thereafter.

Restoration of the credibility of fiscal policy is a prerequisite for the lira to rejoin the ERM and for domestic interest rates to move downward in response to shrinking risk premia and the projected decline in German interest rates. The rise in the private consumption deflator is expected to be 6 per cent (year-on-year) in 1993, half a percentage point higher than its estimated rate in 1992. With the devaluation-induced surge in import prices tapering off, inflation could begin to recede again in the second half of 1993, returning to around 5 per cent by the end of 1994.

Output growth may slip below 1 per cent (annual rate) over the 12 months to mid-1993, before firming to a rate of some 2 per cent during 1994. Main forces seen as shaping the recovery include larger gains in both net exports and gross fixed capital formation, and a pickup of private consumption as the effects of the currency depreciation on real income growth wear off. Improved profitability and recovering markets are expected to bring a revival of capital spending in 1994. Restored competitiveness, due to currency depreciation, is projected to result in a small positive contribution to GDP from net exports.

ITALY
External Indicators[a]

	1991	1992	1993	1994
	$ billion			
Merchandise exports	168.4	183	189	208
Merchandise imports	169.1	185	191	206
Trade balance	–0.7	–2	–1	2
Invisibles, net	–20.4	–21	–23	–24
Current balance	–21.1	–23	–25	–22
	Percentage change			
Merchandise export volumes[b]	1.1	4.8	6.3	6.3
Merchandise import volumes[b]	3.4	6.7	3.8	4.6
Export performance[c]	–4.1	1.0	2.1	0.5
Terms of trade	1.7	0.7	–2.0	–0.2

a) For further detail, see tables in Foreign Trade section of the Detailed Projections and other Backgound Information.
b) Customs basis.
c) Ratio between the total of export volumes and export market of total goods.

With output flat through most of 1993, the unemployment rate is likely to edge up further to 11.4 per cent, before stabilising in 1994. Nominal wage growth in 1993 is projected to remain below the rise in consumer prices, before picking up again in 1994, as employment growth resumes and the effects of income restraint wear off.

With terms-of-trade losses resulting from the currency depreciation, the nominal trade deficit is projected to widen over the twelve months to mid-1993. Thereafter, the positive effects of improved competitiveness on trade volumes should dominate, yielding a small surplus in 1994. Helped by the currency depreciation, the balance of non-factor services may also improve. However, as interest payments on foreign debt are set to rise, the current-account deficit may widen to L 30 trillion in 1994 (1.7 per cent of GDP).

The major risks attaching to the projections arise from renewed fiscal slippage and failure to overcome resistance to income cuts embodied in the 1993 budget. The devaluation-induced rebound of inflation could strengthen calls for compensatory wage claims, dimming hopes for putting the economy back on a track of inflation convergence. The key to reestablishing policy credibility, and hence market confidence, lies in a sustained good track record of convergence policies.

NOTE

1. An Incomes Policy Accord signed by the social partners and the government in December 1991 suspended the wage indexation scheme (*scala mobile*) in the first half of 1992. The government undertook to keep public-sector wage increases in 1992 in line with the target rate of consumer price inflation (4.5 per cent). It also undertook to hold administered price rises in 1992 to 1 percentage point below the inflation target and to reduce social security contributions in compensation for increases in personal income taxation. Under a second Incomes Policy Accord in July 1992, the new Government froze administered prices and abolished the *scala mobile.* The Accord also rules out pay increases for the remainder of 1992, while allowing wages to rise by a flat rate of L 20 000 in January 1993, corresponding to an average rise of about 1 per cent.

UNITED KINGDOM

Economic activity has broadly stabilised since the beginning of 1992, after having fallen in six consecutive quarters from mid-1990. Although consumer spending started to recover in mid-1992, this was offset by a deterioration in the external balance. The Government suspended sterling's participation in the ERM on 16 September. By early October, sterling had depreciated by around 15 per cent against the DM and stabilised around this rate through November. A slow recovery in economic activity is now projected in the first half of 1993, gradually gathering momentum thereafter. Inflation is projected to rise in the near term following sterling's depreciation but is expected to recede again given large slack in the economy.

Recent developments

The current recession has proved to be deeper and more protracted than anticipated. After falling some 4¼ per cent from its peak in mid-1990, real GDP has broadly stabilised since the beginning of 1992. Following a brief boost to confidence after the April election, financial market uncertainty and fears of higher U.K. interest rates have damped consumer and business confidence. Provisional data indicate that non-oil output fell 0.3 per cent (actual rate) in the third quarter, but that total GDP was flat.

Private consumer expenditure began to recover in the spring, growing by 0.5 per cent (actual rate) in the second quarter of 1992. Retail sales and consumer credit data indicate that the modest pickup in consumption has been sustained. The household saving rate eased to 10.3 per cent in the second quarter of 1992, but was still significantly above its long-term average. Private-sector investment has remained particularly weak in construction, but for plant and machinery it has continued to show greater resiliency, partly due to a strong increase in outlays by the newly privatised water companies. Investment in manufacturing also recovered strongly in the second quarter, despite continuing layoffs and low rates of capacity utilisation. Public investment, the major source of strength in investment expenditure, has

UNITED KINGDOM
Demand and output

Percentage changes from previous period, seasonally adjusted at annual rates, volume (1985 prices)

	1987 current prices billion £	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Private consumption	267.5	0.7	–2.1	–0.3	0.7	1.6	–0.3	0.5	0.5	1.1	1.7	1.9
Government consumption	85.3	3.2	2.8	0.8	1.4	1.5	0.2	2.0	1.0	1.7	1.5	1.4
Gross fixed investment	74.1	–3.1	–9.9	–3.0	–0.6	2.0	–2.4	–4.0	0.1	1.5	1.9	2.7
Public[a]	12.2	6.7	–7.6	2.9	3.4	4.0	–1.7	4.0	3.1	3.4	4.1	4.3
Private residential	12.4	–14.5	–14.9	–10.9	–4.9	3.2	–18.7	–12.0	–4.0	1.0	4.0	4.0
Private non-residential	49.5	–2.8	–9.6	–3.2	–1.0	1.3	0.6	–4.7	0	1.0	1.0	2.0
Final domestic demand	426.9	0.4	–2.6	–0.6	0.6	1.7	–0.5	0	0.5	1.3	1.7	1.9
* change in stockbuilding	1.4[b]	–0.9	–0.6	0.6	0.2	0.3	1.0	–0.1	0.2	0.5	0.3	0.2
Total domestic demand	428.3	–0.5	–3.2	0	0.8	2.0	0.4	–0.1	0.7	1.8	2.0	2.1
Exports of goods and services	107.0	4.9	0.3	3.2	5.8	6.9	2.1	3.8	6.8	6.0	6.9	7.8
Imports of goods and services	111.9	1.0	–3.1	6.2	4.0	5.4	9.0	3.5	3.9	4.5	5.8	5.8
* change in foreign balance	–4.8[b]	1.0	1.1	–1.1	0.4	0.3	–2.3	0	0.7	0.3	0.2	0.5
* compromise adjustment	0.0[b]	0	0	0	0	0	0	0	0	0	0	0
GDP at market prices[c]	423.5	0.5	–2.2	–1.0	1.3	2.4	–1.9	–0.1	1.5	2.1	2.3	2.7
Industrial production	–	–0.4	–5.3	–0.9	1.0	2.3	–0.4	–0.5	1.2	2.0	2.4	2.5

* As a percentage of GDP in the previous period.
a) Including nationalised industries and public corporations.
b) Actual amount.
c) Data for GDP in the past are based on a compromise estimate which is the average of the expenditure, output and income estimates of GDP. The compromise adjustment is the difference between compromise GDP and the expenditure estimate of GDP.

UNITED KINGDOM

Employment, income and inflation

Percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Employment	0.3	–3.1	–2.4	–1.1	0.4	–2.1	–2.0	–1.0	–0.2	0.5	0.8
Unemployment rate	5.9	8.3	10.1	10.8	10.5	9.8	10.5	10.9	10.8	10.6	10.3
Compensation of employees	10.2	5.8	3.9	3.7	4.5	4.0	3.4	3.6	4.3	4.5	4.7
Unit labour cost	9.6	8.2	4.9	2.4	2.1	5.9	3.5	2.1	2.1	2.1	1.9
Household disposable income	7.9	6.7	5.4	5.6	4.5	2.7	7.2	5.0	5.4	4.5	3.9
GDP deflator[a]	6.3	6.7	5.4	5.0	4.1	5.5	3.9	5.7	4.6	4.0	3.8
Private consumption deflator[a]	5.3	7.2	5.4	5.2	4.2	4.9	3.9	6.1	4.9	4.0	3.7

a) The replacement of "domestic rates" by the Community Charge in England and Wales as from April 1990 lowers the level of nominal consumer spending and GDP at market prices and of the related deflators in the first half of 1990.

increased, most notably in transport and social infrastructure. Destocking slowed to a virtual halt by the second quarter of 1992, following seven consecutive quarterly declines, which brought the stock-to-sales ratio to record low levels. Nonetheless, the September CBI survey of retailers and manufacturers still showed stocks at undesirably high levels, particularly for manufacturers.

External trade has made a negative contribution to economic growth since early-1991. Imports of goods and services in the first half of 1992 were up some 9 per cent (annual rates) in volume terms over the previous half year, while exports were up only 2 per cent. The increase in imports, which was broadly based, was strong compared with a similar stage of previous business cycles. The current-account deficit has been aggravated further by a sharp drop in the U.K.'s traditional surplus on invisibles. In the first half of 1992, the invisibles surplus ran at only £1 billion at an annual rate, about a half of the figure for 1991 (excluding Gulf war contributions from other countries). The current-account deficit increased to almost £12 billion (annual rate), roughly 2 per cent of GDP, in the first half of 1992.

Unemployment has continued to increase, bringing the total to 2.87 million in October 1992 (10.1 per cent of the labour force). By the quarter to October 1992, long-term unemployment (over 52 weeks) had increased to 956 000, an increase of almost 50 per cent from its level a year earlier. Other indicators (overtime worked, job vacancies, short-time work, etc.) are also consistent with highly depressed labour-market conditions. Reflecting these conditions, underlying growth in average monthly earnings has recently dropped to below 6 per cent for the first time since the 1960s – after having stalled in the range of 7¼ to 7¾ per cent from the summer of 1991 until March 1992. New wage settlements in mid-1992 have fallen even lower – to around 4 to 4½ per cent at mid-year compared with some 10 per cent just 18 months earlier – and appear to have stabilised at this level.

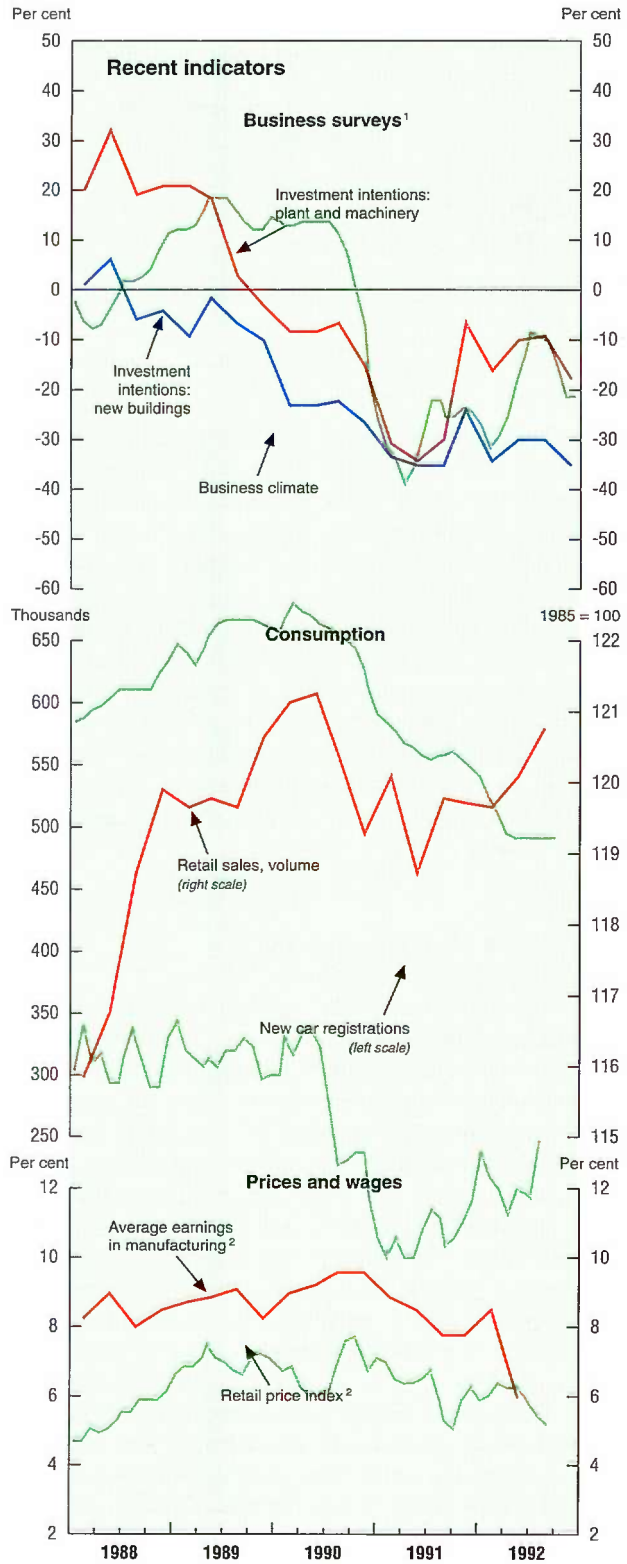
The 12-month rate of increase in "headline inflation", the retail price index (RPI), fell to 3.6 per cent in October, following a run of months in the earlier part of the year during which it had remained in the 4 to 4¼ per cent range. The RPI excluding mortgage interest payments, the official indicator of "underlying inflation", dropped from 5.7 per cent in March-April to 3.8 per cent in October, its lowest rate since March 1988. Goods price inflation has been particularly low, with producer price increases typically in the 0 to 3 per cent range, and services prices have also begun to moderate. Price discounting is prevalent in many areas, and the October CBI survey showed that more firms plan to cut prices than to increase them.

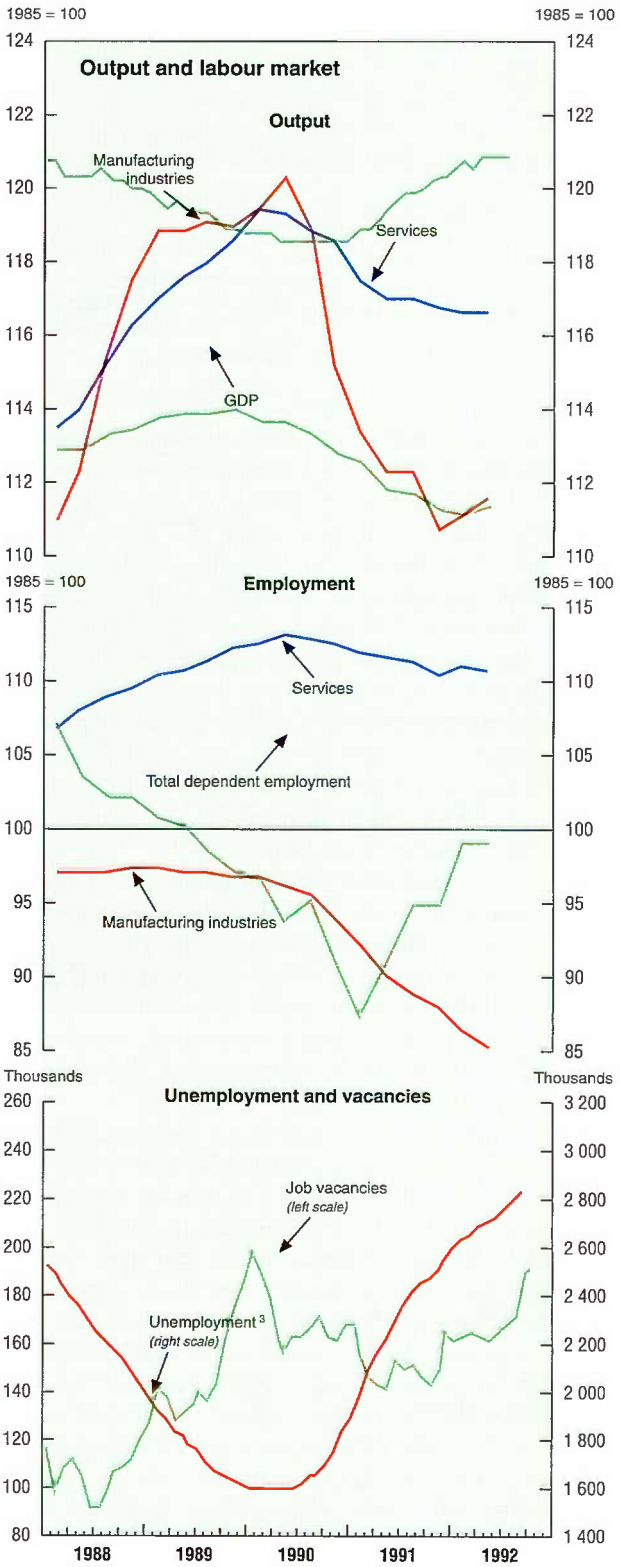
Policies and other forces acting

The major factor holding back recovery has been the burden of debt-interest payments on households and attempts by them to reduce indebtedness. Households dramatically increased debt relative to income during the 1980s as financial liberalisation enabled them to decouple consumption and income. In retrospect, the optimistic assumptions about future income, job prospects and asset-price growth upon which these borrowing decisions were made, have proved unrealistic. Faced with low income growth, high interest rates, falling nominal house prices and a growing risk of unemployment, households have boosted savings in order to reduce debt levels.

Following a post-election strengthening of sterling, the authorities cut base rates of interest in May to 10 per cent, bringing the differential vis-à-vis German Lombard rates down to only 25 basis points. Sterling remained comfortably within its implicit narrow ERM band until early July, but following the Bundesbank's further tightening of monetary conditions in mid-July, sterling

United Kingdom





1. Balance between positive and negative answers.
2. Change over four quarters.
3. Claimants aged 18 and over.

Sources: Department of Employment, *Employment Gazette;* OECD, *Main Economic Indicators.*

UNITED KINGDOM
Financial indicators

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Household saving ratio[a]	8.3	9.8	10.1	9.8	8.7	9.4	10.6	9.9	9.7	9.1	8.3
General government financial balance[b]	–1.3	–2.8	–6.6	–7.6	–6.7	–5.4	–7.7	–7.7	–7.5	–7.0	–6.3
Current balance[b]	–3.1	–1.1	–2.1	–2.4	–2.9	–1.9	–2.3	–2.4	–2.5	–2.8	–2.9
Short-term interest rate[c]	14.8	11.5	9.5	6.6	6.5	10.4	8.7	6.8	6.5	6.5	6.5
Long-term interest rate[d]	11.8	10.1	9.1	8.2	8.0	9.3	8.8	8.3	8.0	8.0	8.0

a) As percentage of disposable income.
b) As percentage of GDP.
c) 3-month interbank rates.
d) Public sector bonds.

dropped to the lower part of its 6 per cent ERM band and to the bottom of the EMS grid. Following the devaluation of the lira announced on 13 September, speculation against weaker ERM currencies intensified and sterling left the ERM on 16 September, along with the lira.

The September French referendum on the Maastricht Treaty proved to be the flash point for the ERM crisis. The depth of the U.K. recession, the resulting perception that the U.K. authorities were reluctant to raise interest rates, and the deterioration in the current account all weighed against sterling. When it became clear that the intervention alone would not change market sentiment, base rates were raised first by 200 basis points and then by a further 300 basis points on 16 September. These steps proved ineffective and sterling was floated later that day. The base rate was returned to 10 per cent after floating and cut to 9 per cent the following week. Sterling fell to a trading range of DM 2.52 to DM 2.55 during the first week of its float – roughly 10 per cent below its previously permitted ERM floor. By mid-November, base lending rates had been cut to 7 per cent in two steps, with sterling trading in a range of around DM 2.40 to DM 2.43.

The authorities have reiterated their commitment to achieving a sustained reduction in inflation to levels prevailing in the low-inflation European countries. On 8 October, the Chancellor set an explicit objective for underlying inflation. The aim is to keep underlying inflation within a range of 1 to 4 per cent for the remainder of the current Parliament, and in the lower part of the range by the end of the Parliament. The long-term aim is an inflation rate of 2 per cent or less. Monetary conditions will continue to be assessed with reference to a wide range of indicators. But the credibility of the anti-inflation strategy that was being built via the link to the DM has been relinquished and will need to be rebuilt on this new basis. Inflation expectations implicit in the differential between indexed and long-term conventional gilts were 4.8 per cent in mid-November, little changed from the levels before sterling left the ERM – but still above the Government's inflation targets.

The Government's fiscal position has deteriorated significantly over the past two years, with official estimates for a PSBR (excluding privatisation receipts) of £45 billion in FY 1992/93, some 7½ per cent of GDP[1]. While estimates of the cyclical component of the deficit are uncertain, the OECD Secretariat estimates that roughly 70 per cent of the deterioration in the budget balance from calendar year 1990 to 1992 reflected such factors.

The Government outlined a new medium-term framework for public expenditure control in July. The essence of the framework is that the global public expenditure limit set by the Cabinet is binding. Any growth in resources for one activity greater than the increase in the global limit must be financed by a less-than-proportionate rise elsewhere. The public expenditure control total of £244.5 billion for FY 1993/94 was confirmed in the 1992 Autumn Statement, and new planning totals of £254 billion and £263 billion were set for FY 1994/95 and FY 1995/96, respectively. Assuming that these spending limits are adhered to, the OECD Secretariat projects that the general government budget deficit (excluding privatisation proceeds) could rise to around 7½ per cent of GDP in calendar year 1993, before falling back to 6½ per cent of GDP in 1994, the same level as in 1992.

Prospects

Depreciation and lower interest rates have removed some obstacles to recovery: pressure on house and commercial property prices arising from the debt-deflation process has been eased. Household cash flow has also been improved. Real output could thus start to grow modestly in the first half of 1993, reflecting a slow recovery in private consumption. A more broadly based expansion might get under way thereafter, as confidence

UNITED KINGDOM
External Indicators[a]

	1991	1992	1993	1994
	$ billion			
Merchandise exports	182.4	191	195	213
Merchandise imports	200.6	214	218	242
Trade balance	–18.2	–23	–23	–29
Invisibles, net	7.0	1	–2	–1
Current balance	–11.1	–22	–24	–30
	Percentage change			
Merchandise export volumes[b]	1.4	2.5	5.6	6.3
Merchandise import volumes[b]	–2.8	3.7	4.0	5.5
Export performance[c]	–2.1	–1.6	1.4	0.9
Terms of trade	2.8	–0.6	–1.2	–2.5

a) For further detail, see tables in Foreign Trade section of the Detailed Projections and other Backgound Information.
b) Customs basis.
c) Ratio between the total of export volumes and export market of total goods.

improves, the drop in consumer durables spending bottoms out, the saving rate falls, destocking ends and the measures announced in the Autumn Statement take effect. Public consumption, and especially public investment, should also support recovery, as should on-going investment by the newly privatised water firms. The real foreign balance, which had declined markedly over the past year and a half, could make a small contribution to growth. In turn, real GDP growth is projected to pick up gradually through 1993-94, perhaps reaching its estimated potential rate of 2½ per cent in the course of 1994.

The short-run effects of depreciation on domestic price and wage setting are expected to be damped by considerable labour and product market slack. Underlying producer price inflation, as well as the growth in average earnings, are at historically low levels. Unemployment is projected to increase to almost 11 per cent of the labour force in 1993 and to fall slowly thereafter. The "underlying" process of disinflation is projected to continue, once the effects of depreciation dissipate. The current-account deficit will widen in the near term due to the "J"-curve effect and a run-down of net foreign assets; but the deterioration should ease thereafter as improved cost competitiveness partially compensates for the rise in imports associated with economic recovery. Such a favourable medium-term outlook for inflation and the balance of payments assumes that macroeconomic policy attaches high priority to inflation control over the medium term and establishes its credibility in this respect.

The outlook is clouded by an unusually high degree of uncertainty. On the one hand, while easier monetary conditions will help to alleviate debt problems, on-going balance-sheet adjustment may further delay economic recovery. On the other hand, the risk of inflation exceeding the authorities' targets is not negligible now that the price effects of depreciation must be absorbed and the anchor for expectations provided by the ERM is absent. The authorities have a difficult task of building public confidence in a policy course that restores growth and contains inflation in the short run, and establishes the basis for a sustained expansion.

NOTE

1. Fiscal years begin 1 April.

CANADA

The current recovery has been slow by historical standards, with real GDP growing at an annual rate of less than 1½ per cent since the trough in the first quarter of 1991. Economic restructuring has resulted in substantial productivity gains, but high unemployment together with ongoing financial consolidation in the household sector has held back private consumption. With substantial slack in product and labour markets, disinflation has continued. After falling towards historical lows in early September, interest rates were raised sharply when political uncertainties put strong downward pressure on the exchange rate, but eased markedly thereafter. With subdued demand abroad, the economic upturn is projected to remain relatively weak.

Recent developments

The sluggishness of the current recovery is without precedent in the post-war era. Real GDP had always returned to its pre-recession level within three quarters of the trough, but only about one-half of the 3½ per cent output loss recorded between the first quarter of 1990 and the first quarter of 1991 was recovered by the second quarter of 1992. Despite a pickup in activity during the summer, economic growth appears to have remained below that of potential output. These developments reflect the weak response of domestic demand to monetary easing: following some revival during 1991, final domestic demand has been virtually flat in the course of 1992.

Historically low profitability, falling capacity utilisation and subdued demand prospects have led to a marked decline in business investment recently. In particular, non-residential construction has been sharply reduced, given the sizeable overhang of commercial real estate. At the same time, job losses associated with economic restructuring have depressed consumer confidence and contributed to an upward trend in the household saving ratio since late 1991. Nonetheless, with real disposable income picking up, consumer demand has undergone a modest revival since the spring, and growth in residential investment has resumed following some weakening earlier in the year. Final domestic demand has partly been met by a drawdown of inventories, but activity growth during 1992 has been substantially boosted by a swing in net exports.

CANADA

Demand and output

Percentage changes from previous period, seasonally adjusted at annual rates, volume (1986 prices)

	1987 current prices billion C$	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Private consumption	322.8	0.9	–1.7	0.5	2.4	3.5	–0.2	1.2	2.6	3.1	3.5	3.7
Government consumption	105.8	2.9	1.9	1.6	1.9	2.1	1.8	0.7	2.2	2.5	2.0	2.0
Gross fixed investment	116.7	–3.9	–3.7	0.7	3.2	6.3	–1.3	0.3	3.4	5.8	6.5	6.5
Public[a]	12.9	6.8	3.0	2.6	1.8	2.2	–0.7	0.5	1.8	3.0	2.0	2.0
Private residential	39.5	–9.1	–11.8	5.3	5.7	7.1	1.2	2.9	6.3	7.1	7.2	7.0
Private non-residential	64.3	–3.3	–1.4	–1.6	2.5	6.8	–2.4	–0.8	2.5	5.8	7.1	7.3
Final domestic demand	545.3	0.2	–1.4	0.8	2.5	3.8	0	0.9	2.7	3.5	3.8	4.0
* change in stockbuilding	3.1[b]	–1.3	0.6	–0.2	0.4	0.2	–1.2	0.8	0.3	0.3	0.1	0.1
Total domestic demand	548.4	–1.0	–0.9	0.6	2.9	3.9	–1.2	1.7	3.0	3.8	3.9	4.1
Exports of goods and services	145.4	4.1	0.5	7.0	7.0	7.7	5.8	6.5	7.1	7.3	7.8	7.8
Imports of goods and services	140.5	1.9	2.2	4.3	5.9	6.9	–0.2	5.0	5.9	6.7	6.9	6.9
* change in foreign balance	4.9[b]	0.6	–0.6	0.7	0.2	0.2	1.8	0.4	0.3	0.1	0.2	0.2
* change in error of estimate	–1.7[b]	0	–0.3	0	0	0	0.2	0	0	0	0	0
GDP at market prices	551.6	–0.5	–1.7	1.3	3.2	4.2	0.8	2.1	3.3	4.0	4.2	4.3
Industrial production	–	–4.2	–4.0	0.5	3.5	4.7	–1.0	2.3	3.7	4.3	4.8	4.8

* As a percentage of GDP in the previous period.
a) Excluding nationalized industries and public corporations.
b) Actual amount.

CANADA

Employment, income and inflation

Percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Employment	0.7	–1.8	–0.7	1.4	2.3	–1.7	0.3	1.6	2.0	2.4	2.5
Unemployment rate	8.1	10.3	11.2	11.3	10.8	11.0	11.4	11.4	11.2	10.9	10.7
Compensation of employees	5.4	2.8	2.9	4.5	5.4	2.5	3.6	4.7	5.1	5.5	5.5
Unit labour cost	5.9	4.6	1.6	1.3	1.2	1.7	1.5	1.4	1.1	1.2	1.2
Household disposable income	5.1	3.3	1.9	4.7	5.5	1.6	3.5	5.0	5.3	5.6	5.7
GDP deflator	3.3	2.7	1.0	2.2	2.1	0.5	2.0	2.2	2.1	2.1	2.0
Private consumption deflator	4.3	4.8	1.4	2.3	1.9	0.8	2.4	2.4	2.1	1.9	1.9

The sluggish economic expansion has been accompanied by unusually strong productivity gains, and consequently employment performance has been poor. Following some rise in mid-1991, employment fell by more than 2 per cent (annual rate) in the first two quarters of 1992. It has recovered a little since, but the loss in full-time jobs has come to an end only more recently. Greater use of part-time workers has increased employer flexibility and cut non-wage labour costs, but it has also meant lower household purchasing power, holding back the recovery of consumer spending. Unemployment rose markedly during the first half of 1992, to over 11½ per cent of the labour force; some easing in recent months reflects a renewed drop in labour-force participation. Sizeable labour-market slack and lower inflation have been reflected in low wage increases: wage settlements in the private sector have fallen to below 2½ per cent, and the annual increase in average hourly earnings has dropped from over 4 per cent at the beginning of the year towards 3 per cent. With consumer price inflation even lower, however, real incomes have been rising.

Disinflation has proceeded despite a 5 per cent depreciation of the effective exchange rate of the Canadian dollar from November 1991 to February 1992, and a further 3 per cent drop during September. Twelve-month growth in consumer prices has remained broadly stable at only 1¼ per cent since May, and underlying inflation – as measured by the CPI excluding food and energy – has continued to recede, falling to an annual rate of 1½ per cent in September 1992. This is well below the authorities' inflation target of 3 per cent by the end of 1992.

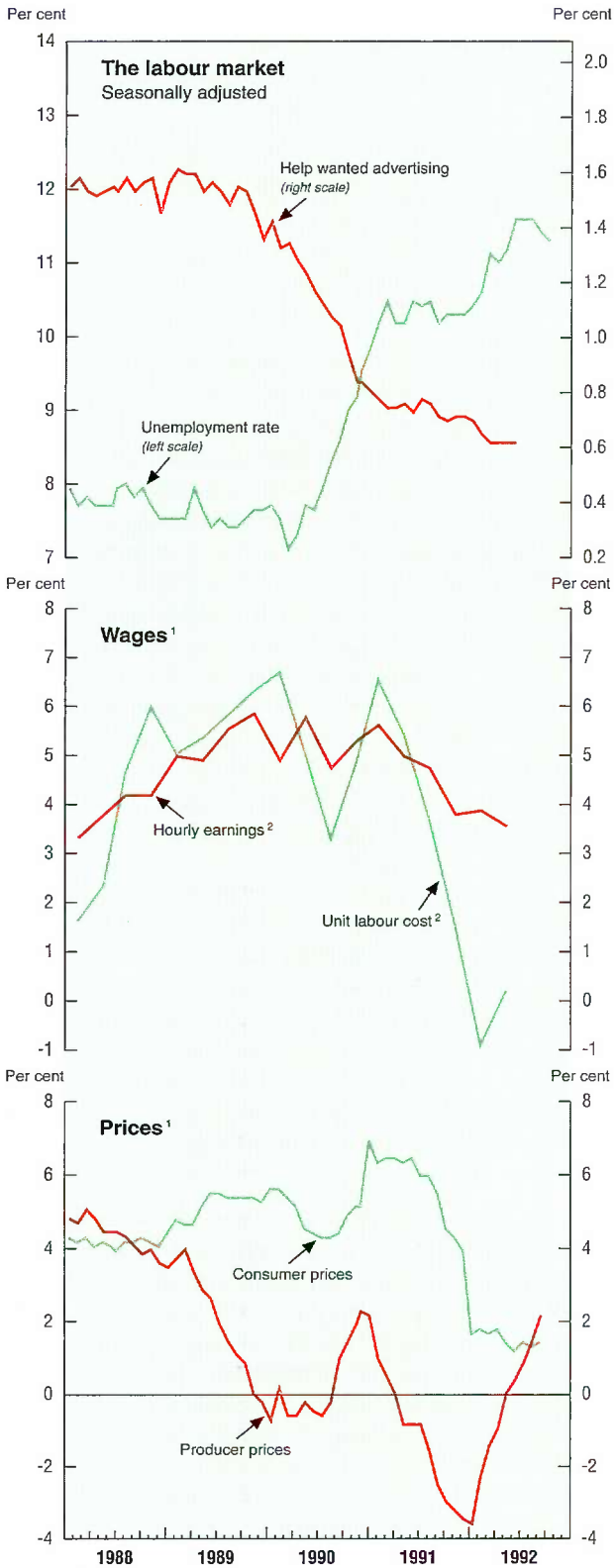
Policies and other forces acting

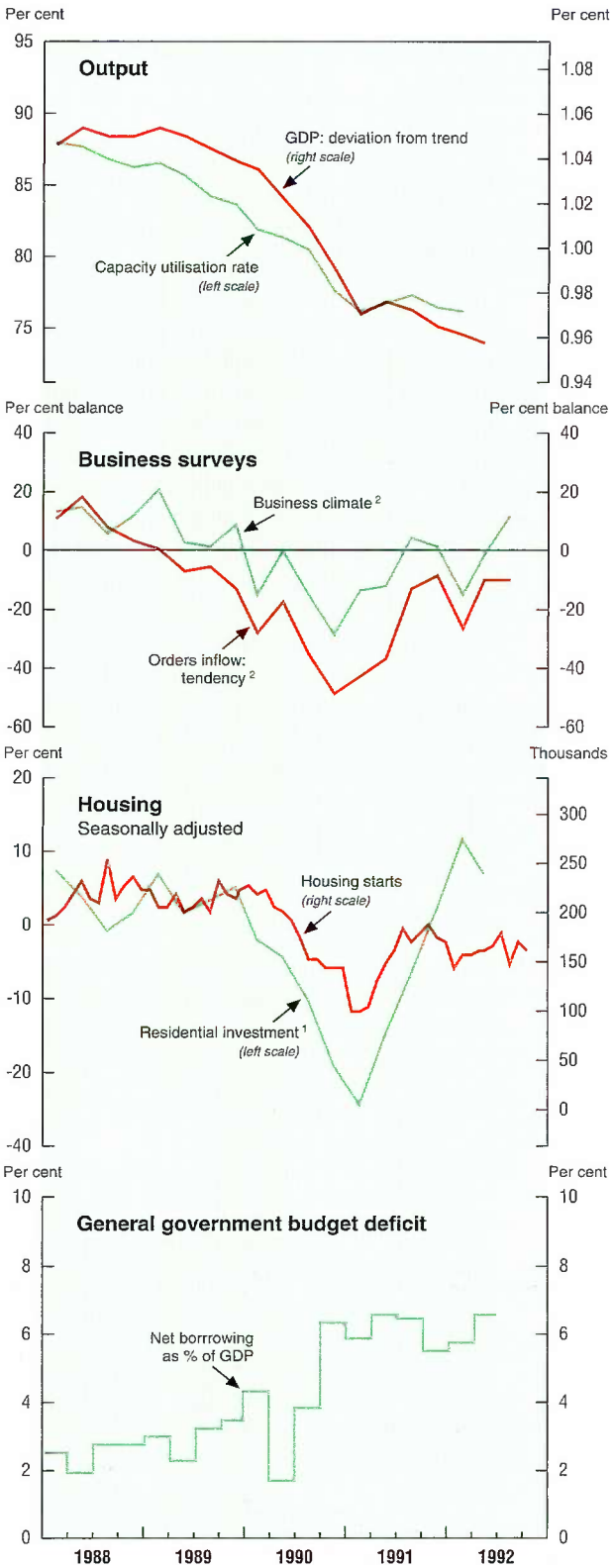
At more than 6 per cent of GDP, the general-government deficit for 1991 turned out to be considerably higher than estimated previously. However, abstracting from cyclical developments, there has been some downward adjustment, with substantial fiscal tightening at the federal-government level. With weaker-than-expected economic growth, the federal deficit is running above budget in 1992, while provincial deficits have continued to rise strongly. But given the rapid increase in indebtedness in some jurisdictions and associated financial-market pressure, almost all provinces now have begun cutting spending and some of them have raised taxes.

The Bank of Canada continued to allow interest rates to come down through early September, when the Bank rate fell below 5 per cent, down by almost 3 points from March; mortgage rates and chartered banks' prime lending rates reached 35-year and 20-year lows, respectively. Over the spring and summer, Canadian short-term interest rates declined faster than their U.S. counterparts, so that the interest-rate differential dropped to below 2 percentage points, but the Canadian dollar lost little ground. In September, however, the currency came under strong downward pressure, probably reflecting uncertainty in advance of the constitutional referendum more than economic factors. A gradual increase in the Bank rate to over 5½ per cent was not sufficient to stop the pressure, and the Canadian dollar fell from 84 to 80 U.S. cents in the course of the month. As the pressure continued, short-term interest rates were raised sharply: the Bank rate increased by 2 percentage points, and commercial banks raised their prime lending rate by the same amount to 8¼ per cent. After the referendum, short-term interest rates eased markedly: by early November, the Bank rate and the prime lending rate had fallen towards 6 per cent and to 7½ per cent, respectively. At the time of writing, however, renewed currency weakness again prompted a firming of interest rates. Long-term interest rates have changed little, after having edged up by ½ percentage point to 8½ per cent through September.

Industrial restructuring in response to supply-side reforms is having important effects on the economy. While this, together with a lower exchange rate, is leaving the economy increasingly well positioned to compete internationally, the accompanying job losses have eroded confidence and made it more difficult for the recovery to

Canada





1. Year-on-year percentage change.
2. Manufacturing.

Sources: CANSIM-Statistics Canada; OECD, *Main Economic Indicators.*

CANADA
Financial indicators

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Household saving ratio[a]	10.3	10.5	10.5	10.5	10.5	10.5	10.5	10.4	10.5	10.5	10.5
General government financial balance[b]	–4.1	–6.1	–5.8	–4.6	–3.2	–6.2	–5.5	–4.9	–4.3	–3.6	–2.9
Current balance[b]	–3.9	–4.3	–4.3	–4.2	–3.9	–4.3	–4.3	–4.2	–4.1	–3.9	–3.8
Short-term interest rate[c]	13.0	8.9	6.3	4.9	5.4	6.8	5.8	4.8	5.0	5.3	5.5
Long-term interest rate[d]	10.8	9.8	8.7	7.6	7.1	9.1	8.3	7.8	7.5	7.2	7.0

a) As percentage of disposable income.
b) As percentage of GDP.
c) 90-day finance company paper.
d) Long-term federal government bonds.

strengthen. Given the marked build-up of debt-financed consumption and investment in the late 1980s – much of it based on artificially inflated asset prices – there have been efforts to restructure household and corporate balance sheets. This process has also depressed confidence, so far outweighing the effect of easier monetary conditions. Low profits and accumulating debt have resulted in record debt-servicing burdens in the corporate sector. Although the household sector's net asset position had improved over the past decade, debt burdens have not been reduced to the same extent as following previous peaks. An additional important element holding back expansion is the lackluster U.S. expansion, which has always been an engine of growth in previous Canadian recoveries.

Prospects

The recovery is projected to continue to be weak by past standards. Unemployment is expected to remain around the current level of over 11 per cent until output growth reaches a 3 per cent rate in 1993, and slack will be taken up only slowly thereafter. In the short run, the upturn will continue to be powered mainly by exports. Improved competitiveness due to low inflation and exchange-rate depreciation should allow Canadian exporters to gain market share while restoring profit margins. Domestic demand is projected to strengthen only gradually, as consumer confidence recovers slowly and low capacity utilisation limits the need for capital-widening investment. Although there is some pent-up demand for housing, residential construction – like household demand in general – will probably gain momentum only when the employment situation shows clear signs of improvement. Job growth should strengthen during 1993, but unemployment is unlikely to show a significant decline before 1994, as the pronounced cyclical fall in labour-force participation can be expected to reverse. In such conditions, wage pressures should continue to ease. Following a temporary rise due to the effects of the recent fall in the Canadian dollar, inflation should slacken again, remaining well below the official target (2½ per cent by mid-1994). The current-account deficit is projected to narrow in relation to GDP, but to remain very large as the terms of trade worsen again in the short run and the volume adjustment to a lower Canadian dollar is progressively offset by the impact of higher domestic demand on imports.

A less favourable external environment, especially in the United States, is an important risk attached to the projections. Renewed exchange-market disturbances could also put the recovery scenario at risk. The present projections are based on the assumptions that *i)* the recent jump in short-term interest rates in response to the currency weakness will have been reversed by the end of 1992; and *ii)* that Canada's favourable inflation performance will allow a gradual narrowing of interest-rate differentials vis-à-vis the United States thereafter. If financial-market confidence remains fragile, however, the maintenance of higher-than-expected interest rates could alter the course of the economy for the worse.

CANADA
External Indicators[a]

	1991	1992	1993	1994
	$ billion			
Merchandise exports	127.4	133	144	159
Merchandise imports	121.5	126	134	147
Trade balance	5.9	8	10	12
Invisibles, net	–31.4	–32	–34	–36
Current balance	–25.5	–25	–24	–24
	Percentage change			
Merchandise export volumes[b]	1.0	7.2	7.0	7.7
Merchandise import volumes[b]	2.4	5.3	5.9	6.9
Export performance[c]	–0.8	–1.7	1.4	0.7
Terms of trade	–1.5	–0.6	–0.2	0.6

a) For further detail, see tables in Foreign Trade section of the Detailed Projections and other Backgound Information.
b) Customs basis.
c) Ratio between the total of export volumes and export market of total goods.

AUSTRALIA

A moderate economic recovery has not halted the rise of unemployment, which has reached a post-war high of more than 11 per cent of the labour force. Inflation has fallen to its lowest rate since the 1960s and inflation expectations have moderated. The current-account deficit has declined to some 3 per cent of GDP, but is likely to rise again. Steady economic recovery, accompanied by low inflation and slowly receding unemployment, is projected for 1993-94.

Recent developments. Real GDP increased by 2.4 per cent (s.a.a.r) in the second quarter of 1992, bringing growth for the fiscal year ending in June 1992 to 0.4 per cent. Notwithstanding low nominal interest rates, the recovery has been subdued compared with past upswings because of weak world commodity prices, depressed private-sector confidence, high corporate debt levels and falling asset prices.

Recovery during the first half of 1992 was limited to a rise in private consumption and housing. Business investment contracted sharply, with marked declines in non-dwelling construction in response to high vacancy rates and falling commercial rents. Net exports made a negative contribution to growth: exports performed well, but imports picked up more. The unemployment rate rose to a post-war peak of 11.3 per cent in October 1992 despite small gains in employment. The fall in employment over the past year has reflected a drop in full-time jobs, with part-time employment still rising. Nominal wage increases and CPI inflation are running at their lowest rates since the 1960s. In the twelve months to the September quarter, the rise in the CPI was 2 per cent excluding housing costs and 0.8 per cent overall.

Policies and other forces acting. Monetary conditions have eased significantly over the past year. Cash rates were cut from roughly 9 per cent in late 1991 to 5¾ per cent in July 1992 and have since remained at this level. Inflation expectations have fallen sharply, and long-term government bond yields have dropped to below 9 per cent. With a narrowing of interest-rate differentials against the major currencies and lower commodity prices, the effective exchange rate was down roughly 13 per cent by October from its level a year earlier.

Reflecting in part an easing in fiscal policy, the August 1992 budget projected a Commonwealth deficit of A$ 13.4 billion in FY 1992/93 (3.3 per cent of GDP) compared with a deficit of A$ 9.3 billion in FY 1991/92 (2.4 per cent of GDP). Revenue is projected to decline as a proportion of GDP while outlays rise, largely on

AUSTRALIA

Demand, output and prices

Percentage changes, volume (1984/85 prices)

	1987 current prices billion A$	1990	1991	1992	1993	1994
Private consumption	166.1	2.2	0.7	3.5	3.1	3.5
Government consumption	50.2	3.2	3.8	1.8	3.0	2.9
Gross fixed capital formation	67.3	–6.9	–10.4	–5.3	3.4	5.0
Final domestic demand	283.6	0.1	–1.4	1.3	3.2	3.7
* change in stockbuilding	0.0[a]	–1.3	–0.8	0.3	0.2	0
Total domestic demand	283.6	–1.2	–2.1	1.6	3.4	3.7
Exports of goods and services	47.3	10.1	12.3	5.3	6.2	6.6
Imports of goods and services	49.6	–3.5	–1.6	7.5	7.5	8.1
* change in foreign balance	–2.3[a]	2.6	2.7	–0.4	–0.3	–0.3
* statistical discrepancy	0.1[a]	0.1	–1.7	0.8	–0.2	0
GDP at market prices	281.4	1.5	–1.2	2.0	2.9	3.4
GDP implicit price deflator	–	4.3	1.6	1.5	2.1	2.3
Memorandum items						
Consumer prices[b]	–	6.2	3.6	1.9	2.1	2.3
Industrial production	–	–1.5	–5.5	2.3	3.1	3.7
Unemployment rate	–	6.9	9.6	11.0	10.6	10.0
Household saving ratio[c]	–	7.7	8.4	10.1	10.1	9.3
General government financial balance[d]	–	1.2	–2.3	–4.9	–4.2	–3.1
Current balance[d]	–	–5.0	–3.3	–3.0	–3.3	–3.4

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.
c) As a percentage of disposable income.
d) As a percentage of GDP.

account of discretionary increases in public-sector infrastructure investment and labour market and training programmes for the unemployed. The OECD Secretariat estimates that a little over one half of the fiscal deterioration at the general-government level between 1990 and 1992 is attributable to non-cyclical factors, including A$ 2 billion of state-government support in 1991/92 for state banks and related financial enterprises. The phasing-out of this assistance and revenue increases are projected to reduce the structural deficit over the coming two years.

Prospects. The recovery is projected to gather pace gradually in 1993-94, supported by strong housing investment, sustained growth in private consumption and an upswing in the stock cycle. A visible pickup in private investment is unlikely until the second half of 1993. Unemployment is projected to fall slowly to just below 10 per cent by the end of the projection period. Inflation is expected to remain low at around 2 to 2½ per cent. Notwithstanding a better export performance stemming from improved competitiveness, increasing import penetration could result in current-account deficits of around 3½ per cent of GDP in the coming few years.

The major downside risks to the outlook are that employment growth and business investment could be weaker than projected. Employment could be threatened by greater-than-projected job losses from industrial restructuring. The combination of highly-leveraged (albeit improving) corporate balance sheets and the possibility of a further deterioration in the commercial property market could delay the recovery in investment. A possible upside risk is that the active easing in both fiscal and monetary policy which has recently occurred could interact with a stronger-than-expected world recovery and rising commodity prices to produce higher output growth and inflation than projected and lower unemployment.

AUSTRIA

The impact of the economic downturn in most OECD countries on Austria has until recently been largely offset by sustained private consumption growth, a construction boom and strongly rising exports to non-OECD countries, especially Eastern Europe. But construction activity has now passed its peak, and exports and non-construction investment have started to decline. Industrial output is falling and unemployment is growing. Weak exports are expected to keep output growth below 2 per cent in 1993, but with a pickup in world trade and declining interest rates, growth could quicken in 1994.

Recent developments. Austria's GDP growth, which had been 3 per cent in 1991, slowed to 2½ per cent in the first half of 1992. The factors which continued to sustain demand early in the year have been weakening recently. Construction activity, though still strong, has slowed down; merchandise export volumes are declining, with a sharp contraction in formerly strong growth to Eastern Europe, OPEC, and the DAEs; and tourism did less well than expected in the summer months. Machinery and equipment investment declined in the first half of 1992 in response to a worsening profit situation, the deteriorating export outlook and falling capacity utilisation. On the other hand, consumption growth has continued to be relatively strong, and consumer confidence remains high.

Hourly wages in industry increased in the first eight months of 1992 by 6½ per cent compared with a year earlier, and average compensation per employed in the economy as a whole by 5½ per cent. Unit labour costs in a common currency grew faster than in competitor countries. Since the beginning of the year, inflation has hovered around 4 per cent, of which half a point is attributable to increases in indirect taxes. In the absence of weaker import prices, however, inflation would have been higher due to stubborn cost pressures in the non-tradeables sectors. Unemployment has risen as industry accelerated the pace of labour shedding, especially in the sectors most exposed to competition from Eastern European countries, such as food processing, textiles and clothing.

Policies and other forces acting. Given the exchange-rate peg to the Deutschemark, Austrian interest rates cannot deviate significantly from German rates. Short-term market interest rates peaked around mid-year and fell back to 8¾ per cent by October. Over the same period, long-term interest rates declined by 1 percentage point to 7¾ per cent. The Austrian schilling has appreciated with the Deutschemark: by 14 per cent against the U.S. dollar and by 5 per cent in effective terms over the year to October.

The medium-term target of fiscal policy is to reduce the federal government deficit to below 2½ per cent by 1994, from an estimated 3¼ per cent in 1992. The recently proposed 1993 budget foresees spending growth lower than that of GDP, but revenue-enhancing measures constitute the main source of budget improvement, notably the higher tax on interest income and capi-

AUSTRIA

Demand, output and prices

Percentage changes, volume (1983 prices)

	1987 current prices billion Sch	1990	1991	1992	1993	1994
Private consumption	837.8	3.7	2.8	2.5	2.0	3.0
Government consumption	280.4	1.2	2.2	1.5	1.0	1.0
Gross fixed capital formation	342.1	6.4	5.8	2.2	2.3	3.7
Final domestic demand	1460.3	3.9	3.4	2.3	1.9	2.9
* change in stockbuilding	13.8[a]	0.4	0.1	–0.2	0	0
Total domestic demand	1474.2	4.3	3.5	2.0	1.9	2.8
Exports of goods and services	527.1	8.1	8.1	2.6	3.1	3.9
Imports of goods and services	519.8	7.8	8.8	2.5	3.3	3.5
* change in foreign balance	7.2[a]	0	–0.4	0	–0.1	0.2
GDP at market prices	1481.4	4.4	3.1	2.0	1.8	3.0
GDP implicit price deflator	–	2.8	3.7	4.6	4.2	3.7
Memorandum items						
Consumer prices[b]	–	3.2	3.4	4.0	3.7	3.5
Industrial production	–	7.3	1.9	1.0	2.0	3.2
Unemployment rate	–	3.2	3.5	4.0	4.4	4.7
Household saving ratio[c]	–	13.3	12.8	12.3	12.2	11.8
General government financial balance[d]	–	–2.0	–2.1	–1.9	–1.6	–1.4
Current balance[d]	–	0.7	0	0.3	0.2	0.1

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.
c) As a percentage of disposable income.
d) As a percentage of GDP.

tal gains (up from 10 to 22 per cent as from 1 January 1993). A major tax reform is being prepared for 1994.

The current wage round has been led by an agreement in the metal industry providing for a 4½ increase in actual wages. In addition, however, social security charges are widely expected to be raised, adding slightly less than ½ per cent to labour costs.

Prospects. GDP is estimated to have grown at a rate of 2 per cent in 1992. Increased taxation may hold down the growth of consumption somewhat in 1993 and, with export market shares expected to shrink, GDP may grow by less than 2 per cent. However, as interest-rate-sensitive and export-related demand components can be expected to pickup through 1993, output should expand more vigorously in 1994. Inflation is projected to slow moderately over the projection horizon, from 4.3 per cent in 1992 to 3½ per cent in 1994. Unemployment could rise from 3.5 per cent in 1991 to over 4½ per cent in 1994, despite restrictions on inflows of foreign workers. The threat of rising unemployment could produce greater wage moderation than projected, thus leading to better competitiveness and higher exports, stronger investment, and more GDP growth than foreseen.

BELGIUM

The economy was rather buoyant in early 1992, but since then it has weakened markedly. Sluggish net exports, efforts to reduce the government budget deficit and a climate of uncertainty, partly related to mounting unemployment, will continue to exert negative pressures on activity. The economy is thus projected to remain weak in 1993, before recovering in 1994 following a marked decline in interest rates and a pickup in exports.

Recent developments. Economic growth slowed further in 1992, to an estimated 1¼ per cent, compared with a little over 2 per cent in 1991. The economy showed some strength in the early months of 1992, largely due to special factors – unseasonably fine weather, a realignment of indirect taxes and other fiscal measures – which temporarily boosted consumption and construction. The subsequent change in sentiment in financial markets, a disturbing increase in unemployment, and the failure of the international recovery to

BELGIUM

Demand, output and prices

Percentage changes, volume (1985 prices)

	1987 current prices billion BF	1990	1991	1992	1993	1994
Private consumption	3 463.9	2.8	2.7	2.0	2.0	2.4
Government consumption	893.2	1.2	1.1	0.6	0.2	0.2
Gross fixed capital formation	836.4	8.2	0.3	0.6	0.8	3.2
Final domestic demand	5 193.5	3.6	2.0	1.5	1.5	2.2
* change in stockbuilding	14.5[a]	–0.2	–0.2	0	0	0
Total domestic demand	5 208.0	3.4	1.7	1.5	1.5	2.2
Exports of goods and services	3 476.7	4.5	3.1	1.8	1.8	2.8
Imports of goods and services	3 334.1	4.6	2.7	2.1	2.0	2.9
* change in foreign balance	142.6[a]	–0.2	0.3	–0.3	–0.2	–0.1
GDP at market prices	5 350.6	3.3	2.1	1.3	1.3	2.2
GDP implicit price deflator	–	2.6	2.6	2.7	2.6	2.7
Memorandum items						
Consumer prices[b]	–	2.9	2.8	2.5	2.6	2.7
Industrial production	–	3.7	–2.1	1.2	1.2	2.2
Unemployment rate	–	8.7	8.8	9.3	9.6	9.6
Household saving ratio[c]	–	15.1	17.0	17.0	17.0	16.8
General government financial balance[d]	–	–5.8	–6.4	–6.1	–5.5	–4.4
Current balance[d,e]	–	1.9	2.2	1.8	2.0	2.2

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.
c) As a percentage of disposable income.
d) As a percentage of GDP.
e) Balance for BLEU.

materialise has led to an appreciable slowdown. Exports have been sluggish, with shipments to Germany actually lower than a year ago. But the Belgium-Luxembourg Economic Union (BLUE) current account has remained in comfortable surplus. The rapid increase in unemployment seems to have reflected both a decrease in employment and an acceleration in the growth of the labour force. Inflation performance has been good: the increase in the consumer price index over 12 months declined to 2.2 per cent in October. But underlying inflation – excluding food and energy prices – was still 3.4 per cent in October, practically the same as the 1991 average.

Policies and other forces acting. Most of the forces which caused the economy to weaken in mid-1992 seem likely to operate well into 1993, but their impact should progressively fade. Interest rates have fallen since the summer and differentials with Germany have practically returned to the levels of late spring. Although interest rates remain high, especially when compared with the rate of inflation, they are expected to decline appreciably over the projection period, in line with German rates. While in terms of monetary variables, Belgium fared better than most European countries in the September EMS crisis, given the openness of its economy it is especially affected by the less favourable international climate now prevailing and the slowdown in neighbouring countries. With costs and prices evolving broadly in line with those in partner countries, recent exchange rate movements have resulted in a loss of international competitiveness; until export market growth accelerates, exports can hardly be counted on to buoy the economy. On the other hand, after a steep drop in the first months of 1992, the leading indicators of the National Bank declined less rapidly over the summer, and in the construction industry building permits point to some further strength, especially in housing.

Fiscal consolidation, especially achieving the Maastricht target in this area, remains the top economic priority of the Government. The 1993 budget, presented in August, included a series of tax increases (the most important one being the suspension of the indexation of tax brackets) and a few expenditure cuts, together amounting to an estimated 1½ per cent of GDP. In October, responding to the unexpected slowdown of the economy, the Government announced additional fiscal measures representing a budget saving estimated at ¼ per cent of GDP. If needed, further measures will be taken to ensure that the 1993 deficit target of 5.2 per cent of GDP is achieved. Including the October measures, the budget deficit is projected by the OECD to remain above target in 1993, as the negative impact of slower growth will more than offset the positive impact of lower interest rates. In 1994, however, the pickup of the economy could

combine with a further sizeable decline in interest rates to push the deficit below 4½ per cent of GDP, about the level set in the Government's ''Convergence plan 1992-96''.

Prospects. The economy is projected to remain weak next year, before rebounding somewhat in 1994 as a result of a sharp decline in interest rates in parallel with those in Germany, a better international climate and a pickup in exports. The recent downward adjustment of expenditure and output is expected to level off progressively during 1993. The high saving ratio, the healthy financial position of households and generous unemployment benefits should generate consumption growth, even with a further increase in unemployment. Housing in Belgium is typically very sensitive to changes in mortgage rates, and this sector can be expected to react quickly to the very large projected decline in interest rates, leading the upturn of the economy in 1994. Growth below potential and slack conditions in the labour market should further moderate the growth of wages and unit labour costs, thereby maintaining international competitiveness. Inflation, as measured by the private consumption deflator, should remain subdued at less than 2¾ per cent.

The risks seem to be mainly on the downside. Households may feel it prudent to decrease their consumption growth further, while business investment may prove less resilient than projected, especially in the event of a new upheaval in international financial markets. Also, in an environment of high uncertainty, monetary easing alone may not stimulate borrowing and spending appreciably.

DENMARK

Slow output growth, mainly driven by exports, has been insufficient to halt the climb in unemployment. Private investment activity has been weak in response to low rates of capacity utilisation and high interest rates. Credit conditions look set to ease with lower German interest rates. Together with rising real incomes and pent-up demand for consumer durables, this should help to strengthen consumption and subsequently other domestic demand components. Output growth may quicken to above its potential rate and unemployment could start falling slowly from late 1993 on.

Recent developments. Output continued to expand slowly in 1992, accompanied by falling inflation but also by rising unemployment. Private consumption, which had advanced briskly last year creating expectations of an imminent upswing in domestic demand, lost momentum in the first half of 1992, and current indicators do not point to an early pick up. Ample spare capacity prompted businesses to cut capital spending substantially, while buoyant public infrastructure investments and some rebound in government consumption contributed to domestic demand growth. Activity continued also to be supported by strong, albeit declining, advances in exports. As a result, the current-account surplus climbed to more than 3 per cent of GDP in the twelve months to September.

With output growth remaining subdued, labour shedding has continued, pushing the unemployment rate to over 11 per cent in the third quarter. The slack in the economy has further dampened inflation: measured by the 12-month increase in the consumer price index, it fell from 2.4 per cent in 1991 to 2 per cent in September. The recent effective appreciation of the krone has added to the downward pressure on prices.

Policies and other forces acting. High interest rates rather than sagging consumer sentiment appear to have been the major force behind continued high thrift. However, Danish voters' rejection of the Maastricht treaty at the June referendum seems to have adversely influenced business confidence. Increased uncertainty about future exchange-rate arrangements in Europe prompted the Central Bank to raise its key interest rate on certificates of deposits by 0.65 percentage points the day after the referendum. Differentials *vis-à-vis* German rates rose some 0.5 percentage points at both ends of the market. Further rises occurred during August and September amid shaken confidence in the financial sector, where loan losses have been heavy, unsettled foreign exchange markets, and fears that the authorities would abandon earlier commitments to refrain from expansionary measures to reduce unemployment.

Restoration of calm in foreign-exchange markets permitted an unwinding of earlier increases in central bank rates, and differentials *vis-à-vis* German rates narrowed from more than 4 to close to 1 percentage point for 3-month rates and from 2 to 1.3 percentage points for 10 year government bonds during October and early November. Renewed unrest in exchange markets following the floating of the Swedish krona prompted the Central Bank to raise its key policy rate to 15 per cent on

DENMARK

Demand, output and prices

Percentage changes, volume (1980 prices)

	1987 current prices billion DKr	1990	1991	1992	1993	1994
Private consumption	377.9	0.4	2.3	1.8	2.1	2.7
Government consumption	176.2	–1.0	–1.2	0.8	0.5	0.2
Gross fixed capital formation	138.0	–0.5	–3.1	–5.9	2.5	5.2
Final domestic demand	692.1	–0.1	0.4	0.1	1.8	2.5
* change in stockbuilding	–5.1[a]	–0.7	–0.3	0.1	0.1	0.1
Total domestic demand	687.0	–0.8	0	0.2	1.9	2.7
Exports of goods and services	220.1	8.0	6.0	3.9	4.0	4.2
Imports of goods and services	207.2	2.1	3.9	2.1	4.0	5.2
* change in foreign balance	12.9[a]	2.5	1.2	1.0	0.3	0
GDP at market prices	699.9	1.7	1.2	1.2	2.1	2.4
GDP implicit price deflator	–	2.1	2.9	2.4	1.8	1.8
Memorandum items						
Consumer prices[b]	–	2.1	2.4	2.1	1.6	1.8
Industrial production	–	0.1	2.8	1.8	2.3	2.7
Unemployment rate	–	9.5	10.4	11.0	11.0	10.6
General government financial balance[c]	–	–1.4	–2.0	–2.6	–2.4	–1.8
Current balance[c]	–	1.1	1.7	3.0	3.3	3.1

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.
c) As a percentage of GDP.

20 November, differentials *vis-à-vis* German rates increasing to 2.2 and 1.6 percentage points for 3-month and long rates, respectively. Falling German rates over the projection period should translate into lower Danish rates. In addition, low inflation and a comfortable external surplus should permit a renewed narrowing of differentials *vis-à-vis* Germany.

The 1993 budget proposals, as presented to Parliament in August 1992, call for maintenance of a broadly neutral fiscal stance. If implemented, they would reverse the recent rise in the general government budget deficit: after stabilising at 2½ per cent of GDP in 1993, the deficit could fall to 2 per cent in 1994. It is unlikely, however, that the initial budget proposals will be voted unchanged. The Government has recently stated that it would like to see a more expansionary 1993 budget. However, the details of new measures are not known yet. The scope for fiscal manœuvre would seem very limited. A major easing of fiscal restraint would carry the risk of weakening confidence in the Government's fixed-exchange rate commitment, leading to higher interest rates and the crowding out of private demand.

Prospects. GDP growth is estimated to pick up in 1993 to some 2 per cent, with domestic demand replacing exports as the mainstay of the expansion. As interest rates fall, demand for consumer durables should strengthen and the slump in housing and business investment be reversed. Although domestic cost increases can be expected to remain moderate, the recent effective appreciation of the krone will make it more difficult for Danish suppliers to gain market shares. However, with world markets picking up, exports are projected to continue to rise briskly. Import growth is likely to quicken, but falling net interest payments may keep the current-account surplus above 3 per cent of GDP throughout the projection period. As growth gathers momentum, some dent should be made in the unemployment rate, though it may still be around 10½ per cent at the end of 1994. At this level, the risk of excessive wage pressure is small, but given the high structural component of unemployment, wages could accelerate quickly if the upswing in domestic demand turns out to be faster than projected.

FINLAND

The sharp fall in output in 1991 came to an end as a rapid upswing in exports led to a revival of economic activity during 1992. With domestic demand remaining weak, however, the recovery has not yet been sufficiently strong to prevent a further rise in unemployment. A substantial improvement in external competitiveness is expected to accelerate export growth over the next two years, and the recovery should gradually strengthen. The large output gap should help in keeping inflation down despite the markka depreciation, while the external deficit is expected to decline progressively.

Recent developments. Having contracted by about 10 per cent from mid-1990 to the end of 1991, output began to recover slowly in the second half of 1992. The unemployment rate has continued to rise, however, exceeding 13 per cent in late 1992. Given the substantial slack in product and labour markets, inflation has remained low, the annual increase in the consumer price index being around 2½ per cent. The trade balance has swung into surplus, but the deficit on the current account is still large, reflecting the burden of foreign debt-interest payments.

The recent recovery has been led by a rapid revival of exports. This started in late 1991 when exports were boosted by a sharp improvement in price competitiveness following a sizeable depreciation of the markka. Finnish producers increased their share on OECD export markets, thus compensating for the market collapse in the former Soviet Union. The positive influence on activity exerted by the export upswing has been partly offset by a continued steep decline in private consumption and investment. Falling real incomes, extremely high real interest rates, and the ongoing financial consolidation in the private sector have contributed to these developments. Output in services, construction and those manufacturing industries which are heavily dependent on domestic markets has been particularly affected by the fall in domestic demand.

Policies and other forces acting. Macroeconomic policies have been strongly constrained by recurrent speculative pressures against the markka. Renewed massive capital outflows led the authorities to suspend the exchange rate link with the ecu; and the markka has floated since 8 September 1992. Since then, the currency has depreciated by about 10 per cent. The persistent uncertainty on the foreign exchange markets as well as the need to increase exchange reserves have constrained the central bank to keep domestic interest rates high relative to foreign rates.

FINLAND

Demand, output and prices

Percentage changes, volume (1985 prices)

	1987 current prices billion Mk	1990	1991	1992	1993	1994
Private consumption	214.0	0.2	–3.8	–5.0	–2.3	1.5
Government consumption	81.3	4.4	3.1	–0.3	–3.5	–1.5
Gross fixed capital formation	93.3	–4.9	–19.0	–11.1	–0.1	4.8
Final domestic demand	388.6	–0.3	–6.3	–5.3	–2.1	1.5
* change in stockbuilding	–0.9[a]	–0.5	–2.4	0.2	0.6	0.4
Total domestic demand	387.7	–0.8	–8.5	–5.1	–1.6	1.9
Exports of goods and services	100.0	1.6	–6.3	9.0	11.0	12.3
Imports of goods and services	97.8	–0.9	–11.7	–2.2	0	6.0
* change in foreign balance	2.3[a]	0.7	2.1	3.2	3.4	2.3
* change in statistical discrepancy	1.6[a]	0.5	0.1	0	0	0
GDP at market prices	391.6	0.3	–6.5	–2.0	1.9	4.1
GDP implicit price deflator	–	5.5	2.3	2.0	2.8	3.8
Memorandum items						
Consumer prices[b]	–	5.9	5.3	3.6	4.0	4.5
Industrial production	–	0.3	–8.9	5.0	7.5	8.0
Unemployment rate	–	3.5	7.6	12.7	13.1	12.4
General government financial balance[c]	–	1.4	–5.9	–8.2	–7.1	–5.7
Current balance[c]	–	–5.0	–5.2	–3.8	–1.7	0.2

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts private consumption deflator.
c) As a percentage of GDP.

The need to enhance fiscal policy credibility has been increasingly acknowledged. Following the widening of the budget deficit in 1991 by more than 7 per cent of GDP, the fiscal stance has been tightened in 1992. Due to the continued cyclical weakness of activity, the budget deficit is nonetheless still estimated to have increased considerably in 1992. Further spending cuts and a temporary tax increase were decided by the government in the context of the 1993 budget. Central government expenditure is now projected to fall by about 6 per cent in real terms in 1993. Large spending cuts are also planned for 1994 and 1995, in order to reduce the volume of central government expenditure to its 1991 level by the mid-1990s.

Falling asset values and increasing corporate bankruptcies have provoked a sharp increase in the share of non-performing loans and loan losses in banks' balance sheets since 1991. In order to limit the adverse repercussions of these disturbances on credit supply, the government has injected a substantial amount of capital into the banking sector. So far, however, bank lending capacity has hardly been constrained, as the deep recession and private-sector financial consolidation have considerably reduced credit demand.

Prospects. Current indicators suggest a continued export-led recovery, but still depressed domestic markets, as evidenced by the persistent fall in retail sales and weak consumer confidence. Furthermore, business surveys point to a further decline in private investment, given the substantial unused capacity in most industries.

The further gains in export market shares are expected to lead an increasingly buoyant recovery in 1993 and 1994. While business investment will start to revive in export sectors, both private consumption and residential investment are expected to decline further in real terms in 1993, due to high real interest rates and a further fall in households' real disposable income. Some strengthening of private demand is projected for 1994. The strong export upswing and weakness of import demand are expected to result in a sizeable trade surplus, leading to a rapid reduction in the current-account deficit. Not much improvement is foreseen in the employment situation, partly because the pattern of projected output growth is concentrated on capital-intensive industries. On the other hand, the continuing high unemployment rate should restrain the extent to which the rise in import prices resulting from the recent exchange-rate depreciation will pass through into domestic price and wage increases.

A major downside risk to the projection lies in the current fragility of the financial system. A further deterioration of banks' balance sheets could affect the supply of credit and hence the speed of the recovery. Upward pressure on interest rates could also intensify should the current plans for fiscal consolidation not materialise and confidence in the markka consequently slip.

GREECE

Weakening demand pressure in the first half of 1992 helped to lower inflation and to halve the current-account deficit compared with the previous year. The increase in indirect taxation and structural reforms announced in July raised prices and provoked widespread strikes which disrupted production in the third quarter. This, and the recent turmoil in international financial markets, led the authorities to lift interest rates from their already high levels and impose temporary restrictions on capital movements to protect the drachma. The very tight policy stance should lead to significant progress in fiscal consolidation and contribute to easing inflation pressures. But in the short run it will also further dampen domestic demand and GDP growth.

Recent developments. Final domestic demand growth remained weak in 1992. Private consumption was subdued, reflecting sizeable real cuts in pensions and public sector wages. Residential investment declined further due to high interest rates and increased taxation. The only strong expansionary domestic element was public sector investment. In addition, strikes in the third quarter adversely affected production, thereby limiting GDP growth to an estimated 1¼ per cent in 1992 and contributing to a further rise in unemployment.

Productivity gains, moderate import price increases and, more importantly, weak domestic demand reduced inflation to 13 per cent in the 12 months to July 1992 from 18 per cent in December 1991. Following the increase in energy taxes of some 40 per cent, inflation moved up to 15.9 per cent in October.

Policies and other forces acting. The budget deficit (on a cash basis) in the first half of 1992 was running considerably above the budget target of 8.7 per cent of GDP, due to the failure to curb tax evasion and restrict public-sector recruitment. With the aim of reducing the deficit, the government increased energy taxes and the withholding tax on interest receipts from bank deposits from 10 to 15 per cent. It also announced a freeze on

GREECE

Demand, output and prices

Percentage changes, volume (1970 prices)

	1987 current prices billion Dr	1990	1991	1992	1993	1994
Private consumption	4 346.9	2.0	1.2	1.3	1.0	1.6
Government consumption	1 224.8	–0.1	–0.7	0.7	–0.7	–0.2
Gross fixed capital formation[a]	1 074.7	5.7	–2.0	0.6	2.1	4.5
Final domestic demand	6 646.4	2.2	0.4	1.1	0.9	1.8
* change in stockbuilding	28.3[b]	–1.2	2.3	–0.4	0	0.2
Total domestic demand	6 674.7	1.1	2.5	0.8	0.9	2.0
Exports of goods and services	1 536.8	0.8	16.4	6.4	5.8	6.0
Imports of goods and services	1 993.4	11.9	13.2	3.8	4.0	5.3
* change in foreign balance	–456.7[b]	–3.9	–0.7	0.3	0.1	–0.4
* error of estimate	40.5[b]	2.7	–0.2	0	0	0
GDP at market prices	6 258.5	–0.1	1.8	1.2	1.1	1.8
GDP implicit price deflator	–	20.5	19.5	15.8	12.7	9.2
Memorandum items						
Consumer prices[c]	–	19.7	18.5	15.7	12.9	9.1
Manufacturing production	–	–2.6	–1.3	–1.0	0.9	2.1
Unemployment rate	–	7.0	8.2	9.1	10.2	10.5
Household saving ratio[d]	–	21.0	20.7	18.2	17.3	17.9
General government financial balance[e]	–	–18.6	–16.1	–13.2	–10.6	–9.5
Current balance[e]	–	–5.3	–2.1	–2.4	–2.2	–2.1

* As a percentage of GDP in the previous period.
a) Excluding ships operating overseas.
b) Actual amount.
c) National accounts implicit private consumption deflator.
d) As a percentage of disposable income.
e) As a percentage of GDP.

public sector recruitment. In September a new pension law was adopted, restricting considerably pension entitlements starting from 1993. Despite prolonged strikes against austerity policies, the government announced that additional measures of restraint will be included in the 1993 Budget. It is assumed that efforts to reduce tax evasion and government employment will be intensified, leading to a further decline in the deficit in 1993. The PSBR including privatisation receipts may fall to below 10 per cent of GDP in 1993, one-half the 1990 level; and it is assumed that a further small reduction will take place in 1994.

Monetary policy has remained tight, with bank lending rates continuing to exceed 30 per cent (about 15 per cent above inflation). Reflecting weak sales prospects and high interest rates, private demand for credit remained moderate during the first nine months of 1992 and the growth of M3 was close to the 9 to 12 per cent target range. The authorities, wishing to maintain to the moderate depreciation objective (aiming at a small real appreciation) and to fend off speculation against the drachma, imposed controls on capital movements and raised short-term interest rates considerably in September. As a result, pressures against the drachma eased, and its effective rate remained broadly stable between August and end-October. Reflecting large, though decreasing, budget deficits and in order to bear down on inflation and maintain confidence, the monetary policy stance is likely to remain tight over the projection period, with nominal interest rates decreasing at a relatively slow pace.

Prospects. GDP growth is projected to be about 1 per cent in 1993, picking up a bit in 1994. Increased taxation, including a marked increase in social security contributions, and a further decline in real wages and pensions in the public sector will slow the growth of consumption in 1993. Public investment should provide an important support to activity as the authorities speed up the ambitious infrastructure programme, partly financed by the EC. Business investment is expected to turn up, reflecting improved confidence, as interest rates, inflation and the PSBR decline, but total private investment may remain flat because of the depressed housing market. By 1994, total investment could be stronger, reinforced by foreign investment, including by expatriates. The contribution to GDP of the real foreign balance is likely to be positive again in 1993, before turning negative in 1994 as domestic demand recovers, led by investment with a high import content.

Because of the carry-over from indirect tax increases in 1992, the decline in the annual increase in

consumer prices will be small in 1993. But underlying inflation is expected to slow markedly, influenced by the decelerating trend in unit labour costs and the slack in demand. The current-account deficit is expected to fall in 1993 and 1994 and be largely covered by foreign direct investment.

These projections depend crucially on fiscal consolidation and a consequent revival of confidence. Should this not be carried through, there is a risk that the investment recovery will not materialise, leading to a prolongation of stagflation.

ICELAND

Low stocks of cod have led to large production cutbacks in 1992, and quotas for 1993 have been cut back sharply. This is the major factor behind an expected decline in real GDP of about 3 per cent in 1992 and 1 per cent in 1993. The unemployment rate increased by over a percentage point in 1992, but inflation has fallen sharply to one of the lowest in the OECD.

Recent developments. Output of export industries stagnated in both 1991 and 1992: fisheries production was constrained by poor codfish stocks and reduced quotas. In 1991, this weak export growth was offset by a sharp pickup in domestic demand. The combination of weak export production and booming domestic demand led to a sharp widening in the current-account deficit, to nearly 5 per cent of GDP. However, domestic demand contracted sharply in a variety of areas in 1992. Central government budget problems have forced a slowdown in government consumption growth, public investment in electric power has dropped sharply, and Icelandair finished a modernisation of its fleet of aircraft last year. The current-account deficit has shrunk in 1992, but foreign debt – now about 50 per cent of GDP – is still rising.

Policies and other forces acting. The 1992 and 1993 budgets contain a variety of measures aimed at reducing the central government deficit. The government has cut back growth of public health-care spending by restructuring medical insurance programmes and by shutting down part of a publicly-owned hospital in financial difficulty. To increase revenues, the government has widened the base for the VAT and for property taxes. These efforts have led to a drop in the budget deficit to an estimated 2½ per cent of GDP from a 1991 level of more than 3 per cent, despite a deterioration of economic activity and employment. On November 23, the government devalued the króna by 6 per cent. At the same time a tax restructuring package was introduced in the parliament,

ICELAND

Demand, output and prices

Percentage changes, volume (1980 prices)

	1987 current prices million IKr	1990	1991	1992	1993	1994
Private consumption	129.8	–0.6	5.6	–3.5	–2.0	1.0
Government consumption	36.8	4.1	5.2	0.5	2.0	1.2
Gross fixed capital formation	41.0	2.8	2.9	–14.0	–5.2	1.7
Final domestic demand	207.6	1.1	5.0	–4.9	–1.7	1.2
* change in stockbuilding	–0.4[a]	–0.3	0.8	–0.1	–0.3	0.2
Total domestic demand	207.2	0.8	5.8	–5.0	–2.1	1.3
Exports of goods and services	73.1	–0.4	–5.9	–0.5	–0.1	0.4
Imports of goods and services	74.0	0.7	5.8	–6.8	–3.6	1.2
* change in foreign balance	–0.9[a]	–0.4	–4.1	2.2	1.2	–0.3
GDP at market prices	206.3	0.4	1.5	–2.8	–0.9	1.0
GDP implicit price deflator	–	14.3	7.6	3.2	1.4	0.6
Memorandum item						
Consumer prices[b]	–	16.2	5.9	4.0	1.0	0.2
Unemployment rate	–	1.8	1.5	2.9	4.0	4.7
Current balance[c]	–	–2.7	–4.9	–3.6	–2.6	–3.0

* As a percentage of GDP in the previous period.
a) Actual amount.
b) Consumer price index.
c) As a percentage of GDP.

with the aim of improving the country's external position: the package includes a reduction in business taxes for 1993, to be offset by increases in personal and excise tax rates.

Prospects. Codfish quotas have been cut back for the coming year, and additional reductions are likely for the season beginning in September 1993, if stocks are to be rebuilt to normal levels. The current and prospective catch of other species of fish is more favourable; in all, however, fisheries output is expected to decline slightly in 1993. Some pickup is possible in aluminium production if world demand improves, but construction of the Atlantal smelter will require a significant rise in aluminium prices from current levels. With overall GDP declining further in 1993, the unemployment rate is likely to continue to rise to some 4 per cent, complicating efforts to reduce the budget deficit. A somewhat smaller deficit is nonetheless anticipated, with about 1 billion krónur in revenues from the sale of a state-owned bank offsetting increased public investment in roads. The devaluation of the króna, which occurred after the forecast was finalised, will likely add about 2 or 3 percentage points to consumer price inflation in 1993, but disinflation is expected to resume thereafter.

IRELAND

The Irish economy has been performing relatively well considering the unfavourable international environment. Led by a robust export performance, GDP has continued to expand at about 2½ per cent a year. However, the unemployment problem has worsened, adding to budgetary pressures. Moreover, despite low inflation and a substantial current-account surplus, maintaining the parity of the Irish punt within the narrow band of the ERM has necessitated higher interest rates. Although consumer demand is expected to strengthen, the combination of higher interest rates and a substantial appreciation of the punt against sterling is expected to restrain investment and exports, leading to a slowing of GDP growth in 1993.

Recent developments. In contrast to the 1989-90 period, economic growth in the last two years has been driven more by the external sector than by domestic demand. Both business and consumer confidence have been weak, with negative effects on investment and con-

IRELAND

Demand, output and prices

Percentage changes, volume (1985 prices)

	1987 current prices million Ir£	1990	1991	1992	1993	1994
Private consumption	11 999	3.0	0.3	2.8	3.4	3.6
Government consumption	3 594	5.2	1.3	2.6	1.9	1.8
Gross fixed capital formation	3 322	10.8	–6.5	3.2	3.8	3.8
Final domestic demand	18 916	4.9	–0.9	2.9	3.2	3.3
* change in stockbuilding	29[a]	1.4	0.2	–3.0	0.4	0.5
Total domestic demand	18 945	6.3	–0.7	–0.6	3.7	4.0
Exports of goods and services	11 785	8.8	4.9	8.4	3.1	4.1
Imports of goods and services	10 468	6.0	0.7	5.0	5.3	5.8
* change in foreign balance	1 318[a]	2.5	3.1	3.2	–0.9	–0.5
GDP at market prices	20 263	8.3	2.5	2.6	2.3	2.9
GDP implicit price deflator	–	–1.6	1.2	3.2	2.3	2.7
Memorandum items						
Consumer prices[b]	–	1.7	3.2	3.6	2.1	2.6
Industrial production	–	4.7	3.4	2.7	4.8	5.5
Unemployment rate	–	13.7	15.8	17.2	19.3	20.1
Household saving ratio[c]	–	12.1	13.5	13.7	14.2	13.9
General government financial balance[d]	–	–1.8	–1.9	–2.5	–2.8	–2.8
Current balance[d]	–	2.2	4.3	6.6	5.2	4.7

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.
c) As a percentage of disposable income.
d) As a percentage of GDP.

sumption. With virtual stagnation of employment, the increase in the labour force has resulted in a surge in the unemployment rate, as large-scale emigration, which acted as a "safety valve" during the 1980s, has given way to net inward migration. Higher unemployment has helped both to restrain wage growth and to raise the saving ratio, holding back consumption growth. With gross fixed investment falling by 6.5 per cent, total domestic demand declined in 1991.

Reflecting weak domestic demand, the growth of imports has been modest. Export growth, by contrast, has been strong, driven by the high-technology and agricultural sectors. Export performance was particularly impressive in the first half of 1992, further widening the trade surplus. As a result, the current-account surplus has reached record levels. Inflation (measured by the consumer price deflator) has been running in the 3¼ to 3½ per cent range, although this somewhat overstates the underlying rate because of the phasing in of higher indirect taxes.

Policies and other forces acting. The policy commitments to curtail public sector borrowing and maintain the value of the Irish punt within the narrow band of the EMS have recently come under pressure, even after several years of significant fiscal consolidation and monetary convergence. The growth slowdown has adversely affected tax revenues, while higher interest rates and unemployment have put upward pressure on public spending. Corrective action was taken in mid-year to contain the slippage from the FY 1992 target (of 2.4 per cent of GNP) for the Exchequer Borrowing Requirement. However, continued pressures on public spending, together with commitments to reduce indirect taxes (within the context of EC harmonisation) are likely to induce a widening in the budget deficit in 1993 unless further compensating action is taken.

Financial developments were favourable for much of the first half of 1992, with rising external reserves allowing an easing of money-market rates and a narrowing of the interest rate differential *vis-à-vis* Germany. However, interest rate differentials widened from June onwards, and since the exchange market turbulence in September, Irish short-term rates (3 months) have exceeded German rates by 5 percentage points compared with around 1 percentage point at the end of 1991.

Prospects. Retail sales data suggest that a pickup in consumption may already be under way, and as lower import prices feed through to consumer prices and real incomes this trend is likely to be reinforced. Business fixed investment may be slower to recover, largely because of continued weakness in private non-residential construction, but on the assumption that interest rates will return to more normal levels, final domestic demand could rise by between 3 and 3½ per cent in 1993 and 1994.

However, with the Irish currency having appreciated by 15 per cent compared with the former central ERM rate against sterling, and by about 7 per cent in effective terms since the second half of 1991, the competitive advantage which Ireland has enjoyed in manufactured trade has been severely eroded. A Ir£ 50 million "market development fund" has been set up to assist manufacturing firms squeezed by the decline in sterling, but this is unlikely to be effective in restoring profitability in the longer run unless firms use the breathing space to reorganise and cut costs. In the meantime, export growth is expected to slow and the contribution to growth from the foreign balance to turn negative. GDP growth may therefore slow to around 2¼ per cent in 1993. It could pick up towards 3 per cent in 1994, but given the lags with which the demand for labour reacts, unemployment could increase further to reach 20 per cent by 1994.

A significant downside risk attaches to the projections because of recent interest and exchange rate developments. If, contrary to the assumption made, interest rates should have to be sustained at current high levels, this could threaten both fiscal stabilisation objectives and long-run growth prospects.

LUXEMBOURG

Economic growth may have slowed to around 2½ per cent in 1992. It is projected to remain at around this rate in 1993 before picking up in 1994 as a result of sharply lower interest rates, developments in neighbouring countries, and stronger exports.

Recent developments. The economy was rather buoyant in the first months of 1992 but since then it seems to have weakened appreciably. The impact of the 1991 tax reform, which boosted households' disposable income and private consumption, has faded, and conditions in the steel industry have remained depressed. Moreover, a small, highly open economy like Luxembourg could hardly have escaped the repercussions of the deterioration in the international environment and the slowdown in neighbouring countries. For the year as a whole, the rate of growth of real GDP may have been around 2½ per cent. Reflecting exchange rate move-

LUXEMBOURG

Demand, output and prices

Percentage changes, volume (1985 prices)

	1987 current prices billion LF	1990	1991	1992	1993	1994
Private consumption	134.7	3.4	4.3	3.5	3.0	3.4
Government consumption	38.5	3.2	3.2	2.9	2.9	2.8
Gross fixed capital formation	58.3	9.4	6.5	4.9	4.4	5.1
Final domestic demand	231.5	4.8	4.7	3.7	3.3	3.7
* change in stockbuilding	–1.8[a]	–1.2	0.2	–0.2	–0.1	0
Total domestic demand	229.7	3.4	4.8	3.4	3.1	3.6
Exports of goods and services	223.8	2.2	5.1	4.0	3.7	4.7
Imports of goods and services	225.7	3.1	6.7	4.8	4.4	5.1
* change in foreign balance	–1.8[a]	–1.0	–1.7	–1.0	–0.9	–0.6
GDP at market prices	227.8	2.3	3.1	2.5	2.3	3.1
GDP implicit price deflator	–	2.1	1.6	3.5	3.3	3.0
Memorandum items						
Consumer prices[b]	–	4.2	3.2	2.8	2.9	2.9
Industrial production	–	–0.6	0.5	1.2	1.1	2.3
Unemployment rate	–	1.1	1.3	1.5	1.5	1.4

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.

ments and a favourable shift in the terms of trade, inflation – as measured by the private consumption deflator – may have declined to less than 3 per cent, despite an upward adjustment in VAT rates at the beginning of 1992, in line with EC harmonisation. Conditions have eased in the labour market: the increase of both total employment and cross-border workers has abated while the unemployment rate has risen.

Policies and other forces acting. Monetary conditions are expected to ease appreciably in the BLEU over the next year or so, with interest rates declining markedly in response to the projected fall in German rates and a further, minor narrowing of the differentials with Germany which, especially at the longer end of the market, have already returned to the levels prevailing before the September EMS crisis. Budgetary policy continues to be set with a view to structural conditions and requirements. The 1993 draft budget shows a small deficit which, at less than ¾ of a per cent of GDP, is of the same order of magnitude as the outturn in 1991 and 1992 (for both years, however, the draft budget presented a surplus). Apart from the second phase of the realignment of VAT rates and the increase in excise taxes, there are no new major measures in the budget which, all considered, should lend some support to demand. On the other hand, slack conditions in the steel industry will weigh on activity and exports, but thanks to the successful diversification of the economy this impact will be limited.

Prospects. The economy is likely to remain sluggish in 1993, with GDP growth around 2¼ per cent. But in 1994, the projected decline in interest rates combined with an improved international climate and an upturn in the OECD area should strengthen domestic demand and net exports, so that GDP growth could accelerate to a little over 3 per cent. Inflation is expected to stabilise at around 3 per cent, as the impact of the increase in VAT and excise taxes scheduled for the beginning of 1993 is likely to be largely offset by the recent appreciation of the exchange rate. Labour market conditions may continue to ease in 1993, but in 1994 the increase in employment and in cross-border workers is likely to pick up, with the unemployment rate edging down.

NETHERLANDS

The economy slowed further in 1992 and is likely to remain weak in 1993. In addition to fiscal consolidation and high interest rates, slack foreign demand and deteriorating competitiveness will weigh on economic activity. A significant improvement in domestic and external demand is not expected until 1994. Inflation, which has been boosted over the last two years by increases in indirect taxes and user fees, is projected to abate over the projection period.

Recent developments. The economy may have grown by less than 1½ per cent in 1992. After an unexpectedly strong first quarter, the growth rate fell to around 1 per cent on an annual basis in the second quarter, and seems to have remained sluggish in the second half of the year. For the year as a whole, consumption was especially weak, with a 1 per cent decrease for durables in the first seven months. Residential investment declined, reflecting a fall in the number of social dwellings to be built, high mortgage rates and sluggish disposable income. The growth of private non-residential investment fell sharply due to worsening sales prospects, lower rates of capacity utilisation and a deterioration in profits. Both imports and exports weakened, and the contribution of the external balance to growth was unchanged. Employment continued to grow modestly in the first half of the year; however, the number of people receiving unemployment benefits started to rise in the second quarter. Reflecting the sharp pickup of inflation in 1991, wage growth accelerated in 1992 to an estimated 5.3 per cent. With sluggish demand conditions and declining import prices, inflation abated in the first half of 1992, but picked up again in the third quarter because of increases in social rents, health-care tariffs and excise taxes. Underlying inflation – the increase in consumer prices excluding food and energy – has remained high, at nearly 5 per cent in the 12 months to September 1992.

Policies and other forces acting. With an assumed lowering of rates in Germany, interest rates are projected to decline markedly over the projection period. But interest differentials with Germany have already returned to the levels prevailing in late spring 1992, and are not expected to narrow much further.

Budgetary policy continues to be set with a view to fiscal consolidation. The most important expenditure cuts in the 1993 budget result from measures to curb the number of people in the disability and sickness schemes, as well as from the less-than-full linkage of the increase

NETHERLANDS

Demand, output and prices

Percentage changes, volume (1980 prices)

	1987 current prices billion Gld	1990	1991	1992	1993	1994
Private consumption	263.9	3.9	3.3	1.7	1.7	2.4
Government consumption	70.6	0.1	0.7	–0.6	–0.4	0.2
Gross fixed capital formation	87.1	5.1	–0.1	0.6	–0.2	2.9
Final domestic demand	421.6	3.5	2.1	1.1	1.0	2.1
* change in stockbuilding	–4.8[a]	0.3	–0.3	0	0	0.1
Total domestic demand	416.8	3.9	1.8	1.1	1.0	2.3
Exports of goods and services	226.6	4.7	4.3	2.5	2.3	4.4
Imports of goods and services	213.3	5.4	4.0	2.1	2.1	4.3
* change in foreign balance	13.3[a]	–0.3	0.3	0.3	0.2	0.2
GDP at market prices	430.2	3.9	2.1	1.4	1.2	2.4
GDP implicit price deflator	–	2.9	3.1	3.0	2.4	2.2
Memorandum items						
Consumer prices[b]	–	2.3	3.3	3.3	2.3	2.0
Industrial production	–	4.0	0.9	1.2	1.5	2.7
Unemployment rate	–	6.4	5.9	5.6	5.9	5.9
Household saving ratio[c]	–	6.5	0.6	1.1	1.1	0.9
General government financial balance[d]	–	–5.3	–2.6	–3.8	–3.7	–3.1
Current balance[d]	–	3.7	3.3	3.1	3.7	3.8

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.
c) As a percentage of disposable income.
d) As a percentage of GDP.

in social benefits to the growth of contractual wages. On the other hand, public investment growth is set to accelerate. To reduce the risk of a wage-price spiral after the pickup in inflation induced by Government measures over the last two years, the general VAT-rate has been reduced by 1 percentage point effective from 1 October 1992. Despite this, the indirect tax burden as a percentage of GDP will increase in 1993 owing to a rise in excise taxes. Although the fiscal stance is estimated to be somewhat restrictive, the projected weakness of the economy in 1993 would push the deficit slightly above the target level of 3¾ per cent of Net National Income. In 1994, however, with more favourable economic conditions and further spending cuts, the target is expected to be broadly met.

Prospects. Economic growth is likely to slow further in 1993 before picking up in 1994. Both private consumption and private non-residential investment are expected to remain sluggish in 1993, and residential investment may fall for the third year in a row as a result of a further decline in the construction of social dwellings. But sharply lower interest rates and better income prospects should boost private residential investment in 1994, and lead to a rebound in consumption and business investment. The recent effective appreciation of the guilder and an increase in unit labour costs relative to partner countries in 1992 have eroded international competitiveness; this will restrain exports while imports should strengthen in line with domestic demand. Nevertheless, due to a rebound in net investment income, the current-account surplus is expected to widen further, to some 3¾ per cent of GDP. Employment may be stable in 1993 but then pick up in 1994, resulting in a lower unemployment rate then. Reflecting the appreciation of the guilder and slow economic activity, inflation – as measured by the private consumption deflator – could fall to 2 per cent in 1994, and the increase in wages could decelerate to less than 4½ per cent.

This process of disinflation could be at risk if medical costs and other prices set by the public sector continue to rise as strongly as in recent years. There is also a risk that the economy, and especially housing and business investment, might not respond as strongly or as rapidly as projected to the decline in interest rates.

NEW ZEALAND

The economy began to recover in the second half of 1991, first on the strength of exports and subsequently supported by a modest rise in domestic demand. The easing of monetary conditions in late 1991 prompted a decline in the exchange rate without compromising low inflation. The expansion appears likely to be sustained. However, the atypical nature of the recovery – it is export rather than domestic driven and has occurred at a time of weak international economic growth – means that output growth is projected to be subdued in the short term.

Recent developments. Real GDP (output based) has risen for four consecutive quarters since mid-1991, growing by 3.7 per cent. The recovery has been export-led, with export volumes growing by 11 per cent in the year to June 1992. Lower interest rates, improved export receipts and income growth induced a recovery in investment and private consumption, the former growing 5.3 per cent and the latter 2.8 per cent between the trough in the second quarter of 1991 and the first quarter of 1992. Employment began to grow again in 1992, with the seasonally-adjusted unemployment rate declining to 10.1 per cent in the second quarter of 1992 compared with a peak of 10.9 per cent in the fourth quarter of 1991. However, the increase in employment partly reflects a rise in the numbers participating in Government labour-market schemes, which focus on providing the long-term unemployed with skills. Nevertheless, private employment growth has improved somewhat, even as productivity growth has turned up.

Policies and other forces acting. The effective exchange rate declined 5.5 per cent between the third quarter of 1991 and the first quarter of 1992, following an easing in monetary conditions, and has since stabilised around this level. Short and long-term interest rates fell 1.5 and 0.7 percentage points, respectively, during this period and have since declined further, reaching an average of 6.2 and 7.3 per cent, respectively, in the third quarter of 1992. Interest rates have subsequently trended slightly below these levels during October and November. The target range for consumer price inflation over the 12 months to December 1992 (1.5 to 3.5 per cent) may be slightly undershot, with the annual CPI inflation rate being 1 per cent or less for the most recent four quarters.

The outturn for the 1991/92 Government budget deficit was broadly unchanged from the 1990/91 result at around 3.5 per cent of GDP, as the 3.7 per cent decline in nominal government expenditure in fiscal year 1992 (ending June) was matched by a similar decline in tax revenues. The expenditure reduction resulted from cuts in

social assistance grants and a decline in debt-servicing costs as a result of lower interest rates. The fall in tax revenues reflected a combination of the severity of the 1991 recession, the utilisation of tax losses accumulated over previous years, and some erosion of the tax base. The 1992 Budget focused on both broadening and maintaining the tax base and ongoing expenditure control, in an effort to reduce the budget deficit, although the impact of this is to be partially offset by an increase in expenditure on education, social services and debt servicing. The deficit is projected to rise to over 4 per cent of GDP in 1992/93, falling back to 3½ per cent of GDP by 1993/94.

Ongoing structural reforms have had a pervasive effect on economic activity and will continue to be an important influence in the short term. For example, households are facing increased demands on their incomes from health and education charges, and to make greater provision for retirement, at the same time as many benefit rates have been kept unchanged in nominal terms. Reform of the industrial relations framework is changing markedly the functioning of the labour market, influencing the ways in which wages and other conditions of employment are set.

Prospects. Real GDP growth, estimated at 3.1 per cent for 1992, is projected to remain around this rate in the following two years. Strong export growth is likely to be the continued driving force in the recovery, reinforced by a modest rise in both private consumption and investment. The projected export growth is underpinned by both competitiveness gains and the prospect of stronger economic activity in New Zealand's main overseas markets. Inflation is projected to run within the current official target range (0 to 2 per cent by December 1993). Improved company profits, rising capacity utilisation, and lower capital costs should revive business investment, especially in the export-oriented sectors. A cyclical increase in labour productivity is expected, but employment is nevertheless projected to increase. The decline in the unemployment rate is likely to be small as the improvement in job prospects may draw more people into the labour force.

The major risk to the projections is on the external side, with weaker world growth and commodity prices remaining a possibility. Domestic demand could also be more subdued than projected, as a result of a rise in the household saving ratio due to the effects of structural reforms and continued balance-sheet restructuring, or to weaker-than-expected investment growth, given existing excess capacity. The high external government debt, compounded by still large budget deficits, leaves the economy exposed to adverse interest rate and exchange rate movements, as well as to external shocks. However, the risks are not all on the downside. The beginnings of an improved macroeconomic performance, following a long period of reform, could be a harbinger of stronger growth based on expanding the range and market share of New Zealand exports.

NEW ZEALAND

Demand, output and prices

Percentage changes, volume (1982/83 prices)

	1987 current prices million NZ$	1990	1991	1992	1993	1994
Private consumption	36 142	–0.8	–0.5	2.1	1.9	1.9
Government consumption	9 724	1.0	–2.0	–1.1	–1.0	–1.0
Gross fixed capital formation	13 074	1.9	–16.2	3.0	4.1	5.3
Final domestic demand	58 940	0.2	–4.8	1.8	2.0	2.3
* change in stockbuilding[a]	783[b]	–0.2	–2.1	0.7	0.4	0
Total domestic demand	59 724	0	–6.6	2.5	2.3	2.3
Exports of goods and services	16 121	7.1	7.7	7.2	6.5	5.9
Imports of goods and services	16 162	4.3	–6.3	5.2	4.5	4.3
* change in foreign balance	–41[b]	0.4	5.5	0.5	0.6	0.5
GDP at market prices	59 683	0.5	–1.8	3.1	3.0	2.8
GDP implicit price deflator	–	3.9	1.0	2.0	2.0	1.9
Memorandum items						
Consumer prices[c]	–	6.4	3.2	1.5	1.7	1.6
Unemployment rate	–	7.9	10.3	10.7	10.6	10.3
Current balance[d]	–	–2.9	–0.1	0	0.1	0.1

* As a percentage of GDP in the previous period.
a) Including statistical discrepancy and valuation adjustment.
b) Actual amount.
c) National accounts implicit private consumption deflator.
d) As a percentage of GDP.

NORWAY

Although a modest upturn in activity has been under way since mid-1989, mainland economic growth remains weak. Business and residential investment are still on a falling trend, while private consumption is recovering slowly. Mainland economic activity is expected to strengthen in 1993-94 due to the projected increase in export earnings. Unemployment is unlikely to fall much, however, which should keep inflation low. The current-account surplus is projected to stay large, reflecting a rapid expansion in oil and gas production.

Recent developments. After a prolonged period of slow growth, mainland economic activity still remains relatively weak. In spite of large deliveries of capital goods to the petroleum sector, industrial production grew only slightly in the first eight months of 1992, and bankruptcies are still on an increasing trend in most sectors. The main support to domestic demand is coming from strong growth in government spending and an apparent recovery in private consumption. Nonetheless, despite large gains in real disposable income, private consumption was growing at an annual rate of no more than 1 per cent (seasonally adjusted) in the first half of 1992. This reflected the continuing rapid consolidation of households' financial positions: the household saving ratio is estimated to have risen to around 5 per cent in 1992. High capital costs and weak business confidence have led to a slump in non-oil investment activity: the contraction has been particularly spectacular in export-oriented manufacturing industries, with an annual fall of over 30 per cent in the first half of 1992.

Labour market conditions are very weak, with a rapid contraction in employment opportunities and a continued rise in the unemployment rate, which reached a historically high 6 per cent in the third quarter of 1992. Modest wage settlements have contributed to a significant improvement in international competitiveness. Over the last three years, the accumulated competitiveness gains – as measured by relative labour costs in a common currency – amount to about 7 per cent. Inflation has continued to decline as a result of growing slack in labour and product markets and roughly stable import

NORWAY

Demand, output and prices

Percentage changes, volume (1985 prices)

	1987 current prices billion NKr	1990	1991	1992	1993	1994
Private consumption	298.1	2.9	–0.1	1.3	2.0	3.0
Government consumption	116.0	2.0	2.3	2.9	1.0	1.5
Gross fixed capital formation	216.1	–26.6	1.0	–5.0	11.6	6.0
Final domestic demand	630.2	–5.4	0.7	0.3	3.7	3.3
* change in stockbuilding	1.2[a]	4.2	–0.7	0.4	–1.3	0.2
Total domestic demand	631.4	–0.7	–0.2	0.8	2.1	3.6
Exports of goods and services	200.2	8.0	6.3	4.3	1.4	5.0
Imports of goods and services	211.4	2.3	1.2	2.1	2.6	3.4
* change in foreign balance	–11.2[a]	3.4	3.1	1.8	–0.1	1.8
* change in statistical discrepancy	–	–1.0	–1.0	–1.0	–1.1	–1.1
GDP at market prices[b]	620.2	1.8	1.9	1.3	0.5	3.7
GDP implicit price deflator	–	4.6	1.9	–0.3	2.3	2.2
Memorandum items						
Mainland GDP at market prices	–	1.1	0.1	0.4	1.3	3.0
Consumer prices[c]	–	5.1	3.6	2.4	2.0	1.5
Industrial production[d]	–	0.1	–1.6	1.0	2.5	3.7
Unemployment rate	–	5.2	5.5	6.2	6.6	6.2
Household saving ratio[e]	–	0.3	4.3	6.6	6.9	6.5
General government financial balance[f]	–	2.5	–0.4	–3.4	–3.2	–2.6
Current balance[f]	–4.1	3.4	4.7	2.9	3.3	5.3

* As a percentage of GDP in the previous period.
a) Actual amount.
b) GDP excluding oil and shipping.
c) National accounts implicit private consumption deflator.
d) Excluding oil sector.
e) As a percentage of disposable income.
f) As a percentage of GDP.

prices. Reflecting substantial income from petroleum exports, the external surplus on goods and services has remained large. In contrast, the mainland's external deficit has increased slightly, being negatively affected by weak developments in world commodity markets.

Policies and other forces acting. In an attempt to stimulate domestic demand and curb rising unemployment, the 1992 National Budget called for broad tax cuts, stable expenditures and increased emphasis on active labour market policies. The general government deficit deteriorated markedly, reaching an estimated 3 per cent of GDP in 1992 compared with approximate balance in 1991. Although some of this deterioration stems from lower oil prices, discretionary measures have been significant, accounting for more than half of the deficit increase. A broadly unchanged general government deficit is planned for 1993. The officially estimated increase of ¼ per cent in the state budget deficit (corrected for oil and cyclical influences) mainly reflects reduced revenues as a result of the tax reform passed in 1992 and higher spending on labour market measures aimed at containing the rise in unemployment.

Monetary authorities have been able to keep the ecu/krone exchange rate stable since the ecu linkage was decided in October 1990. But, while the exchange rate target has been maintained with a negligible interest differential over most of the period, official rates had to be raised sharply in the autumn of 1992 in order to contain speculative pressures on the currency provoked by the disturbances in European exchange markets. At the same time, significant foreign exchange interventions were needed to stabilise the currency, particularly after the decision to float the Swedish krona.

The sharp fall in real estate prices and the prolonged economic stagnation, together with tighter capital standards, have led to a significant deterioration in the financial situation of banks, which have experienced large and mounting loan losses over recent years. As a result, small and medium-sized companies have been facing increasing difficulties in financing their investment projects. A number of measures have been taken to cope with these developments. Most recently, the central bank explicitly extended the liquidity guarantee to most non-bank financial institutions.

Prospects. With falling interest rates and increasing export earnings, in part related to the revival of world commodity markets, mainland economic growth and employment are expected to strengthen gradually as from mid-1993. Improved business prospects are projected to lead to a rapid pickup in non-oil investment activity, while residential construction may not turn around before late 1994. Reflecting declining net borrowing costs and a slow improvement in employment, private consumption is projected to grow rapidly and the saving ratio may stabilise at a level close to 6½ per cent.

In spite of a pickup in vacancies and some reduction in unemployment, wage demands may continue to be moderate, with hourly wages projected to grow by about 3 per cent annually. This should lead to a further reduction in inflation which could reach a historical low of 1½ per cent in 1994 (as measured by the consumer price index). Based on official projections of further rapid expansion in North Sea gas and oil production, the current-account surplus should remain large, reaching more than 5 per cent by 1994.

The high cyclical sensitivity of most Norwegian export industries means that the main uncertainty attached to the projection lies with the assumed recovery in world trade. A further deterioration in the financial position of the banking sector could also aggravate the difficulties in financing new investments, thereby delaying the projected pickup of activity.

PORTUGAL

Real GDP has been growing slowly at around 2 per cent since early 1991, partly reflecting economic policies geared towards reducing inflation and government deficits. The escudo joined the exchange-rate mechanism of the EMS in April 1992. Interest rates eased thereafter, until the September crisis in the EMS when they were raised. On 22 November, the escudo was devalued by 6 per cent within the ERM. This took place after the projections were finalised. However, it is unlikely to change significantly the picture for 1993 and 1994. Portugal is expected to face a period of adjustment characterised by a relatively low rate of growth, rising unemployment and rapid disinflation.

Recent developments. Real GDP has been growing at some 2 per cent in 1992 and unemployment has been rising. The pattern of growth has been better balanced than in 1991: domestic-demand growth slowed somewhat and the real foreign balance showed signs of strengthening. Reflecting a slowdown in real wage increases, private consumption growth was less buoyant, while business investment was adversely affected by high interest rates. With deteriorating competitiveness, export growth remained subdued, and import demand was brisker. Despite a small increase in the trade account, the current account swung back to balance in 1992, due to a surge in official transfers, reflecting EC financial inflows delayed from 1991. After a marked slowdown of consumer price rises in early 1992, largely due to easing food prices and falling import prices, an adjustment in VAT rates pushed inflation to a year-on-year rate of 9.5 per cent in July. Inflation has been subsiding since to a rate of 8.7 per cent in October.

Policies and other forces acting. Despite weaker-than-projected restraint on public wages and stronger social transfers induced by the rise in unemployment, the 1992 general-government deficit was close to the Budget projection of 5¼ per cent of GDP. The 1993 Budget, in line with the Medium-term Convergence Programme, aims at cutting the deficit to 4¼ per cent of GDP through greater expenditure restraint. Public-sector wages are projected to rise in line with the 5 to 7 per cent target range for inflation. Between April 1992, when the escudo joined the ERM, and the end of June, the Portuguese currency remained near the top of its fluctuation band (± 6 per cent), falling somewhat until the September turmoil in the EMS. Interest rates fell by about 1 percent-

PORTUGAL

Demand, output and prices

Percentage changes, volume (1985 prices)

	1987 current prices billion Esc	1990	1991	1992	1993	1994
Private consumption	3 335.7	5.3	5.2	4.0	3.3	4.0
Government consumption	787.8	1.5	3.0	3.1	1.5	1.0
Gross fixed capital formation	1 250.8	5.9	2.5	1.8	2.8	4.0
Final domestic demand	5 374.3	4.9	4.3	3.4	2.9	3.6
* change in stockbuilding	171.0[a]	0.7	0	0.1	0	0
Total domestic demand	5 545.3	5.4	4.1	3.4	2.8	3.6
Exports of goods and services	1 774.7	9.5	1.1	3.5	4.5	6.6
Imports of goods and services	2 145.2	10.1	4.9	5.6	5.6	7.3
* change in foreign balance	–370.6[a]	–1.9	–2.7	–2.0	–1.7	–2.0
GDP at market prices	5 174.7	4.4	2.1	1.9	1.7	2.4
GDP implicit price deflator	–	14.3	13.6	11.4	7.7	6.9
Memorandum items						
Consumer prices[b]	–	12.7	12.0	9.2	7.0	5.9
Industrial production[c]	–	9.1	0	0.1	2.5	3.5
Unemployment rate	–	4.7	4.1	4.4	4.7	4.8
Household saving ratio[d]	–	22.2	20.5	19.8	19.5	19.0
Current balance[e]	–	–0.2	–1.0	0.1	–0.5	–0.6

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts private consumption deflator.
c) Industrial production index.
d) As a percentage of disposable income.
e) As a percentage of GDP.

age point in the second quarter, stabilising until about mid-September, when they were sharply raised in order to defend the escudo. They have since come down, but are still above rates prevailing in the summer.

Prospects. As a result of sustained fiscal consolidation and rigorous incomes policies, economic fundamentals should continue to improve over the next two years, though activity is likely to remain relatively weak. Wage moderation and fiscal drag will restrain the growth of households' real disposable income. However, disinflation should reduce the propensity to save, thereby sustaining private consumption. Investment growth will be underpinned by EC structural funds and by some rebuilding of business-sector profit margins. With strengthening foreign demand and improving price competitiveness, on the one hand, and a pickup of domestic demand growth, on the other, the negative contribution of the foreign balance to GDP growth will remain largely unchanged. Thus, after a moderate easing in 1993, real GDP growth could pick up in 1994 to 2½ per cent. Unemployment could rise further, moderating wage claims. By 1994, the rise in unit labour costs could be halved, and inflation should continue to subside, the differential with the EC average expected to fall from 5 percentage points in 1992 to 3 in 1994. With worsening terms of trade in 1993 and a return of official transfers to a more normal level, the current balance is likely to return to a small deficit in 1993 and 1994.

The main risks to this projection are on the side of costs and prices. Should the projected wage moderation not materialise, the process of disinflation would be slower, thus jeopardising competitiveness and leading to a stronger deterioration in the current balance. Monetary conditions might then have to be tightened further, putting off the pickup of activity.

SPAIN

The Spanish economy is facing a difficult period of adjustment. GDP growth continued to decelerate in the first half of 1992, accompanied by a sharp rise in the unemployment rate to 17.7 per cent in mid-1992. Nonetheless, underlying inflation pressures remained strong and the current-account deficit increased by almost one-half in the first six months of 1992. The central government budget deficit doubled to over 4 per cent of GDP over the same period. The government introduced corrective fiscal measures in July 1992; the peseta was devalued by 11 per cent in two steps – in September and November – and the Government presented a restrictive central government budget for 1993. Domestic demand should decelerate further in 1993. Inflation and the current-account deficit are likely to be on gradual downward trends.

Recent developments. After almost doubling between 1985 and 1991, business investment fell in the first half of 1992, reflecting shrinking profits, high real lending rates (10 per cent since 1989) and a fall in foreign net investment. Residential investment also declined following a six-year boom during which house prices ran far ahead of household income growth. Both private consumption, boosted by a tax-induced upturn in car sales, and government final expenditure again grew rapidly in the first half of 1992, but have weakened since. Reflecting deteriorating cost-competitiveness and a relatively fast growth of demand components with a high import content, import volume surged in the first half of 1992. With export growth slowing at the same time, net exports reduced GDP growth by 1¼ per cent, annual rate, during the first half of 1992. After a 30 per cent rise since 1985, non-farm employment fell in 1992, and, together with the steep trend decline in farm employment, led to a marked increase in unemployment.

Consumer price inflation fell to 5.2 per cent in the 12 months to October 1992, helped by broad stability in food prices. Non-food prices rose by 7.5 per cent over same period as cost pressures remained strong given wage increases of over 8 per cent: the VAT rate increases in August also pushed up prices. Service price increases (which have been running at 10 per cent) were again the largest component of inflation in 1992.

The trade deficit widened in the first nine months of 1992 which, together with higher payments for services and interest, pushed the current-account deficit (on a settlement basis) to over 4 per cent of GDP in the same period. Reflecting a decline in net foreign investments and the Bank of Spain's support of the peseta during the financial turmoil of September and October, foreign exchange reserves fell to $57 billion in October from $71 billion in August.

Policies and other forces acting. The general government deficit exceeded 5 per cent of GDP in the first seven months of 1992. In order to stem the steep rise, the central government introduced the following measures in July:

i) the standard VAT rate was raised from 13 to 15 per cent and the personal income tax rate and withholding tax rate were raised by over 2 per cent; and

ii) central government recruitment was frozen, wage premia for senior civil servants were cut, measures to control medical expenditure better were introduced, and, in order to reduce fraud in the sick-leave and temporary invalidity schemes, payments are to be made by the employer instead of the social security fund from the 4th to the 15th day of sick leave.

Further to these measures, the full impact of which will be felt in 1993, the central government presented an austerity budget for 1993, including plans for cuts in defence expenditure and in real wages for central government employees. The goal is to reduce the central government deficit by about ½ per cent of GDP in 1993.

Monetary conditions remained tight in 1992. Lower inflation led to a small decline in interest rates in the spring, but this was reversed in the summer in response to concern about the ratification of the Maastricht treaty, rising interest rates elsewhere in the EC and the widening external deficit. Interest rates increased considerably in September, initially to protect existing parities and after that month's devaluation of the peseta to stave off further speculative pressure. The growth of ALP2, the wide monetary aggregate, slowed to 4.3 per cent, annual rate, during the first nine months of 1992, well below the target range of 8 to 11 per cent. Reflecting high interest rates (lending rates were still in the 16 per cent range in 1992), domestic credit expansion to the private sector slowed to 6.7 per cent, annual rate, up to September 1992 from 11.3 per cent in 1991. However, including commercial paper and rapidly growing loans from abroad, the annual rate of credit growth to the private sector was 9.2 per cent in the first nine months of 1992 compared with 12.4 per cent during 1991.

The sizeable foreign accumulation of Spanish financial assets have made the peseta more vulnerable to changes in market sentiment. In order to preempt strong pressures during the September financial turmoil, the peseta was devalued by 5 per cent in mid-September. As pressure against the peseta continued, the authorities reintroduced limited foreign exchange controls on 24 September (partly lifted on 5 October) and raised interest rates. As speculative pressures continued, the peseta was devalued by a further 6 per cent on 21 November (coupled with the lifting of remaining foreign exchange controls), bringing the effective devaluation of the peseta to 8.8 per cent since April, which largely offset the loss in competitiveness of the previous four years.

Prospects. Restrictive domestic policies and greater uncertainty in the OECD area will impinge upon growth in 1993. In addition, the reversal of the steep upward trend in net foreign direct investment, which up

SPAIN

Demand, output and prices

Percentage changes, volume (1986 prices)

	1987 current prices billion Ptas	1990	1991	1992	1993	1994
Private consumption	22 855.8	3.7	3.0	2.8	1.7	2.3
Government consumption	5 451.8	4.2	4.4	3.6	1.1	1.6
Gross fixed capital formation	7 518.1	6.9	1.6	–1.3	–1.7	3.2
Final domestic demand	35 825.7	4.6	2.9	1.9	0.8	2.4
* change in stockbuilding	257.6[a]	0.2	0.1	0.2	–0.1	0
Total domestic demand	36 083.3	4.7	2.9	2.1	0.7	2.4
Exports of goods and services	6 995.8	3.2	8.4	7.1	5.6	6.9
Imports of goods and services	6 935.1	7.8	9.4	8.4	3.5	6.4
* change in foreign balance	60.7[a]	–1.3	–0.7	–0.8	0.2	–0.3
GDP at market prices	36 144.0	3.6	2.4	1.4	0.9	2.3
GDP implicit price deflator	–	7.4	6.8	6.9	6.2	5.2
Memorandum items						
Consumer prices[b]	–	6.5	6.3	6.5	6.0	4.7
Industrial production[c]	–	1.2	0.8	0.7	1.1	2.7
Unemployment rate	–	16.3	16.3	18.0	19.3	19.1
Household saving ratio[d]	–	9.0	8.7	7.2	6.0	5.8
General government financial balance[e]	–	–4.0	–4.9	–4.7	–4.3	–3.8
Current balance[e]	–	–3.4	–3.0	–3.4	–3.3	–3.0

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.
c) Value added.
d) As a percentage of disposable income.
e) As a percentage of GDP.

to 1991 gave strong support to growth, will also depress activity. This, combined with high interest rates and a profit squeeze, will again lead to a decline in private investment in 1993. The growth in private and government consumption is likely to slow markedly in 1993 due to a decline in employment and fiscal restraint. The effects of the devaluation of the peseta, reflected in a positive contribution of the real foreign balance to growth (for the first time since 1984), is projected to partly offset weakening domestic demand. GDP growth may nevertheless fall to below 1 per cent, which, together with a cost-induced shake out of labour, could perhaps push the rate of unemployment up to 19½ per cent at the end of 1993.

Wage settlements are expected to moderate to about 5 per cent in 1993 from 7.3 per cent in 1992. But because of the 1992 indexation clauses and an increase in non-wage costs, labour costs are expected to rise strongly again in 1993. This, coupled with the effects of the VAT increases and the depreciation of the peseta, will mean a slowing of the disinflation process, despite the growing slack. The depreciation and sluggish domestic demand may lead to a small decline in the current balance of payments deficit in 1993. In 1994, rising business confidence, decelerating inflation after the pass-through of the VAT increase and peseta depreciation, and falling interest rates should lead to faster and better balanced GDP growth, accompanied by a small decline in unemployment and a further contraction in the current-account deficit.

A major risk to the outlook lies in the wage negotiations due at the beginning of 1993 in a context of still rapid price increases. Wage rigidities have been an important factor behind inflation stickiness in recent years. In the absence of substantial wage moderation, not only would progress in convergence to inflation levels prevailing in other European countries be slowed, but the weakening of the labour market could also be much greater than envisaged in these projections.

SWEDEN

Output has continued to decline during 1992, unemployment has risen and inflation has receded further. Both households and the business sector have reduced their indebtedness by cutting consumption and capital spending. Deteriorating public finances eroded confidence in the Government's stabilisation policy, resulting in a currency crisis in September, during which domestic interest rates were pushed to unprecedentedly high levels. The announcement of a significant tightening of fiscal policy failed to restore lasting confidence, and renewed currency outflows in mid-November forced the authorities to abandon their hard currency policy and to float the krona. The ensuing depreciation should moderate the economic downturn projected before the floating of the krona, though at the expense of a boost to inflation.

Recent trends. Developments during 1992 have been marked by declining levels of activity, rising unemployment and falling inflation. In April-June, output registered its seventh consecutive quarterly year-on-year decline, the most protracted recessionary period in post-war history. The slump in production has been aggravated in 1992 by extremely high interest rates needed to maintain the parity of the krona *vis-à-vis* the ecu.

The recession has particularly hit the financial sector, where loan losses arising from the collapse of the commercial property market and depreciations of financial assets are rapidly eroding capital bases. At the same time, ample spare capacity has led to deferral of capital spending in industry. In addition, last year's rise in private consumption has been reversed, reflecting lower income advances and a continued rise in thrift. Inventory reduction in the business sector has continued, though at a slower pace than in 1991.

The real foreign balance has continued to lend strong support to economic activity with exports resuming growth and import volumes contracting further. The improvement of the current balance appears to have come to a temporary halt, however, with increases in the trade surplus being largely offset by rising deficits on services.

Labour shedding has continued on a large scale: almost 200 000 jobs (more than 4½ per cent of total employment) were lost in the twelve months to September. Despite a decline in the labour force, the unemployment rate rose to 5.2 per cent in September, up from 3.1 per cent a year earlier.

The slack in labour markets has contributed to rapid disinflation: average wage increases were down to 4.1 per cent (year-on-year) in the second quarter and producer prices fell 1.8 per cent in the twelve months to September. The consumer price index, excluding indirect taxes, rose by 4.3 per cent, down from 5.4 per cent a year earlier; cuts in the VAT rate on services and food prod-

ucts as from January 1992 even took the 12-month rate of "headline inflation" down to 2.5 per cent.

Policies and other forces acting. The depth and length of the recession are in large measure consequences of inevitable adjustment following the overheating in the second half of the 1980s. The ongoing weakness of consumption reflects a recovery of household saving dictated by the need for financial consolidation, though precautionary saving in the face of rising unemployment has also been a factor. The tradeable goods sector has been through a period of enhanced rationalisation which seems now to be coming to an end. The business climate has, however, significantly worsened following the rise of real interest rates to new highs in 1992. A looming confidence crisis was brought to a head in early September, when the floating of the Finnish markka triggered a run on the krona. This prompted the Central Bank to raise its marginal overnight lending rate in two steps to an unprecedented level of 75 per cent. As a lowering to 20 per cent in mid-September was followed by another bout of currency outflows, the marginal rate was raised anew in two steps, this time to as much as 500 per cent. Restoration of relative calm on foreign-exchange markets proved short-lived, and renewed currency outflows in mid-November, initially met by massive official intervention and hikes in interest rates, forced the authorities to abandon their fixed exchange-rate policy. This resulted in an instantaneous 10 per cent effective devaluation. The floating permitted swift reductions in money and bank market rates: the three-month rate fell from 13.7 per cent to 11 per cent, while bond yields fell by one percentage point to 10.3 per cent.

The lack of credibility in the authorities' hard currency policy appears to have been related to concerns over the spiralling budget deficit and mounting loan losses in financial institutions. According to initial plans, the central government deficit in fiscal year 1992/93 was estimated to reach 6.9 per cent of GDP, up from 4.7 per cent in 1991/92 and 2.5 per cent in 1990/91; by November the official estimate was raised to 11.5 per cent (SKr 166 billion), with private estimates being even higher. The government financial position has been adversely affected by the difficulties in financial institutions. Loan losses in the banking sector are estimated to exceed SKr 55 billion in 1992, up from SKr 48 billion in 1991. Official rescue operations are officially estimated to burden the 1992/93 budget by some SKr 12.5 billion.

Fiscal policy has been tightened significantly in recent months, but the outlook for public finances is uncertain given their increased exposure to losses in financial institutions. Recognising that the budget deteri-

SWEDEN

Demand, output and prices

Percentage changes, volume (1985 prices)

	1987 current prices billion SKr	1990	1991	1992	1993	1994
Private consumption	542.5	–0.2	1.2	–2.2	–2.4	–0.1
Government consumption	269.9	2.1	1.0	–0.1	–0.7	–0.4
Gross fixed capital formation	193.0	–0.9	–7.3	–7.1	–8.0	–0.6
Final domestic demand	1 005.4	0.2	–0.7	–2.6	–3.0	–0.3
* change in stockbuilding	–4.5[a]	0.1	–2.1	0.5	0.5	0.6
Total domestic demand	1 000.9	0.4	–2.7	–2.2	–2.6	0.3
Exports of goods and services	332.3	1.5	–2.8	1.1	3.6	5.8
Imports of goods and services	313.6	1.5	–6.3	–1.7	0.6	3.4
* change in foreign balance	18.7[a]	0	1.4	1.0	1.1	1.0
GDP at market prices	1 019.5	0.4	–1.4	–1.2	–1.4	1.3
GDP implicit price deflator	–	9.4	7.6	1.1	0.8	1.5
Memorandum items						
Consumer prices[b]	–	9.7	10.2	2.4	3.6	2.2
Industrial production	–	–2.7	–8.0	–4.4	0.9	4.6
Unemployment rate	–	1.5	2.7	5.0	6.5	6.8
Household saving ratio[c]	–	–1.2	1.9	5.8	5.6	5.7
General government financial balance[d]	–	3.9	–1.5	–7.9	–9.9	–9.8
Current balance[d]	–	–3.0	–1.4	–1.2	–0.5	0.4

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.
c) As a percentage of disposable income.
d) As a percentage of GDP.

oration had fuelled speculation against the krona, the Government announced on 20 September a fiscal "package" calling for discretionary tightening of almost 2 per cent of GDP in 1993 and 2½ per cent in 1994. On 30 September, the Government announced a set of budget-neutral measures aimed at strengthening cost competitiveness of Swedish companies by cutting employers' social security contributions 4.3 percentage points as from 1 January 1993. The estimated revenue loss of SKr 18 billion is to be financed by lowering standard income tax allowances and by keeping the main VAT rate at 25 per cent instead of lowering it to 22 per cent, and by raising the special rate on food products and services from 18 to 21 per cent. In October, the Government proposed to establish a public safety net for financial institutions, effectively providing budgetary cover for future losses in the banking system. Even on the optimistic assumption of modest public outlays on this account, the general government budget deficit may reach 10 per cent of GDP in 1993 and 1994, up from 8 per cent in 1992, and 1½ in 1991.

The floating of the krona implies, in principle, that domestic interest rates are no longer directly linked to foreign interest rates. Changes in market confidence in the krona will thus be reflected in the exchange rate rather than in domestic interest rates. However, given the authorities' continued commitment to price stability, there are limits to the use of domestic interest rates as a means to stimulate demand.

Prospects. The short-term outlook is for a continued fall in output in 1993 even though the depreciation of the krona is likely to give some boost to activity. (This event occurred after the projections in the table were finished.) The recent rise in household saving may come to a halt, as the government's fiscal packages will allow only very modest gains in nominal disposable income, suggesting a significant further fall in real consumption in 1993. Fixed capital formation can also be expected to remain depressed into next year, with weakness shifting from business investment to residential construction. Changes in the inventory cycle may contribute to demand growth during 1993 and beyond. Markedly improved cost-competitiveness should provide a strong stimulus to the economy, and exports should be further strengthened in 1994 by the projected pickup in the world economy. Short-term weakness in activity will lead to further shedding of labour, with the level of unemployment not expected to stabilise before 1994. Increases in special labour-market programmes will serve to cushion the impact of greater labour-market slack on recorded joblessness. The direct effects of the immediate 10 per cent effective depreciation of the krona on consumer prices in 1993 could amount to about 3 percentage points; subsequent inflation developments will depend on the extent of compensatory wage claims.

SWITZERLAND

The economy remained in recession in the first half of 1992. The recovery may now be under way, led by exports and progressively supported by domestic demand as successful disinflation allows an easing of monetary conditions. Reflecting both the mildness of the upswing and structural factors, unemployment is likely to remain unusually high by Swiss standards.

Recent developments. While output fell slightly – by 1 per cent at an annual rate – in the first half of 1992, there was a marked divergence between domestic demand, which shrunk, and exports, which recovered. Both construction and machinery and equipment investment continued to decline, reflecting persistently high interest rates, low capacity utilisation in industry and uncertain business prospects. Real household consumption also contracted slightly as falling employment led to weak growth in private disposable incomes. Some support for demand came from government consumption and public infrastructure investment. In addition, exports were buoyant in spite of the weakness of OECD activity. The decline in export prices – in marked contrast to labour cost developments – suggests that a substantial part of the good export performance has been achieved at the cost of compressed profit margins. Employment decreased further, and in October 1992, the unemployment rate rose to 3.5 per cent, low compared with most other countries but about six times its level of two years ago. Consumer price inflation continued to fall to a twelve-monthly rate of 3.5 per cent in October.

Policies and other forces acting. Some support was given to demand by a rising structural deficit of general government in 1992. Unchanged structural budget balances are assumed thereafter. But a budget consolidation package which is under discussion in Parliament could, if implemented, impart a restrictive discretionary effect on the economy in 1993 and 1994, perhaps by ½ to 1 per cent of GDP. Monetary policy is expected

to maintain a generally tight stance as the current rate of inflation is still far above the National Bank's implicit target of 1 per cent. But in the light of the pronounced weakness of domestic demand and the recent strengthening of the effective exchange rate, a gradual relaxation of monetary conditions seems now under way. The discount rate was reduced by ½ percentage point to 6 per cent in September 1992. Long-term interest rates may decline in line with an improving inflation outlook and falling rates in other European countries.

Prospects. The upswing which is currently under way is expected to gather force gradually. The recovery should continue to be led by exports, supported by buoyant export markets and the real exchange-rate depreciation in the first half of 1992. Capacity utilisation should improve, bringing a turnaround in business investment in the course of 1993, helped by falling interest rates. A recovery of residential construction may occur in 1993 following the absorption of an overhang and in response to lower financing costs. Government construction investment is likely to lend some support to economic activity.

With labour supply growing further, due to the continuing rise in the foreign population, the unemployment rate may edge up further to an average of 3¾ per cent in 1993 before turning down in 1994. The rise in unemployment, a primary reason for depressed consumer sentiment, will probably keep the household saving ratio high. But with labour demand gradually improving, private consumption may return to its trend growth of some 2 per cent towards the end of the projection period. Inflation should come down from about 4 per cent in 1992 to 3½ per cent in 1993 and fall further to 2½ per cent in 1994, even allowing for a ½ per cent jump in the price index because of the planned increase in the customs duty on petrol. Imports of goods and services are likely to resume growth in line with domestic demand from 1993 on. The current external surplus may exceed 6 per cent of GDP in 1993 and 1994.

A major uncertainty in the outlook lies in the response of households to the unprecedented labour-market deterioration, which could induce them to save more and thus weaken the recovery. As well, the degree of monetary policy easing incorporated in the projection depends crucially on developments in world financial markets.

SWITZERLAND

Demand, output and prices

Percentage changes, volume (1980 prices)

	1987 current prices billion SF	1990	1991	1992	1993	1994
Private consumption	150.2	1.5	1.5	0.5	1.0	1.5
Government consumption	33.0	4.7	2.8	2.5	1.5	1.5
Gross fixed capital formation	64.4	2.6	–2.5	–6.1	–0.7	2.6
Final domestic demand	247.6	2.2	0.5	–1.0	0.6	1.8
* change in stockbuilding	5.0[a]	0.1	–1.2	–0.7	0.1	0
Total domestic demand	252.6	2.3	–0.6	–1.7	0.7	1.8
Exports of goods and services	90.5	3.0	–0.7	3.3	2.7	3.5
Imports of goods and services	88.4	2.9	–1.7	–1.5	1.8	3.5
* change in foreign balance	2.1[a]	–0.1	0.5	2.1	0.3	–0.1
GDP at market prices	254.7	2.3	–0.1	0.2	1.1	1.8
GDP implicit price deflator	–	5.7	6.1	3.0	3.2	2.7
Memorandum items						
Consumer prices[b]	–	5.3	5.7	4.0	3.4	2.5
Industrial production	–	2.7	0.5	0.2	1.0	1.8
Unemployment rate	–	0.6	1.3	3.0	3.8	3.5
Current balance[c]	–	3.8	4.4	5.8	6.7	6.5

* As a percentage of GDP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.
c) As a percentage of GDP.

TURKEY

Economic activity recovered in 1992, led by strong domestic demand, notably by households, due to earlier strong real wage increases. The projected slowdown in domestic demand growth should be partly offset by a recovery in exports as market growth picks up and the real exchange rate depreciates. But inflation seems likely to remain near 60 per cent with present policies. Real GNP should continue to grow at a rate of about 5 per cent in 1993-94.

Recent developments. Economic activity appears to have increased markedly in 1992: real GNP may have risen by about 5¼ per cent, after stagnating in 1991. Industrial production probably grew by some 6 per cent. Private consumption was buoyed by the extraordinarily strong wage increases in 1991 and some employment gains in 1992. The business climate seems to have improved after the dissipation of the political uncertainties induced by the Gulf crisis and the autumn-1991 elections. Capacity utilisation in the private sector also improved. The recovery of domestic demand induced a surge in merchandise imports. Official transfers to compensate for losses from the Gulf crisis have petered out in the course of 1992. Hence, in spite of the strong recovery in tourism revenues and booming merchandise exports, the current external balance is expected to swing from a small surplus of ¼ per cent of GNP in 1991 to a deficit of about 1 per cent in 1992.

Inflation picked up sharply at the beginning of 1992, reflecting post-election adjustments in public-sector prices and the substantial rise in labour costs. During the summer months of 1992, inflationary pressures were alleviated somewhat by the good harvest and the easing of supply constraints via imports. In addition, several important two-year wage settlements have been concluded, which imply some wage moderation in 1992 and 1993. However, with the public-sector borrowing requirement (PSBR) remaining very high and its monetary financing rising, inflation is probably accelerating again in the second half of 1992.

Policies and other forces acting. The stance of monetary and fiscal policy appears looser than initially announced. The PSBR is likely to be around 13 per cent of GNP in 1992, about as high as in 1991, and some 4 percentage points higher than the official target. Important causes of the large deficit are the delayed adjustment of goods and service prices of State Economic Enterprises (SEEs), additional subsidies to farmers and high interest payments on government debt. Tax revenues have surged, but non-tax revenues (particularly proceeds from privatisation of SEEs) appear to have been much less than planned. Monetary policy has been burdened by

TURKEY

Demand, output and prices

Percentage changes, volume (1982 prices)

	1987 current prices billion TL	1990	1991	1992	1993	1994
Private consumption	39 195.9	10.4	2.1	7.0	3.0	4.0
Government consumption	5 262.9	17.0	0.9	2.2	4.5	3.3
Gross fixed capital formation	14 028.7	14.0	–0.4	1.3	2.6	4.6
Final domestic demand	58 487.5	11.7	1.5	5.5	3.1	4.0
* change in stockbuilding	607.3[a]	4.7	–5.5	0	1.6	1.2
Total domestic demand	59 094.8	16.4	–3.7	5.5	4.7	5.2
Exports of goods and services	14 610.0	8.4	11.4	8.7	5.6	6.3
Imports of goods and services	15 140.0	32.0	–2.2	9.2	6.1	6.8
* change in foreign balance	–530.0[a]	–7.3	4.3	–0.4	–0.3	–0.4
GNP at market prices	58 564.8	9.2	0.3	5.3	4.5	5.0
GNP implicit price deflator	–	54.7	56.0	64.0	60.0	58.0
Memorandum items						
Consumer prices[b]	–	60.3	66.0	72.0	66.0	63.0
Manufacturing production	–	8.0	2.6	6.0	5.5	6.3
Unemployment rate	–	10.0	11.5	11.8	12.5	13.1
Current balance[c]	–	–2.4	0.2	–1.1	–1.1	–1.3

* As a percentage of GNP in the previous period.
a) Actual amount.
b) National accounts implicit private consumption deflator.
c) As a percentage of GNP.

the huge government borrowing: monetary deficit-financing doubled from late 1991 to mid-1992. Short-term interest rates declined somewhat, but long-term interest rates edged up, largely as a result of the Treasury's shift from short- to longer-term borrowing.

The projections assume that the government will now attempt to establish discipline in all areas of economic policy. Greater restraint on public spending is assumed, particularly for SEEs. New tax reform proposals, if approved by Parliament by the end of 1992, would raise tax revenues significantly in 1993 and help contain public-sector deficits. Less monetisation of public deficits is also assumed, which should help lower inflation in 1993 and 1994.

Prospects. Growth of real GNP could decelerate somewhat in 1993 if policy is tightened as assumed. Household consumption is likely to slow because of decelerating real labour incomes, and residential investment to decline further following a reduction of housing subsidies and continued sharp increases in land prices. With improved business confidence, growing demand and slowing real labour costs, business investment is projected to remain strong. Exports are expected to be supported by the recent real effective depreciation of the Turkish lira and some pickup of market growth. But with a normalisation of net invisible revenues after the ending of Gulf-crisis-related grants, the current external account may remain in deficit by around 1½ per cent of GNP over the projection period. Inflation could decelerate, but only to a little below 60 per cent by 1994.

The projection depends heavily on the precise nature of the government's economic programme and on its speed of implementation. Slippage in the reduction of public-sector deficits would risk undermining business confidence and negatively affect the climate for private investment. Failure to contain monetary financing of government deficits would keep inflation higher than projected. On the other hand, a more determined effort to tighten monetary conditions, in conjunction with firm budgetary control, could bring inflation down and begin to establish a more stable financial climate for sustained growth.

DEVELOPMENTS IN SELECTED NON-OECD COUNTRIES

CENTRAL AND EASTERN EUROPE AND THE NEWLY INDEPENDENT STATES OF THE FORMER USSR

In those countries most advanced with reform – Hungary, Poland and the Czech and Slovak Federal Republic (CSFR) – there are some signs that output may have stopped falling, and inflation is continuing to decline. Macroeconomic stabilisation is proving to be more difficult in Bulgaria and Romania: foreign exchange reserves are inadequate to sustain a credible exchange-rate peg, even though macroeconomic policies appear to be relatively tight. In the Newly Independent States (NIS), the prerequisites for an effective stabilisation policy are not yet in place; continuing output declines and rampant inflation are thus likely to persist. A key requirement for establishing effective macroeconomic control in all these countries is to strengthen financial discipline for state-owned enterprises. Some important measures to this end have been taken in Hungary and, more recently, in Poland.

Overview of recent macroeconomic developments

In Hungary, Poland and the CSFR, the period of rapidly falling output brought on by the combination of radical reform domestically and the disruption of external trade patterns following the collapse of the Council for Mutual Economic Assistance (CMEA) trade may be coming to an end. Industrial production, though hard to interpret because of large month-to-month movements, appears to have bottomed-out in Hungary and the CSFR, and may be on a rising trend in Poland (Figure 23). Industrial output is continuing to fall in Bulgaria and Romania, though at a diminishing rate. In the Newly Independent States (NIS) of the former USSR, output declines may be accelerating: the year-on-year decline in industrial output in Russia, which had averaged 13 to 15 per cent in the first six months of 1992, reportedly averaged almost 18 per cent for the first nine months. Declining production in the Russian Federation to some extent reflects shortages of inputs resulting from the disintegration of central planning; but more recently it may also reflect government efforts to halt the explosion of inter-enterprise arrears by prohibiting firms from making deliveries except for cash in advance or on the basis of bank-authorised letters of credit.

Most of the central and eastern European countries are making some headway in bringing inflation down, although it remains very high in Bulgaria and Romania (Table 19). The latter country risks a renewed price surge as a result of continuing rapid depreciation of the currency, which is now beginning to feed through into wholesale prices, and further scheduled cuts in consumer subsidies for basic items. In the NIS, inflation generally is out of control, though with differences among the republics, as monetary conditions are highly variable across regions, as are price-control regimes. Hyperinflationary conditions prevail in the Ukraine. In the Russian Federation, some deceleration during the summer still left price increases at an annualised rate of 150 to 300 per cent in July and August (depending on the source), and the situation has since worsened in the face of very rapid money growth and further large energy-price hikes.

For all the countries of central and eastern Europe, growing exports are an important factor in slowing or reversing the overall output decline. Exports from these countries to the OECD area are continuing to rise strongly (Table 20), and in addition, trade among the

Table 19. **Inflation in central and eastern European countries and the NIS**

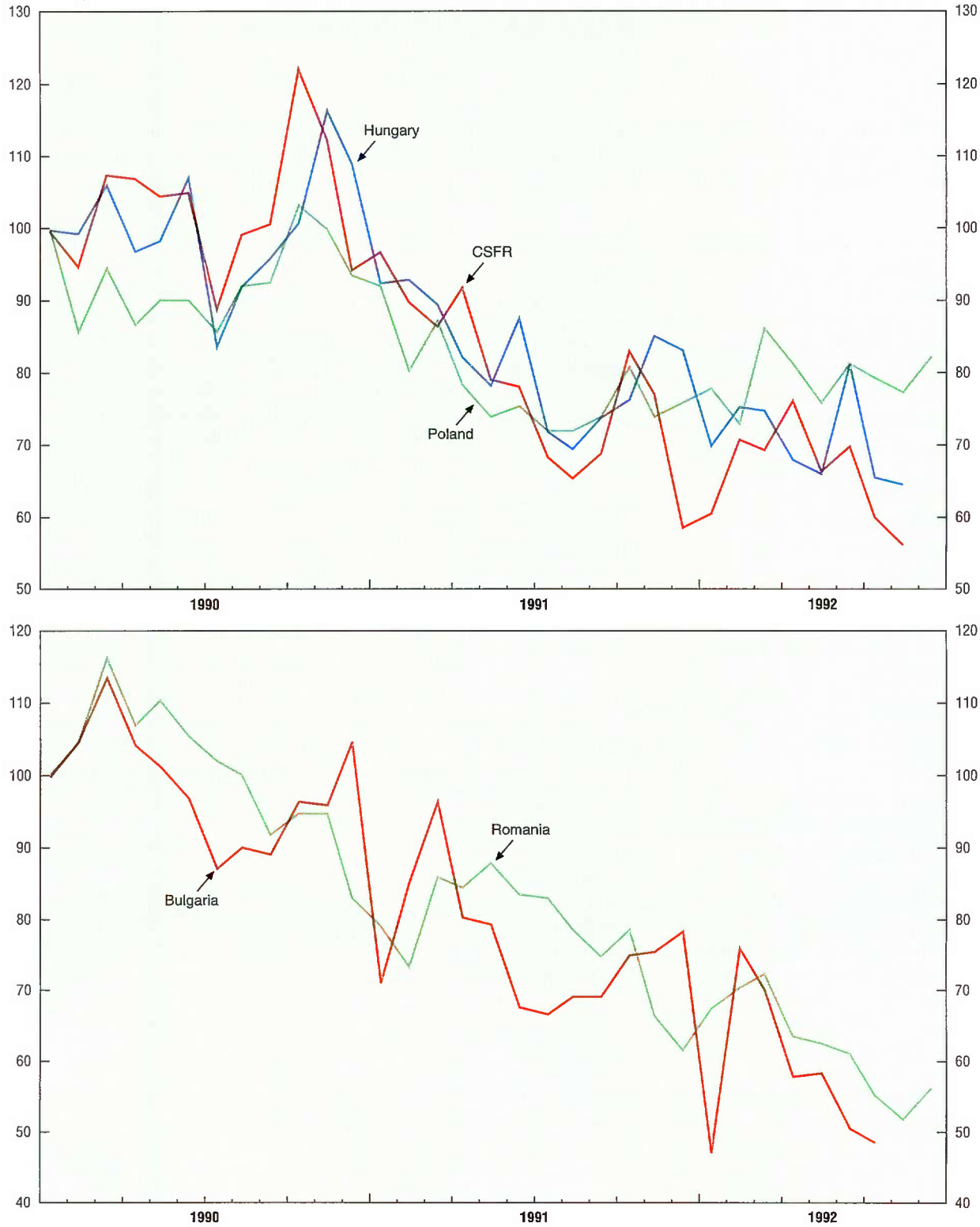
Percentage change in average level of consumer prices over previous period

	1989	1990	1991	Projections		
				1992	1993	1994
Bulgaria	6.4	26.3	334	90	60	60
CSFR	1.4	10.0	58	11	16	8
Hungary	17.1	28.4	35	21	15	9
Poland	251.1	585.8	70	40	35	25
Romania	0.9	4.2	161	200	95	50
USSR/NIS	2.0	5.3	91	2 000	..	..

Source: National sources and OECD estimates.

Figure 23. **Industrial production in central and eastern European countries**

January 1990 = 100



Source: OECD, *Short-term Economic Indicators: Central and Eastern Europe.*

Table 20. **Trade of central and eastern European countries and the NIS with the OECD area**

	1990 Level ECU million	1990	1991	1992 (Jan-Jun)
		% change over year earlier		
Exports to OECD:				
USSR/NIS	24 277	3.6	6.7	–21.8
Bulgaria	784	7.9	32.6	15.1
CSFR	3 832	2.1	39.4	47.7
Hungary	4 488	9.8	21.0	9.4
Poland	6 993	25.7	14.3	8.6
Romania	2 142	–39.1	–11.3	–10.8
Total	42 517	3.5	12.0	–5.4
Memorandum item: average OECD import prices		–5.0	0.1	–2.1
Imports from OECD:				
USSR/NIS	21 222	–19.0	9.3	–8.7
Bulgaria	1 243	–43.7	9.7	0.8
CSFR	3 834	15.3	32.5	47.4
Hungary	4 266	0.8	26.1	8.6
Poland	6 074	8.1	68.1	–4.8
Romania	1 897	70.1	–2.5	7.0
Total	38 537	–9.7	22.2	1.0
Memorandum item: average OECD export prices		–5.2	1.2	0.1

Source: OECD series "A" trade statistics and OECD estimates.

former CMEA countries appears to be reviving somewhat. Thus, whereas in 1991 export growth to the West at best offset declining exports to former socialist markets, in 1992 the export stimulus to demand is positive. Here too, the contrast between central and eastern Europe and the NIS is marked, with the latter experiencing a sharp fall in exports to the OECD – largely attributable to supply difficulties in the petroleum sector and hence reduced oil exports. Trade among the Newly Independent States themselves is very likely to be declining as well (though hard data on this are unobtainable) because of the disintegration of payments arrangements aggravating the falls in production.

The countries of central and eastern Europe are succeeding in expanding their exports to OECD countries despite sluggish growth in the latter. However, a rising share of exports is accounted for by raw and semiprocessed goods as well as basic industrial goods, where quality may be less important than price competitiveness and where substantial excess capacity has developed as a result of the weakness of domestic and former CMEA markets. Export growth also reflects improved access to western markets, especially in Europe, following the implementation of trade-liberalisation provisions embodied in the Association Agreements of Poland, Hungary and the CSFR with the European Community [and, since July, the implementation of free trade agreements with the European Free Trade Association (EFTA)]. Market access continues to be limited, however, for a number of "sensitive" sectors of particular importance to the reforming countries; these include food products, steel, textiles and clothing. The recent application of safeguard measures to limit exports to the Community of certain steel products from the CSFR is a clear illustration of the limits.

Strong export growth has been reflected in stronger-than-expected current account positions for Poland, Hungary and the CSFR. Combined with direct investment inflows into these countries, which have been running at annual rates of over $3 billion in aggregate, this has meant a substantial build-up of foreign reserves and an easing of external financing constraints. By contrast, Bulgaria and Romania remain severely finance-constrained due to inability to borrow from foreign banks, very limited foreign investment, and low official reserves; the capacity to finance current deficits is thus largely determined by the flows of official finance to these countries. The same is true of the NIS, which have probably been running a small trade deficit in aggregate, while capital inflows have been absorbed by partial payments of interest and capital flight. Russia's foreign exchange reserves were largely exhausted over the summer in a fruitless attempt to drive up the value of the rouble.

The OECD Secretariat's short-term projections for the region, set out in Tables 19, 21, 22 and 23, are subject to enormous uncertainty, as solid techniques for making projections for economies undergoing radical structural change are simply not available. The recent evidence of stabilisation of industrial output may suggest that a turning point has been reached for Poland, Hungary and the CSFR, though there is little precedent to go on. For these countries, a more comfortable external position is also an important factor allowing renewed growth. Finally, the private sectors in these countries – whose output is probably increasingly underestimated in official statistics – are large enough for their dynamism to begin to offset, at the aggregate level, continued declines in state sector production. At the same time, however, the need to restructure, and in many cases to liquidate non-viable state enterprises will continue to act as a drag on growth (indeed, the negative output effects of plant closures are clearly visible in Hungary). Hence economic recovery, when it comes, is likely to remain very weak for some time.

A particular risk in the outlook is the extent to which the impending separation of the Czech and Slovak

Table 21. **Current balances of central and eastern European countries and the NIS with the OECD area**

$ billion

	1989	1990	1991	Projections		
				1992	1993	1994
Bulgaria	–1.3	–1.2	–0.9	–0.8	–1.2	–1.4
CSFR	0.3	–1.1	0.3	0.8	0.6	0.0
Hungary	–1.4	0.1	0.3	0.9	0.5	0.1
Poland	–1.2	0.7	–1.4	–1.0	–1.0	–2.2
Romania	2.9	–1.7	–1.4	–1.0	–0.8	–1.1
Total of the above	–0.7	–3.1	–3.1	–1.1	–1.9	–4.6
USSR/NIS	0.4	–5.1	–2.9	–9.0	–12.5	–13.5
Area total	–0.3	–8.2	–6.0	–10.1	–14.4	–18.1

Source: OECD estimates based on data from national sources.

republics may adversely affect their economic performance. While the short-term costs of a carefully organised separation could be contained within moderate limits, the risk is that things will not work out as smoothly as planned; and any resulting disruption of internal economic relations could trigger more serious consequences. It is assumed in the projections that Bulgaria and Romania, which lag behind in the development of market institutions and private enterprise, as well as facing severe external finance constraints, will continue to experience declining output until 1994. On current policies, inflation could be expected to decline throughout central and eastern Europe as generally tight monetary policies are being pursued, and wage growth remains constrained

Table 22. **Output of central and eastern European countries and the NIS**

Per cent change

	1989	1990	1991	Projections		
				1992	1993	1994
Bulgaria	–0.4	–9.1	–17	–10	–4	0
CSFR	1.0	–0.4	–16	–7	0	2
Hungary	–0.2	–3.3	–10	–4	0	3
Poland	0.0	–11.6	–9	–2	2	3
Romania	–4.0	–7.4	–14	–13	–5	–2
Total of the above	–0.5	–6.8	–13	–6	0	2
USSR/NIS	2.4	–4.0	–17	–18	–	–

Source: The Vienna Institute for Comparative Economic Studies database, national sources, and OECD projections. Figures refer to GDP; pre-1991 figures for Bulgaria, CSFR, Romania and the USSR refer to net material product. Weights for the aggregation are purchasing power parity estimates of output.

Table 23. **Unemployment in central and eastern European countries**

Per cent of labour force, end of period

	1989	1990	1991	Projections		
				1992	1993	1994
Bulgaria	0.0	1.6	11.7	15	15	16
CSFR	0.0	1.0	6.8	8	11	13
Hungary	0.5	1.6	7.5	13	17	13
Poland	0.3	6.1	11.5	15	17	16
Romania	..	..	2.7	6	12	15

Source: OECD estimates based on data from national sources.

both by incomes policies and, indirectly, by the pressure of unemployment which is projected to continue rising even if output recovers.

In the case of the NIS, even illustrative projections for output and inflation are impossible under present conditions. Negotiations among the republics to clarify inter-republican monetary and payments relations are presently under way. Such a clarification is essential, and it is assumed that some progress towards monetary stabilisation within the rouble zone will be achieved over the coming year; but even in Russia, which has done most among the republics to launch fundamental economic reform, the conditions for market-based economic development are very slow to be put in place. Continuing output declines in the face of persisting high levels of economic disorganisation seem likely.

The lessons for stabilisation policies

At the outset of economic transformation, the countries of central and eastern Europe put in place tight policies to contain the inflationary surge expected both from freeing prices and from the large currency depreciations that were seen as the necessary counterpart to liberalising trade. While the timing and calibration of monetary and fiscal tightening differed significantly across countries, certain common features and problems can nonetheless be identified; these are briefly reviewed in the following paragraphs.

As regards *budgetary policies,* there was in all cases an initial significant swing of the budget into surplus. This reflected, on the expenditure side, the sharp reductions in subsidies to consumers and producers associated with price liberalisation and, on the revenue side, strong enterprise profit-tax receipts arising in large part from inventory valuation gains being recorded as enterprise profits. Sustaining satisfactory budgets has, however, proved increasingly difficult in most countries.

While total expenditures have continued to decline in real terms, this trend may not be sustainable because social transfers are increasing sharply everywhere under the impact of both rising unemployment and rapidly increasing numbers of pensioners. Containing social expenditures is made difficult because of the legacy from the Communist era, with its commitment to egalitarian income distribution. Citizens' expectations in this regard may entail the maintenance of levels of social protection that are high relative to average per capita incomes. On the revenue side, the problem of a reduced tax take because of lower economic activity has been exacerbated by additional factors: sharp declines in profits in state enterprises – and even more severe problems of liquidity – have resulted both in sharply reduced tax receipts from this source and in significant tax arrears. In some cases, necessary changes in corporate accounting practices have further reduced corporate tax revenues. At the same time, tax reforms that would shift more of the burden of financing government expenditures onto other taxes (especially the value-added tax), have been slow to be implemented, in large part because of the technical difficulties of putting in place the required accounting and tax administration frameworks. Finally, as income has shifted from the state to the private sector, tax avoidance and evasion have increased markedly.

The budget deficit estimates for 1992 in Table 24 understate the severity of the current problem in most countries. In the case of Bulgaria, the cash deficit estimate does not take into account the foreign debt-service obligations of the government, which are not being paid at present but which amount to about 10 per cent of GDP; and the costs of servicing foreign debt are also not fully counted in the Hungarian budget. Poland will face substantial increases in foreign debt-service obligations in a few years' time as the effects of the 1991 debt-reduction package wear off; it needs to make provision for this transfer in its budget. In Romania, a relatively small deficit may largely reflect the still incomplete adjustment to market conditions: it is probable that present accounting practices are resulting in paper profits on accumulating (perhaps unsaleable) inventories, and associated tax liabilities that cannot be covered out of cash flow. In the CSFR, where traditions of budget discipline have always been strong, the budget situation thus far appears to be relatively healthy. Problems may arise, however, after separation of the republics. In particular, the Slovak republic will face a difficult adjustment once the subsidies it receives from the federal budget are terminated.

Table 24. **General government budget balances in central and eastern European countries**

Per cent of GDP

	1990	1991	1992[c]
Bulgaria[a]	–8.5	–3[a,b]	–5
CSFR	0.7	–1	–1
Hungary[b]	0.2	–5	–7
Poland[b]	0.2	–5	–8
Romania	1.0	–1	–2

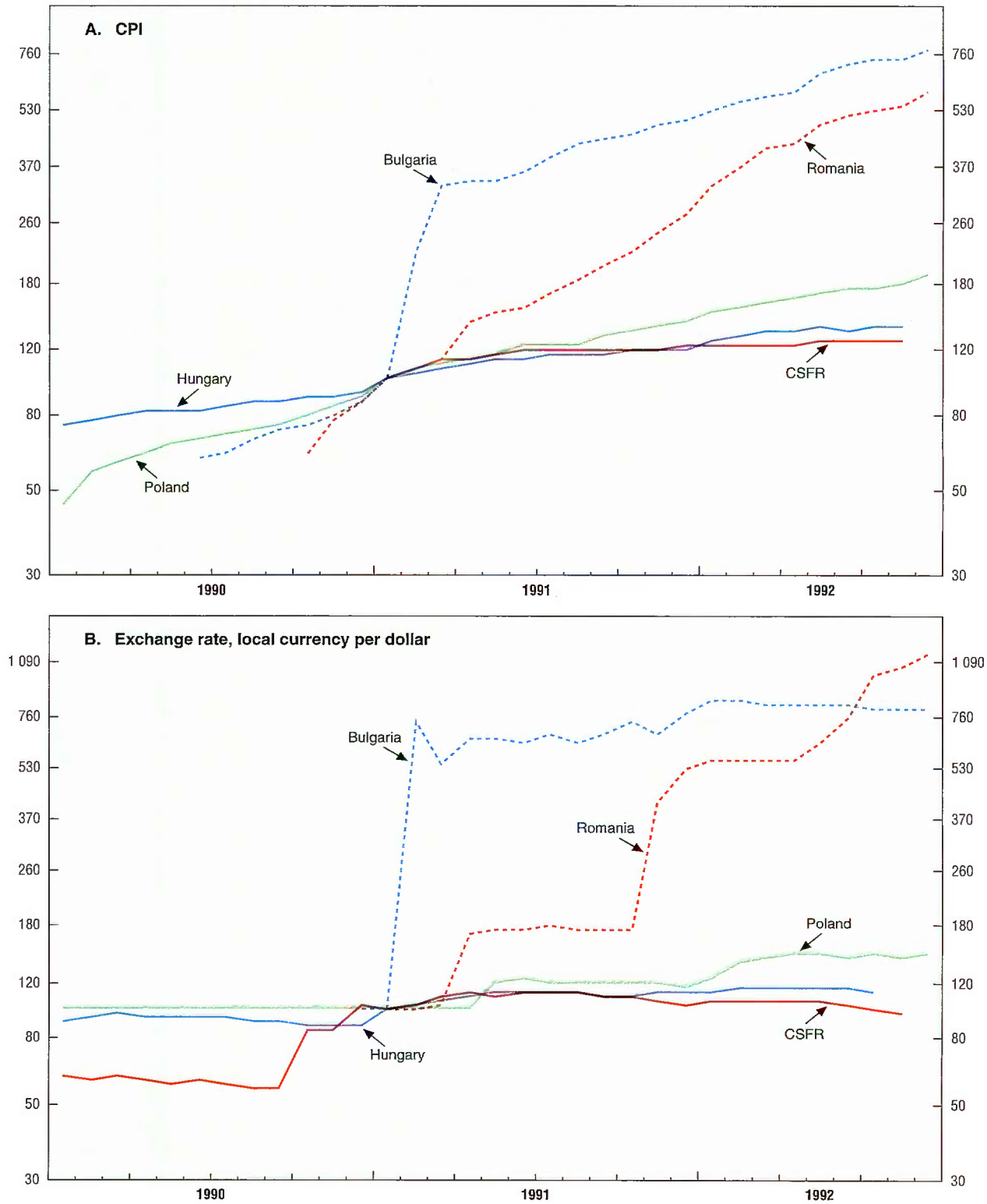
a) Cash basis; excludes accrued interest on foreign debt.
b) State budget, excluding local authorities.
c) OECD estimates.

As regards *monetary policy,* the first phase of economic reform generally resulted in sharp drops in real money and credit aggregates as the counterpart to absorption of the monetary overhang that characterised the pre-reform system of controlled prices and shortages. (Hungary, which had liberalised progressively earlier on, is the exception here.) As measured by subsequent rates of credit expansion, tight monetary policies have generally been maintained, as all these countries have fulfilled (or indeed been well within) the performance criteria for domestic credit that were set down in agreements with the International Monetary Fund. Interest rates have also been raised, with the objective of achieving positive real interest rates. It is difficult to judge if this objective has in fact been realised, given the volatility of monthly price movements and the large spreads that generally prevail between borrowing and lending rates. However, borrowing rates are widely considered prohibitive by those enterprises (especially in the private sector) that expect to have to service their debts.

While tight monetary and fiscal policies are an essential requirement for stabilisation, they have not proved to be sufficient in conditions where market-based economic relations are still very imperfectly developed, and financial discipline has not been fully established at the enterprise level. Romania illustrates this lesson most clearly. Budget deficits are small, money and credit growth have been largely below targets; yet the situation is very precarious due to a lack of confidence in the lei that is fuelling a continuing flight into foreign exchange and rapid currency depreciation. Judging from the evidence presented in Figure 24, the principal transmission mechanism from monetary policy to inflation has operated through the exchange rate. Where the means have been available to stabilise the exchange rate (rigidly, as has been the case of the CSFR, or via a controlled peg as in Hungary and Poland), control over inflation has been possible. Since in all these countries residents hold foreign exchange legally, the key here would seem to be to provide sufficiently attractive rates of return and security on domestic-currency deposits to induce residents to hold on to them rather than seek to sell them for foreign

Figure 24. **Exchange rates and inflation in central and eastern European countries**

January 1991 = 100



Source: OECD, *Short-term Economic Indicators: Central and Eastern Europe.*

exchange. Thus, a policy of maintaining substantially positive real interest rates for depositors may in fact be one critical element of a successful stabilisation strategy, given the uncertain impact of tight money *per se* on economic behaviour in conditions of incomplete transformation to a market-based economy.

An essential limiting factor on an effective monetary policy has been that state enterprises are not, or do not perceive themselves to be, fully subject to "hard-budget constraints". Up until this year, the ultimate sanction of bankruptcy has been invoked too rarely against state enterprises to force them to treat their own solvency as a critical issue. One implication is that high interest rates do not deter those borrowers who expect that they will not be called on to repay their debts. And indeed, the capitalisation of interest by the banks for large state enterprises has been a pervasive phenomenon in all these countries. Even more pervasive has been the build-up of very large inter-enterprise arrears as firms avoid paying bills to suppliers in order to preserve cash-flow to pay wages. This development can circumvent, in the short term, the impact of tight credit policy; in the longer term it can also lead to serious problems in maintaining production as normal commercial relations among enterprises cannot be maintained.

There is a considerable difference among the countries of central and eastern Europe in the extent to which budget constraints on enterprises have been hardened. All of them have opted to approach the problem gradually, as the prospect of mass bankruptcies has not been considered acceptable. In Hungary, a major step has been taken in 1992 with the implementation of a very tough bankruptcy law: enterprises with debts more than 90 days overdue are obliged to file for bankruptcy. Creditors then have 90 days to develop a restructuring plan and, failing agreement on such a plan, the firm is put up for liquidation. Reportedly, some 6 000 enterprises have entered bankruptcy and/or liquidation thus far in 1992. The Polish authorities have also recently proposed a series of measures that will force substantially increased financial discipline on enterprises. In the CSFR, it appears that the policy emphasis on rapid privatisation, and a hands-off approach to state-sector enterprises prior to privatisation, may have generated a climate of greater financial discipline from the beginning of reform. A major uncertainty here is how the impending separation between the Czech and Slovak republics may impinge on this, in particular because authorities in the latter republic have generally emphasised a more closely-managed and gradualist strategy towards enterprise restructuring than is the case in the Czech lands. At the other end of the spectrum, financial discipline on Romanian enterprises remains extremely weak. The attempt to "clean up" inter-enterprise arrears at the beginning of the year by using bank credits earmarked for that purpose has not been successful; the root cause was not addressed and arrears have rapidly built up again. Indeed, the risk of such an exercise is that it will confirm enterprise expectations of future "bail-outs" and so make financial discipline even harder to achieve.

The range of problems encountered by the countries of central and eastern Europe in attempting to stabilise their economies does not suggest any easy recipes. Tight monetary and fiscal policies are clearly necessary; and even in the distorted conditions prevailing in these countries, such policies can be expected to check inflation if pursued with sufficient rigour. But tight macroeconomic policies by themselves are unlikely to lead to thorough-going economic stabilisation – and may in the end become politically unsustainable – if they are not adequately supported by structural reforms in other areas such as taxation, banking and – perhaps most fundamentally – the progressive enforcement of binding budget constraints on enterprises. Such reforms are difficult and inevitably take time to realise, because they require developing not only new institutions but new management cultures. Technical assistance from OECD countries to support and accelerate such reform thus remains important.

OTHER AREAS

Performance and prospects have been brightest in a number of non-OECD countries. Output growth in the dynamic Asian economies, while remaining buoyant, is subsiding to a pace likely to relieve inflationary pressures somewhat. In China, India and several Latin American countries, market-oriented developments may usher in a period of high but sustainable growth.

Dynamic Asian Economies

Growth in the dynamic Asian economies (Korea, Taiwan, Hong Kong, Singapore, Thailand and Malaysia) is estimated to have slowed by about one percentage point to 6½ per cent in 1992, following policy tightening in 1991 in response to labour shortages and an acceleration of inflation. But the projected recovery in the OECD area in 1993 and 1994 should help sustain DAE growth at this rate (Table 25). Inflation has declined and may fall further to below 6 per cent during the next two years. Hong Kong and Taiwan are expected to continue benefit-

Table 25. **Dynamic Asian Economies: key economic variables**

	1991	1992	1993	1994
DAEs' Total				
GDP/GNP	7.5	6.5	6.8	7.0
Consumer prices	7.3	6.1	5.8	5.5
Export volume	13.6	9.0	9.5	9.5
Import volume	15.6	9.3	9.5	9.3
Trade balance	–3.7	–2.5	–2.3	–1.8
Current-account balance	–2.1	0.5	2.0	4.0
Korea				
GNP	8.4	6.5	6.8	7.0
Consumer prices	9.7	7.0	6.5	6.0
Trade balance	–7.0	–2.0	1.0	3.0
Current-account balance	–8.7	–4.5	–1.8	0.2
Taiwan				
GNP	7.3	6.5	7.0	7.0
Consumer prices	3.6	5.0	4.0	3.5
Trade balance	15.8	12.0	11.0	10.0
Current-account balance	12.0	8.0	7.0	6.0
Hong Kong				
GDP	4.2	5.2	5.5	6.0
Consumer prices	12.0	9.8	10.3	10.0
Trade balance	–2.1	–3.5	–4.7	–5.0
Current-account balance	2.4	2.5	2.5	3.0
Singapore				
GDP	6.7	5.5	5.8	6.0
Consumer prices	3.4	2.5	2.8	2.8
Trade balance	–4.1	–4.0	–4.6	–4.8
Current-account balance	4.2	4.5	4.5	5.0

The DAEs include Thailand and Malaysia in addition to the four economies shown separately in the table. The figures given for GNP/GDP, consumer prices, and export and import volume are percentage changes from previous period. Trade and current-account balances are in $ billion. Current-account estimates for Hong Kong correspond to net exports of goods and services on a National Accounts basis and therefore exclude investment income and transfers. The trade balance corresponds to net exports of goods on a National Accounts basis.

Source: IMF, *International Financial Statistics;* The Central Bank of China (Taiwan), *Financial Statistics: Taiwan District, The Republic of China;* Hong Kong Census and Statistics Department, *Monthly Digest of Statistics;* OECD estimates and projections.

ing from the acceleration of growth in China (see box on "The Chinese Economic Area").

Korea. Tight monetary policy and restrictions on construction helped slow Korean economic growth to about 6½ per cent during the first half of 1992, a rate which appears to have held for the year as a whole. Stabilisation policies sharply reduced domestic demand growth from 12 per cent in 1991 to about 5 per cent in 1992, and also slowed inflation from almost 10 per cent to about 7 per cent. Government pressure on firms to limit wage rises to 5 per cent may further ease inflationary pressure. The current-account deficit is estimated to have halved from the record $8.7 billion recorded in 1991.

Growth in 1992 may prove to have been Korea's lowest since 1981 and there have been concerns that policies are too tight. However, the investment boom of the past few years and wage moderation should help Korean manufacturers benefit from the expected pickup of demand in the OECD area. Higher net exports should help sustain economic growth at around 7 per cent in 1993 and 1994, eliminating the current-account deficit. Increased public investment in major infrastructure projects during the next few years will also have a positive impact on growth.

Taiwan. Real GDP growth in Taiwan is estimated to have slowed to about 6½ per cent in 1992 as a result of falling net exports. Higher labour costs and currency appreciation weakened Taiwan's export performance, particularly in the second half of 1992. Domestic demand growth accelerated, reflecting strong increases in private consumption and investment. Sharp increases in food prices helped push inflation up to about 5 per cent, the highest rate since 1981.

Growth is projected to accelerate to about 7 per cent in 1993 and 1994. The 6-year, $300 billion National Development Plan, which will draw on the central bank's $90 billion of foreign reserves, will boost public investment. The shortage of labour is likely to lead to continued large wage increases which should fuel private consumption. The rapid expansion of exports to China, which increased at an annual rate of nearly 40 per cent during the first half of 1992, is likely to continue. Taiwanese investment in the mainland, now estimated at over $3 billion, is an important factor boosting trade. Inflation is likely to slow toward the government's 3.5 per cent target as the effect of the rise in food prices fades.

Hong Kong. Buoyant domestic demand and strong growth of re-exports, reflecting the on-going shift of Hong Kong's manufacturing sector to southern China, increased Hong Kong growth to about 5 per cent in 1992.[1] Re-exports rose by 31 per cent in volume terms in the first half of the year. Underpinned by continued business confidence, private sector investment is estimated to have increased by almost 10 per cent in 1992. Inflation has remained at single-digit rates since the spring of 1992, reflecting some easing of tight labour market conditions as well as the waning effect of large increases in indirect taxes in 1991.

Hong Kong's links to the booming Chinese economy should lead to slightly faster growth in 1993 and 1994. The recent successful conclusion of trade negotiations between the United States and China should permit the continued rapid growth of re-exports. Large wage increases and higher asset prices should help sustain private consumption growth at about 7 per cent. Stronger

demand, though, will make it difficult to contain inflation below 10 per cent in 1993 and 1994. Given the pegging of its currency to the U.S. dollar, Hong Kong has few monetary tools to combat inflation. Indeed, the relatively faster growth of productivity in Hong Kong should be offset by a real appreciation of the Hong Kong dollar and, with the nominal exchange rate pegged, this can only be achieved through relatively higher inflation.

Singapore. GDP growth in Singapore, which remains highly dependent on foreign trade, slowed in 1992 to an estimated 5½ per cent rate. Growth in consumption, which has lagged behind GDP growth since 1989, remained sluggish, as households decided to increase their already high saving rates. Manufacturing output fell in the first half of 1992 for the first time since the 1985 recession. Growth was sustained, though, by the construction sector, which increased 27 per cent during the same period due to increased public investment in housing and infrastructure.

A recovery in manufacturing sector output in the third quarter of 1992 helped end a string of six consecutive quarters of slower growth. Growth should accelerate slightly in 1993 and 1994 in line with the projected recovery in the OECD area. With inflation stable at about 2.5 per cent, the stance of monetary policy is set to remain easy. Another positive factor is the increasing foreign investment in Singapore's manufacturing sector, which is expected to surpass last year's record of $1.8 billion.

Thailand. The Thai economy is estimated to have slowed slightly to around 7 per cent in 1992. A sharp decline in private investment and a fall in tourism revenue in the wake of the May 1992 political crisis were the major reasons for slower growth. Exports expanded 16 per cent in the first half of the year, reflecting the improved competitiveness resulting from the surge of foreign investment during the past four years. The deceleration of domestic demand lowered the current-account deficit to about 7½ per cent of GDP, and reduced inflation to below 5 per cent. A recovery in private investment and large infrastructure projects are expected to raise growth to an 8 per cent rate in 1993 and 1994.

Malaysia. In 1992, growth is estimated to have remained above 8 per cent for the fifth consecutive year. Double-digit increases in exports and investments were the major sources of growth. At the same time, the tight stance of monetary policy was successful in slowing the pace of domestic demand from 15 per cent in 1991 to about 5 per cent in 1992. While the deceleration of domestic demand is likely to reduce the current-account deficit to under $4 billion, signs of overheating, such as labour shortages and accelerating wage increases, persist. Inflation rose to about 5 per cent in 1992, well above the government's long-run target of 2 to 3 per cent. The budget announced for 1993 includes a cut in government expenditures in nominal terms. The restrictive stance of fiscal policy should reduce growth slightly below 8 per cent in 1993 and 1994 and help slow the rate of inflation.

Other Asian countries

China. The political ascendancy in the early part of 1992 of reformers favouring market-based reforms to accelerate economic expansion helped boost China's growth to an estimated 11 per cent for the year. Economic reforms included the large-scale removal of price controls, the opening of more cities to foreign investment and the granting of more autonomy to provincial governments. The 14th Party Congress in October further strengthened the position of officials supporting the full-scale adoption of market mechanisms. The favourable political climate helped attract a surge of foreign investment in 1992, which partially financed an estimated 30 per cent rise in fixed investment. The successful conclusion of trade negotiations with the United States in October removed a potential obstacle to continued double-digit growth in 1993. But rapid growth has raised concerns of a repeat of the 1980s' boom-bust cycles. One worrisome sign is an increase in the inflation rate for cities, to more than 10 per cent at an annual rate during the first three quarters of 1992.

India. The depth and speed of economic reforms in India have exceeded expectations. After nearly defaulting on its foreign debt obligations in July 1991, the rupee has been devalued by 24 per cent and made partially convertible; export subsidies and import duties have been reduced; foreigners may invest in Indian stock markets and equity limits on foreigners have been raised from 40 to 51 per cent; and licensing requirements nearly eliminated in industry. Growth is likely to accelerate from an estimated 3 per cent in 1992 as the reforms take hold. Serious problems remain, however. Inflation remains in double digits, while the fiscal deficit is equivalent to 6.5 per cent of GDP. With the current-account deficit running at 2 per cent of GDP, financing problems could arise, especially given India's relatively low level of foreign reserves.

Latin America

There remain marked differences in economic performance in Latin America. Colombia, the only major country without debt-servicing problems during the 1980s, had the highest per capita growth rate during the

THE CHINESE ECONOMIC AREA

In the 1980s, the "Dynamic Asian Economies" (DAEs) emerged as substantial and growing exporters of manufactured goods to OECD and other markets. The DAEs now account for half of all developing countries' exports of manufactures, and their collective share of world exports is on a par with that of Japan. These countries are also large and growing markets for OECD countries' exports, and indeed the OECD area runs a small surplus on its bilateral trade with them. More recently, output of manufactured goods for export has risen very rapidly in China, a country with vastly greater reserves of labour and natural resources than the DAEs. This process has been enhanced and accelerated by China's growing trade, financial and technological links with two of the DAEs, the far more advanced but much smaller economies of Hong Kong and Taiwan (Table 26), leading to what has been described as the "Chinese economic area" (CEA).[2] The three constituents of the CEA are of broadly similar size, as measured by their two-way trade with the OECD area. The United States is the CEA's biggest customer among OECD countries, and the area is also an important supplier to the Japanese and Australian markets (Table 27). By early 1992, the CEA had become the third largest supplier to the U.S. market after Canada and Japan, and China alone had displaced the United Kingdom as 6th largest exporter to the United States. The CEA is also a major export market for Japan, and a sizeable one for the United States. Trading links with European countries are much less substantial in either direction, even allowing for the fact that most European trade is with other European countries. Very recent data on the composition of exports from the area is lacking, but in the late 1980s, China had substantial (more than 10 per cent) shares of world trade in clothing, footwear and other leather goods. More recently, exports of more sophisticated consumer durables seem to have expanded rapidly. Excluding intra-trade, the CEA now accounts for about 4½ per cent of world trade, a proportion similar to that of the United Kingdom or France. Only a tiny fraction of China's labour force or capital is currently employed in the dynamic export-oriented sector, suggesting that if unimpeded by political pressures or drying-up of investment funds, the expansion of this sector could continue for some considerable time.

Table 26. **Structural indicators in the Chinese economic area (CEA)**

1990 unless otherwise indicated

	Hong Kong	Taiwan	People's Republic of China
GDP ($ billion)	67	163	420
Population (million)	6	20	1 134
GDP per capita ($)	11 490	7 997	370
Investment/GDP (per cent)	28	22	39
Saving/GDP (per cent)	33	30	43
GDP growth (1980-90) (per cent)	7.1	8.0[a]	9.5
Annual inflation rate (1980-90) (per cent)	7.2	9.5[a]	5.8

a) 1980-89.

Sources: World Bank (1992), *World Development Report;* Republic of China (1990), *Taiwan statistical data book.*

Table 27. **OECD trade with the Chinese economic area (CEA)**

	Imports from the CEA as a percent of total imports		Exports to the CEA as a percent of total exports	
	1980	1991	1980	1991
United States	5.2	10.5	4.9	6.5
Japan	5.1	10.9	11.5	13.7
Australia	6.1	7.8	7.0	8.5
OECD Europe	1.4	2.8	1.0	1.7
Germany	2.0	3.9	1.2	1.8
France	0.9	2.6	0.6	1.7
Italy	1.1	2.1	0.8	2.1
United Kingdom	2.4	3.5	1.7	2.1
Total OECD	2.5	5.1	3.2	4.1
	Imports		Exports	
Memorandum item: Total imports and exports from/to CEA as per cent of trade with non-OECD economies in 1991.				
United States	25.9		17.2	
Japan	21.3		31.1	
OECD Europe	15.5		10.0	

Source: OECD Series "A" trade statistics.

NOTE

1. See Jones, R., R. King and M. Klein (1992), "The Chinese Economic Area: Economic Integration without a Free Trade Agreement", OECD Economics Department Working Paper, No. 124.

1980s but is set for output growth of only about 2 per cent in 1992. Argentina and Chile's output growth are likely to exceed 7 per cent, whereas Mexican growth is slowing to below 3 per cent. Elsewhere, the economic outlook remains decidedly mixed as Brazil continues to suffer from political uncertainty and weak fiscal discipline. Stabilisation and adjustment efforts by Ecuador, Guatemala, Nicaragua, Panama, Peru and Venezuela raise hopes for widespread future progress in the region. For the region as a whole, growth in 1993 is likely to accelerate slightly from the 3 per cent rate recorded in 1991 and 1992.

Argentina. The adjustment programme initiated in April 1991 is leading to accelerating output growth while inflation may have fallen to about 15 per cent by end-1992. Reflecting the strong real appreciation of the peso, the current-account deficit has widened, and may reach 4 per cent of GDP in 1992. The Brady-type debt and debt-service reduction arrangement with creditor banks is expected to be completed by the end of the year. Privatisation continues and should allow the government to further reduce domestic and external debt. If financial conditions remain stable, growth may continue at the 7 per cent rate estimated for 1992.

Brazil. Brazilian output appears to have been unchanged in 1992, and inflation remained at around 25 per cent per month. Strong export growth yielded a trade surplus, estimated at some $15 billion. While political uncertainty continues, policy-makers have so far resisted further fiscal expansion. Instead, they have pursued a build-up of foreign reserves and an agreement with commercial creditors as well as the privatisation programme. However, a comprehensive fiscal reform package has not yet been agreed, tax evasion has become rampant, domestic public borrowing is rising, and interest payments on public debt may increase to 40 per cent of total government expenditure in 1993. Brazil's economic performance will depend on what policies are adopted after the political climate settles down. Severe cuts in investment programmes may have to be made in the context of any future stabilisation effort, endangering prospects for medium-term growth.

Mexico. The Mexican economy is entering a difficult phase of slow growth, rising current-account deficits and pressure on the exchange rate that has so far been partly offset by rising interest rates.[3] Real GNP growth slowed in 1992 to an estimated 3 per cent, or slightly less, although consumption remained buoyant. High imports coupled with the effects of the appreciation of the real exchange rate on exports led to a rise in the trade deficit to $9½ billion in the first half of 1992. For the year, this would imply a current-account deficit of more than 6 per cent. While country risk premia fell to below 3 per cent in 1992, currency risk premia jumped to about 12 per cent by the autumn, indicating that the markets were anticipating a further depreciation of the Mexican peso. As effective interest rates rose to over 21 per cent by October, capital flows were reversed, and foreign reserves returned to their 1991 year-end level. In October, the government widened the band within which the peso may fluctuate, and allowed for faster depreciation against the U.S. dollar. The outlook for 1993 is for GDP to grow by some 3 per cent as net exports improve. Inflation is projected to fall to single-digit rates, and the current-account deficit may narrow to 5 to 6 per cent of GDP.

Government policy has remained steady through the slowdown. The consolidated PSBR was in surplus in the first half of 1992, but slower growth of tax revenues may have hindered the achievement of the targeted surplus of 0.8 per cent of GDP for the year as a whole. Privatisation proceeds have been used to reduce domestic public debt to about 15 per cent of GDP.

NOTES

1. For details on the shift of Hong Kong's manufacturing base, see Jones, R., R. King and M. Klein (1992). "The Chinese Economic Area: Economic Integration Without a Free Trade Agreement", OECD Economics Department Working Paper, No. 124.
2. This section builds upon and updates the review of macroeconomic developments and trends in Mexico contained in the OECD Special Economic Survey of Mexico, September, 1992.

DETAILED PROJECTION TABLES AND OTHER BACKGROUND DATA

DEMAND AND OUTPUT

Table 28. **Growth of real GDP in major OECD countries and country groups**[a]

Percentage changes from previous period, seasonally adjusted at annual rates

	1987 Share in total OECD	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States	36.0	0.8	–1.2	1.8	2.4	3.1	2.0	2.2	2.3	2.7	3.1	3.5
Japan	19.1	5.2	4.4	1.8	2.3	3.1	1.9	1.5	2.5	2.9	2.9	3.7
Germany	8.8	4.8	3.7	1.4	1.2	2.9	2.9	–0.9	1.6	2.5	2.9	3.2
France	7.0	2.2	1.2	1.9	1.6	2.8	2.1	0.6	1.6	2.4	2.9	3.1
Italy	6.0	2.2	1.4	1.2	0.8	1.7	1.8	–0.4	1.0	1.5	1.5	2.2
United Kingdom	5.5	0.5	–2.2	–1.0	1.3	2.4	–1.9	–0.1	1.5	2.1	2.3	2.7
Canada	3.3	–0.5	–1.7	1.3	3.2	4.2	0.8	2.1	3.3	4.0	4.2	4.3
Total of above countries	85.7	2.4	0.9	1.5	2.0	2.9	1.8	1.2	2.1	2.6	2.9	3.4
Other OECD countries[b]	14.3	2.8	0.7	1.2	1.4	2.6	1.3	1.2	1.2	1.9	2.8	3.0
Total OECD	100.0	2.4	0.8	1.5	1.9	2.9	1.7	1.2	2.0	2.5	2.9	3.3
Four major European countries	27.3	2.7	1.4	1.0	1.2	2.5	1.5	–0.3	1.4	2.2	2.5	2.9
OECD Europe	39.7	2.8	1.3	1.0	1.2	2.5	1.3	0.1	1.3	2.0	2.5	2.9
EC	34.2	2.9	1.5	1.1	1.2	2.5	1.5	0	1.4	2.1	2.5	2.8
Total OECD *less* the United States	64.0	3.3	2.0	1.3	1.7	2.8	1.5	0.7	1.8	2.4	2.8	3.2
Industrial production :												
Major seven countries[c]	–	1.9	–0.6	–0.6	2.6	4.1	–2.1	0.9	2.8	3.7	4.1	4.5
Total OECD[c]	–	1.9	–0.7	–0.4	2.5	4.0	–1.6	1.1	2.7	3.6	4.0	4.4

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) Half-yearly data must be interpreted with care since for most of these countries, amounting to over 50 per cent of the total GDP of the smaller countries, half-yearly growth rates were obtained by simple interpolation. For details on yearly basis, see Table 29.
c) Includes western Germany only.

Table 29. **Growth of real GDP in other OECD countries**[a]

Percentage changes from previous year

	1987 Share in total OECD	1990	1991	1992	1993	1994
Austria	0.9	4.4	3.1	2.0	1.8	3.0
Belgium	1.1	3.3	2.1	1.3	1.3	2.2
Denmark	0.8	1.7	1.2	1.2	2.1	2.4
Finland	0.7	0.3	–6.5	–2.0	1.9	4.1
Greece	0.4	–0.1	1.8	1.2	1.1	1.8
Iceland	0	0.4	1.5	–2.8	–0.9	1.0
Ireland	0.2	8.3	2.5	2.6	2.3	2.9
Luxembourg	0	2.3	3.1	2.5	2.3	3.1
Netherlands	1.7	3.9	2.1	1.4	1.2	2.4
Norway	0.7	1.8	1.9	1.3	0.5	3.7
Portugal	0.3	4.4	2.1	1.9	1.7	2.4
Spain	2.3	3.6	2.4	1.4	0.9	2.3
Sweden	1.3	0.4	–1.4	–1.2	–1.4	1.3
Switzerland	1.4	2.3	–0.1	0.2	1.1	1.8
Turkey[b]	0.5	9.2	0.3	5.3	4.5	5.0
Total of above European countries	12.4	3.0	1.0	1.0	1.1	2.5
Australia	1.6	1.5	–1.2	2.0	2.9	3.4
New Zealand	0.3	0.5	–1.8	3.1	3.0	2.8
Total of above countries	14.3	2.8	0.7	1.2	1.4	2.6

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) GNP.

Table 30 **Growth of nominal GDP in major OECD countries and country groups**[a]

Percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States	5.2	2.8	4.6	4.7	5.0	4.9	4.5	4.7	4.9	5.0	5.2
Japan	7.5	6.4	3.7	4.0	4.8	4.1	3.2	4.1	4.6	4.6	5.4
Germany	8.4	8.4	6.9	5.8	6.3	8.1	4.4	6.4	5.9	6.4	6.4
France	5.4	4.0	5.2	4.1	5.0	5.6	3.9	4.0	4.7	5.0	5.2
Italy	9.9	8.8	5.7	6.1	7.0	4.5	5.1	6.4	6.6	7.0	7.3
United Kingdom	6.8	4.3	4.3	6.3	6.6	3.6	3.8	7.3	6.9	6.4	6.5
Canada	2.8	1.0	2.3	5.4	6.3	1.3	4.1	5.6	6.2	6.4	6.5
Total of above countries	6.4	4.7	4.6	4.8	5.4	4.9	4.1	5.0	5.2	5.3	5.7
Other OECD countries[b]	10.5	7.5	7.3	7.1	8.0	7.5	6.8	7.0	7.6	8.3	8.0
Total OECD	7.0	5.1	5.0	5.2	5.8	5.2	4.5	5.3	5.6	5.8	6.0
Four major European countries	7.6	6.5	5.7	5.5	6.2	5.8	4.3	6.0	6.0	6.2	6.3
OECD Europe	8.8	7.2	6.3	6.1	6.9	6.5	5.2	6.4	6.6	7.0	7.0
EC	7.9	6.8	5.9	5.6	6.2	6.0	4.6	5.9	5.9	6.2	6.3
Total OECD *less* the United States	8.0	6.4	5.3	5.4	6.2	5.4	4.5	5.6	5.9	6.2	6.4

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) Half-yearly data must be interpreted with care since for most of these countries, amounting to over 50 per cent of the total GDP of the smaller countries, half-yearly growth rates were obtained by simple interpolation. For details on yearly basis, see Table 31.

Table 31. **Growth of nominal GDP in other OECD countries** [a]

Percentage changes from previous year

	1987 Share in total OECD	1990	1991	1992	1993	1994
Austria	0.9	7.3	6.9	6.8	6.0	6.7
Belgium	1.1	6.0	4.7	4.0	4.0	4.9
Denmark	0.8	3.9	4.1	3.6	3.9	4.2
Finland	0.7	5.9	–4.3	0	4.7	8.0
Greece	0.4	20.4	21.7	17.2	14.0	11.1
Iceland	0	14.7	9.3	0.3	0.5	1.6
Ireland	0.2	6.6	3.8	5.9	4.6	5.7
Luxembourg	0	4.5	4.7	6.1	5.7	6.2
Netherlands	1.7	7.0	5.3	4.5	3.6	4.6
Norway	0.7	6.5	3.8	1.0	2.8	6.0
Portugal	0.3	19.3	16.0	13.5	9.5	9.5
Spain	2.3	11.2	9.4	8.4	7.2	7.5
Sweden	1.3	9.8	6.2	–0.1	–0.6	2.8
Switzerland	1.4	8.1	6.0	3.2	4.3	4.5
Turkey[b]	0.5	68.9	56.5	72.7	67.2	65.9
Total of above European countries	12.4	11.2	8.5	7.8	7.4	8.4
Australia	1.6	5.8	0.4	3.5	5.1	5.7
New Zealand	0.3	4.4	–0.9	5.2	5.0	4.8
Total of above countries	14.3	10.5	7.5	7.3	7.1	8.0

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) GNP.

Table 32. **Growth of real total domestic demand in major OECD countries and country groups**[a]

Percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States	0.4	–1.8	2.2	2.5	3.1	2.3	2.9	2.2	2.8	3.1	3.6
Japan	5.4	3.0	1.2	2.3	3.1	1.1	1.4	2.4	3.0	2.9	3.7
Germany	5.1	3.1	2.2	0.9	2.7	4.7	–1.2	1.2	2.5	2.7	3.1
France	2.6	1.0	1.0	1.5	2.7	0.7	0.7	1.6	2.3	2.7	3.1
Italy	2.4	2.3	1.8	0.3	1.5	2.2	–0.2	0.2	0.9	1.4	2.2
United Kingdom	–0.5	–3.2	0	0.8	2.0	0.4	–0.1	0.7	1.8	2.0	2.1
Canada	–1.0	–0.9	0.6	2.9	3.9	–1.2	1.7	3.0	3.8	3.9	4.1
Total of above countries	2.2	0.3	1.7	2.0	2.9	1.9	1.5	1.9	2.6	2.8	3.3
Other OECD countries[b]	2.7	0	0.7	1.2	2.5	0.6	1.0	1.0	1.7	2.7	2.9
Total OECD	2.3	0.2	1.5	1.9	2.8	1.7	1.4	1.8	2.5	2.8	3.3
Four major European countries	2.7	1.1	1.4	0.9	2.3	2.2	–0.3	1.0	1.9	2.3	2.7
OECD Europe	2.9	0.9	1.1	0.9	2.3	1.7	0	0.9	1.8	2.4	2.7
EC	2.9	1.3	1.4	1.0	2.3	2.1	0	1.0	1.9	2.4	2.7
Total OECD *less* the United States	3.3	1.3	1.1	1.5	2.7	1.4	0.6	1.5	2.3	2.6	3.1

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) Half-yearly data must be interpreted with care since for most of these countries, amounting to over 50 per cent of the total GDP of the smaller countries, half-yearly growth rates were obtained by simple interpolation. For details on yearly basis, see Table 33.

Table 33. **Growth of real total domestic demand in other OECD countries**[a]

Percentage changes from previous year

	1987 Share in total OECD	1990	1991	1992	1993	1994
Austria	0.9	4.3	3.5	2.0	1.9	2.8
Belgium	1.1	3.4	1.7	1.5	1.5	2.2
Denmark	0.8	–0.8	0	0.2	1.9	2.7
Finland	0.7	–0.8	–8.5	–5.1	–1.6	1.9
Greece	0.4	1.1	2.5	0.8	0.9	2.0
Iceland	0	0.8	5.8	–5.0	–2.1	1.3
Ireland	0.2	6.3	–0.7	–0.6	3.7	4.0
Luxembourg	0	3.4	4.8	3.4	3.1	3.6
Netherlands	1.6	3.9	1.8	1.1	1.0	2.3
Norway	0.7	–0.7	–0.2	0.8	2.1	3.6
Portugal	0.3	5.4	4.1	3.4	2.8	3.6
Spain	2.3	4.7	2.9	2.1	0.7	2.4
Sweden	1.3	0.4	–2.7	–2.2	–2.6	0.3
Switzerland	1.3	2.3	–0.6	–1.7	0.7	1.8
Turkey	0.6	16.4	–3.7	5.5	4.7	5.2
Total of above European countries	12.3	3.2	0.4	0.5	0.9	2.3
Australia	1.6	–1.2	–2.1	1.6	3.4	3.7
New Zealand	0.3	0	–6.6	2.5	2.3	2.3
Total of above countries	14.2	2.7	0	0.7	1.2	2.5

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table 34. **Growth of real private consumption in major OECD countries and country groups**[a]

Percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States	1.2	–0.6	2.0	2.0	2.5	2.4	2.1	1.9	2.2	2.4	2.8
Japan	4.2	2.7	2.1	2.2	3.2	1.8	1.5	2.2	2.9	3.2	3.4
Germany	5.3	3.6	1.4	1.2	2.2	2.0	1.0	0.8	2.0	2.2	2.4
France	2.9	1.5	1.6	1.9	2.6	1.5	1.3	2.0	2.3	2.6	2.9
Italy	2.8	2.8	2.0	0.5	1.3	2.6	0.5	0.3	0.9	1.2	1.8
United Kingdom	0.7	–2.1	–0.3	0.7	1.6	–0.3	0.5	0.5	1.1	1.7	1.9
Canada	0.9	–1.7	0.5	2.4	3.5	–0.2	1.2	2.6	3.1	3.5	3.7
Total of above countries	2.5	0.8	1.7	1.8	2.5	1.9	1.5	1.7	2.2	2.5	2.8
Other OECD countries[b]	2.7	1.8	1.6	1.4	2.3	1.6	1.1	1.3	1.8	2.4	2.6
Total OECD	2.5	1.0	1.7	1.7	2.5	1.8	1.5	1.6	2.2	2.5	2.8
Four major European countries	3.2	1.7	1.2	1.1	2.0	1.5	0.9	0.9	1.7	2.0	2.3
OECD Europe	3.1	1.8	1.3	1.1	2.0	1.4	0.9	1.0	1.7	2.1	2.4
EC	3.2	2.0	1.4	1.3	2.1	1.7	1.1	1.1	1.8	2.1	2.4
Total OECD *less* the United States	3.3	1.8	1.5	1.6	2.5	1.5	1.1	1.5	2.2	2.5	2.8

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

b) Half-yearly data must be interpreted with care since for most of these countries, amounting to over 50 per cent of the total GDP of the smaller countries, half-yearly growth rates were obtained by simple interpolation. For details on yearly basis, see Table 35.

Table 35. **Growth of real private consumption in other OECD countries**[a]

Percentage changes from previous year

	1987 Share in total OECD	1990	1991	1992	1993	1994
Austria	0.7	3.7	2.8	2.5	2.0	3.0
Belgium	1.1	2.8	2.7	2.0	2.0	2.4
Denmark	0.6	0.4	2.3	1.8	2.1	2.7
Finland	0.6	0.2	–3.8	–5.0	–2.3	1.5
Greece	0.5	2.0	1.2	1.3	1.0	1.6
Iceland	0	–0.6	5.6	–3.5	–2.0	1.0
Ireland	0.2	3.0	0.3	2.8	3.4	3.6
Luxembourg	0	3.4	4.3	3.5	3.0	3.4
Netherlands	1.6	3.9	3.3	1.7	1.7	2.4
Norway	0.6	2.9	–0.1	1.3	2.0	3.0
Portugal	0.3	5.3	5.2	4.0	3.3	4.0
Spain	2.3	3.7	3.0	2.8	1.7	2.3
Sweden	1.0	–0.2	1.2	–2.2	–2.4	–0.1
Switzerland	1.2	1.5	1.5	0.5	1.0	1.5
Turkey	0.9	10.4	2.1	7.0	3.0	4.0
Total of above European countries	11.7	2.8	2.0	1.4	1.2	2.2
Australia	1.9	2.2	0.7	3.5	3.1	3.5
New Zealand	0.3	–0.8	–0.5	2.1	1.9	1.9
Total of above countries	13.9	2.7	1.8	1.6	1.4	2.3

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table 36. **Growth of real gross private non-residential fixed capital formation in major OECD countries and country groups**[a]

Percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States	–0.4	–7.1	2.3	6.1	9.3	4.0	5.3	5.7	7.5	9.5	10.5
Japan	12.4	6.0	–2.1	–0.3	2.7	–3.5	–1.2	–0.5	0.9	2.8	4.2
Germany[b]	10.3	8.5	–0.6	–2.6	2.9	4.5	–8.5	–1.8	2.0	3.1	3.5
France	4.3	–2.0	–3.3	–0.6	3.3	–3.7	–2.5	–0.9	1.8	3.5	4.5
Italy	1.5	–1.8	–0.6	–0.3	5.2	–2.9	–5.2	0.9	2.2	5.8	7.0
United Kingdom	–2.8	–9.6	–3.2	–1.0	1.3	0.6	–4.7	0	1.0	1.0	2.0
Canada	–3.3	–1.4	–1.6	2.5	6.8	–2.4	–0.8	2.5	5.8	7.1	7.3
Total of above countries	3.8	–1.7	–0.1	2.2	5.8	0.8	0.2	2.2	4.1	6.0	7.0
Other OECD countries[c]	1.8	–3.5	–3.8	1.1	4.1	–4.3	–1.8	1.5	3.2	4.4	4.8
Total OECD	3.5	–2.0	–0.7	2.0	5.5	0	–0.1	2.1	4.0	5.7	6.6
Four major European countries	4.2	–0.1	–1.8	–1.3	3.2	0	–5.5	–0.6	1.8	3.4	4.2
OECD Europe	3.7	–0.7	–2.3	–0.5	3.5	–1.1	–4.4	0.1	2.3	3.7	4.4
EC	4.6	0.1	–1.7	–1.0	3.3	–0.3	–4.6	–0.6	1.8	3.6	4.4
Total OECD *less* the United States	5.6	0.9	–2.3	–0.3	3.5	–2.2	–3.1	0.1	2.1	3.6	4.5

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) Western Germany.
c) Half-yearly data must be interpreted with care since for most of these countries, amounting to over 50 per cent of the total GDP of the smaller countries, half-yearly growth rates were obtained by simple interpolation. For details on yearly basis, see Table 37.

Table 37. **Growth of real gross private non-residential fixed capital formation in other OECD countries**[a]

Percentage changes from previous year

	1990	1991	1992	1993	1994
Austria	10.0	6.4	1.6	2.1	4.3
Belgium	8.7	–0.4	–0.8	0.5	3.5
Denmark	3.2	–0.6	–8.5	2.8	6.0
Finland	–7.2	–22.5	–10.0	4.0	7.0
Greece	6.1	–0.3	2.1	2.9	6.0
Iceland	5.4	2.0	–17.2	–10.2	2.0
Ireland	13.1	–8.7	2.9	3.7	4.0
Luxembourg	..	..	..	..	..
Netherlands	8.7	2.7	0.8	0	3.1
Norway	–31.6	3.4	–5.5	18.1	7.2
Portugal	..	..	..	..	..
Spain	3.2	1.1	–1.4	–2.8	3.4
Sweden	–1.7	–14.5	–11.8	–3.0	6.0
Switzerland	2.5	–3.1	–8.3	–1.6	3.0
Turkey	..	..	..	..	..
Total of above European countries	3.0	–2.2	–3.5	1.0	4.5
Australia	–6.2	–14.4	–10.1	0.9	3.5
New Zealand	–1.9	–11.2	5.5	6.0	7.2
Total of above countries	1.8	–3.5	–3.8	1.1	4.2

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table 38. **Contributions to changes in real GDP in major OECD countries and country groups**

As a per cent of real GDP in the previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States											
Private consumption	0.8	–0.4	1.4	1.4	1.6	1.6	1.4	1.3	1.5	1.6	1.9
Public expenditure	0.5	0.2	–0.1	–0.2	–0.2	0	0.1	–0.2	–0.2	–0.2	–0.1
Private residential construction	–0.4	–0.5	0.4	0.4	0.5	0.6	0.2	0.4	0.5	0.5	0.5
Other private investment	0	–0.8	0.2	0.6	1.0	0.4	0.5	0.6	0.8	1.0	1.2
Stockbuilding	–0.5	–0.3	0.3	0.3	0.2	–0.3	0.6	0.2	0.3	0.2	0.2
Exports	0.8	0.6	0.6	0.6	0.9	0.5	0.2	0.7	0.8	0.9	0.9
Imports	–0.3	0	–1.0	–0.7	–0.9	–0.8	–0.9	–0.6	–0.8	–0.9	–1.1
GDP	0.8	–1.2	1.8	2.4	3.1	2.0	2.2	2.3	2.7	3.1	3.5
Japan											
Private consumption	2.5	1.5	1.2	1.3	1.8	1.0	0.8	1.3	1.7	1.8	2.0
Public expenditure	0.5	0.6	0.8	0.9	0.2	0.9	1.1	1.0	0.5	–0.1	0.6
Private residential construction	0.3	–0.5	–0.2	0.3	0.4	–0.1	0.1	0.3	0.4	0.4	0.3
Other private investment	2.5	1.3	–0.5	–0.1	0.6	–0.8	–0.3	–0.1	0.2	0.6	0.9
Stockbuilding	–0.2	0	–0.1	–0.1	0.1	0.1	–0.4	–0.1	0.2	0.2	–0.1
Exports	1.0	0.7	0.6	0.4	0.8	0.4	0.3	0.4	0.6	0.8	0.9
Imports	–1.2	0.7	0	–0.4	–0.8	0.4	–0.2	–0.4	–0.6	–0.8	–0.9
GDP	5.2	4.4	1.8	2.3	3.1	1.9	1.5	2.5	2.9	2.9	3.7
Germany											
Private consumption	3.0	2.1	0.8	0.7	1.3	1.1	0.6	0.5	1.1	1.3	1.4
Public expenditure	0.5	0.1	0.6	0.1	0.2	0.7	0.3	0.1	0.1	0.3	0.3
Public expenditure [a]	0.4	0.2	0.6	0.3	0.5	1.6	–0.4	0.6	0.6	0.4	0.5
Residential construction [b]	1.3	1.2	0.1	–0.1	0.6	1.1	–1.9	0.5	0.6	0.6	0.7
Other investment [c]	–0.3	–0.5	0	–0.1	0.1	0.1	0.2	–0.3	0.1	0.1	0.1
Exports	4.4	5.1	–0.3	0.9	1.4	–0.7	–0.1	1.2	1.3	1.3	1.4
Imports	–4.3	–4.5	–0.7	–0.8	–1.2	–1.0	0	–1.0	–1.4	–1.1	–1.2
GDP	4.8	3.7	1.4	1.2	2.9	2.9	–0.9	1.6	2.5	2.9	3.2
France											
Private consumption	1.7	0.9	1.0	1.1	1.6	0.9	0.8	1.2	1.4	1.6	1.7
Public expenditure [d]	0.5	0.7	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5
Residential construction	0	–0.2	0.1	–0.1	0.1	0.2	–0.2	–0.1	0.1	0.1	0.2
Other investment	0.5	–0.3	–0.4	–0.1	0.4	–0.5	–0.3	–0.1	0.2	0.4	0.5
Stockbuilding	–0.1	–0.1	–0.1	0.1	0.1	–0.3	0	0.1	0.1	0.1	0.1
Exports	1.4	0.9	1.5	1.0	1.6	1.8	0.6	1.1	1.4	1.6	1.7
Imports	–1.7	–0.8	–0.6	–1.0	–1.5	–0.3	–0.7	–1.1	–1.3	–1.5	–1.7
GDP	2.2	1.2	1.9	1.6	2.8	2.1	0.6	1.6	2.4	2.9	3.1
Italy											
Private consumption	1.8	1.8	1.3	0.3	0.8	1.7	0.3	0.2	0.6	0.8	1.2
Public consumption	0.6	0.6	0.2	0	0.1	0.1	0.1	–0.1	0	0.1	0.2
Residential construction	0.1	0.1	0	0	0.1	0	0	0	0.1	0.1	0.1
Other investment	0.2	–0.2	–0.1	0	0.6	–0.4	–0.6	0.1	0.3	0.7	0.8
Stockbuilding	–0.2	0.1	0.5	0	–0.1	0.8	0	0	0	–0.3	0
Exports	1.8	–0.2	1.1	1.5	1.5	1.8	1.1	1.6	1.6	1.4	1.4
Imports	–2.0	–0.8	–1.9	–1.0	–1.3	–2.3	–1.3	–0.9	–1.0	–1.4	–1.5
GDP	2.2	1.4	1.2	0.8	1.7	1.8	–0.4	1.0	1.5	1.5	2.2
United Kingdom											
Private consumption	0.4	–1.4	–0.2	0.4	1.1	–0.2	0.3	0.3	0.7	1.1	1.3
Public expenditure	0.8	0.3	0.3	0.4	0.4	0	0.5	0.3	0.4	0.4	0.4
Private residential construction	–0.4	–0.4	–0.2	–0.1	0.1	–0.4	–0.3	–0.1	0	0.1	0.1
Other private investment	–0.4	–1.3	–0.4	–0.1	0.1	0.1	–0.6	0	0.1	0.1	0.2
Stockbuilding	–0.9	–0.6	0.6	0.2	0.3	1.0	–0.1	0.2	0.5	0.3	0.2
Exports	1.4	0.1	1.0	1.8	2.3	0.6	1.2	2.1	1.9	2.3	2.6
Imports	–0.3	1.0	–2.0	–1.4	–2.0	–2.9	–1.2	–1.4	–1.6	–2.1	–2.1
Compromise adjustment	0	0	0	0	0	0	0	0	0	0	0
GDP	0.5	–2.2	–1.0	1.3	2.4	–1.9	–0.1	1.5	2.1	2.3	2.7
Canada											
Private consumption	0.6	–1.0	0.3	1.4	2.0	–0.1	0.7	1.5	1.8	2.0	2.2
Public expenditure	0.7	0.5	0.4	0.4	0.5	0.4	0.2	0.5	0.6	0.5	0.5
Private residential construction	–0.6	–0.7	0.3	0.3	0.4	0.1	0.2	0.4	0.4	0.4	0.4
Other private investment	–0.5	–0.2	–0.2	0.3	0.9	–0.3	–0.1	0.3	0.7	0.9	1.0
Stockbuilding	–1.3	0.6	–0.2	0.4	0.2	–1.2	0.8	0.3	0.3	0.1	0.1
Exports	1.2	0.1	2.1	2.2	2.5	1.8	2.0	2.2	2.3	2.5	2.6
Imports	–0.6	–0.7	–1.4	–2.0	–2.4	0.1	–1.6	–2.0	–2.3	–2.3	–2.4
Error of estimate	0	–0.3	0	0	0	0.2	0	0	0	0	0
GDP	–0.5	–1.7	1.3	3.2	4.2	0.8	2.1	3.3	4.0	4.2	4.3
Total of above countries [e]											
Private consumption	1.5	0.5	1.1	1.1	1.6	1.2	1.0	1.1	1.4	1.6	1.7
Public expenditure [f]	0.4	0.3	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Private residential construction [f]	–0.2	–0.4	0.2	0.3	0.4	0.3	0.1	0.3	0.4	0.4	0.4
Other private investment [d,f]	0.5	–0.2	0	0.3	0.8	0.2	–0.1	0.4	0.6	0.8	0.9
Stockbuilding	–0.3	–0.2	0	0	–0.1	–0.4	0.2	–0.1	0	–0.2	–0.1
Exports	1.3	0.9	0.7	0.8	1.1	0.6	0.4	0.9	1.0	1.2	1.2
Imports	–0.9	–0.1	–0.8	–0.7	–1.1	–0.6	–0.7	–0.7	–0.9	–1.0	–1.2
GDP	2.4	0.9	1.5	2.0	2.9	1.8	1.2	2.1	2.6	2.9	3.4

Note: Components may not add to GDP growth due to rounding.

a) Government consumption starting from 1992.

b) Total construction starting from 1992.

c) Investment in machinery and equipment starting from 1992.

d) Public enterprises in France are included under " Other investment".

e) Computed on the basis of 1987 values expressed in 1987 US dollars.

f) Government fixed asset formation for Italy is included in private investment.

Table 39. **Contributions to changes in real GDP in other OECD countries**

As per cent of real GDP[a] in the previous period

	1991	1992	1993	1994
Australia[b]				
Private consumption	0.4	2.1	1.9	2.1
Government consumption	0.7	0.4	0.6	0.5
Gross fixed investment	–2.5	–1.1	0.7	1.0
Stockbuilding	–0.8	0.3	0.2	0
Exports of goods and services	2.4	1.2	1.4	1.5
Imports of goods and services	0.3	–1.6	–1.7	–1.9
GDP	–1.2	2.0	2.9	3.4
Austria				
Private consumption	1.6	1.4	1.1	1.7
Government consumption	0.4	0.2	0.2	0.2
Gross fixed investment	1.5	0.6	0.6	1.0
Stockbuilding	0.1	–0.2	0	0
Exports of goods and services	3.7	1.3	1.5	1.9
Imports of goods and services	–4.1	–1.2	–1.6	–1.7
GDP	3.1	2.0	1.8	3.0
Belgium				
Private consumption	1.8	1.3	1.4	1.6
Government consumption	0.2	0.1	0	0
Gross fixed investment	0.1	0.1	0.2	0.6
Stockbuilding	–0.2	0	0	0
Exports of goods and services	2.6	1.5	1.6	2.5
Imports of goods and services	–2.3	–1.8	–1.8	–2.5
GDP	2.1	1.3	1.3	2.2
Denmark				
Private consumption	1.2	0.9	1.1	1.4
Government consumption	–0.3	0.2	0.1	0
Gross fixed investment	–0.6	–1.0	0.4	0.8
Stockbuilding	–0.3	0.1	0.1	0.1
Exports of goods and services	2.6	1.8	1.9	2.0
Imports of goods and services	–1.5	–0.8	–1.5	–2.0
GDP	1.2	1.2	2.1	2.4
Finland				
Private consumption	–2.1	–2.8	–1.3	0.8
Government consumption	0.6	–0.1	–0.8	–0.3
Gross fixed investment	–4.9	–2.5	0	0.9
Stockbuilding	–2.4	0.2	0.6	0.4
Exports of goods and services	–1.7	2.5	3.4	4.1
Imports of goods and services	3.8	0.7	0	–1.8
GDP	–6.5	–2.0	1.9	4.1
Greece				
Private consumption	0.9	0.9	0.7	1.2
Government consumption	–0.1	0.1	–0.1	0
Gross fixed investment	–0.3	0.1	0.3	0.7
Stockbuilding	2.3	–0.4	0	0.2
Exports of goods and services	4.3	2.0	1.9	2.0
Imports of goods and services	–5.0	–1.6	–1.8	–2.4
GDP	1.8	1.2	1.1	1.8
Iceland				
Private consumption	3.2	–2.1	–1.2	0.6
Government consumption	1.0	0.1	0.4	0.3
Gross fixed investment	0.6	–3.0	–1.0	0.3
Stockbuilding	0.8	–0.1	–0.3	0.2
Exports of goods and services	–2.1	–0.2	0	0.1
Imports of goods and services	–2.0	2.4	1.2	–0.4
GDP	1.5	–2.8	–0.9	1.0
Ireland				
Private consumption	0.2	1.5	1.9	2.0
Government consumption	0.2	0.4	0.3	0.2
Gross fixed investment	–1.2	0.5	0.6	0.6
Stockbuilding	0.2	–3.0	0.4	0.5
Exports of goods and services	3.6	6.2	2.5	3.2
Imports of goods and services	–0.4	–3.1	–3.3	–3.8
GDP	2.5	2.6	2.3	2.9
Luxembourg				
Private consumption	2.5	2.0	1.7	2.0
Government consumption	0.5	0.4	0.4	0.4
Gross fixed investment	1.6	1.2	1.1	1.4
Stockbuilding	0.2	–0.2	–0.1	0
Exports of goods and services	5.8	4.6	4.3	5.6
Imports of goods and services	–7.5	–5.6	–5.3	–6.2
GDP	3.1	2.5	2.3	3.1
Netherlands				
Private consumption	1.9	1.0	1.0	1.4
Government consumption	0.1	–0.1	–0.1	0
Gross fixed investment	0	0.1	0	0.6
Stockbuilding	–0.3	0	0	0.1
Exports of goods and services	2.9	1.7	1.6	3.0
Imports of goods and services	–2.6	–1.3	–1.4	–2.8
GDP	2.1	1.4	1.2	2.4
Norway				
Private consumption	0	0.6	0.9	1.4
Government consumption	0.4	0.6	0.2	0.3
Gross fixed investment	0.2	–0.9	1.9	1.1
Stockbuilding	–0.7	0.4	–1.3	0.2
Exports of goods and services	3.5	2.5	0.8	3.1
Imports of goods and services	–0.5	–0.8	–1.0	–1.3
GDP	1.9	1.3	0.5	3.7
New Zealand				
Private consumption	–0.3	1.3	1.2	1.2
Government consumption	–0.3	–0.2	–0.2	–0.2
Gross fixed investment	–4.6	0.7	1.0	1.3
Stockbuilding	–2.1	0.7	0.4	0
Exports of goods and services	2.7	2.7	2.6	2.4
Imports of goods and services	2.8	–2.2	–2.0	–1.9
GDP	–1.8	3.1	3.0	2.8
Portugal				
Private consumption	3.7	2.9	2.4	3.0
Government consumption	0.5	0.5	0.2	0.2
Gross fixed investment	0.7	0.5	0.8	1.2
Stockbuilding	0	0.1	0	0
Exports of goods and services	0.5	1.7	2.2	3.3
Imports of goods and services	–3.2	–3.7	–3.8	–5.3
GDP	2.1	1.9	1.7	2.4
Spain				
Private consumption	1.9	1.8	1.1	1.5
Government consumption	0.7	0.6	0.2	0.3
Gross fixed investment	0.4	–0.3	–0.4	0.8
Stockbuilding	0.1	0.2	–0.1	0
Exports of goods and services	1.6	1.5	1.2	1.6
Imports of goods and services	–2.4	–2.3	–1.0	–1.9
GDP	2.4	1.4	0.9	2.3
Sweden				
Private consumption	0.6	–1.2	–1.3	–0.1
Government consumption	0.3	0	–0.2	–0.1
Gross fixed investment	–1.6	–1.4	–1.5	–0.1
Stockbuilding	–2.1	0.5	0.5	0.6
Exports of goods and services	–1.0	0.4	1.3	2.3
Imports of goods and services	2.5	0.6	–0.2	–1.3
GDP	–1.4	–1.2	–1.4	1.3
Switzerland				
Private consumption	0.9	0.3	0.6	0.9
Government consumption	0.4	0.4	0.2	0.2
Gross fixed investment	–0.7	–1.8	–0.2	0.7
Stockbuilding	–1.2	–0.7	0.1	0
Exports of goods and services	–0.3	1.4	1.1	1.5
Imports of goods and services	0.8	0.7	–0.8	–1.6
GDP	–0.1	0.2	1.1	1.8
Turkey				
Private consumption	1.5	5.2	2.3	3.0
Government consumption	0.1	0.2	0.5	0.3
Gross fixed investment	–0.1	0.2	0.5	0.8
Stockbuilding	–5.5	0	1.6	1.2
Exports of goods and services	3.5	3.0	2.0	2.2
Imports of goods and services	0.8	–3.3	–2.3	–2.6
GNP	0.3	5.3	4.5	5.0
Total of above countries[c]				
Private consumption	1.0	1.0	0.8	1.4
Government consumption	0.4	0.3	0.1	0.2
Gross fixed investment	–0.7	–0.6	0.1	0.7
Stockbuilding	–1.2	0.1	–0.1	0.1
Exports of goods and services	1.9	1.7	1.7	2.2
Imports of goods and services	–0.7	–1.3	–1.3	–2.0
GDP	0.7	1.2	1.4	2.6
OECD Europe[c]				
Private consumption	1.1	0.7	0.7	1.2
Government consumption	0.3	0.3	0.2	0.2
Gross fixed investment	–0.1	–0.2	–0.1	0.6
Stockbuilding	–0.3	0.1	–0.1	0
Exports of goods and services	1.5	1.3	1.4	1.9
Imports of goods and services	–1.2	–1.2	–1.0	–1.5
GDP	1.3	0.9	1.0	2.4
Total OECD[c]				
Private consumption	0.6	1.0	1.1	1.5
Government consumption	0.3	0.1	0.1	0.1
Gross fixed investment	–0.6	0.3	0.6	1.1
Stockbuilding	–0.4	0	0	–0.1
Exports of goods and services	1.0	0.9	1.0	1.4
Imports of goods and services	–0.1	–0.9	–0.9	–1.2
GDP	0.8	1.5	1.9	2.9

a) Per cent of real GNP for Turkey.
b) Including the error of estimate, in billion A$: -1, 1, 1, 1.
c) Aggregates were computed on the basis of 1987 values, expressed in 1987 US dollars.

Table 40. **Household saving, net wealth and indebtedness**[a]

	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States													
Saving ratio	8.9	8.1	9.1	8.9	6.9	8.3	6.6	6.2	4.5	4.5	4.1	4.5	4.9
Net wealth	4.54	5.04	4.84	4.87	4.89	4.70	4.85	4.93	4.95	4.90	5.06	4.74	4.92
Net financial wealth	2.41	2.56	2.43	2.49	2.55	2.42	2.56	2.62	2.59	2.59	2.72	2.54	2.69
Real assets	2.13	2.48	2.41	2.38	2.33	2.28	2.29	2.31	2.36	2.32	2.34	2.20	2.23
Financial assets	3.10	3.34	3.19	3.24	3.32	3.20	3.40	3.51	3.52	3.54	3.70	3.56	3.72
Corporate equities	0.57	0.61	0.52	0.55	0.59	0.54	0.67	0.74	0.68	0.66	0.73	0.64	0.75
Liabilities	0.69	0.78	0.76	0.75	0.77	0.78	0.84	0.89	0.93	0.95	0.98	1.02	1.03
Home mortgages	0.44	0.51	0.50	0.49	0.49	0.50	0.52	0.57	0.62	0.65	0.67	0.73	0.73
Japan													
Saving ratio	22.8	17.9	18.4	16.7	16.1	15.8	15.6	16.1	14.7	14.3	14.6	14.1	14.6
Net wealth	4.15	5.04	5.28	5.38	5.43	5.50	5.61	6.34	7.54	7.95	8.71	8.54	..
Net financial wealth	0.99	1.24	1.31	1.36	1.47	1.57	1.65	1.83	2.01	2.22	2.52	2.23	2.13[p]
Real assets	3.16	3.80	3.97	4.02	3.96	3.93	3.96	4.51	5.53	5.73	6.19	6.31	..
Financial assets	1.61	2.01	2.10	2.18	2.31	2.44	2.53	2.75	3.02	3.30	3.63	3.39	3.30[p]
Corporate equities	0.20	0.24	0.23	0.21	0.24	0.27	0.30	0.42	0.52	0.70	0.90	0.58	..
Liabilities	0.62	0.77	0.79	0.82	0.85	0.88	0.89	0.92	1.01	1.07	1.11	1.16	1.17[p]
Home mortgages	0.18	0.31	0.32	0.34	0.35	0.35	0.36	0.37	0.40	0.43	0.46	0.48	..
Germany[b]													
Saving ratio	15.1	13.0	13.5	12.8	10.9	11.4	11.4	12.2	12.5	13.0	11.6	12.4	11.2
Net wealth	..	..	..	..	..	..	..	..	..	..	..	..	..
Net financial wealth	1.27	1.39	1.42	1.51	1.59	1.64	1.71	1.76	1.75	1.80	1.84	1.78	1.81[p]
Real assets	..	..	..	..	..	..	..	..	..	..	..	..	..
Financial assets	1.36	1.54	1.56	1.67	1.75	1.80	1.88	1.92	1.91	1.97	2.02	1.96	2.00[p]
Equities	0.09	0.07	0.06	0.06	0.08	0.08	0.12	0.13	0.10	0.11	0.13	0.11	0.10[p]
Liabilities	0.09	0.15	0.15	0.15	0.16	0.16	0.16	0.17	0.17	0.17	0.18	0.18	0.19[p]
Long-term bank credit	0.06	0.10	0.10	0.10	0.11	0.11	0.11	0.11	0.11	0.12	0.12	0.12	0.13[p]
France													
Saving ratio	20.2	17.6	18.0	17.3	15.9	14.5	14.0	12.9	10.8	11.0	11.7	12.2	12.6
Net wealth	3.93	4.05	3.91	3.84	3.93	3.89	3.90	4.20	4.08	4.29	..	..	..
Net financial wealth	0.82	0.85	0.79	0.80	0.89	0.90	0.98	1.28	1.12	1.31	1.48	1.31	1.35
Real assets	3.12	3.19	3.12	3.03	3.04	2.99	2.92	2.87	2.94	2.91	..	..	..
Financial assets	1.41	1.47	1.39	1.38	1.47	1.53	1.61	1.91	1.86	2.12	2.32	2.12	2.15
Equities	0.21	0.21	0.18	0.17	0.25	0.33	0.43	0.67	0.62	0.85	1.03	0.90	0.89
Liabilities	0.59	0.62	0.59	0.58	0.58	0.63	0.63	0.64	0.73	0.81	0.83	0.81	0.80
Medium- and long-term credit	0.31	0.40	0.39	0.39	0.39	0.41	0.43	0.43	0.46	0.50	0.49	0.49	0.48
Italy													
Saving ratio	26.9	21.6	20.5	19.0	20.0	20.5	18.0	15.3	15.7	15.4	14.5	16.1	15.6
Net wealth	4.38	5.00	5.03	5.51	5.27	5.14	5.25	5.37	5.52	5.55	5.56[p]	..	..
Net financial wealth	1.11	1.10	1.11	1.13	1.17	1.23	1.40	1.61	1.59	1.68	1.74[p]	..	..
Real assets	3.27	3.90	3.92	4.38	4.09	3.92	3.84	3.76	3.92	3.88	3.83[p]	..	..
Financial assets	1.21	1.18	1.19	1.21	1.25	1.31	1.50	1.72	1.70	1.80	1.87[p]	..	..
Equities	0.06	0.08	0.09	0.06	0.07	0.08	0.15	0.23	0.17	0.18	0.18[p]	..	..
Liabilities	0.10	0.08	0.08	0.08	0.08	0.09	0.09	0.11	0.11	0.12	0.13[p]	..	..
Medium- and long-term credit	0.08	0.06	0.06	0.06	0.05	0.06	0.07	0.07	0.08	0.09	..	..	..
United Kingdom													
Saving ratio	11.4	13.3	12.6	11.2	9.6	11.0	10.6	8.6	6.8	5.6	6.6	8.3	9.8
Net wealth	4.06	4.31	4.10	4.24	4.52	4.64	4.77	5.14	5.41	6.06	6.18	5.59[p]	..
Net financial wealth	1.30	1.33	1.34	1.49	1.62	1.73	1.79	2.00	2.00	2.00	2.21	1.90	2.02[p]
Real assets	2.43	2.97	2.76	2.75	2.91	2.90	2.97	3.14	3.42	4.06	3.97	3.68[p]	..
Financial assets	1.85	1.90	1.96	2.16	2.35	2.53	2.64	2.92	2.99	3.08	3.33	3.04	3.17[p]
Domestic equities	0.30	0.24	0.21	0.23	0.26	0.27	0.27	0.35	0.40	0.38	0.42	0.32	0.30
Liabilities	0.55	0.57	0.62	0.67	0.74	0.79	0.85	0.91	1.00	1.07	1.12	1.14	1.15[p]
Mortgages	..	0.33	0.35	0.40	0.46	0.51	0.54	0.59	0.63	0.69	0.72	0.75	..
Canada													
Saving ratio	12.7	13.6	15.4	18.2	14.8	15.0	13.3	10.7	9.2	9.7	10.5	10.3	10.5
Net wealth	3.68	4.00	3.88	3.73	3.85	3.82	3.84	3.96	4.07	4.09	4.06	4.07	4.18
Net financial wealth	1.30	1.51	1.50	1.47	1.58	1.65	1.67	1.69	1.72	1.71	1.69	1.68	1.76
Real assets	2.37	2.49	2.39	2.26	2.26	2.18	2.17	2.27	2.35	2.38	2.37	2.38	2.42
Financial assets	2.11	2.38	2.28	2.19	2.32	2.36	2.42	2.50	2.58	2.61	2.61	2.62	2.73
Equities	0.47	0.58	0.55	0.51	0.52	0.52	0.54	0.58	0.60	0.58	0.56	0.55	0.57
Liabilities	0.81	0.87	0.79	0.72	0.74	0.71	0.75	0.81	0.87	0.90	0.92	0.94	0.96
Mortgages	0.46	0.53	0.50	0.45	0.47	0.45	0.46	0.50	0.55	0.57	0.59	0.61	0.63

a) Households and private unincorporate enterprises. The saving ratio is expressed in percentage, whereas the remaining variables are expressed as a simple ratio of household nominal disposable income. Assets and liabilities are year-end nominal values. Data for Germany exclude acquisition of real assets and associated liabilities; it is estimated that inclusion of household mortgages would increase the ratio of total liabilities to income to about 0.70 per cent in 1985.

b) Data refer to western Germany only.

p = preliminary estimate.

Sources: United States, Federal Reserve, *Balance Sheets for the U.S. Economy;* Japan, Economic Planning Agency, *Annual Report on National Accounts;* Germany, Deutsche Bundesbank, *Ergebnisse der gesamtwirtschaftlichen Finanzierungsrechnung der Deutschen Bundesbank;* France, INSEE, *Rapport sur les Comptes de la Nation;* Italy, Banca d'Italia, *Economic Bulletin* and *Relazione Annuale.* OECD, *Financial Accounts of OECD countries;* United Kingdom, Central Statistical Office, *United Kingdom National Accounts, Financial Statistics;* Canada, Statistics Canada, *National Balance Sheet Accounts.*

Table 41. **Net public debt**[a]

Percentage of nominal GDP

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
United States	24.9	27.0	29.4	30.9	30.9	30.4	33.1	34.7	37.9[b]	40.5	41.9
Japan[c]	27.1	26.7	26.4	21.5	17.8	14.7	10.7	7.7[b]	6.1	5.5	4.8
Germany[c]	21.8	22.1	21.8	23.2	23.9	22.5	22.8[b]	20.8	22.7	24.7	25.9
France[c]	21.1	22.9	25.5	24.5	24.7	24.8	25.1	27.4	28.8[b]	30.7	32.2
Italy	74.6	81.5	85.9	90.5	92.9	96.1	98.8	101.0[b]	106.7	110.7	112.4
United Kingdom	47.3	46.1	45.0	42.4	35.7	30.4	28.7	30.3[b]	35.6	41.1	45.3
Canada	26.7	33.0	37.0	38.3	36.9	40.3	43.5	49.2[b]	53.9	55.7	55.6
Total of above countries[d]	29.7	31.4	32.9	32.7	31.7	30.6	31.1	31.6	33.8	35.8	36.9
Australia[e]	..	..	..	19.1	16.6	12.2	11.6	12.4[b]	15.8	19.7	22.1
Belgium	108.7	112.3	116.7	121.3	122.6	120.3	120.2[b]	122.0	124.3	125.8	125.0
Denmark	36.8	34.4	28.5	25.6	26.8	26.0	26.6	27.5[b]	29.1	30.4	30.9
Finland[c]	0.7	0.9	0.0	2.4	0.6	– 1.6	– 3.0[b]	2.8	11.0	17.5	22.0
Netherlands[c]	39.9	43.0	46.5	52.2	55.1[b]	57.2	58.8	58.5	59.7	61.3	61.7
Norway[c]	–12.5	–16.0	–21.1	–21.4	–21.3	–20.2	–21.4	–20.2[b]	–16.6	–13.0	– 9.6
Spain	22.9	27.6	29.9	31.2	31.0	30.4[b]	31.4	33.6	35.8	37.7	38.8
Sweden	15.2	15.6	14.2	7.7	1.2	– 5.4	– 6.3	– 4.5[b]	3.4	13.3	22.8
Total of above smaller countries[d,f]	33.8	35.8	37.0	37.9	37.5	35.9	35.9	37.2	40.1	43.0	45.0
Total of above European countries[d,f]	37.8	39.7	40.9	41.8	41.4	40.5	40.9	41.8	44.9	48.0	49.9
Total of above OECD countries[d,f]	30.2	31.9	33.4	33.3	32.3	31.3	31.7	32.2	34.5	36.7	37.9

a) Refers to general government debt.
b) From this year, data are OECD estimates.
c) Financial assets exclude shares and holdings on public corporations.
d) 1987 GDP weights and exchange rates.
e) Debt data refer to fiscal years ending 30 June.
f) Including gross financial liabilities for Austria, Greece and Ireland.

Table 42. **Gross public debt**[a]

Percentage of nominal GDP

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
United States	45.2	48.3	51.3	52.6	53.2	54.0	56.4	59.8	63.0[b]	65.6	67.1
Japan	67.9	68.7	72.3	74.9	72.8	70.6	69.5	66.4[b]	64.9	64.3	63.5
Germany	42.0	42.6	42.7	44.3	44.8	43.9	44.1[b]	41.8	44.0	45.1	47.2
France[c]	43.8	45.4	45.7	47.2	46.8	47.5	46.7	48.6	50.1[b]	51.9	53.4
Italy	77.4	84.3	88.2	92.6	94.8	97.9	100.5	102.7[b]	108.4	112.4	114.1
United Kingdom	54.6	52.9	51.4	48.9	42.5	37.0	34.9	36.5[b]	41.9	47.4	51.5
Canada	59.1	65.0	68.9	70.1	69.3	69.5	71.9	77.6[b]	82.3	84.1	84.0
Total of above countries[d]	53.2	55.5	57.9	59.5	59.1	58.7	59.6	60.7	63.0	64.9	66.1
Australia[e]	..	..	..	31.1	27.3	27.0	25.5	26.3[b]	29.7	33.6	36.0
Austria[c]	47.9	49.6	53.8	57.3	57.6	56.9	55.1[b]	53.6	52.1	50.7	49.0
Belgium	118.6	122.6	127.0	131.8	133.2	130.4	130.3[b]	132.2	134.4	136.0	135.1
Denmark[c]	65.9	64.1	58.3	55.9	58.0	58.3	59.7	60.6[b]	62.2	63.5	64.0
Finland[c]	19.0	19.0	18.8	20.0	18.6	16.4	15.1[b]	20.8	29.0	35.6	40.0
Greece[c]	49.5	57.9	58.6	64.7	71.5	76.3	80.7	82.9[b]	84.3	84.9	86.1
Ireland	104.8	107.9	119.9	120.6	118.2	108.0	103.1[b]	101.2	98.1	96.6	94.2
Netherlands	66.1	69.6	71.3	75.2	77.5	77.8	77.3	77.0[b]	78.3	79.8	80.2
Norway[c]	38.7	40.7	51.1	42.7	42.6	42.7	39.1	40.3[b]	43.9	47.6	50.9
Spain[c]	41.5	46.7	47.5	47.9	43.7	43.1[b]	44.0	46.3	48.4	50.3	51.5
Sweden	67.2	67.7	67.3	59.3	53.7	48.7	44.7	46.5[b]	54.4	64.3	73.8
Total of above smaller countries[d]	55.9	58.5	59.7	59.8	58.6	57.5	56.7	58.0	60.8	63.8	65.7
Total of above European countries[d]	54.6	56.7	57.7	58.7	57.9	57.2	57.0	57.8	61.0	63.9	66.0
Total of above OECD countries[d]	53.5	55.8	58.1	59.6	59.0	58.6	59.2	60.4	62.7	64.8	66.0

a) Refers to general government debt.
b) From this year, data are OECD estimates.
c) Does not exclude public sector mutual indebtedness.
d) 1987 GDP weights and exchange rates.
e) Debt data refer to fiscal years ending 30 June. Includes indebtedness of local government towards other levels of general government.

Table 43. **General government net debt interest payments**

as a percentage of total expenditures[a]

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
United States	6.1	6.2	5.9	5.9	6.0	6.1	6.3	6.7	6.3	6.2	6.4
of which: central government	12.7	13.1	12.7	12.8	13.2	13.9	13.9	14.0	12.9	12.6	12.7
Japan[b,c]	5.5	5.5	5.1	3.9	3.3	2.7	1.9	1.4	1.2	1.0	0.9
of which: central government[c]	16.6	17.2	17.7	16.7	15.9	14.6	15.0	..	..	..	..
Germany[b]	4.9	4.9	5.0	5.1	5.1	4.9	4.6	4.5	5.4	5.3	5.4
of which: central government[c]	3.4	3.0	3.4	5.3	7.6	4.1	3.8	..	..	..	..
France	3.6	3.9	4.1	4.2	4.2	4.5	4.8	5.0	5.1	5.2	5.2
of which: central government	6.1	6.7	6.9	6.8	7.0	7.8	8.7	..	..	..	..
Italy	15.2	14.5	15.3	14.7	15.2	16.4	17.1	18.1	19.9	21.3	20.1
of which: central government	18.6	17.1	18.8	17.9	19.2	20.9	21.8	..	..	..	..
United Kingdom	7.5	7.5	7.3	7.4	6.9	6.3	5.7	4.7	4.7	5.3	6.1
of which: central government[d]	5.7	5.5	5.3	5.5	5.2	4.7	4.0	3.0	..	..	..
Canada	7.9	8.9	9.4	9.7	10.3	11.2	11.7	11.5	11.1	10.5	9.9
of which: central government	14.4	16.3	17.2	17.4	18.8	21.2	21.6	..	..	..	..
Total major seven countries[e]	6.4	6.5	6.4	6.1	6.0	6.0	5.9	6.0	6.0	6.0	6.0
Major seven *less* the United States[e]	6.7	6.7	6.7	6.2	6.0	6.0	5.7	5.5	5.8	5.9	5.8
Australia[b]	4.5	5.4	5.9	6.1	5.4	5.8	5.4	4.0	4.3	4.3	4.1
Austria	5.5	5.6	5.6	5.9	6.4	6.4	6.7	7.0	6.7	6.6	6.3
Belgium[b,c]	16.2	17.6	18.9	18.3	18.3	19.3	20.1	19.1	19.6	19.4	17.8
Denmark[d]	9.7	10.4	9.2	7.8	7.1	6.4	5.7	6.0	6.1	6.1	6.0
Finland	1.9	2.1	1.8	1.9	2.0	1.2	0.5	1.3	2.3	4.9	6.0
Greece[b,c]	10.2	10.9	12.0	14.8	16.1	16.0	22.0	25.3	26.9	28.2	27.9
Ireland[c]	11.7	12.6	12.9	13.3	13.5	15.2	15.0	15.4	14.9	14.5	14.1
Netherlands	8.3	9.0	9.0	8.9	9.2	9.2	9.1	8.9	9.4	9.1	9.2
Norway	–2.3	–3.3	–4.2	–5.2	–6.9	–4.6	–2.9	–3.0	–3.2	–1.5	–1.3
Portugal	18.5	21.5	22.0	20.1	17.9	17.0	18.9	19.4	20.1	19.7	18.9
Spain[b]	3.9	6.6	8.1	7.2	7.6	7.6	7.4	7.7	7.6	7.9	7.8
Sweden	3.8	4.7	3.6	3.0	1.6	0.6	0.6	0.9	1.5	3.3	4.3
Total of above smaller countries[e]	6.5	7.5	7.8	7.5	7.2	7.3	7.5	7.5	7.8	8.3	8.2
Total of above OECD countries[e]	6.4	6.6	6.6	6.3	6.2	6.2	6.1	6.2	6.2	6.3	6.3
Total of above OECD countries *less* the United States[e]	6.6	6.9	6.9	6.5	6.3	6.2	6.1	5.9	6.2	6.4	6.3

a) On a SNA basis except for the United States and the United Kingdom where the data are based on national methods. Total expenditures are defined as current receipts minus net lending.
b) OECD estimates and projections.
c) Net property income paid rather than net interest payments is used as the latter is not available.
d) Net interest payments including dividends received are used.
e) 1987 GDP weights and exchange rates.

Table 44. **General government primary balances**[a]

Surplus (+) or deficit (-) as a percentage of nominal GDP

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
United States[b]	–0.9	–1.0	–1.4	–0.5	–0.1	+0.5	–0.4	–1.1	–2.5	–2.1	–1.2
Japan[c,d]	–0.3	+0.9	+0.7	+1.7	+2.5	+3.4	+3.6	+2.8	+1.7	+0.7	+0.8
Germany[c]	+0.4	+1.1	+1.0	+0.5	+0.2	+2.4	+0.1	–1.0	–0.6	–0.6	–0.1
France	–0.9	–0.8	–0.6	+0.3	+0.5	+1.1	+1.0	+0.3	–0.2	–0.4	–0.3
Italy	–4.1	–5.2	–3.8	–3.6	–3.1	–1.4	–1.8	–0.5	–0.2	+1.6	+2.1
United Kingdom	–0.6	+0.4	+0.8	+1.7	+3.7	+3.3	+1.0	–0.9	–4.5	–5.3	–3.9
Canada	–2.9	–2.8	–1.2	+0.4	+1.9	+1.8	+1.3	–0.5	–0.3	+0.5	+1.5
Total of above countries[e]	–0.9	–0.6	–0.7	+0.1	+0.7	+1.5	+0.7	0.0	–1.1	–1.0	–0.4
Australia[c]	–1.4	–0.5	–0.2	+2.4	+3.4	+3.5	+3.0	–0.8	–3.3	–2.6	–1.6
Austria	+0.2	+0.4	–0.8	–1.2	+0.2	+0.3	+1.2	+1.3	+1.5	+1.6	+1.6
Belgium[c,d]	–0.5	+0.8	+1.1	+2.3	+2.8	+3.1	+4.1	+3.2	+3.7	+4.3	+4.4
Denmark[f]	+1.7	+4.1	+8.5	+6.9	+4.8	+3.3	+2.0	+1.5	+1.1	+1.2	+1.7
Finland	+1.1	+1.0	+1.5	–0.7	+2.1	+3.3	+1.6	–5.2	–7.0	–4.8	–3.0
Greece[c,d]	–5.6	–9.2	–6.9	–5.2	–6.1	–9.8	–7.0	–2.9	+0.4	+3.6	+4.4
Ireland[d]	–2.9	–3.6	–3.4	–1.3	+2.5	+5.2	+4.6	+4.6	+3.8	+3.3	+3.2
Netherlands	–1.4	+0.4	–0.9	–1.3	0.0	–0.2	–0.4	+2.1	+1.3	+1.2	+1.7
Norway	+6.6	+8.8	+3.9	+2.2	–0.9	–1.0	+0.9	–2.1	–5.3	–4.1	–3.4
Portugal	+1.2	+1.9	+3.3	+1.5	+2.3	+4.0	+2.8	+2.5	+3.7	+4.1	+4.3
Spain[c]	–3.9	–4.2	–2.7	–0.3	–0.3	+0.3	–0.9	–1.6	–1.4	–0.8	–0.3
Sweden	–0.5	–0.8	+1.0	+6.1	+4.5	+6.0	+4.3	–0.9	–6.9	–7.6	–6.8
Total of above smaller countries[e]	–0.9	–0.3	+0.2	+1.2	+1.4	+1.7	+1.3	–0.1	–1.3	–0.8	–0.2
Total of above European countries[e]	–1.0	–0.7	–0.3	+0.1	+0.5	+1.4	+0.4	–0.4	–1.1	–0.9	–0.3
Total of above OECD countries[e]	–0.9	–0.6	–0.6	+0.3	+0.8	+1.5	+0.8	0.0	–1.1	–1.0	–0.4

a) Overall balance less net interest payments on public debt. Figures are on a SNA basis except for the United States, the United Kingdom, Australia, Greece and Sweden, where the data are based on national methods.
b) Excludes deposit insurance outlays.
c) OECD estimates and projections.
d) Net property income paid rather than net interest payments is used as the latter is not available.
e) 1987 GDP weights and exchange rates.
f) Net interest payments including dividends received are used.

Table 45. **Central government financial balances**[a]

Surplus (+) or deficit (-) as a percentage of nominal GDP

	1987	1988	1989	1990	1991	1992	1993	1994
United States[b]	–3.3	–2.8	–2.3	–3.0	–3.7	–4.9	–4.5	–3.9
(excluding social security)[b,c]	–3.9	–3.7	–3.4	–4.0	–4.6	–5.8	–5.4	–4.9
Japan[d]	–1.9	–1.1	–1.2	–0.3	–1.2	–1.8	–2.4	–2.2
Germany[e]	–1.4	–1.7	–0.9	–2.9	–1.9	–1.4	–1.4	–1.1
France	–1.9	–1.7	–1.5	–1.5	–1.8	–2.5	–2.8	–2.6
Italy	–10.6	–9.7	–9.4	–9.8	–9.7	–10.6	–10.1	–9.0
United Kingdom	–1.0	+1.2	+1.4	–1.3	–2.5	–6.3	–7.3	–6.3
Canada	–4.3	–3.2	–3.3	–3.8	–4.4	–3.4	–2.6	–2.0
Total of above countries[f]	–3.1	–2.5	–2.2	–2.7	–3.2	–4.1	–4.1	–3.1

a) Data based on national methods for the United States, Germany and the United Kingdom. Otherwise, data are based on SNA methods.
b) Excludes deposit insurance outlays.
c) OECD estimates, derived from fiscal year data converted to a calendar year basis.
d) For the fiscal year beginning 1 April of the year shown.
e) Data refer to federal government, including the Unity Fund, but excluding social security.
f) 1987 GDP weights and exchange rates.

Table 46. **Indicators of fiscal stance**[a]

Change in general government financial balances as a percentage of nominal GDP[b]

		Change in:		
		actual balance	cyclically-adjusted	
			overall balance[c]	primary balance[d]
United States[e]	1991	–0.9	–0.3	–0.2
	1992	–1.3	–0.4	–0.4
	1993	+0.4	+0.4	+0.3
	1994	+0.9	+0.6	+0.7
Japan[f]	1991	–0.6	–0.5	–0.7
	1992	–1.1	–0.5	–0.6
	1993	–0.9	–0.4	–0.4
	1994	+0.1	+0.4	+0.3
Germany[f,g]	1991	–1.3	–1.7	–1.4
	1992	–0.1	+0.2	+0.7
	1993	0	+1.1	+1.0
	1994	+0.5	+0.7	+0.6
France	1991	–0.8	–0.2	–0.1
	1992	–0.6	–0.3	–0.3
	1993	–0.2	+0.2	+0.3
	1994	+0.1	–0.1	–0.1
Italy	1991	+0.7	+1.3	+1.7
	1992	–0.9	–0.2	+0.9
	1993	+0.9	+1.8	+2.5
	1994	+1.3	+1.7	+0.7
United Kingdom	1991	–1.5	+0.4	–0.1
	1992	–3.7	–2.1	–2.0
	1993	–1.1	–0.4	–0.2
	1994	+1.0	+1.2	+1.5
Canada	1991	–2.0	+0.5	+0.5
	1992	+0.2	+1.2	+1.0
	1993	+1.3	+1.1	+0.8
	1994	+1.4	+0.7	+0.4
Average of major seven countries[h]	1991	–0.9	–0.3	–0.3
	1992	–1.1	–0.4	–0.3
	1993	0	+0.4	+0.4
	1994	+0.7	+0.6	+0.6
Australia	1991	–3.5	–1.9	–2.3
	1992	–2.6	–1.9	–1.8
	1993	+0.7	+0.8	+0.8
	1994	+1.1	+0.9	+0.9
Austria	1991	–0.1	–0.2	0
	1992	+0.2	+0.8	+0.6
	1993	+0.3	+0.5	+0.4
	1994	+0.2	–0.2	–0.4
Belgium	1991	–0.6	–0.6	–1.0
	1992	+0.2	+0.7	+0.9
	1993	+0.7	+1.1	+0.9
	1994	+1.1	+1.1	0
Denmark	1991	–0.6	–0.1	0
	1992	–0.6	–0.1	0
	1993	+0.2	+0.2	+0.1
	1994	+0.6	+0.4	+0.3
Finland	1991	–7.3	–2.2	–1.8
	1992	–2.3	+0.1	+0.6
	1993	+1.1	+1.0	+2.1
	1994	+1.3	+0.3	+0.7
Greece	1991	+2.5	+2.4	+4.2
	1992	+2.9	+3.1	+3.5
	1993	+2.6	+2.9	+3.3
	1994	+1.1	+1.1	+0.8
Ireland	1991	–0.1	+0.7	+0.6
	1992	–0.6	+0.1	–0.2
	1993	–0.4	+0.5	+0.3
	1994	0	+0.6	+0.4
Netherlands	1991	+2.6	+2.5	+2.4
	1992	–1.1	–0.8	–0.5
	1993	+0.1	+0.6	+0.4
	1994	+0.5	+0.3	+0.3
Norway[i]	1991	–3.5	–2.3	–2.4
	1992	–3.0	–1.9	–2.1
	1993	–0.4	+0.1	+1.2
	1994	+0.5	–0.1	0
Portugal	1991	–0.7	–0.1	+0.3
	1992	+0.7	+1.6	+2.0
	1993	+0.5	+1.5	+1.2
	1994	+0.7	+1.3	+0.8
Spain	1991	–0.9	–0.4	–0.2
	1992	+0.2	+1.2	+1.2
	1993	+0.4	+1.6	+1.7
	1994	+0.5	+1.1	+1.0
Sweden	1991	–5.4	–2.9	–2.6
	1992	–6.4	–3.8	–3.4
	1993	–2.1	+0.9	+2.0
	1994	+0.1	+0.7	+1.3
Average of smaller countries[h,j]	1991	–1.5	–0.5	–0.5
	1992	–1.4	–0.4	–0.2
	1993	+0.2	+1.0	+1.2
	1994	+0.7	+0.6	+0.6
Average of total OECD countries[h,j]	1991	–0.9	–0.3	–0.3
	1992	–1.2	–0.4	–0.3
	1993	0	+0.4	+0.5
	1994	+0.7	+0.6	+0.6

a) OECD estimates and projections. A positive sign indicates lower deficits or higher surpluses.
b) The change in the actual balance is expressed as a share of actual GDP. The changes in cyclically-adjusted overall and primary balances are expressed as shares of trend GDP.
c) Reflects deliberate policy actions, fiscal drag, changes to debt service costs and variations in resource revenues.
d) Primary balances exclude interest paid and received.
e) Excludes deposit insurance outlays. The cyclically adjusted balances exclude receipts related to the Desert Storm operation, amounting to 0.6 per cent of GDP in 1991.
f) Cyclically-adjusted data exclude expenditures related to Operation Desert Storm, amounting to 0.2 per cent of GDP for Japan and 0.4 per cent of GDP for Germany in 1991.
g) In order to prevent a jump in the series for 1991, an estimate has been made of German GDP in 1990 based on GDP for western Germany. For this reason, the data in this table differ slightly from those presented in Table 2.
h) 1987 GDP weights and exchange rates.
i) Refers to the mainland economy of Norway.
j) For the countries shown in this table.

Table 47. **Monetary aggregates[a]: recent trends and targets**

Percentage changes, seasonally adjusted at annual rates

		Last observation	Last 12 months[b]	Last 6 months[b]	Last 3 months[b]	Average of last three monthly changes[c]	From target base period[d]	Current official target or projection[e]
United States	M1	Sep. 1992	12.5	10.6	10.9	16.8		
	M2	Sep. 1992	1.8	0.2	0.1	1.8	1.7	2.5-6.5
	M3	Sep. 1992	0.4	–0.8	–0.3	1.3	0.4	1-5
Japan	M1	Sep. 1992	3.1	2.7	4.6	4.6		
	M2+CD	Sep. 1992	0.0	0.0	–0.9	–2.9	–0.4	around 0
Germany	M1	Sep. 1992	6.7	8.1	9.7	19.9		
	M3	Sep. 1992	8.7	9.0	9.0	10.2	9.3	3.5-5.5
France	M2	Sep. 1992	–1.9	–0.4	–3.7	–2.3		
	M3	Sep. 1992	5.3	7.4	4.8	2.7	6.5	4-6
	TDI	Aug. 1992	6.0	7.1	5.6	3.6		
Italy	TDC	Sep. 1992	12.7	12.5	11.6	11.4	12.7	10
	M2	Sep. 1992	6.8	4.6	–2.6	–8.0	5.9	5-7
United Kingdom	M0	Sep. 1992	2.3	2.2	2.7	5.5	2.1	0-4
	M4	Sep. 1992	4.6	4.4	4.6	4.0	4.4	4-8[f]
Canada	M2	Sep. 1992	5.6	6.0	7.0	7.4		

a) For details, see "Sources and Methods".
b) Most recent 3-month average relative to the 3-month average ending 3, 6 and 12 months earlier.
c) Average of monthly increase (at annual rate) in the most recent 3 months.
d) Most recent monthly observation relative to target base period, at annual rate; for Japan and the United Kingdom, changes over the previous 12 months.
e) For the United States, Germany and France targets are for the period 1992 Q4/1991 Q4; for Japan, the figure is not a target but a projection by the Bank of Japan for 1992 Q4/1991 Q4; for the United Kingdom the current target is expressed in terms of changes over the previous 12 months; for Italy the targets are for calendar year 1992.
f) Monetary range announced in 1992 Autumn Statement.

Table 48. **Interest rate developments[a]**

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Short-term rates											
United States	7.5	5.4	3.4	3.1	4.0	3.8	3.1	3.1	3.2	3.7	4.2
Japan	7.7	7.2	4.3	3.6	3.8	4.8	3.8	3.5	3.6	3.6	4.0
Germany	8.5	9.2	9.6	7.9	6.3	9.7	9.6	8.8	7.0	6.5	6.0
France	10.3	9.6	10.1	8.2	6.5	10.1	10.1	9.0	7.4	6.7	6.3
Italy	12.1	12.0	13.6	13.0	10.9	12.7	14.5	13.5	12.5	11.5	10.3
United Kingdom	14.8	11.5	9.5	6.6	6.5	10.4	8.7	6.8	6.5	6.5	6.5
Canada	13.0	8.9	6.3	4.9	5.4	6.8	5.8	4.8	5.0	5.3	5.5
Long-term rates											
United States	8.6	7.9	7.1	6.3	5.6	7.3	6.8	6.4	6.1	5.8	5.5
Japan	7.4	6.3	5.3	5.1	5.4	5.6	5.0	4.9	5.2	5.3	5.4
Germany	8.8	8.5	8.0	7.1	6.5	8.1	7.9	7.3	7.0	6.7	6.3
France	10.4	9.5	9.1	8.2	7.3	9.0	9.1	8.4	8.0	7.5	7.1
Italy	11.9	11.4	11.5	11.7	10.9	11.1	12.0	11.8	11.5	11.3	10.5
United Kingdom	11.8	10.1	9.1	8.2	8.0	9.3	8.8	8.3	8.0	8.0	8.0
Canada	10.8	9.8	8.7	7.6	7.1	9.1	8.3	7.8	7.5	7.2	7.0

a) For details, see "Sources and Methods".

Table 49. **Unemployment in major OECD countries and country groups**[a]

	1990 Unemployment (thousands)	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Unemployment rates												
United States	6 890	5.5	6.7	7.4	7.3	6.9	7.4	7.4	7.4	7.3	7.1	6.7
Japan	1 325	2.1	2.1	2.2	2.3	2.4	2.1	2.2	2.3	2.4	2.4	2.4
Germany[b]	1 455	4.9	6.7	7.6	8.3	8.1	7.6	7.6	8.1	8.6	8.4	7.9
France	2 203	9.0	9.6	10.3	10.8	10.8	10.2	10.4	10.7	10.9	10.8	10.7
Italy	2 654	11.1	11.0	11.0	11.3	11.4	11.0	11.1	11.3	11.4	11.4	11.4
United Kingdom	1 687	5.9	8.3	10.1	10.8	10.5	9.8	10.5	10.9	10.8	10.6	10.3
Canada	1 110	8.1	10.3	11.2	11.3	10.8	11.0	11.4	11.4	11.2	10.9	10.7
Total of above countries	17 325	5.6	6.6	7.3	7.5	7.2	7.2	7.3	7.4	7.5	7.3	7.1
Other OECD countries[c,d]	7 137	8.6	9.5	10.6	11.2	11.3	10.3	10.8	11.1	11.3	11.3	11.3
Total OECD[d]	24 462	6.2	7.2	7.9	8.2	8.1	7.8	8.0	8.2	8.3	8.2	8.0
Four major European countries	8 000	7.5	8.6	9.5	10.1	10.0	9.4	9.6	10.0	10.2	10.1	9.8
OECD Europe[d]	14 421	8.0	9.0	9.9	10.6	10.5	9.7	10.1	10.5	10.7	10.6	10.5
EC	12 104	8.4	9.2	10.1	10.8	10.7	10.0	10.3	10.7	10.9	10.8	10.5
Total OECD *less* the United States[d]	17 573	6.6	7.4	8.2	8.7	8.6	8.1	8.3	8.6	8.7	8.7	8.5
Unemployment levels (millions)												
North America		8.0	9.9	10.9	11.0	10.6	10.9	11.0	11.0	11.0	10.7	10.4
OECD Europe		14.4	17.0	18.8	20.2	20.2	18.5	19.1	19.9	20.4	20.3	20.1
Total OECD		24.5	29.2	32.3	33.8	33.4	31.9	32.8	33.6	34.0	33.7	33.1

a) For sources and definitions, see "Sources and Methods". For unemployment rates standardised by OECD facilitating cross-country comparisons, see Table R18 in "Reference Statistics".
b) Western Germany for 1990, total Germany thereafter.
c) For details on a yearly basis, see Table 50.
d) The figures incorporate important revisions to Turkish data; see "Sources and Methods".

Table 50. **Unemployment rates in other OECD countries**[a]

Per cent of labour force

	1990 Unemployment (thousands)	1990	1991	1992	1993	1994
Austria	115	3.2	3.5	4.0	4.4	4.7
Belgium	365	8.7	8.8	9.3	9.6	9.6
Denmark	272	9.5	10.4	11.0	11.0	10.6
Finland	88	3.5	7.6	12.7	13.1	12.4
Greece	281	7.0	8.2	9.1	10.2	10.5
Iceland	2	1.8	1.5	2.9	4.0	4.7
Ireland	179	13.7	15.8	17.2	19.3	20.1
Luxembourg	2	1.1	1.3	1.5	1.5	1.4
Netherlands	345	6.4	5.9	5.6	5.9	5.9
Norway	112	5.2	5.5	6.2	6.6	6.2
Portugal	220	4.7	4.1	4.4	4.7	4.8
Spain	2 441	16.3	16.3	18.0	19.3	19.1
Sweden	69	1.5	2.7	5.0	6.5	6.8
Switzerland	22	0.6	1.3	3.0	3.8	3.5
Turkey[b]	1 909	10.0	11.5	11.8	12.5	13.1
Total of above European countries[b]	6 421	8.8	9.5	10.5	11.3	11.5
Australia	590	6.9	9.6	11.0	10.6	10.0
New Zealand	126	7.9	10.3	10.7	10.6	10.3
Total of above countries[b]	7 137	8.6	9.5	10.6	11.2	11.3

a) For sources and definitions, see "Sources and Methods".
b) The figures incorporate important revisions to Turkish data; see "Sources and Methods".

Table 51. **Growth of employment in major OECD countries and country groups**[a]

Total economy, percentage changes from previous period, seasonally adjusted at annual rates

	1990 Employment (thousands)	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States	117 917	0.5	–0.9	0.6	1.2	2.0	1.1	0.6	1.2	1.6	2.0	2.4
Japan	62 499	2.0	1.9	1.1	0.9	1.0	1.1	1.0	0.9	0.9	1.0	1.0
Germany	28 489	2.6	1.8	–2.1	–1.0	1.1	–2.3	–2.0	–1.1	0.1	1.3	1.5
France	22 210	1.1	0.2	0.1	–0.1	0.5	0.2	–0.3	–0.2	0.2	0.6	0.8
Italy	21 220	1.9	0.9	0.2	0.1	0.3	0.4	0.1	0.1	0.2	0.4	0.4
United Kingdom	26 800	0.3	–3.1	–2.4	–1.1	0.4	–2.1	–2.0	–1.0	–0.2	0.5	0.8
Canada	12 571	0.7	–1.8	–0.7	1.4	2.3	–1.7	0.3	1.6	2.0	2.4	2.5
Total of above countries	291 706	1.2	–0.1	0	0.5	1.3	0.2	0	0.5	0.9	1.4	1.6
Other OECD countries[b,c]	76 141	1.8	–0.2	–0.4	–0.1	0.7	–0.3	–0.3	–0.2	0.3	0.8	1.0
Total OECD[c]	367 847	1.3	–0.1	–0.1	0.4	1.2	0.1	–0.1	0.4	0.8	1.3	1.5
Four major European countries	98 720	1.5	–0.1	–1.2	–0.6	0.6	–1.2	–1.2	–0.6	0.1	0.8	1.0
OECD Europe[c]	165 450	1.6	0	–0.9	–0.5	0.6	–0.9	–0.9	–0.5	0.1	0.8	0.9
EC	132 199	1.6	0	–1.1	–0.6	0.6	–1.0	–1.1	–0.7	0	0.7	0.9
Total OECD *less* the United States[d]	249 930	1.7	0.3	–0.4	0	0.8	–0.4	–0.3	0	0.4	0.9	1.1

a) For sources and definitions, see "Sources and Methods".
b) Half-yearly data must be interpreted with care since for most of these countries, half-yearly growth rates were obtained by simple interpolation. For details on a yearly basis, see Table 52.
c) The figures incorporate important revisions to Turkish data; see "Sources and Methods".

Table 52. **Growth of employment in other OECD countries**[a]

Total economy, percentage changes from previous year

	1990 Employment (thousands)	1990	1991	1992	1993	1994
Austria	3 412	2.1	1.8	1.2	0.7	0.8
Belgium	3 814	1.4	0.3	–0.4	–0.3	0.1
Denmark	2 574	–0.5	–0.9	–0.6	0.2	0.6
Finland	2 467	–0.1	–5.3	–6.3	–1.4	1.2
Greece	3 718	1.2	–1.7	–0.7	–1.1	–0.4
Iceland	126	0.1	0.6	–1.1	–1.1	–0.8
Ireland	1 126	3.3	–0.4	0.7	0.2	0
Luxembourg	189	4.2	4.3	2.1	1.9	2.3
Netherlands	5 005	2.1	1.3	0.4	0	0.5
Norway	2 030	–0.9	–1.0	–0.5	0.5	2.6
Portugal	4 474	2.2	3.0	0.1	0	0.5
Spain	12 579	2.6	0.2	–1.3	–1.4	0.5
Sweden	4 508	1.0	–1.7	–4.0	–3.0	–0.4
Switzerland	3 563	1.3	–0.1	–1.5	–0.5	0.5
Turkey[b]	17 145	2.2	0.2	1.4	1.0	1.1
Total of above European countries[b]	66 730	1.8	0	–0.4	–0.3	0.6
Australia	7 940	1.8	–2.0	–0.6	1.3	1.5
New Zealand	1 471	0.9	–1.3	0.8	1.1	1.3
Total of above countries[b]	76 141	1.8	–0.2	–0.4	–0.1	0.7

a) For sources and definitions, see "Sources and Methods".
b) The figures incorporate important revisions to Turkish data; see "Sources and Methods".

Table 53. **Growth of the labour force in major OECD countries and country groups**[a]

Percentage changes from previous period, seasonally adjusted at annual rates

	1990 Labour force (thousands)	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States	124 807	0.8	0.4	1.3	1.1	1.5	2.2	0.7	1.2	1.4	1.6	1.6
Japan	63 824	1.8	1.9	1.2	1.1	1.1	1.1	1.2	1.1	1.1	1.1	1.1
Germany	29 944	1.9	1.2	–1.1	–0.2	0.9	–0.6	–2.1	0	1.1	0.9	0.5
France	24 414	0.7	0.8	0.9	0.4	0.5	1.0	0.1	0.5	0.5	0.5	0.5
Italy	23 874	0.7	0.8	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
United Kingdom	28 488	0	–0.6	–0.5	–0.3	0	–0.1	–0.6	–0.1	–0.2	0	0.2
Canada	13 681	1.3	0.6	0.3	1.5	1.8	–0.3	1.3	1.4	1.7	1.8	1.9
Total of above countries	309 032	1.0	0.8	0.7	0.7	1.1	1.1	0.3	0.8	1.0	1.1	1.1
Other OECD countries[b,c]	83 278	1.5	0.9	0.7	0.7	0.8	0.6	0.7	0.6	0.7	0.8	0.8
Total OECD[c]	392 309	1.1	0.8	0.7	0.7	1.0	1.0	0.4	0.8	0.9	1.0	1.0
Four major European countries	106 720	0.8	0.5	–0.2	0	0.5	0.1	–0.7	0.2	0.5	0.5	0.4
OECD Europe[c]	179 871	1.0	0.7	0.1	0.3	0.6	0.2	–0.2	0.3	0.6	0.6	0.6
EC	144 303	0.9	0.6	–0.1	0.1	0.4	0.1	–0.5	0.2	0.5	0.5	0.4
Total OECD *less* the United States[c]	267 503	1.3	1.0	0.4	0.5	0.8	0.5	0.3	0.6	0.8	0.8	0.8

a) For sources and definitions, see "Sources and Methods".
b) Half-yearly data must be interpreted with care since for most of these countries, half-yearly growth rates were obtained by simple interpolation. For details on a yearly basis, see Table 54.
c) The figures incorporate important revisions to Turkish data; see "Sources and Methods".

Table 54. **Growth of the labour force in other OECD countries**[a]

Percentage changes from previous year

	1990 Labour force (thousands)	1990	1991	1992	1993	1994
Austria	3 527	2.3	2.0	1.8	1.2	1.0
Belgium	4 179	0.8	0.4	0.1	0.1	0.1
Denmark	2 845	–0.2	0	0.2	0.2	0.2
Finland	2 556	–0.1	–1.0	–0.9	–0.9	0.3
Greece	3 999	0.8	–0.4	0.3	0.0	0.1
Iceland	128	0.2	0.3	0.3	0	0
Ireland	1 305	1.0	2.0	2.4	2.9	0.9
Luxembourg	191	4.1	4.5	2.2	1.9	2.2
Netherlands	5 350	1.1	0.7	0	0.4	0.6
Norway	2 141	–0.6	–0.7	0.3	0.9	2.2
Portugal	4 694	1.8	2.4	0.4	0.3	0.5
Spain	15 020	1.4	0.4	0.6	0.3	0.3
Sweden	4 577	1.1	–0.5	–1.7	–1.3	–0.1
Switzerland	3 585	1.2	0.6	0.2	0.3	0.2
Turkey[b]	19 054	2.0	1.9	1.8	1.8	1.8
Total of above European countries[b]	73 152	1.3	0.9	0.7	0.6	0.8
Australia	8 529	2.7	0.9	0.9	0.8	0.8
New Zealand	1 597	1.7	1.3	1.2	1.0	1.0
Total of above countries[b]	83 278	1.5	0.9	0.7	0.7	0.8

a) For sources and definitions, see "Sources and Methods".
b) The figures incorporate important revisions to Turkish data; see "Sources and Methods".

Table 55. **Productivity in the business sector**

Percentage changes at annual rate

	Total factor productivity[a]			Labour productivity[b]			Capital productivity		
	1960-73	1973-79	1979-90[c]	1960-73	1973-79	1979-90[c]	1960-73	1973-79	1979-90[c]
United States	1.6	–0.4	0.1	2.2	0	0.5	0.1	–1.3	–0.9
Japan	5.9	1.3	2.0	8.6	2.9	3.0	–2.2	–3.4	–1.2
Germany[d]	2.6	1.8	0.9	4.5	3.1	1.6	–1.4	–1.0	–0.7
France	4.0	1.7	1.5	5.4	3.0	2.4	0.9	–1.0	–0.4
Italy	4.4	2.1	1.3	6.3	3.0	1.9	0.4	0.4	0
United Kingdom	2.3	0.6	1.3	3.6	1.6	2.0	–0.6	–1.5	0
Canada	2.0	0.8	–0.1	2.8	1.5	1.1	0.6	–0.5	–2.2
Austria	3.3	1.2	0.9	5.8	3.2	1.9	–2.0	–3.1	–1.5
Belgium	3.9	1.4	1.5	5.2	2.8	2.3	0.6	–1.8	–0.6
Denmark	2.8	1.1	1.4	4.3	2.6	2.3	–1.0	–2.4	–0.7
Finland	3.2	1.5	2.5	4.9	3.2	3.6	0	–1.8	0.3
Greece	5.7	1.5	–0.2	8.8	3.3	0.7	–1.2	–2.8	–2.3
Netherlands	3.1	1.5	0.9	4.8	2.8	1.5	–0.4	–1.0	–0.5
Spain	3.3	0.9	1.8	6.0	3.3	2.8	–3.6	–5.1	–0.8
Sweden	2.6	0.3	0.7	4.1	1.4	1.5	–0.8	–2.3	–1.1
Switzerland	2.0	–0.4	0.5	3.2	0.8	1.1	–1.4	–3.7	–1.1
Australia	1.6	0.8	0.3	2.7	2.2	0.9	–0.4	–1.7	–0.7
New Zealand	0.9	–1.9	0.5	1.7	–1.3	1.5	–0.7	–3.3	–1.4
OECD Europe	3.2	1.4	1.2	5.0	2.7	2.0	–0.6	–1.4	–0.5
OECD	2.8	0.5	0.7	4.1	1.4	1.4	–0.5	–1.6	–0.9

a) TFP growth is equal to a weighted average of the growth in labour and capital productivity. The sample-period averages for capital and labour shares are used as weights.
b) Output per employed person.
c) 1979-91 for United States, France, United Kingdom, Canada and New Zealand, 1979-89 for Greece and Switzerland.
d) Western Germany.

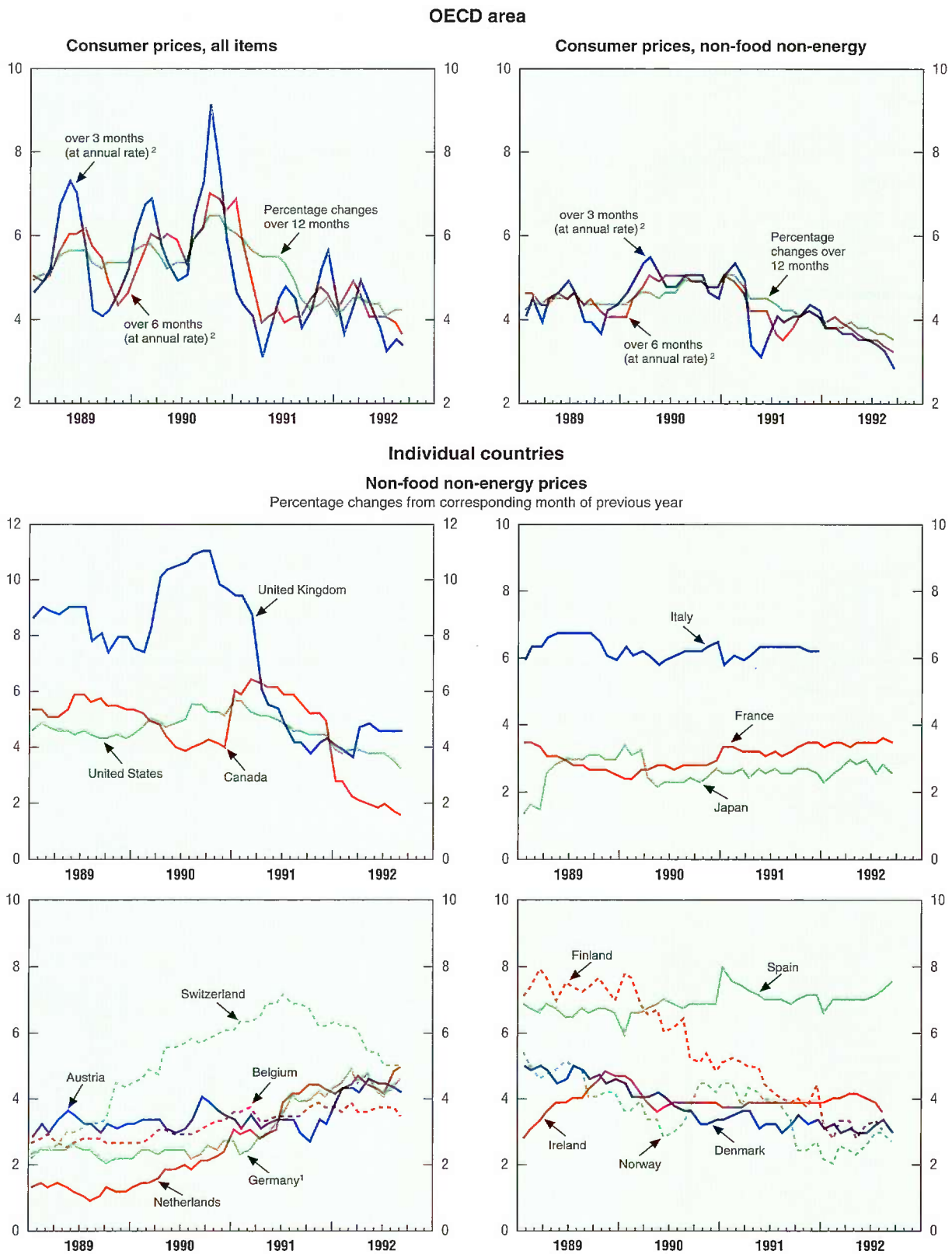
Table 56. **Producer prices (manufacturing)**

Percentage changes from previous period, not seasonally adjusted

	At average annual rate				At actual rate					
	Average 1979-88 [a]	1989	1990	1991	12 months to Sept. 1992 [b]	6 months to Sept. 1992 [b]	June	July	Aug.	Sept.
United States [c]	3.7	5.1	4.9	2.1	1.6	0.9	0.6	–0.2	–0.2	–0.2
Japan [d]	0.6	2.1	1.6	1.7	–0.7	–0.3	0	–0.1	–0.1	0
Germany [e]	2.5	3.4	1.5	2.0	1.2	0.6	0.1	0	–0.1	0
France [f]	6.3	5.4	–1.2	–1.3	–0.9	–0.1	→	←	–0.2 [h]	→
Italy	6.9	5.9	4.1	3.3	1.9	0.5	0.2	0	0	..
United Kingdom	6.7	5.1	5.9	5.6	3.4	0.9	0.1	0.2	0.1	0.1
Canada	5.4	2.0	0.3	–1.0	2.1	1.5	0.2	0.2	0.1	0.5
Total of above countries [g]	3.8	4.4	3.3	2.0	1.1	0.8	0.3	–0.1	–0.1	..
Austria [d]	2.1	1.7	2.9	0.9	0.8	–1.8	0.1	–1.1	–1.1	0.4
Belgium	3.1	6.7	0	–1.0	–0.7	–0.4	0.3	–0.4	–1.3	0.3
Denmark	5.9	6.2	1.8	1.1	–2.7	–0.9	0	–2.7	0	0
Finland	5.6	6.0	2.1	–0.1	3.2	1.6	0.3	0.1	–0.5	0.7
Greece [d]	18.7	13.4	15.9	16.7	8.7	3.0	–0.2	–0.3	..	..
Ireland [d]	6.6	4.8	–1.6	0.9	1.3	–0.5	–0.4	–0.3	–0.1	–0.2
Luxembourg	4.3	7.6	–2.0	–2.6	–3.2	–0.2	0.4	–1.0	0.1	..
Netherlands	1.8	4.8	–0.6	0.5	–1.0	–0.4	0	–0.4	–0.5	..
Norway [d]	7.0	5.5	3.7	2.5	–0.6	–0.1	0.1	–0.1	–0.5	0
Spain	9.2	4.2	2.2	1.5	1.2	0.4	0.3	–0.1	–0.1	0
Sweden	7.7	7.1	4.5	2.0	–1.1	–0.5	0	–0.4	–0.4	0
Switzerland [d]	1.7	4.3	1.5	0.4	–0.2	–0.3	–0.2	–0.2	–0.3	0.1
Turkey [d]	45.8	64.0	52.3	55.3	60.1	17.0	0.2	1.8	4.8	6.3
Australia	8.0	6.7	6.0	1.5	2.2	1.8	0.4	0.4	0.4	..
Memorandum item										
EC [g]	6.0	5.0	2.4	2.2	1.4	0.7	0.1	–0.1	–0.1	..

a) Average 1981-88 for Italy and 1980-88 for Belgium and Luxembourg.
b) Or latest available month.
c) Producer prices : finished goods.
d) Wholesale prices.
e) Western Germany.
f) Producer prices : intermediate goods. Since these prices are available only on a quarterly basis, the figures shown for the rates of change over 12 and 6 months are calculated as the rate of change over 4 and 2 quarters respectively to the latest quarter available.
g) The country weights used in the aggregate indices are based on the previous year's gross domestic product and purchasing power parity.
h) The monthly rate is calculated as the change between the two most recent quarterly indices, expressed at a monthly rate and centered at the mid-month of the quarter.

Figure 25. **Recent consumer-price developments** [1]



1. Data for Germany concern Western Germany.

2. Seasonally adjusted.

Table 57. **Consumer prices**

Percentage changes from previous period, not seasonally adjusted

	At average annual rate					At actual rate					
	Average		1989	1990	1991	12 months to Sept. 1992	6 months to Sept. 1992	June	July	Aug.	Sept.
	1970-79	1979-88									
United States	7.2	5.6	4.8	5.4	4.2	3.0	1.4	0.4	0.2	0.3	0.3
Japan	9.1	2.5	2.3	3.1	3.3	2.0	1.1	–0.1	–0.8	0.3	0.5
Germany[a]	5.1	2.9	2.8	2.7	3.5	3.6	1.3	0.2	0	0.2	0.3
France	9.2	7.7	3.6	3.4	3.2	2.6	1.0	0.1	0.3	0.1	0.1
Italy[b]	13.3	11.6	6.6	6.1	6.4	5.1	1.9	0.3	0.2	0.1	0.3
United Kingdom	13.2	7.3	7.8	9.5	5.9	3.6	2.0	0	–0.4	0.1	0.4
Canada	7.8	6.6	5.0	4.8	5.6	1.3	0.6	0.2	0.2	0	–0.1
Total of above countries[c]	8.4	5.7	4.5	5.0	4.3	3.0	1.4	0.2	0	0.2	0.3
Austria	6.3	4.0	2.6	3.3	3.3	3.9	1.6	0.3	1.2	0.4	–0.7
Belgium	7.4	5.0	3.1	3.4	3.2	2.3	1.3	0.3	0.5	–0.2	0.2
Denmark	9.6	7.1	4.8	2.7	2.4	2.0	0.9	0	–0.4	0.1	0.4
Finland	11.2	7.4	6.6	6.1	4.1	2.6	0.8	0.2	–0.1	–0.1	0.4
Greece	13.2	20.1	13.7	20.4	19.5	15.3[d]	4.8[d]	1.7	–1.9	1.4	..
Iceland[e]	30.4	39.9	21.1	14.8	6.8	2.0	0.4	0.4	0.2	0	–0.1
Ireland	13.2	9.7	4.1	3.3	3.2	2.8[f]	1.3[f]	⟶	⟵	0.2[g]	⟶
Luxembourg	6.7	4.8	3.4	3.7	3.1	3.0	1.3	0.2	0.2	0.1	0.1
Netherlands	7.4	3.0	1.1	2.5	3.9	3.4	2.3	–0.1	0.6	0.7	0.5
Norway	8.1	8.7	4.6	4.1	3.4	2.0	0.8	0.2	0.1	–0.2	0.4
Portugal[e]	18.8	18.0	12.6	13.4	11.4	9.1	4.0	0.4	0.5	0.5	0.1
Spain	15.2	10.6	6.8	6.7	5.9	5.8	2.2	0	0.3	0.9	0.9
Sweden	8.7	8.1	6.4	10.5	9.3	2.4	1.4	–0.2	–0.1	0	1.4
Switzerland	5.1	3.3	3.2	5.4	5.8	3.5	0.9	0.4	–0.3	0.3	0.1
Turkey[h]	24.3	48.2	63.3	60.3	66.0	67.7	18.9	0.5	1.3	3.8	7.4
Australia	10.4	8.5	7.5	7.3	3.2	1.2[f]	–0.3[f]	⟶	⟵	..	⟶
New Zealand	12.0	12.5	5.7	6.1	2.6	1.0[f]	0.6[f]	⟶	⟵	0.1[g]	⟶
Memorandum item											
EC[c]	10.4	7.7	5.3	5.6	5.1	4.1	1.8	0.2	0.1	0.2	0.4

a) Western Germany.
b) Index for households of wage and salary earners.
c) The country weights used in the aggregate indices are based on the private consumption and the purchasing power parity for consumer expenditure of the preceding year.
d) To latest month available.
e) Excluding rent.
f) Since consumer prices are available only on a quarterly basis, the figures shown for the rates of change over 12 and 6 months are calculated as the rate of change over 4 and 2 quarters respectively to the latest quarter available.
g) The monthly rate is calculated as the change between the two most recent quarterly indices, expressed at a monthly rate and centered at the mid-month of the quarter.
h) 1970-1981: Istanbul index (154 items); from 1982, Turkish index.

Table 58. **Consumer prices non-food, non-energy**

Percentage changes from previous period, not seasonally adjusted

	At average annual rate				At actual rate					
	Average 1979-88	1989	1990	1991	12 months to Sept. 1992	6 months to Sept. 1992	June	July	Aug.	Sept.
United States	6.2	4.5	5.0	4.9	3.3	1.2	0.1	0.3	0.3	0.3
Japan	2.8	2.5	2.5	2.6	2.6	1.7	0.2	–0.5	–0.1	0.5
Germany[a]	3.4	2.3	2.4	3.3	4.6	2.0	0.2	0.2	0.6	0.5
France	7.8	3.1	2.7	3.4	3.5	1.5	0.1	0.4	0.2	0.1
Italy	12.5	6.4	6.1	6.2	6.2[b]	2.8[b]	..	..	..	..
United Kingdom	7.7	8.5	9.8	5.8	4.5	2.9	0.1	–0.2	0.1	0.6
Canada	6.6	5.5	4.4	5.8	1.6	0.5	0.0	0.2	0.2	–0.1
Total of above countries[c]	6.2	4.4	4.7	4.5	3.4	1.5	0.1	0.1	0.2	0.3
Austria	4.1	3.2	3.4	3.1	4.1	1.5	0.6	1.7	0.4	–1.3
Belgium	5.2	2.7	3.0	3.6	3.5	1.3	0.5	0.6	0.1	–0.1
Denmark	7.1	4.9	3.7	3.3	3.0	1.3	0.0	–0.4	0.4	0.5
Finland	7.4	7.4	6.2	4.5	3.1[b]	1.4[b]	0.2	0.0	0.1	..
Ireland[d]	10.5	4.0	4.0	3.8	3.7	1.7	→	←	0.3	→
Luxembourg	5.0	3.2	3.4	3.1	3.9	1.6	0.2	0.3	0.2	0.2
Netherlands	3.3	1.2	1.9	3.6	4.9	3.3	–0.1	0.9	1.0	0.7
Norway	8.5	4.6	3.6	3.6	2.7	1.3	0.1	0.1	–0.2	0.8
Spain	11.0	6.6	6.7	7.2	7.5	2.8	0.4	0.3	0.4	0.8
Switzerland	3.5	3.1	5.3	6.5	4.9	1.7	0.1	0.1	0.7	0.1
Australia[d]	8.5	7.4	8.1	3.1	1.0	–0.5	→	←	..	→
New Zealand[d]	12.7	5.1	5.9	2.9	1.0	0.4	→	←	0.0	→
Total OECD[c]	6.4	4.4	4.7	4.5	3.6	1.5	0.2	0.2	0.2	0.3
OECD Europe[c]	7.5	4.8	5.0	4.8	4.6	2.1	0.2	0.3	0.4	0.3
EC[c]	7.7	4.8	5.1	4.8	4.6	2.1	0.2	0.2	0.4	0.3

a) Western Germany.
b) To latest available month (December 1991 in the case of Italy).
c) The country weights used in the aggregate indices are based on the private consumption and the purchasing power parities for consumer expenditure of the preceding year. Only the countries shown are included in the area totals.
d) See notes *f* and *g* of Table 57.
Note: Non-food, non-energy consumer prices include beverage and tobacco prices except for Germany, Luxembourg and Spain; they also include gasoline prices in the case of Australia, New Zealand, Austria, Ireland, Luxembourg and Norway. Data for Italy are based on the survey of all households.

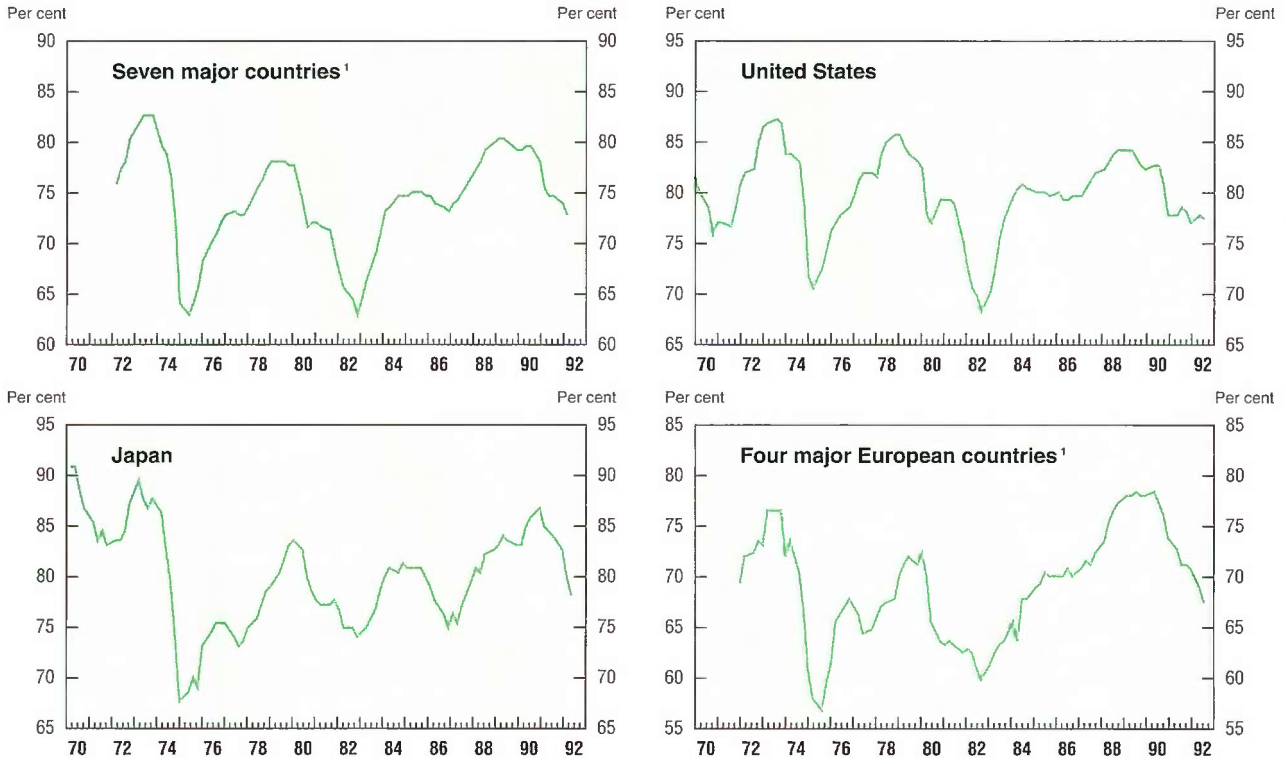
Table 59 **GDP deflators in major OECD countries and country groups**[a]

Percentage changes from previous period, seasonally adjusted at annual rates

	Average 1980-89	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States	4.7	4.3	4.0	2.7	2.3	1.9	2.8	2.3	2.3	2.1	1.9	1.7
Japan	1.6	2.1	1.9	1.9	1.7	1.7	2.2	1.7	1.6	1.7	1.7	1.7
Germany	2.8	3.4	4.5	5.5	4.6	3.3	5.1	5.4	4.8	3.3	3.3	3.1
France	6.6	3.1	2.8	3.2	2.6	2.1	3.4	3.3	2.4	2.2	2.0	2.1
Italy	10.8	7.5	7.3	4.5	5.3	5.2	2.7	5.5	5.3	5.0	5.4	5.0
United Kingdom	6.3	6.3	6.7	5.4	5.0	4.1	5.5	3.9	5.7	4.6	4.0	3.8
Canada	5.2	3.3	2.7	1.0	2.2	2.1	0.5	2.0	2.2	2.1	2.1	2.0
Total of above countries	4.5	3.9	3.8	3.1	2.8	2.4	3.0	2.9	2.9	2.5	2.4	2.2
Other OECD countries[b]	8.4	7.4	6.7	6.0	5.6	5.3	6.0	5.4	5.7	5.6	5.3	4.9
Total OECD	5.1	4.4	4.3	3.5	3.2	2.8	3.5	3.2	3.3	3.0	2.8	2.6
Four major European countries	6.3	4.8	5.1	4.6	4.3	3.6	4.2	4.6	4.5	3.7	3.6	3.4
OECD Europe	6.9	5.8	5.9	5.3	4.9	4.2	5.0	5.0	5.0	4.4	4.3	4.0
EC	6.5	4.9	5.2	4.8	4.3	3.6	4.5	4.6	4.5	3.7	3.6	3.4
Total OECD *less* the United States	5.3	4.5	4.4	3.9	3.7	3.3	3.8	3.8	3.8	3.4	3.3	3.1

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) Half-yearly data must be interpreted with care since for most of these countries, amounting to over 50 per cent of the total GDP of the smaller countries, half-yearly growth rates were obtained by simple interpolation. For details on yearly basis, see Table 60.

Figure 26. **Capacity utilisation in manufacturing**

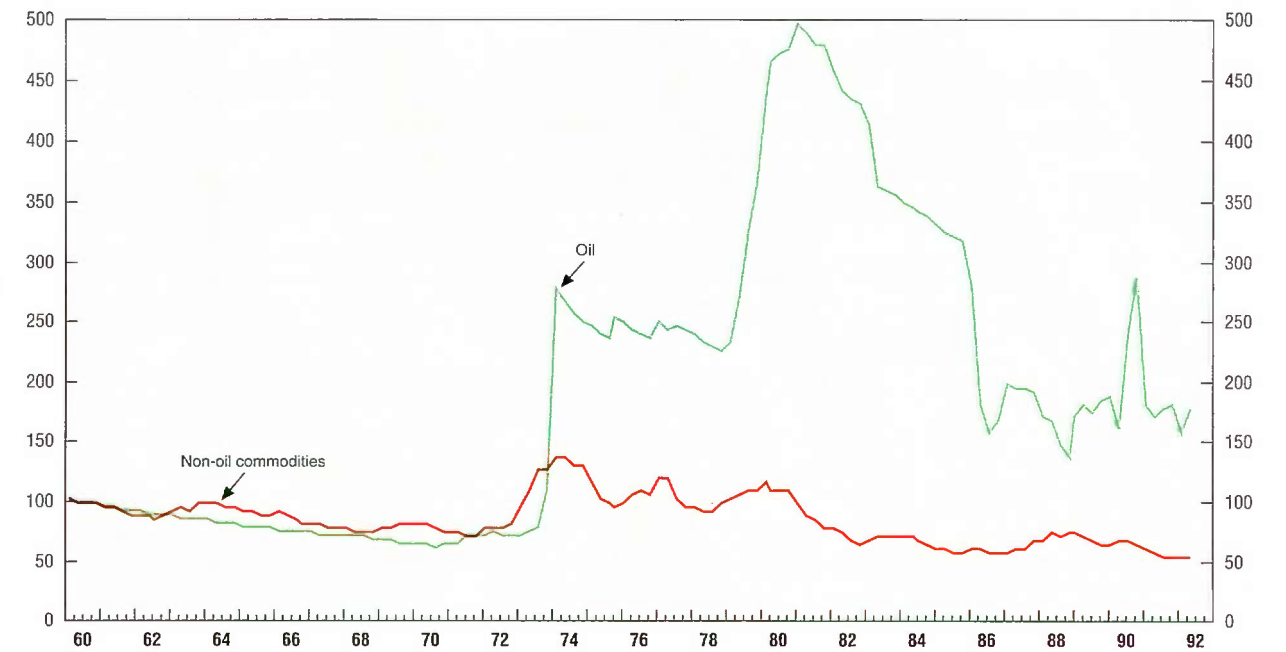


1. Data for Germany concern western Germany.
Note: Cross-country comparisons of capacity utilisation levels may be misleading owing to conceptual and methodological differences in the construction of the indices.

For further details see Methodological notes of *Main Economic Indicators* and *Sources and Methods,* No. 37 (Business Surveys), April 1983.

Figure 27. **Real commodity prices** [1]

Index 1960 = 100



1. Deflated by the GDP deflator for the seven major countries (including western Germany).

Table 60. **GDP deflators in other OECD countries**[a]

Percentage changes from previous year

	Average 1980-89	1990	1991	1992	1993	1994
Austria	3.9	2.8	3.7	4.6	4.2	3.6
Belgium	4.5	2.6	2.6	2.7	2.6	2.7
Denmark	6.1	2.1	2.9	2.4	1.8	1.8
Finland	7.4	5.5	2.3	2.0	2.8	3.8
Greece	17.9	20.5	19.5	15.8	12.7	9.2
Iceland	35.2	14.3	7.6	3.2	1.4	0.6
Ireland	7.8	–1.6	1.2	3.2	2.3	2.7
Luxembourg	4.9	2.1	1.6	3.5	3.3	3.0
Netherlands	2.3	2.9	3.1	3.0	2.4	2.2
Norway	6.3	4.6	1.9	–0.3	2.3	2.2
Portugal	18.3	14.3	13.6	11.4	7.7	6.9
Spain	9.5	7.4	6.8	6.9	6.2	5.2
Sweden	7.6	9.4	7.6	1.1	0.8	1.5
Switzerland	4.0	5.7	6.1	3.0	3.2	2.7
Turkey[b]	43.0	54.7	56.0	64.0	60.0	58.0
Total of above European countries	8.3	7.9	7.5	6.6	6.1	5.7
Australia	8.1	4.3	1.6	1.5	2.1	2.3
New Zealand	11.4	3.9	1.0	2.0	2.0	1.9
Total of above countries	8.4	7.4	6.7	6.0	5.6	5.3

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) GNP deflator.

Table 61. **Private consumption deflators in major OECD countries and country groups**[a]

Percentage changes from previous period, seasonally adjusted at annual rates

	Average 1980-89	1990	1991	1992	1993	1994	1992		1993		1994	
							I	II	I	II	I	II
United States	4.8	5.2	4.3	3.0	2.5	2.3	3.3	2.3	2.6	2.5	2.3	2.0
Japan	1.8	2.6	2.6	2.1	1.5	1.7	2.9	1.6	1.4	1.5	1.8	1.7
Germany	2.7	2.6	3.8	4.8	4.1	3.0	4.6	4.0	4.8	2.9	3.1	2.8
France	6.6	3.0	3.1	2.9	2.4	2.2	2.9	2.6	2.4	2.3	2.2	2.2
Italy	10.4	6.2	6.7	5.4	6.0	5.3	4.8	5.6	6.5	5.5	5.5	4.9
United Kingdom	6.1	5.3	7.2	5.4	5.2	4.2	4.9	3.9	6.1	4.9	4.0	3.7
Canada	5.7	4.3	4.8	1.4	2.3	1.9	0.8	2.4	2.4	2.1	1.9	1.9
Total of above countries	4.6	4.2	4.2	3.2	2.9	2.5	3.4	2.7	3.0	2.7	2.6	2.4
Other OECD countries[b]	8.4	7.8	7.7	6.6	6.0	5.4	6.4	6.0	6.1	5.9	5.4	4.8
Total OECD	5.1	4.7	4.7	3.7	3.3	2.9	3.8	3.1	3.5	3.1	3.0	2.7
Four major European countries	6.1	4.1	5.0	4.6	4.3	3.6	4.3	4.0	4.8	3.7	3.6	3.3
OECD Europe	6.8	5.3	6.0	5.4	5.0	4.3	5.2	4.8	5.4	4.6	4.3	3.9
EC	6.3	4.3	5.0	4.7	4.3	3.6	4.4	4.1	4.7	3.8	3.6	3.3
Total OECD *less* the United States	5.3	4.4	4.8	4.1	3.8	3.3	4.2	3.6	4.0	3.5	3.4	3.1

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) Half-yearly data must be interpreted with care since for most of these countries, amounting to over 50 per cent of the total GDP of the smaller countries, half-yearly growth rates were obtained by simple interpolation. For details on yearly basis, see Table 62.

Table 62. **Private consumption deflators in other OECD countries**[a]

Percentage changes from previous year

	Average 1980-89	1990	1991	1992	1993	1994
Austria	3.6	3.2	3.4	4.0	3.7	3.5
Belgium	4.7	2.9	2.8	2.5	2.6	2.7
Denmark	6.2	2.1	2.4	2.1	1.6	1.8
Finland[b]	6.6	5.9	5.3	3.6	4.0	4.5
Greece	18.3	19.7	18.5	15.7	12.9	9.1
Iceland[b]	35.9	16.2	5.9	4.0	1.0	0.2
Ireland	7.6	1.7	3.2	3.6	2.0	2.6
Luxembourg	5.3	4.2	3.2	2.8	2.9	2.9
Netherlands	2.3	2.3	3.3	3.3	2.3	2.0
Norway	7.9	5.1	3.6	2.4	2.0	1.5
Portugal	17.6	12.7	12.0	9.2	7.0	5.9
Spain	9.5	6.5	6.3	6.5	6.0	4.7
Sweden	7.9	9.7	10.2	2.4	3.6	2.2
Switzerland	3.3	5.3	5.7	4.0	3.4	2.5
Turkey	42.7	60.3	66.0	72.0	66.0	63.0
Total of above European countries	8.3	8.0	8.3	7.3	6.6	5.8
Australia	8.1	6.2	3.6	1.9	2.1	2.3
New Zealand	11.3	6.4	3.2	1.5	1.7	1.6
Total of above countries	8.4	7.8	7.7	6.6	6.0	5.4

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) Consumer price index.

Table 63. **Hourly earnings in manufacturing**

Percentage changes from previous year

	Average 1979-88	1989	1990	1991	1991 Q3	1991 Q4	1992 Q1	1992 Q2
United States	4.8	2.9	3.3	3.2	3.2	3.0	2.6	2.6
Japan[a]	3.9	4.7	4.5	3.6	3.0	2.7	0.7	2.4[b]
Germany[c]	5.2	4.2	5.8	7.2	6.8	7.9	7.2	4.7
France	9.6	4.6	4.9	4.5	4.4	4.4	4.2	4.2
Italy[d]	13.4	10.2	8.3	8.4	8.8	5.1	9.2[b]	6.0[b]
United Kingdom	10.3	9.1	9.4	8.2	7.8	7.8	7.3	6.0
Canada	6.2	5.4	5.2	4.8	4.7	3.8	3.9	3.6
Total of above countries[e]	6.0	4.6	4.8	4.6	4.4	4.1	3.6	3.4
Austria[f]	5.3	4.5	7.2	5.9	5.6	6.3	5.3	6.6
Belgium	4.9	4.2	5.0	5.4	4.8	5.5	4.5	5.9[b]
Denmark[g]	7.5	4.7	4.8	4.5	4.7	4.2	3.7	3.1
Finland[f]	9.5	8.9	10.5	6.7	6.8	4.0	3.6	2.6
Greece	21.4	20.5	19.4	16.7	18.8	16.5	7.6	4.4
Ireland	11.2	4.8	5.4	5.7	5.5	5.2	5.1	4.0
Netherlands	3.1	1.4	2.9	3.6	3.9	4.2	4.3	4.6
Norway	9.7	5.4	6.0	5.3	1.9	4.1	3.7	3.3
Spain[h]	13.2	7.3	8.8	8.1	8.3	8.6	8.0	8.0
Sweden	8.2	9.9	9.4	4.6	4.5	4.8	3.9	5.2
Australia	7.8	6.3	6.1	3.7	3.1	3.5	3.3	3.1
New Zealand	10.4	4.0	4.3	2.6	2.0	1.5	1.0	0.6
Total of above OECD countries[e]	6.3	4.8	5.0	4.7	4.6	4.3	3.8	3.6
Total of above European countries[e]	9.0	6.5	6.9	6.8	6.8	6.4	6.6	5.3
Total of above EC countries[e]	9.1	6.4	6.8	6.9	7.0	6.6	6.9	5.4

a) Monthly earnings, excl. bonus payments.
b) OECD Secretariat estimate.
c) Western Germany.
d) Quarterly earnings.
e) 1987 GDP weights and exchange rates.
f) Total industry.
g) Mining and manufacturing.
h) All activities excluding government and agriculture.

Table 64. **Compensation per employee in the business sector**[a]

	Absolute levels in US $ '000[b]	Percentage changes from previous period						
		Average annual rate			1991	1992	1993	1994
	1991	1965-73[c]	1973-79	1979-90				
United States	30.2	6.1	8.2	5.3	4.1	3.7	3.0	2.8
Japan	36.6	14.8	12.4	4.1	4.6	3.0	3.1	3.3
Germany[d]	32.5	9.3	7.5	4.0	5.8	8.9	6.4	4.8
France	33.1	9.8	14.7	8.3	4.6	4.1	3.8	3.5
Italy	30.1	11.4	20.9	12.2	8.9	6.3	5.0	6.6
United Kingdom	26.6	9.9	17.4	9.5	8.3	6.3	5.1	4.9
Canada	30.1	6.7	10.6	6.8	5.6	4.1	3.2	2.9
Total of above countries	31.9	9.3	11.2	6.0	5.1	4.5	3.7	3.6
Austria	29.2	10.0	10.1	5.6	6.0	5.8	5.4	4.7
Belgium	35.2	13.3	12.9	5.7	7.6	4.7	4.7	4.6
Denmark	31.3	11.0	12.9	6.8	3.9	3.4	3.5	3.7
Finland	40.8	12.0	15.6	11.4	7.2	3.5	2.4	3.6
Greece	11.7	12.0	20.3	17.7	16.4	14.2	12.3	9.6
Ireland	26.7	13.9	19.6	10.2	6.6	5.7	5.4	5.5
Netherlands	32.3	14.2	10.2	3.0	4.4	5.3	4.4	4.4
Norway	35.4	10.1	10.4	9.0	4.9	3.8	4.4	1.2
Portugal	8.7	13.2	27.1	17.1	15.8	12.0	9.1	8.1
Spain	25.6	14.6	22.8	10.7	8.3	9.1	8.8	5.5
Sweden	36.4	8.4	13.5	8.9	8.0	3.4	–0.3	2.4
Switzerland	48.9	9.7	5.9	4.9	7.5	5.4	3.6	2.7
Australia	21.9	7.8	15.0	8.7	4.7	3.0	3.1	3.0
New Zealand	15.9	9.3	14.0	10.2	0.7	2.5	2.4	2.7
Total of above smaller countries	30.5	11.5	14.3	8.1	6.8	5.5	4.7	4.1
Total of above European countries	31.2	10.6	14.3	8.0	6.8	6.4	5.1	4.7
Total of above OECD countries	31.7	9.6	11.6	6.3	5.3	4.6	3.9	3.6

a) 1987 GDP weights and exchange rates, except for first column (see note *b*).
b) Converted using 1991 exchange rates and, for the aggregates, weighted by 1991 GDP. When making cross-country comparisons, the volatility of exchange rates should be borne in mind, as well as the fact that compensation levels, which include non-wage labour costs, are influenced by social security financing arrangements.
c) Starting year for Canada is 1966, for Belgium and Netherlands 1970.
d) Up to and including 1991, western Germany; subsequently data concern the whole of Germany and the whole economy.

Table 65. **Unit labour costs in the business sector**[a]

Percentage changes from previous period

	Average annual rate			1989	1990	1991	1992	1993	1994
	1965-73[b]	1973-79	1979-89						
United States	4.6	8.2	4.7	3.1	5.2	4.1	1.4	1.7	1.8
Japan	5.4	9.2	1.0	1.2	1.8	1.9	2.4	1.7	1.3
Germany[c]	4.6	4.3	2.4	0.1	1.7	3.6	5.4	4.2	2.9
France	4.3	11.4	5.8	1.4	3.9	3.4	1.9	1.7	0.9
Italy	5.2	17.4	10.4	6.0	7.0	8.2	5.6	4.5	4.8
United Kingdom	5.9	15.6	7.0	9.4	9.9	7.7	4.3	2.4	2.6
Canada	3.8	9.0	5.5	5.1	5.8	5.2	1.6	1.2	1.0
Total of above countries	4.9	9.4	4.3	2.9	4.4	4.0	2.6	2.2	1.9
Austria	3.5	6.7	3.7	1.2	1.9	4.4	4.9	4.1	2.0
Belgium	7.7	9.8	3.3	2.4	3.6	5.6	2.8	2.8	2.3
Denmark	7.0	10.0	4.8	0.8	0.8	1.4	1.2	1.3	1.8
Finland	6.5	12.0	7.4	5.1	9.4	8.3	–1.9	–0.3	0.9
Greece	3.3	16.4	16.9	12.3	19.0	12.0	11.9	9.6	7.1
Ireland	8.2	16.6	6.0	–1.2	–1.4	2.9	3.6	3.0	2.2
Netherlands	8.9	7.2	1.4	–2.0	2.7	3.5	4.1	3.1	2.2
Norway	6.1	10.1	8.4	3.6	2.6	3.1	2.0	2.8	1.6
Portugal	5.3	26.4	15.6	9.3	11.9	16.9	9.7	7.1	5.8
Spain	8.2	18.9	7.7	6.3	8.1	5.6	5.7	5.8	3.3
Sweden	4.5	11.9	7.0	10.2	10.7	7.4	–0.7	–2.5	0.3
Switzerland	6.2	5.1	3.5	2.3	6.2	7.6	3.4	1.8	1.3
Australia	7.6	12.5	8.0	8.5	7.9	3.3	0	1.2	1.1
New Zealand	7.7	15.4	9.4	3.1	–2.2	1.9	0.1	0.4	1.1
Total of above smaller countries	6.9	11.8	6.1	4.3	6.0	5.4	3.0	2.6	2.0
Total of above European countries	5.5	11.4	5.9	3.7	5.3	5.5	4.1	3.2	2.6
Total of above OECD countries	5.1	9.8	4.6	3.1	4.6	4.2	2.6	2.2	2.0

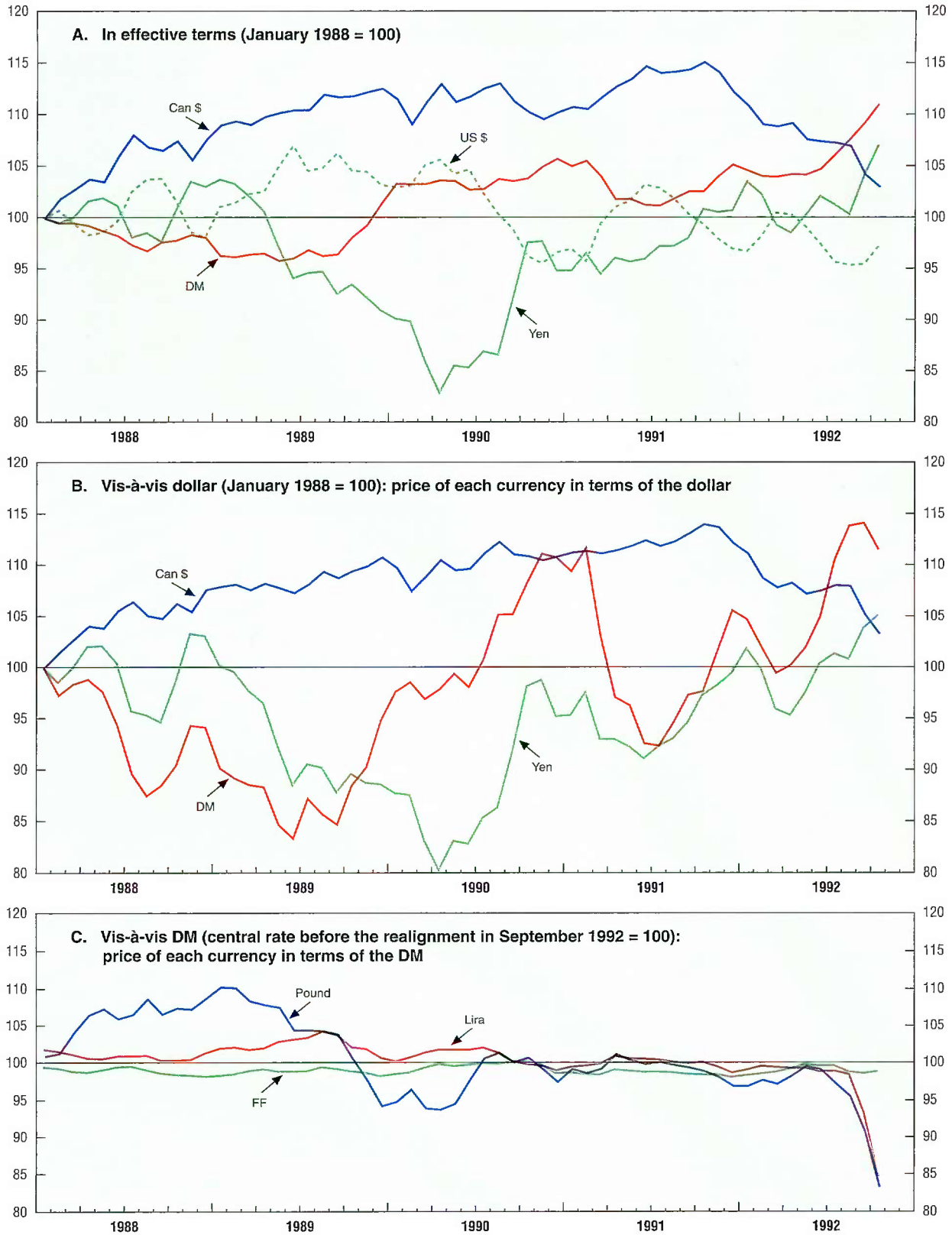
a) 1987 GDP weights and exchange rates.
b) Starting year for Canada is 1966, for Belgium, Netherlands and Australia 1970.
c) Up to and including 1991, western Germany; subsequently data concern the whole of Germany and the whole economy.

Table 66. **Exchange rate changes of selected currencies**

		3 November, 1992 - Percentage changes from:						
		EO51[c]	One year ago	Louvre[b]	Plaza[c]	$ Peak[d]	1980 (average)	1973-80 (average)
Dollar	effective	–0.75	1.25	–9.25	–32.00	–36.50	–8.00	–11.25
	vis-à-vis yen	–6.97	–4.54	–19.70	–49.01	–52.69	–45.52	–52.53
	vis-à-vis DM	–4.41	–4.60	–14.22	–45.99	–53.96	–13.80	–31.21
	vis-à-vis FF	–3.85	–5.41	–12.41	–39.89	–49.03	25.74	17.32
	vis-à-vis £	14.81	13.88	–1.70	–13.31	–31.41	49.56	34.01
Yen	effective	8.25	5.75	22.00	66.00	71.00	103.50	127.50
	vis-à-vis $	7.49	4.76	24.53	96.13	111.35	83.56	110.67
	vis-à-vis DM	2.75	–0.06	6.83	5.93	–2.69	58.24	44.92
	vis-à-vis FF	3.36	–0.91	9.08	17.90	7.73	130.82	147.16
	vis-à-vis £	23.41	19.30	22.42	70.03	44.96	174.53	182.33
DM	effective	5.25	5.75	11.00	28.50	33.75	40.75	63.00
	vis-à-vis $	4.61	4.82	16.57	85.15	117.19	16.00	45.37
	vis-à-vis yen	–2.68	0.06	–6.39	–5.60	2.76	–36.80	–31.00
	vis-à-vis FF	0.59	–0.85	2.11	11.30	10.71	45.87	70.55
	vis-à-vis £	20.10	19.36	14.59	60.50	48.96	73.49	94.81
FF	effective	4.50	6.50	6.75	11.50	15.75	–9.25	–10.50
	vis-à-vis $	4.00	5.72	14.17	66.36	96.18	–20.47	–14.76
	vis-à-vis yen	–3.25	0.92	–8.33	–15.18	–7.18	–56.68	–59.54
	vis-à-vis DM	–0.58	0.86	–2.06	–10.15	–9.67	–31.44	–41.36
Sterling	effective	–14.25	–13.25	–6.50	–23.00	–12.50	–29.00	–27.50
	vis-à-vis $	–12.90	–12.19	1.73	15.36	45.80	–33.14	–25.38
	vis-à-vis yen	–18.97	–16.18	–18.32	–41.19	–31.01	–63.57	–64.58
	vis-à-vis DM	–16.74	–16.22	–12.74	–37.70	–32.87	–42.36	–48.67
Lira	effective	–9.50	–9.50	–10.50	–4.50	–9.00	–29.50	–45.25
	vis-à-vis $	–8.23	–8.20	–3.20	44.94	58.28	–36.20	–42.87
	vis-à-vis yen	–14.63	–12.37	–22.27	–26.10	–25.11	–65.25	–72.88
	vis-à-vis DM	–12.28	–12.42	–16.96	–21.72	–27.12	–45.01	–60.70
Can $	effective	–4.25	–9.75	5.25	0	–1.00	–7.00	–17.25
	vis-à-vis $	–4.04	–9.81	7.05	10.84	12.51	–5.92	–14.26
	vis-à-vis yen	–10.73	–13.91	–14.04	–43.49	–46.77	–48.75	–59.30
	vis-à-vis DM	–8.27	–13.95	–8.17	–40.14	–48.20	–18.90	–41.02
BF	effective	4.50	5.00	11.75	24.75	27.75	8.00	16.50
	vis-à-vis $	4.61	5.00	17.24	81.99	112.52	–9.35	8.16
Guilder	effective	4.75	5.25	11.25	26.00	31.25	32.75	44.25
	vis-à-vis $	4.61	4.99	16.90	84.73	118.66	12.62	36.47
SF	effective	7.00	3.50	2.75	8.50	16.75	27.75	56.75
	vis-à-vis $	7.59	3.79	10.54	70.32	107.80	19.98	67.85
	vis-à-vis DM	2.85	–0.98	–5.18	–8.01	–4.33	3.43	15.47
SKr	effective	0.50	2.75	3.75	–0.50	–1.00	–19.50	–24.50
	vis-à-vis $	0.20	1.58	10.18	44.34	63.21	–28.32	–26.25
A $	effective	–7.75	–10.00	–2.25	–25.00	–31.75	–43.25	–50.50
	vis-à-vis $	–8.21	–11.06	4.72	1.88	0.40	–38.97	–43.32
	vis-à-vis yen	–14.61	–15.11	–15.91	–48.06	–52.49	–66.75	–73.10
Peseta	effective	–8.00	–7.75	12.00	8.75	4.00	–25.00	–36.75
	vis-à-vis $	–7.90	–7.41	15.04	53.77	67.66	–35.83	–40.53
	vis-à-vis DM	–11.96	–11.67	–1.31	–16.95	–22.81	–44.68	–59.09
Taiwan $	effective	–1.50	4.25	28.50	25.00	16.00	40.25	38.25
	vis-à-vis $	–0.95	3.98	37.88	59.20	55.21	41.96	47.54
	vis-à-vis yen	–7.85	–0.74	10.72	–18.83	–26.56	–22.66	–29.97
	vis-à-vis DM	–5.31	–0.80	18.28	–14.01	–28.54	22.37	1.49
Korean won	effective	–1.25	–4.00	–2.25	–15.50	–23.75	–27.50	–47.00
	vis-à-vis $	–0.09	–3.77	9.50	14.04	8.55	–22.32	–38.78
	vis-à-vis yen	–7.05	–8.15	–12.07	–41.86	–48.64	–57.68	–70.94
	vis-à-vis DM	–4.49	–8.20	–6.07	–38.41	–50.02	–33.04	–57.88
ECU	*vis-à-vis $*	0.21	0.79	9.79	63.04	92.20	–9.79	–9.14
	vis-à-vis yen	–6.77	–3.79	–11.84	–16.87	–9.06	–50.86	–56.87
	vis-à-vis DM	–4.20	–3.84	–5.82	–11.94	–11.51	–22.24	–37.50
SDR	*vis-à-vis $*	1.28	1.10	10.11	37.00	35.98	7.15	14.35
	vis-à-vis yen	–5.77	–3.49	–11.58	–30.15	–35.66	–41.63	–45.72
	vis-à-vis DM	–3.18	–3.55	–5.54	–26.01	–37.39	–7.63	–21.34

a) 5 May 1992.
b) 16-20 February, 1987.
c) 16-20 September, 1985.
d) 4-8 March, 1985.

Figure 28. **Exchange-rate developments**



Note: Pound sterling joined the ERM on 8 October 1990 and left it on 16 September 1992. Lira devalued and introduced in the narrow band of the ERM on 7 January 1990 but suspended its membership on 16 September 1992.

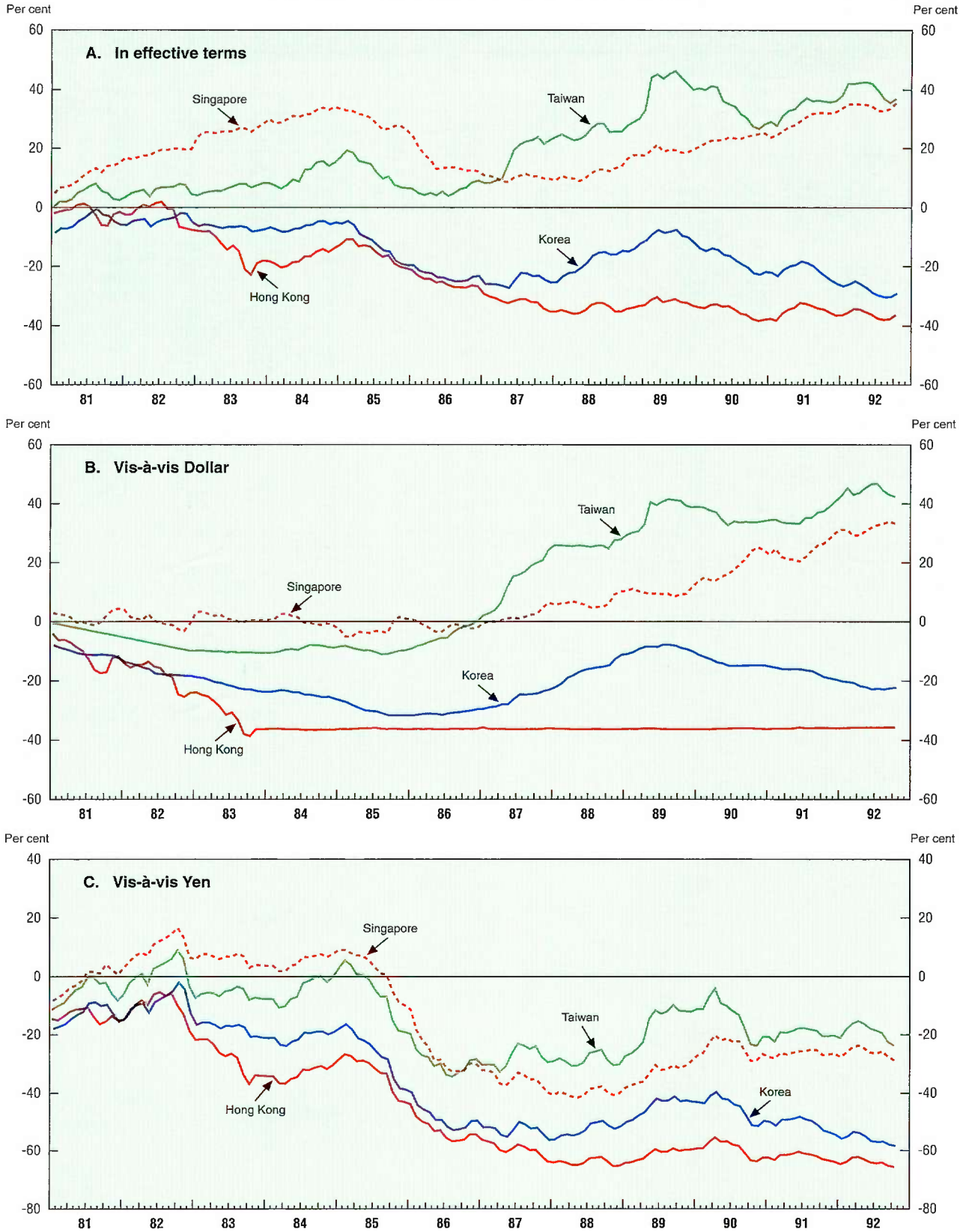
Table 67. **Exchange rates in the OECD area and in the four Asian NIEs**

Spot rates in terms of units of national currency per US $

	1990	1991	1992	1993[a]	1994[a]	1992		1993		1994	
						I	II	I[a]	II[a]	I[a]	II[a]
United States	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Japan	144.8	134.5	126.6	123.5	123.5	129.4	123.8	123.5	123.5	123.5	123.5
Germany	1.616	1.659	1.559	1.566	1.566	1.617	1.501	1.566	1.566	1.566	1.566
France	5.446	5.641	5.282	5.314	5.314	5.475	5.089	5.314	5.314	5.314	5.314
Italy	1198	1241	1225	1342	1342	1218	1231	1342	1342	1342	1342
United Kingdom	0.563	0.567	0.569	0.643	0.643	0.559	0.578	0.643	0.643	0.643	0.643
Canada	1.167	1.146	1.204	1.243	1.243	1.186	1.222	1.243	1.243	1.243	1.243
Austria	11.37	11.67	10.97	11.03	11.03	11.38	10.56	11.03	11.03	11.03	11.03
Belgium-Luxembourg	33.42	34.16	32.09	32.27	32.27	33.27	30.92	32.27	32.27	32.27	32.27
Denmark	6.186	6.398	6.021	6.011	6.011	6.258	5.784	6.011	6.011	6.011	6.011
Finland	3.822	4.043	4.461	4.943	4.943	4.405	4.516	4.943	4.943	4.943	4.943
Greece	158.2	182.1	190.0	214.6	227.0	189.1	191.0	210.3	218.8	224.0	230.0
Iceland	58.36	59.10	57.00	57.68	57.68	58.25	55.76	57.68	57.68	57.68	57.68
Ireland	0.605	0.622	0.587	0.596	0.596	0.605	0.568	0.596	0.596	0.596	0.596
Netherlands	1.821	1.870	1.756	1.765	1.765	1.820	1.691	1.765	1.765	1.765	1.765
Norway	6.258	6.482	6.182	6.380	6.380	6.333	6.032	6.380	6.380	6.380	6.380
Portugal	142.3	144.4	134.6	140.0	140.0	137.4	131.7	140.0	140.0	140.0	140.0
Spain	101.9	103.9	102.1	111.8	111.8	101.8	102.5	111.8	111.8	111.8	111.8
Sweden	5.918	6.045	5.715	5.900	5.900	5.854	5.575	5.900	5.900	5.900	5.900
Switzerland	1.389	1.434	1.401	1.397	1.397	1.466	1.336	1.397	1.397	1.397	1.397
Turkey	2606	4169	6813	10550	16040	6174	7451	9537	11563	14454	17626
Australia	1.282	1.284	1.360	1.437	1.437	1.324	1.396	1.437	1.437	1.437	1.437
New Zealand	1.678	1.729	1.855	1.904	1.904	1.846	1.865	1.904	1.904	1.904	1.904
Singapore	1.812	1.727	1.626	1.624	1.624	1.640	1.612	1.624	1.624	1.624	1.624
Taiwan	26.63	26.55	25.01	25.37	25.37	24.92	25.10	25.37	25.37	25.37	25.37
Korea	708.0	733.2	779.3	782.0	782.0	773.9	784.7	782.0	782.0	782.0	782.0
Hong Kong	7.789	7.770	7.738	7.730	7.730	7.746	7.730	7.730	7.730	7.730	7.730
ECU	0.788	0.809	0.771	0.798	0.798	0.789	0.753	0.798	0.798	0.798	0.798
SDR	0.738	0.731	0.710	0.717	0.717	0.720	0.700	0.717	0.717	0.717	0.717

a) On the technical assumption that exchange rates remain at their average level on 3 November 1992 except for Greece and Turkey where exchange rates vary according to official exchange rate policy.

Figure 29. **Exchange rates of selected NIEs**[1]



1. Percentage variations from average 1980 levels.

Table 68. **Effective exchange rates in the OECD area and in the four Asian NIEs**[a]

Indices, 1987=100

	1990	1991	1992	1993[b]	1994[b]	1992		1993		1994	
						I	II	I[b]	II[b]	I[b]	II[b]
United States	96	95	93	94	94	94	92	94	94	94	95
Japan	98	106	112	117	117	110	114	117	117	117	117
Germany	106	105	109	112	113	106	111	112	113	113	113
France	103	102	105	108	108	103	107	108	108	108	109
Italy	102	101	98	92	92	101	96	92	92	92	92
United Kingdom	102	103	100	89	89	103	96	89	89	89	89
Canada	114	116	109	106	106	111	107	106	106	106	106
Austria	105	104	106	108	108	105	108	108	108	108	108
Belgium-Luxembourg	107	107	110	113	113	108	112	113	113	113	113
Denmark	104	103	105	109	109	103	107	109	109	109	109
Finland	108	104	91	84	84	94	88	84	84	84	84
Greece	86	76	70	64	61	72	69	66	63	62	60
Iceland	63	63	63	64	64	63	64	64	64	64	65
Ireland	103	102	105	109	109	103	107	109	109	109	109
Netherlands	107	106	109	112	112	107	111	112	112	112	112
Norway	105	103	104	104	104	104	105	104	104	104	105
Portugal	94	95	98	98	98	98	98	98	98	98	98
Spain	119	119	117	110	110	120	114	110	110	110	110
Sweden	101	101	104	104	104	103	105	104	104	104	104
Switzerland	101	100	99	102	102	96	101	102	102	102	102
Turkey	31	20	11	5	3	13	9	5	4	3	3
Australia	109	107	99	95	95	102	95	95	95	95	95
New Zealand	100	96	89	89	89	89	88	89	89	89	89
Singapore	112	117	122	125	125	122	122	124	125	125	125
Taiwan	115	114	119	119	119	121	118	119	119	119	120
Korea	109	104	96	97	97	98	94	97	97	97	97
Hong Kong	95	95	94	96	96	95	93	96	96	96	96

a) For details on the method of calculation, see the section on effective exchange rates in "Sources and Methods".
b) On the technical assumption that exchange rates remain at their level on 3 November 1992 except for Greece and Turkey.

Table 69. **Volume of imports of major OECD countries and country groups**

Customs basis, percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States[a]	2.2	0.7	9.9	6.0	7.5	8.2	8.1	4.6	6.6	7.5	8.5
Japan	6.0	2.8	0.7	3.1	5.8	–1.3	1.6	2.9	4.8	6.0	6.5
Germany	9.9	9.3	1.3	2.8	4.7	2.6	0.4	3.5	3.9	4.7	5.3
France	6.1	3.1	1.8	3.6	5.1	0.6	2.4	3.8	4.4	5.1	5.9
Italy	4.1	3.4	6.7	3.8	4.6	8.9	4.4	3.5	4.0	4.7	5.0
United Kingdom	1.3	–2.8	3.7	4.0	5.5	3.6	3.5	4.0	4.5	5.8	5.8
Canada	0.2	2.4	5.3	5.9	6.9	1.5	5.0	5.9	6.7	7.0	7.0
Total of above countries	4.4	2.8	4.8	4.3	6.0	4.1	4.1	4.0	5.1	6.0	6.6
Other OECD countries	5.7	2.0	3.1	2.9	4.7	3.5	1.2	3.1	4.2	4.8	5.0
Total OECD	4.8	2.6	4.3	3.9	5.6	3.9	3.3	3.8	4.9	5.7	6.2
Four major European countries	5.9	4.0	2.9	3.4	4.9	3.4	2.2	3.7	4.2	5.0	5.5
OECD Europe	6.1	3.4	2.9	3.1	4.8	3.3	1.7	3.3	4.1	4.9	5.2
EC	6.2	4.5	3.3	3.3	4.9	3.6	2.4	3.3	4.1	5.0	5.4
Total OECD *less* the United States	5.5	3.1	2.9	3.4	5.1	2.8	2.0	3.5	4.4	5.2	5.5

a) Derived from values and unit values on a national accounts basis.

Table 70. **Volume of exports of major OECD countries and country groups**

Customs basis, percentage changes from previous period, seasonally adjusted at annual rates

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States[a]	7.2	6.5	4.5	5.1	7.4	3.6	1.7	6.0	6.6	7.7	7.6
Japan	5.6	2.5	1.6	3.2	5.5	–0.7	2.5	3.0	4.3	5.7	6.2
Germany	1.4	–2.3	0.7	2.4	4.4	–1.0	–1.4	3.5	3.9	4.5	4.5
France	5.6	4.4	6.2	3.8	5.8	7.2	1.8	4.1	5.1	6.0	6.0
Italy	2.6	1.1	4.8	6.3	6.3	7.4	4.5	6.8	7.2	6.1	5.9
United Kingdom	6.7	1.4	2.5	5.6	6.3	0.0	3.6	6.6	5.5	5.6	8.6
Canada	4.8	1.0	7.2	7.0	7.7	5.4	6.6	7.1	7.3	7.8	7.8
Total of above countries	4.7	2.2	3.4	4.3	6.1	2.4	1.9	4.9	5.5	6.1	6.5
Other OECD countries	5.5	4.3	4.4	3.7	5.3	6.2	1.6	4.2	4.7	5.3	5.6
Total OECD	4.9	2.8	3.7	4.1	5.8	3.4	1.9	4.7	5.3	5.9	6.3
Four major European countries	3.4	0.4	3.0	4.0	5.4	2.4	1.2	4.8	5.1	5.3	5.9
OECD Europe	4.1	1.7	3.5	3.8	5.3	4.0	1.3	4.5	4.9	5.3	5.7
EC	4.0	1.8	3.3	3.7	5.2	3.5	1.6	4.3	4.7	5.2	5.7
Total OECD *less* the United States	4.5	2.0	3.5	4.0	5.5	3.4	1.9	4.5	5.0	5.5	6.0

a) Derived from values and unit values on a national accounts basis.

Table 71. **Foreign trade volumes of selected other OECD and non-OECD countries**

Customs basis, percentage changes

	Exports					Imports				
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994
Austria	11.0	7.4	2.8	3.3	4.6	11.2	3.0	1.9	3.3	3.1
Belgium-Luxembourg	3.1	4.0	1.8	2.0	3.3	5.2	3.7	2.6	1.9	2.9
Denmark	5.9	7.2	4.3	4.2	4.4	2.9	4.8	2.2	4.2	5.3
Finland	2.9	–9.1	9.7	10.8	12.4	–3.9	–16.9	–1.8	–0.5	5.9
Ireland	7.7	6.8	12.4	3.0	3.8	7.1	0.6	3.4	5.2	6.0
Netherlands	4.9	4.2	3.5	2.2	4.7	5.1	3.9	1.5	2.1	4.3
Norway	6.7	6.6	7.4	2.7	5.7	10.3	2.5	0.1	2.0	3.6
Spain	12.1	10.5	7.0	6.8	7.6	9.0	10.9	9.8	3.4	6.5
Sweden	0.3	–2.4	0.8	3.7	6.1	0.7	–6.0	–2.9	0.6	3.4
Switzerland	4.2	–0.9	4.3	2.8	3.5	2.3	–1.4	–0.8	1.8	3.5
Total of smaller European countries	5.2	3.7	4.3	3.5	5.1	6.4	2.4	2.8	2.6	4.5
Australia	12.0	14.9	5.5	6.1	6.6	–3.7	–0.5	7.5	7.1	7.7
New Zealand	6.3	8.6	7.8	6.9	6.4	7.8	–9.2	4.9	5.0	4.6
Total of smaller OECD countries	5.5	4.3	4.4	3.7	5.3	5.7	2.0	3.1	2.9	4.7
Korea	4.4	9.8	9.5	10.0	8.8	13.2	16.8	2.4	5.1	5.3
Taiwan	2.8	11.8	5.0	6.8	6.3	9.1	16.5	13.8	12.1	10.0
Hong Kong	9.2	16.6	15.0	13.0	12.5	11.5	19.0	18.3	14.1	13.0
Singapore	9.0	12.9	1.1	3.4	4.2	14.3	10.0	2.0	3.3	4.0
Total of Asian NIEs	6.4	13.1	8.6	9.1	8.8	12.0	16.0	10.0	9.5	9.0

Table 72. **Foreign trade prices (average unit values) of major OECD countries and country groups**

Percentage changes, national currency terms

	Exports					Imports				
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994
United States	0.0	–0.2	–0.9	0.7	1.5	2.5	–2.2	–2.8	–0.2	2.0
Japan	3.9	–0.4	1.1	–0.2	1.2	10.4	–8.2	–6.4	–1.8	2.8
Germany	–1.1	–0.6	0.2	2.6	3.0	–2.6	2.1	–2.2	0.9	2.3
France	–2.2	–0.6	–2.6	1.2	2.0	–2.4	–0.7	–3.5	0.5	2.2
Italy	2.3	2.3	1.9	6.4	3.3	–0.5	0.6	1.2	8.6	3.5
United Kingdom	3.6	–0.3	2.5	9.3	2.8	2.0	–3.0	3.1	10.6	5.4
Canada	–1.4	–4.3	2.7	3.9	2.9	0.8	–2.8	3.4	4.1	2.3
Total of above countries	0.7	–0.5	0.4	2.7	2.3	1.4	–1.8	–1.8	2.2	2.7
Other OECD countries	–0.3	0.2	1.0	3.3	3.6	0.0	1.2	1.8	4.1	3.9
Total OECD	0.4	–0.3	0.6	2.9	2.6	1.0	–1.0	–0.8	2.7	3.0
Four major European countries	0.1	–0.1	0.3	4.2	2.8	–1.1	0.0	–0.7	4.4	3.2
OECD Europe	0.0	0.2	0.6	3.8	3.1	–0.7	0.5	0.2	4.2	3.5
EC	–0.5	–0.2	0.2	3.5	2.7	–1.3	–0.1	–0.6	3.8	3.0
Total OECD *less* the United States	0.5	–0.3	0.8	3.2	2.8	0.5	–0.6	–0.2	3.6	3.3

Table 73. **Foreign trade prices (average unit values) of selected other OECD countries**

Percentage changes, national currency terms

	Exports					Imports				
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994
Austria	–2.2	–4.4	–0.5	2.4	2.7	–2.9	3.4	–1.6	2.1	3.0
Belgium-Luxembourg	–3.1	–1.9	0.2	0.7	2.4	–1.8	–1.3	0.2	1.4	2.6
Denmark	–1.5	–0.6	–0.3	0.5	1.7	–3.1	0.0	–2.1	0.1	2.3
Finland	–1.2	0.8	6.4	10.6	5.0	1.7	2.5	10.1	13.0	5.0
Ireland	–8.7	–2.0	1.9	–1.8	–0.5	–5.2	2.3	1.1	–1.2	0.2
Netherlands	–0.9	0.3	–1.2	1.1	1.6	–2.5	–0.2	–0.8	0.9	1.9
Norway	3.8	–3.4	–4.6	4.9	4.6	1.0	–1.6	0.0	2.6	2.0
Spain	–2.1	–0.2	1.3	7.9	4.7	–2.8	–2.1	–0.6	7.9	2.3
Sweden	2.0	0.3	–2.5	0.4	2.2	1.7	–1.7	–2.8	0.7	2.5
Switzerland	1.3	2.3	1.5	2.1	3.0	–0.4	0.1	1.7	1.2	2.9
Total of smaller European countries	–0.1	0.6	1.1	3.2	3.6	–0.1	1.3	1.6	3.9	3.9
Australia	–3.2	–6.1	–0.7	5.5	4.1	1.4	–0.5	2.9	7.0	3.4
New Zealand	–0.5	–5.2	3.7	2.4	2.0	0.8	1.0	4.6	2.6	2.1
Total of smaller countries	–0.3	0.2	1.0	3.3	3.6	0.0	1.2	1.8	4.1	3.9

Table 74. **Trade in manufactured goods: export market growth and relative export performance**

Percentage changes from previous year

	(1) Import volume				(2) Export market growth[a]				(3) Export volume				(4) Relative export performance[b]			
	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994
United States	2.0	10.8	6.2	8.3	5.0	4.8	5.5	6.6	6.5	3.9	5.2	7.8	1.4	–0.9	–0.3	1.1
Japan	3.2	–1.6	3.2	5.7	6.8	8.0	6.7	7.7	2.5	1.1	3.0	5.5	–4.1	–6.3	–3.5	–2.0
Germany	12.3	–0.3	2.5	5.0	2.3	4.6	4.8	6.5	–3.9	0.5	2.3	4.4	–6.0	–3.8	–2.4	–2.1
France	1.9	1.4	3.8	5.6	5.3	4.7	3.9	5.7	4.9	6.0	3.8	5.9	–0.4	1.3	–0.1	0.2
Italy	3.0	8.4	3.8	4.9	5.1	3.7	4.2	6.0	0.0	3.9	6.5	6.4	–4.9	0.2	2.2	0.4
United Kingdom	–4.4	7.1	4.0	6.0	5.0	4.3	4.4	6.0	2.7	2.4	6.2	7.0	–2.2	–1.8	1.6	1.0
Canada	2.5	5.5	6.3	7.5	2.6	9.9	6.1	8.0	–1.0	8.3	8.0	8.7	–3.5	–1.5	1.8	0.6
Total of the above countries	3.4	5.2	4.5	6.5	4.6	5.5	5.2	6.7	1.6	2.9	4.3	6.2	–2.8	–2.5	–0.9	–0.4
Austria	2.8	1.9	3.0	2.7	6.3	2.5	4.0	6.1	8.3	3.0	3.2	4.7	1.9	0.4	–0.7	–1.3
Belgium-Luxembourg	2.8	2.2	1.3	2.4	4.8	3.6	3.7	5.6	2.8	2.3	1.7	3.1	–2.0	–1.3	–2.0	–2.3
Denmark	4.6	1.1	3.9	4.8	2.3	2.3	3.4	5.5	5.8	5.1	4.3	4.8	3.4	2.7	0.9	–0.7
Finland	–20.1	–9.0	–2.3	6.8	1.6	2.8	5.4	7.8	–12.2	9.7	11.3	13.1	–13.5	6.8	5.6	4.9
Ireland	–4.3	–0.7	5.7	6.7	1.6	4.7	3.8	5.7	4.1	11.8	2.9	3.7	2.5	6.8	–0.8	–1.9
Netherlands	4.3	4.7	1.5	3.8	4.7	3.2	3.6	5.4	4.4	5.5	2.2	5.4	–0.3	2.2	–1.3	0.0
Norway	2.8	1.1	2.1	3.8	2.1	2.8	3.7	5.7	–0.5	5.7	3.3	6.8	–2.6	2.8	–0.3	1.1
Portugal	4.9	6.3	6.5	8.7	3.7	3.7	3.4	5.7	0.1	4.5	4.8	8.0	–3.5	0.7	1.3	2.2
Spain	11.5	11.2	3.2	7.2	4.1	4.1	4.3	5.9	11.1	7.4	7.2	8.2	6.7	3.1	2.9	2.2
Sweden	–7.2	–4.9	0.4	4.0	2.5	3.7	3.9	5.9	–2.8	0.5	3.8	6.2	–5.1	–3.0	–0.1	0.3
Switzerland	–0.1	–0.7	1.6	3.5	5.6	3.9	4.4	6.0	–0.7	4.6	2.8	3.5	–6.0	0.6	–1.5	–2.4
Total of smaller European countries	2.1	2.9	2.2	4.4	4.3	3.4	3.9	5.8	2.6	4.6	3.6	5.4	–1.7	1.1	–0.4	–0.4
Australia	–1.8	8.0	7.9	8.5	5.2	5.4	6.4	7.1	19.8	6.2	7.5	8.5	13.9	0.8	1.0	1.3
New Zealand	–11.0	5.0	5.9	5.4	2.4	5.8	6.4	7.5	10.7	7.9	10.4	9.6	8.0	2.0	3.8	2.0
Total of smaller countries	1.7	3.2	2.7	4.8	4.3	3.5	4.0	5.9	3.0	4.6	3.7	5.5	–1.3	1.1	–0.3	–0.3
Total OECD	2.9	4.7	4.0	6.0	4.5	5.0	4.9	6.5	2.0	3.3	4.2	6.1	–2.4	–1.6	–0.7	–0.4
Total of non-OECD	10.3	6.9	8.3	8.2	5.9	6.2	6.0	7.1	8.3	9.5	8.0	7.2	2.2	3.1	1.9	0.1
of which:																
Developing areas	11.5	8.5	8.7	7.6	5.7	6.7	6.2	7.4	10.8	8.4	7.8	7.0	4.8	1.6	1.5	–0.3
Four major Asian NIEs	19.1	11.3	10.8	10.1	5.1	6.9	6.0	7.1	14.0	9.4	9.4	9.1	8.4	2.3	3.1	1.9

a) The calculation of export markets is based on a weighted average of import volumes [panel (1) above] in each exporting country's markets, with weights based on manufacturing trade flows in 1987.

b) Relative export performance [panel (4) above] is derived for each country as the ratio of export volumes [panel (3) above] to export markets [panel (2) above].

Source: Direction of Trade data - United Nations Statistical Office, OECD *Foreign Trade By Commodities.*

Table 75. **Export performance for total goods**[a]

Percentage changes from previous period, seasonally adjusted, at annual rates

	1991	1992	1993	1994	1991 I	1991 II	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
United States	1.4	–0.1	–0.2	1.1	1.9	2.7	–0.5	–1.9	0.4	0.3	1.3	1.4
Japan	–4.1	–6.2	–3.5	–2.0	–4.9	–5.8	–7.9	–3.1	–3.7	–3.3	–1.7	–1.3
Germany	–5.4	–3.5	–2.3	–1.9	–8.8	1.7	–5.3	–4.9	–1.2	–1.8	–1.9	–2.1
France	–0.8	1.4	–0.2	0.3	–1.3	3.0	2.1	–1.4	0.2	0.3	0.4	0.3
Italy	–4.1	1.0	2.1	0.5	–3.6	–5.3	4.1	1.6	2.4	1.9	0.2	–0.3
United Kingdom	–2.1	–1.6	1.4	0.9	–2.9	–0.2	–3.2	0.4	2.4	0.4	0.1	3.0
Canada	–0.8	–1.7	1.4	0.7	–0.3	–1.0	–2.7	–0.4	2.4	1.0	0.9	0.1
Total of the above countries	–2.3	–1.9	–0.7	–0.3	–3.2	–0.2	–2.6	–2.1	–0.1	–0.6	–0.3	–0.1
Austria	1.3	0.4	–0.7	–1.3								
Belgium-Luxembourg	–1.2	–1.4	–1.7	–1.9								
Denmark	3.3	0.5	0.7	–0.5								
Finland	–11.4	5.3	5.3	4.8								
Ireland	2.8	7.1	–0.8	–1.4								
Netherlands	–0.2	0.3	–1.1	–0.1								
Norway	4.1	4.1	–0.8	1.1								
Portugal	–3.6	1.4	1.1	1.7								
Spain	6.3	2.0	2.5	2.0								
Sweden	–4.6	–2.3	–0.2	0.4								
Switzerland	–5.9	0.7	–1.5	–2.3								
Total of smaller European countries	–0.7	0.7	–0.3	–0.3	–1.7	–0.7	2.1	–0.4	–0.3	–0.3	–0.3	–0.2
Australia	11.7	1.5	1.1	0.6								
New Zealand	6.2	2.3	1.9	0.6								
Total of smaller countries	0.0	0.8	–0.2	–0.2	–1.0	0.0	1.8	–0.3	–0.2	–0.2	–0.2	–0.2
Total OECD	–1.7	–1.2	–0.6	–0.3	–2.6	–0.2	–1.5	–1.6	–0.2	–0.5	–0.3	–0.1
OPEC	–0.1	4.1	–0.5	–1.2	–1.8	0.5	6.0	3.9	–2.0	–1.6	–1.1	–0.9
Four major Asian NIEs	7.7	2.3	3.0	1.7								
Other non-OPEC Asia	2.1	3.0	1.2	–1.9								
Latin America, excluding OPEC	–0.1	–0.5	–2.2	–1.9								
Africa, excluding OPEC	–0.8	–0.9	–1.7	–2.1								
Non-OPEC developing countries	3.9	1.8	1.3	–0.2	5.1	2.9	1.3	1.8	1.2	0.8	–0.5	–0.7
Central and eastern European countries	–14.6	3.9	4.0	5.6								
Total of non-OECD countries	0.9	2.5	1.2	0.2	0.7	1.7	2.5	3.2	0.5	0.7	0.1	–0.1
World	–1.0	–0.2	–0.1	–0.1	–1.7	0.4	–0.4	–0.3	0.0	–0.1	–0.2	–0.1
Four major European countries	–3.5	–1.3	–0.4	–0.5	–5.2	0.4	–1.7	–2.0	0.4	–0.3	–0.7	–0.3
OECD Europe	–2.4	–0.5	–0.4	–0.4	–3.8	–0.1	–0.2	–1.4	0.1	–0.3	–0.5	–0.3
EC	–2.3	–0.7	–0.4	–0.5	–3.5	–0.1	–0.9	–1.2	0.0	–0.4	–0.6	–0.3
Total OECD *less* the United States	–2.3	–1.4	–0.7	–0.6	–3.5	–0.8	–1.6	–1.6	–0.3	–0.7	–0.6	–0.4

a) The export volume concept employed is the sum of the exports of food, raw materials, energy and manufactures. Export performance is the ratio between export volumes and export markets for total goods. The export market for total goods facing each country is calculated as the weighted sum of the individual export markets for food, raw materials, energy and manufactures, where the weights correspond to the commodity export structure of the exporting country in the previous year.

Table 76. **Current balances in the OECD area as a percentage of GDP**

	1990	1991	1992	1993	1994
United States	–1.6	–0.1	–0.9	–1.1	–1.1
Japan	1.2	2.2	3.2	3.3	3.3
Germany[a]	3.0	–1.2	–1.3	–1.2	–1.2
France	–1.3	–0.6	0.1	0.3	0.3
Italy	–1.3	–1.8	–1.9	–2.1	–1.7
United Kingdom	–3.1	–1.1	–2.1	–2.4	–2.9
Canada	–3.8	–4.3	–4.3	–4.2	–3.9
Total of the above countries	–0.6	–0.1	–0.2	–0.2	–0.2
Austria	0.7	–0.1	0.3	0.2	0.1
Belgium-Luxembourg	1.9	2.2	1.8	2.0	2.2
Denmark	1.2	1.7	3.0	3.3	3.1
Finland	–5.0	–5.3	–3.8	–1.7	0.2
Greece	–5.3	–2.2	–2.4	–2.2	–2.1
Iceland	–2.7	–4.9	–3.6	–2.6	–3.0
Ireland	2.2	4.3	6.6	5.2	4.7
Netherlands	3.7	3.3	3.1	3.7	3.8
Norway	3.5	4.7	2.9	3.3	5.3
Portugal	–0.2	–1.0	0.1	–0.5	–0.6
Spain	–3.4	–3.0	–3.4	–3.3	–3.0
Sweden	–3.0	–1.4	–1.2	–0.5	0.4
Switzerland	3.8	4.3	5.8	6.7	6.5
Turkey[a]	–2.4	0.2	–1.1	–1.1	–1.2
Total of smaller European countries	–0.3	0.2	0.4	0.8	1.1
Australia	–5.0	–3.3	–3.0	–3.3	–3.4
New Zealand	–2.9	–0.1	0.0	0.1	0.1
Total of smaller countries	–0.9	–0.2	0.0	0.4	0.6
Total OECD	–0.7	–0.1	–0.2	–0.1	–0.1
Four major European countries	–0.3	–1.2	–1.3	–1.3	–1.3
OECD Europe	–0.3	–0.7	–0.8	–0.6	–0.5
EC	–0.3	–0.9	–1.0	–1.0	–0.9
Total OECD *less* the United States	–0.2	–0.1	0.2	0.4	0.4

a) Percentage of GNP.

Table 77. **Current balances of OECD countries and country groups**

$ billion

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
United States	–121.7	–147.5	–163.5	–126.7	–101.1	–90.4	–3.7	–56.1	–65.4	–74.7
Japan	49.2	85.8	87.0	79.6	57.2	35.8	72.9	118.9	132.5	137.7
Germany	16.4	39.5	45.9	50.6	57.4	47.1	–19.8	–25.8	–24.9	–24.9
France	–0.2	1.9	–5.0	–4.7	–5.6	–14.9	–6.6	1.0	3.5	5.0
Italy	–3.6	2.4	–1.4	–5.7	–10.8	–14.7	–21.1	–22.9	–24.6	–22.3
United Kingdom	3.6	0.1	–7.3	–28.8	–35.5	–30.2	–11.1	–22.3	–24.2	–30.1
Canada	–2.3	–8.2	–8.7	–12.6	–19.3	–22.0	–25.5	–24.6	–24.3	–24.1
Total of above countries	–58.7	–25.9	–53.1	–48.2	–57.8	–89.5	–15.0	–31.8	–27.4	–33.6
Austria	–0.1	0.2	–0.2	–0.3	0.2	1.2	–0.1	0.6	0.4	0.3
Belgium-Luxembourg	0.7	3.1	2.8	3.5	3.6	3.7	4.4	4.0	4.7	5.4
Denmark	–2.7	–4.5	–3.0	–1.2	–0.9	1.5	2.2	4.3	5.0	4.8
Finland	–0.8	–0.7	–1.7	–2.7	–5.8	–6.9	–6.6	–4.3	–1.8	0.3
Greece	–3.3	–1.7	–1.2	–1.0	–2.6	–3.5	–1.5	–1.9	–1.8	–1.7
Iceland	–0.1	0.0	–0.2	–0.2	–0.1	–0.2	–0.3	–0.2	–0.2	–0.2
Ireland	–0.7	–0.7	0.4	0.6	0.4	0.9	1.9	3.2	2.6	2.5
Netherlands	5.1	4.9	2.9	5.0	8.0	10.4	9.6	9.9	12.2	12.9
Norway	3.1	–4.5	–4.1	–3.9	0.2	3.7	5.0	3.3	3.7	6.3
Portugal	0.4	1.2	0.5	–1.0	0.2	–0.1	–0.7	0.1	–0.5	–0.6
Spain	2.7	3.9	–0.1	–3.7	–10.9	–16.9	–15.8	–19.9	–19.0	–18.1
Sweden	–1.3	0.6	–0.1	–0.7	–3.3	–6.8	–3.4	–2.9	–1.3	0.9
Switzerland	5.0	6.9	7.6	9.0	7.0	8.6	10.1	14.3	17.3	17.5
Turkey	–1.0	–1.5	–0.8	1.6	1.0	–2.6	0.3	–1.3	–1.4	–1.7
Total of smaller European countries	7.0	7.2	2.6	5.1	–3.0	–7.1	5.0	9.1	19.9	28.5
Australia	–8.7	–9.2	–7.3	–10.0	–17.4	–14.7	–9.8	–8.8	–9.4	–10.3
New Zealand	–1.6	–1.8	–1.9	–0.6	–1.5	–1.3	0.0	0.0	0.0	0.0
Total of smaller countries	–3.3	–3.7	–6.6	–5.5	–21.8	–23.1	–4.9	0.3	10.6	18.2
Total OECD	–62.0	–29.6	–59.6	–53.7	–79.7	–112.5	–19.9	–31.5	–16.9	–15.3
Four major European countries	16.2	44.0	32.1	11.4	5.5	–12.8	–58.7	–70.0	–70.2	–72.4
OECD Europe	23.1	51.2	34.8	16.5	2.5	–19.8	–53.7	–61.0	–50.3	–43.9
EC	18.3	50.2	34.3	13.7	3.2	–16.8	–58.7	–70.4	–67.0	–67.2
Total OECD *less* the United States	59.7	117.9	103.8	73.0	21.5	–22.1	–16.2	24.6	48.5	59.4

Table 78. **Trade balances of OECD countries and country groups**

$ billion

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
United States	–122.2	–145.1	–159.6	–127.0	–115.7	–108.9	–73.4	–89.3	–94.0	–106.1
Japan	56.0	92.8	96.4	95.0	76.9	63.5	103.0	136.8	147.9	153.8
Germany	28.8	56.1	70.5	79.9	77.9	73.1	24.3	28.9	34.8	39.3
France	–5.4	–2.8	–9.2	–8.5	–10.1	–12.9	–8.8	3.3	5.2	6.6
Italy	–6.2	4.2	–0.3	–1.2	–2.2	0.4	–0.7	–2.0	–1.4	1.5
United Kingdom	–4.3	–14.0	–18.9	–38.2	–40.4	–33.4	–18.2	–23.0	–22.7	–28.9
Canada	12.6	7.7	9.0	8.1	6.3	9.1	5.9	7.7	9.5	12.4
Total of above countries	–40.7	–1.0	–12.2	8.2	–7.2	–9.1	32.1	62.4	79.3	78.7
Austria	–3.3	–3.9	–4.9	–4.9	–5.5	–6.9	–7.7	–7.4	–7.6	–7.4
Belgium-Luxembourg	–0.2	1.1	0.8	1.9	1.2	0.8	0.3	0.8	0.1	0.4
Denmark	–0.7	–1.1	0.8	1.9	2.4	4.5	4.8	6.8	7.3	7.2
Finland	0.9	1.6	1.4	1.1	–0.2	0.7	2.3	4.0	6.2	8.7
Greece	–5.1	–4.4	–5.5	–6.1	–7.4	–10.2	–10.1	–11.2	–11.8	–12.6
Iceland	0.0	0.1	–0.1	0.0	0.1	0.1	–0.1	0.0	0.1	0.1
Ireland	0.6	1.1	2.6	3.8	4.0	4.0	3.2	4.8	4.1	3.6
Netherlands	5.4	7.2	5.1	8.5	8.1	10.3	12.2	12.5	13.2	14.2
Norway	4.7	–2.1	–0.7	–0.2	3.8	7.6	8.7	9.0	10.2	12.6
Portugal	–1.5	–1.7	–3.6	–5.5	–4.9	–6.6	–7.9	–8.8	–9.8	–10.9
Spain	–4.2	–6.4	–12.8	–18.0	–24.6	–29.5	–30.0	–34.1	–32.6	–33.0
Sweden	2.3	5.1	4.5	4.8	4.0	3.4	5.0	7.3	8.6	10.5
Switzerland	–2.0	–2.0	–3.1	–3.2	–4.1	–3.2	–2.1	1.8	3.2	3.6
Turkey	–3.0	–3.1	–3.2	–1.8	–4.2	–9.6	–7.3	–7.9	–8.1	–9.3
Total of smaller European countries	–6.0	–8.5	–18.7	–17.7	–27.2	–34.5	–28.7	–22.4	–16.6	–12.3
Australia	–1.0	–1.8	0.3	–0.6	–3.4	0.4	3.5	1.6	0.7	0.7
New Zealand	0.0	0.1	0.6	2.2	1.0	1.0	2.0	2.3	2.6	2.9
Total of smaller countries	–7.0	–10.2	–17.8	–16.1	–29.7	–33.1	–23.1	–18.5	–13.3	–8.7
Total OECD	–47.7	–11.2	–30.0	–7.9	–36.9	–42.2	9.0	43.9	65.9	70.0
Four major European countries	12.9	43.6	42.1	32.1	25.3	27.1	–3.4	7.1	15.9	18.5
OECD Europe	6.9	35.1	23.4	14.4	–2.0	–7.4	–32.1	–15.2	–0.8	6.2
EC	7.2	39.4	29.5	18.5	4.2	0.5	–30.9	–22.0	–13.6	–12.6
Total OECD *less* the United States	74.4	133.9	129.6	119.1	78.7	66.7	82.5	133.2	160.0	176.0

Table 79. **Investment income of OECD countries and country groups, net**

$ billion

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
United States	23.2	15.4	10.9	12.5	14.4	19.3	16.4	10.0	5.8	4.7
Japan	6.8	9.5	16.7	21.0	23.4	23.2	26.7	34.2	37.2	41.3
Germany	3.2	4.1	3.9	5.2	11.7	17.1	17.5	12.6	11.5	11.0
France	–1.2	–0.5	–0.4	0.1	0.5	–3.0	–5.1	–10.5	–11.6	–12.9
Italy	–4.0	–6.2	–6.6	–7.1	–8.3	–13.4	–16.1	–16.6	–18.6	–20.0
United Kingdom	3.3	7.3	6.1	7.9	5.7	3.7	0.6	2.3	1.1	–0.3
Canada	–10.5	–11.8	–12.4	–15.2	–18.2	–20.8	–19.5	–20.7	–21.3	–22.8
Total of above countries	20.8	17.8	18.3	24.3	29.3	26.2	20.5	11.2	4.2	0.9
Austria	–0.3	–0.7	–0.9	–0.9	–0.9	–1.0	–1.6	–2.3	–2.7	–3.0
Belgium-Luxembourg	–0.1	0.1	0.4	0.4	1.3	0.8	1.6	1.3	2.0	2.5
Denmark	–2.6	–3.5	–4.1	–4.2	–4.4	–5.5	–5.3	–5.1	–4.8	–4.4
Finland	–1.1	–1.4	–1.6	–1.8	–2.7	–3.7	–4.5	–4.5	–4.7	–4.9
Greece	–1.1	–1.3	–1.4	–1.5	–1.5	–1.6	–1.7	–1.9	–1.9	–2.0
Iceland	–0.1	–0.2	–0.2	–0.2	–0.2	–0.3	–0.2	–0.3	–0.3	–0.3
Ireland	–2.2	–2.8	–3.1	–4.1	–4.6	–5.3	–4.9	–5.3	–5.6	–5.3
Netherlands	0.6	0.4	0.2	–0.7	1.3	1.0	1.0	0.1	1.6	2.3
Norway	–1.0	–1.1	–1.2	–2.0	–2.5	–2.7	–2.6	–2.6	–3.0	–2.6
Portugal	–1.2	–1.0	–0.9	–0.9	–0.7	–0.4	0.1	0.5	0.5	0.4
Spain	–1.8	–2.0	–2.8	–3.5	–3.0	–3.8	–4.8	–7.2	–8.3	–9.0
Sweden	–2.0	–1.8	–1.6	–1.7	–2.2	–4.6	–4.8	–6.1	–6.2	–5.9
Switzerland	6.8	8.5	10.5	13.3	12.7	14.8	14.9	16.0	18.2	18.5
Turkey	–1.3	–1.6	–1.8	–2.0	–1.7	–1.8	–1.9	–1.9	–2.0	–2.1
Total of smaller European countries	–7.4	–8.2	–8.5	–9.7	–9.4	–14.0	–14.9	–19.3	–17.2	–15.7
Australia	–4.7	–5.0	–6.0	–8.3	–11.3	–13.2	–12.4	–9.4	–8.8	–9.2
New Zealand	–1.3	–1.5	–2.0	–2.1	–1.8	–1.7	–1.5	–1.6	–1.7	–1.7
Total of smaller countries	–13.4	–14.7	–16.5	–20.2	–22.5	–28.8	–28.8	–30.3	–27.7	–26.7
Total OECD	7.5	3.1	1.8	4.1	6.8	–2.7	–8.3	–19.1	–23.6	–25.8
Four major European countries	1.3	4.7	3.1	6.0	9.7	4.5	–3.1	–12.3	–17.5	–22.3
OECD Europe	–6.1	–3.5	–5.4	–3.7	0.3	–9.5	–18.0	–31.6	–34.7	–38.0
EC	–7.1	–5.3	–8.6	–8.4	–2.1	–10.3	–17.2	–29.9	–34.1	–37.8
Total OECD *less* the United States	–15.7	–12.3	–9.1	–8.3	–7.6	–21.9	–24.7	–29.1	–29.3	–30.5

Table 80. **Non-factor services of OECD countries and country groups, net**

$ billion

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
United States	0.2	6.3	8.2	12.7	25.8	32.1	45.3	53.2	56.2	62.0
Japan	–12.0	–14.4	–22.4	–32.3	–39.0	–45.5	–44.4	–48.9	–49.3	–53.6
Germany	–5.6	–8.3	–12.4	–16.4	–14.2	–20.4	–26.0	–34.4	–36.0	–39.1
France	8.9	9.7	10.0	10.3	12.5	14.3	15.3	19.8	21.9	24.3
Italy	5.6	6.0	6.4	4.0	2.1	1.0	1.6	1.6	1.5	2.6
United Kingdom	8.6	10.0	11.0	7.8	6.6	8.1	8.8	8.2	7.3	9.0
Canada	–4.1	–4.3	–5.3	–5.7	–7.7	–10.3	–11.6	–11.8	–12.8	–13.9
Total of above countries	1.4	5.0	–4.4	–19.6	–13.9	–20.6	–10.9	–12.2	–11.2	–8.9
Austria	3.6	4.9	5.6	5.5	6.7	9.0	9.1	10.2	10.5	10.6
Belgium-Luxembourg	1.7	2.8	3.1	3.1	3.1	4.2	4.4	4.3	5.1	4.9
Denmark	0.7	0.3	0.5	1.3	1.3	2.5	3.2	3.3	3.6	3.5
Finland	–0.5	–0.6	–1.0	–1.5	–2.1	–3.0	–3.3	–2.8	–2.4	–2.4
Greece	1.2	1.7	2.7	2.9	2.4	3.6	4.1	4.8	4.8	5.2
Iceland	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ireland	–0.2	–0.3	–0.5	–0.7	–0.6	–0.4	0.4	0.6	0.7	0.8
Netherlands	0.1	–0.9	–0.2	–0.7	0.8	2.2	0.7	1.9	2.5	2.1
Norway	0.0	–0.5	–1.1	–0.6	0.1	0.2	0.4	–0.8	–1.9	–2.1
Portugal	0.8	0.9	1.2	1.0	1.2	1.3	1.1	1.3	1.5	1.7
Spain	7.6	11.2	12.9	13.3	12.0	12.2	13.0	16.3	16.0	17.5
Sweden	–0.6	–1.3	–1.6	–2.2	–3.0	–3.4	–1.6	–1.9	–1.6	–1.4
Switzerland	1.1	1.4	1.7	0.6	0.1	–0.6	0.0	–0.4	–0.5	–0.4
Turkey	1.3	1.3	1.8	3.3	3.4	4.2	4.4	4.6	5.3	6.2
Total of smaller European countries	16.9	21.0	25.0	25.4	25.4	32.2	36.0	41.6	43.7	46.1
Australia	–3.4	–2.9	–2.6	–2.5	–4.5	–3.7	–2.8	–2.7	–3.1	–3.5
New Zealand	–0.4	–0.5	–0.6	–0.9	–1.1	–1.2	–1.3	–1.4	–1.4	–1.4
Total of smaller countries	13.1	17.6	21.8	22.0	19.8	27.3	31.9	37.6	39.2	41.1
Total OECD	14.5	22.7	17.5	2.4	5.9	6.6	21.0	25.4	28.0	32.3
Four major European countries	17.4	17.4	15.1	5.7	7.0	3.1	–0.2	–4.7	–5.3	–3.3
OECD Europe	34.3	38.4	40.1	31.1	32.4	35.3	35.7	36.9	38.4	42.8
EC	29.4	33.1	34.7	26.0	27.1	28.8	26.7	27.9	28.9	32.4
Total OECD *less* the United States	14.4	16.3	9.3	–10.3	–19.9	–25.4	–24.3	–27.9	–28.2	–29.7

Table 81. **Stocks of foreign assets and liabilities in selected OECD countries**

$ billion, end period

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
	Assets									
Major seven countries										
United States	899	999	1 069	1 096	1 167	1 308	1 437	1 547	1 690	1 782
Japan	208	227	271	340	437	726	1 070	1 468	1 770	1 857
Germany	245	249	236	237	334	494	658	682	856	1 092
France[a]	169	180	179	182	215	255	337	339	472	533
Italy	97	87	99	107	124	161	202	208	266	340
United Kingdom	623	667	700	716	853	1 058	1 296	1 398	1 535	1 732
Canada	74	78	84	92	90	100	118	144	161	177
Selected other OECD countries										
Belgium-Luxembourg	192	191	188	195	254	337	447	435	523	658
Denmark	15	15	17	18	30	38	53	59	68	94
Finland	10	11	11	14	18	21	30	32	36	46
Netherlands	114	113	107	106	130	157	202	208	248	308
Norway	17	18	17	20	28	32	41	38	41	17
Spain	35	29	27	34	37	47	67	73	83	111
Sweden	22	21	24	23	28	34	48	56	59	..
Australia[b]	11	16	20	19	19	27	41	58	65	69
Total of above countries	2 731	2 901	3 049	3 199	3 765	4 794	6 046	6 747	7 872	..
	Liabilities									
Major seven countries										
United States	630	740	832	945	1 114	1 391	1 591	1 838	2 107	2 179
Japan	198	203	235	267	308	547	831	1 178	1 478	1 530
Germany	216	220	207	198	285	400	490	474	588	737
France[a]	141	191	198	203	227	254	334	348	497	601
Italy	111	109	114	120	152	192	239	232	302	406
United Kingdom	568	602	625	629	753	916	1 180	1 271	1 437	1 738
Canada	174	174	190	196	210	233	268	307	345	374
Selected other OECD countries										
Belgium-Luxembourg	192	194	192	198	258	340	448	431	515	646
Denmark	33	34	36	39	58	75	99	104	114	143
Finland	19	20	21	24	28	34	48	53	63	85
Netherlands	92	90	81	80	101	135	179	183	208	263
Norway	32	32	29	29	35	43	57	56	59	32
Spain	58	54	52	56	59	68	94	109	137	199
Sweden	36	39	44	43	53	63	84	101	117	..
Australia[b]	53	54	64	68	76	92	127	167	187	194
Total of above countries	2 554	2 755	2 920	3 093	3 716	4 783	6 071	6 853	8 154	..

a) As from 1989 due to change in concept and definitions, the figures are not comparable with those of previous periods.
b) Fiscal year ending end-June.

Table 82. **Market prices of selected primary commodities exported by developing countries[a]**

Indices of dollar prices, 1987=100

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Food and tropical beverages	115.0	108.7	107	110	117	106.4	107	110	111	115	118
of which:											
Food	126.1	119.6	120	122	127	119.5	121	122	122	125	128
Tropical beverages	76.2	70.5	60	70	81	60.7	59	68	72	78	84
Agricultural raw materials	114.8	107.7	104	109	117	102.8	106	107	111	115	119
Minerals, ores and metals	132.4	119.8	119	121	126	115.8	121	119	122	125	127
Total	119.0	111.1	109	113	119	107.9	110	111	114	117	121
Memorandum item											
Export prices of OECD manufactures	115.1	114.4	119	120	123	116.5	122	119	121	122	123

a) Indices through 1992 I are based on data compiled by UNCTAD.

Figure 30. **Measures of relative competitive position**

Indices in US $ terms; 1987 = 100

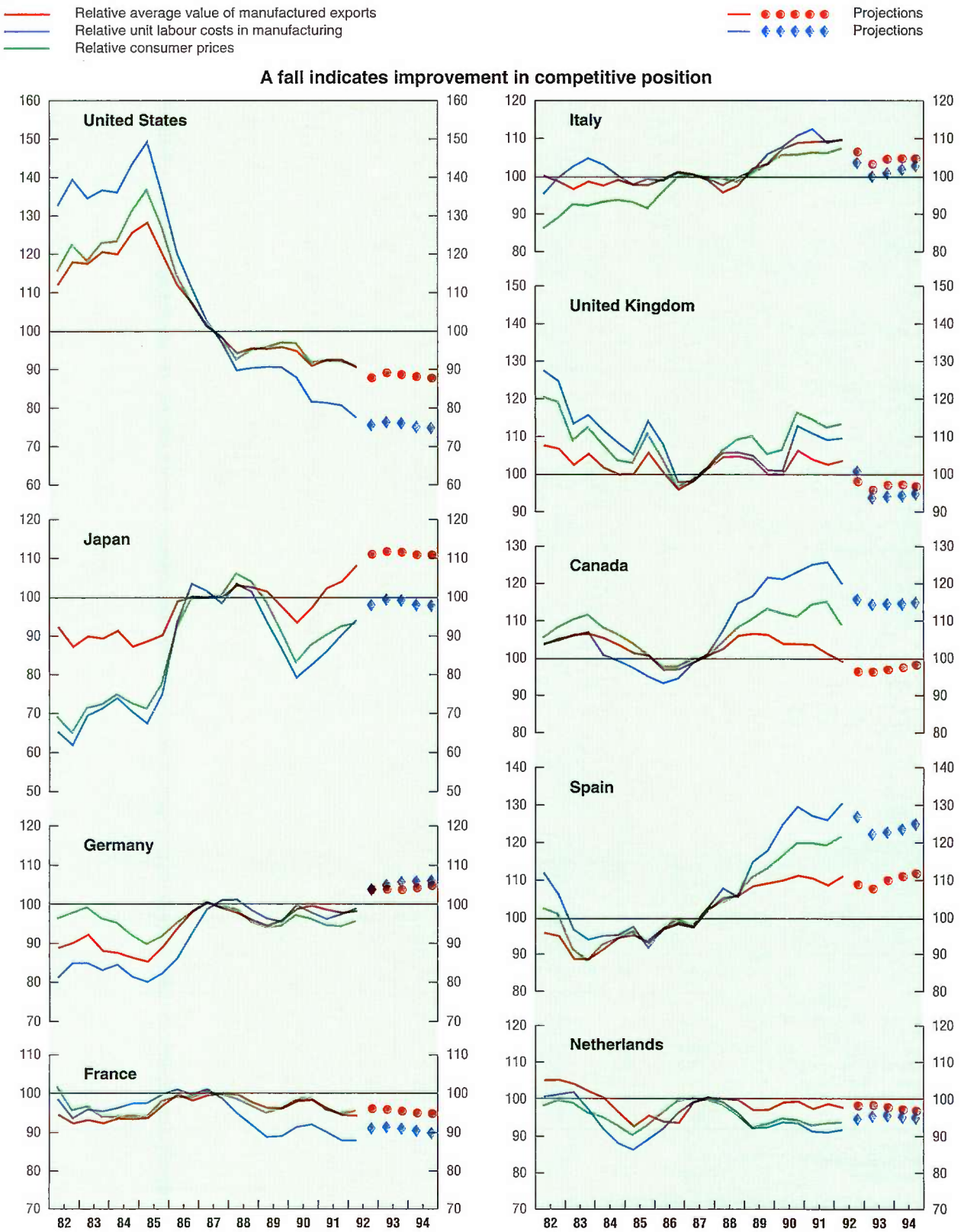


Figure 30. (cont.) **Measures of relative competitive position**

Indices in US $ terms; 1987 = 100

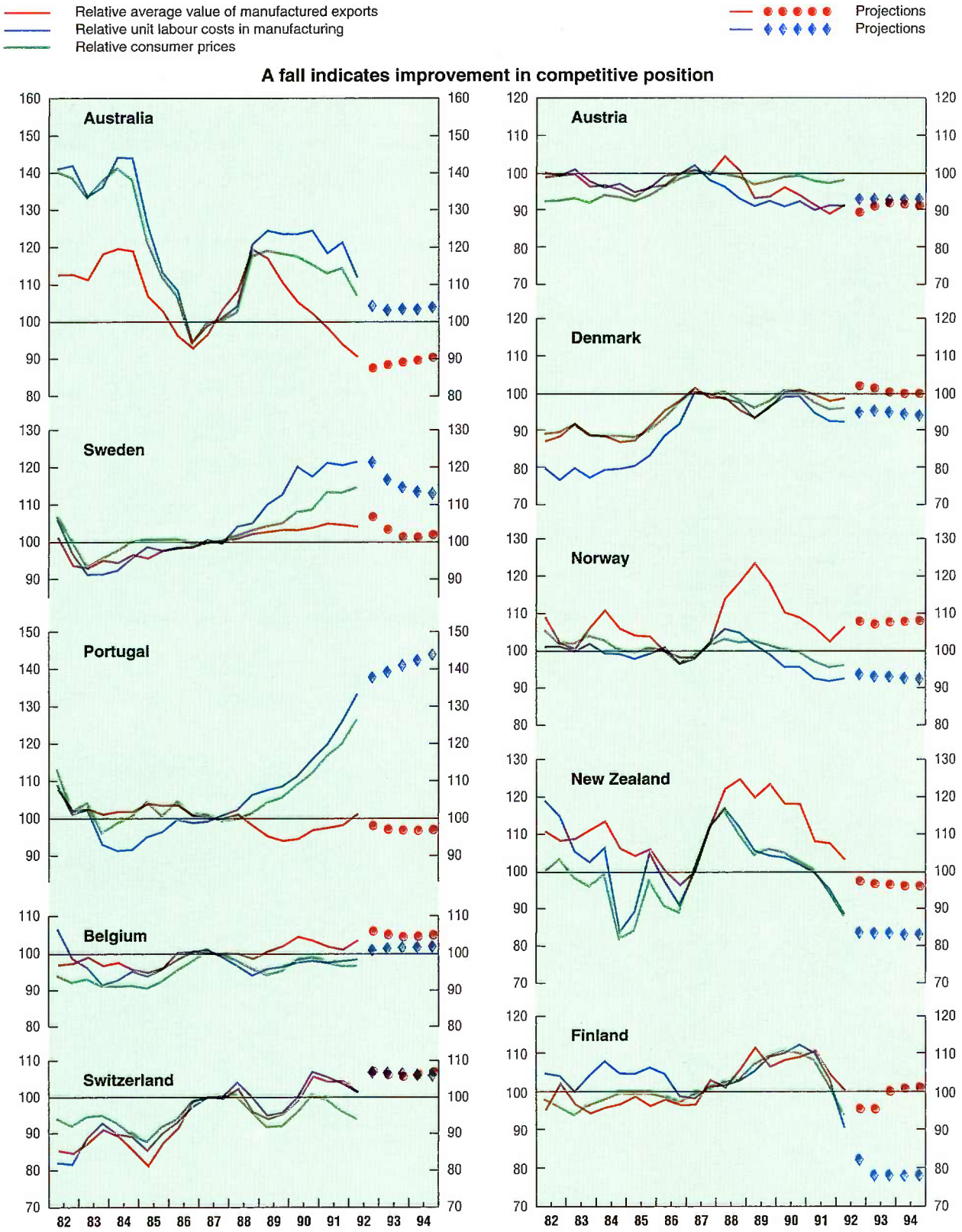


Table 83. **Oil market conditions**[a]

in million of barrels per day (mbd)

	1990	1991	1992	1993	1994	1992 I	1992 II	1993 I	1993 II	1994 I	1994 II
Demand											
OECD consumption[b]	37.9	38.1	38.5	39.1	39.7	38.3	38.7	38.8	39.4	39.4	39.9
OPEC consumption	4.6	4.8	5.1	5.3	5.5	5.1	5.1	5.3	5.3	5.5	5.5
CIS consumption	8.4	8.3	7.2	6.7	6.4	7.6	6.8	6.7	6.6	6.5	6.4
Non-OECD Europe consumption[c]	1.6	1.2	1.1	1.1	1.1	1.1	1.0	1.1	1.1	1.1	1.1
Other non-OECD consumption	13.7	14.3	15.1	15.8	16.6	14.9	15.4	15.6	16.0	16.4	16.8
Total demand	66.2	66.7	67.0	68.0	69.3	67.1	67.0	67.5	68.4	68.9	69.7
Stock change											
OECD stock change[d]	0.2	–0.1	0.1	0	0	–0.1	0.3	0	0	0	0
Other stock change[e]	0.5	0.2	0	0	0	–0.1	0.1	0	0	0	0
Supply											
Total supply	66.9	66.8	67.1	68.0	69.3	66.9	67.4	67.5	68.4	68.9	69.7
of which:											
OECD production	15.9	16.3	16.5	16.5	16.5	16.6	16.5	16.5	16.5	16.5	16.5
OPEC production	25.0	25.3	26.6	28.2	29.9	26.1	27.1	27.7	28.8	29.3	30.4
CIS production	11.5	10.4	9.0	8.1	7.5	9.3	8.7	8.3	8.0	7.7	7.3
Other non-OECD production[f]	13.1	13.4	13.6	13.7	13.9	13.6	13.7	13.7	13.8	13.9	14.0
Processing gain	1.4	1.4	1.4	1.4	1.5	1.4	1.4	1.4	1.4	1.5	1.5
Trade											
OECD net imports	20.8	20.2	20.7	21.2	21.7	20.3	21.1	20.9	21.5	21.4	21.9
OPEC net exports	20.4	20.5	21.5	22.9	24.4	21.0	22.0	22.4	23.5	23.8	24.9
CIS net exports	3.1	2.1	1.8	1.4	1.1	1.6	1.9	1.5	1.4	1.2	0.9
Other non-OECD net imports[f]	2.2	2.1	2.6	3.2	3.8	2.5	2.7	3.0	3.3	3.6	3.9
Memorandum items											
OECD stock/consumption ratio (days)[g]	94.5	97.5	98.0	..	..	97.0	99.0	..	..	..	..
OECD oil consumption/GNP ratio (1980=100)	74.0	73.6	73.1	72.1	72.0	..	..	..	..	..	..
OECD crude oil import price (fob, $ bl.)[h]	21.4	18.3	17.4	18.2	18.6	16.7	18.0	18.0	18.3	18.5	18.7

a) Estimates of processing gains and Natural Gas Liquids are included in both demand and supply. Detail may not add due to rounding.
b) Includes consumption of eastern Germany and marine bunkers.
c) Almost entirely central and eastern Europe.
d) By technical assumption, stocks are assumed to be unchanged after 1992 II.
e) Including statistical, reporting and estimation errors.
f) Including non-OECD Europe.
g) Half-yearly figures represent period-beginning stock levels divided by the half-year's consumption. Yearly figures are an average of the two half-years.
h) Using import weights and prices for six large OECD economies.

Table 84. **Oil prices**

	Index of OECD real end-user price of petroleum products (1985=100)	OECD import price of crude (cif $ per bl)	Spot market refined product price[a] ($ per bl)	OPEC crude oil production[b] (mbd)
1981	113.8	36.34	34.05	22.8
1982	108.7	33.94	31.59	18.8
1983	104.2	30.00	28.29	17.7
1984	101.8	28.99	27.68	17.7
1985	100.0	27.46	30.13	16.2
1986	75.4	15.04	17.87	18.2
1987	73.8	17.91	20.13	17.9
1988	69.9	14.85	17.74	19.9
1989	72.4	17.46	21.24	22.0
1990	78.1	22.29	27.75	23.5
1991	76.7	19.30	24.62	23.9
1990 Q3	78.5	22.16	31.44	22.3
Q4	88.5	31.63	36.30	23.6
1991 Q1	79.6	21.03	27.75	23.8
Q2	75.4	17.95	23.02	23.4
Q3	76.0	18.50	23.63	24.2
Q4	76.9	19.73	24.10	24.5
1992 Q1	72.2	16.92	20.57	24.6
Q2	73.9	18.64	22.72	24.0
Q3	74.7	19.56	22.89	..
1991 September	76.3	19.02	24.41	24.2
October	76.8	20.13	25.36	24.2
November	77.6	20.29	25.28	24.5
December	76.2	18.76	21.65	24.8
1992 January	72.8	17.10	20.98	24.9
February	72.2	16.93	20.76	24.8
March	71.7	16.72	19.96	23.9
April	72.1	17.58	21.63	23.7
May	74.2	18.56	22.82	24.1
June	75.5	19.76	23.72	24.3
July	75.3	19.80	23.07	24.5
August	74.4	19.49	22.47	24.9
September	74.3	19.40	23.12	..

a) Up to 1984, derived by weighting each product average price by its importance in the production of a typical European refinery. Since 1985, derived by weighting each spot fob product price produced in a typical European refinery; this price tends to be more representative of netback prices which are not published. According to the definition used prior to 1984, the 1985 average would be equal to $26.88 per barrel.

b) Excluding Natural Gas Liquids, including Oman and Bahrain.

Table 85. **Summary of balance of payments on current account in the OECD area and the non-OECD regions**[a]

$ billion

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Trade balance										
OECD	–48	–11	–30	–8	–37	–42	9	44	66	70
Non-OECD *of which:*	62	27	73	52	55	59	18	–5	–12	–12
OPEC	58	13	37	28	48	80	46	34	37	40
Four Asian NIEs	9	19	25	22	19	7	3	2	3	3
Other non-OPEC Asia	–36	–28	–21	–27	–32	–31	–27	–32	–37	–39
Latin America, excluding OPEC	25	15	18	24	23	18	6	5	1	2
Africa, excluding OPEC	–5	–4	–4	–9	–10	–11	–11	–14	–15	–14
Central and eastern Europe	11	12	18	14	8	–4	2	1	–1	–4
World[b]	14	16	43	44	18	17	27	39	54	58
Services and private transfers, net										
OECD	14	15	8	–5	3	–9	–2	–12	–16	–15
Non-OECD *of which:*	–88	–71	–64	–66	–78	–89	–104	–91	–97	–104
OPEC	–53	–39	–40	–41	–46	–56	–72	–61	–67	–71
Four Asian NIEs	1	3	6	7	5	7	8	8	10	11
Other non-OPEC Asia	5	6	5	5	5	9	0	6	5	4
Latin America, excluding OPEC	–32	–31	–27	–29	–32	–32	–28	–29	–30	–31
Africa, excluding OPEC	–5	–8	–6	–4	–6	–5	–3	–5	–4	–3
Central and eastern Europe	–4	–3	–2	–2	–3	–12	–8	–11	–13	–13
World[b]	–74	–56	–56	–71	–75	–98	–106	–104	–113	–119
Balance on goods, services and private transfers										
OECD	–34	4	–22	–13	–34	–51	7	32	50	55
Non-OECD *of which:*	–26	–44	9	–14	–23	–30	–86	–96	–109	–116
OPEC	5	–26	–4	–13	1	24	–26	–28	–29	–31
Four Asian NIEs	9	22	31	29	24	15	10	11	13	14
Other non-OPEC Asia	–31	–22	–16	–23	–27	–22	–28	–26	–32	–35
Latin America, excluding OPEC	–8	–15	–9	–5	–10	–14	–22	–24	–28	–29
Africa, excluding OPEC	–10	–12	–10	–14	–16	–16	–14	–19	–18	–18
Central and eastern Europe	8	8	16	12	4	–16	–6	–10	–14	–17
World[b]	–60	–40	–12	–26	–57	–81	–79	–64	–59	–61
Official transfers, net										
OECD	–28	–33	–38	–41	–46	–61	–27	–63	–67	–70
Non-OECD *of which:*	14	14	13	14	16	15	–2	18	23	24
OPEC	–3	–2	–3	–2	–2	–6	–22	–3	–2	–2
Four Asian NIEs	0	0	0	0	0	0	0	0	0	0
Other non-OPEC Asia	9	9	8	8	8	9	9	9	10	11
Latin America, excluding OPEC	2	1	1	2	2	2	2	3	3	3
Africa, excluding OPEC	5	6	6	6	7	10	9	9	11	11
Central and eastern Europe	0	1	1	1	1	0	1	1	1	1
World[b]	–15	–20	–25	–27	–30	–46	–29	–45	–45	–47
Current balance										
OECD	–62	–30	–60	–54	–80	–113	–20	–32	–17	–15
Non-OECD *of which:*	–12	–30	22	1	–7	–14	–88	–77	–87	–93
OPEC	2	–28	–6	–15	–1	18	–48	–31	–31	–33
Four Asian NIEs	9	22	31	28	24	14	10	10	12	14
Other non-OPEC Asia	–22	–13	–7	–15	–19	–13	–19	–17	–22	–24
Latin America, excluding OPEC	–6	–14	–7	–3	–8	–12	–20	–21	–25	–26
Africa, excluding OPEC	–4	–6	–4	–8	–8	–6	–5	–9	–8	–7
Central and eastern Europe	8	9	17	12	5	–15	–6	–10	–13	–16
World[b]	–74	–60	–37	–53	–86	–127	–108	–109	–103	–108

a) Historical data for the OECD area are aggregates of reported balance of payments data by each individual country. Because of various statistical problems as well as a large number of non-reporters among non-OECD countries, trade and current balances estimated on the basis of these countries own balance of payments records may differ from corresponding estimates shown in this table.

b) Reflects statistical errors and asymmetries.Given the very large gross flows of world balance of payments transactions, statistical errors and asymmetries easily give rise to world totals (balances) that are significantly different from zero.

Table 86. **OECD countries' trade with non-OECD countries**

Data based on $ values

	Value in $ billion				Percentage changes				Exports to non-OECD countries as a percentage of total exports		Imports from non-OECD countries as a percentage of total imports	
	Annual average 1988-91		1992 I		Annual rate 1988-91		1991 I to 1992 I		Average 1988-91	1992 I	Average 1988-91	1992 I
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports				
United States	137.2	187.6	88.8	102.8	10.8	6.1	14.9	10.6	36.6	39.7	39.5	40.7
Japan	117.4	109.3	73.6	58.0	10.0	8.7	12.9	–3.6	41.0	45.1	50.3	50.8
Germany	62.6	61.3	38.9	39.2	14.1	18.3	6.6	–0.3	17.0	18.7	19.5	19.6
France	37.7	36.3	22.4	20.9	10.8	11.8	10.7	–0.7	19.9	19.2	17.5	17.5
Italy	30.1	38.6	19.2	21.8	13.1	11.7	14.3	–3.7	19.6	21.6	23.3	21.9
United Kingdom	32.1	30.6	17.6	16.9	5.0	6.4	8.2	5.1	19.3	18.7	14.9	15.2
Canada	11.5	13.7	6.3	7.6	3.7	8.0	2.3	8.2	9.5	9.3	12.0	12.1
Total of the above countries	428.5	477.5	266.8	267.2	10.6	9.2	11.9	3.1	25.8	27.7	28.1	27.8
Austria	6.5	6.6	4.1	4.0	13.2	14.7	14.6	2.7	17.9	18.9	15.1	15.5
Belgium-Luxembourg	12.6	14.0	7.4	7.7	11.2	9.0	6.0	–3.0	11.7	11.9	13.0	12.1
Denmark	4.2	4.0	2.6	2.2	9.2	6.8	21.8	2.3	13.3	13.6	13.7	13.0
Finland	5.4	4.9	1.9	2.2	–8.9	–3.4	4.9	–1.2	22.5	16.4	20.7	20.3
Greece	1.5	3.5	0.9	2.2	19.8	24.0	10.5	10.2	19.9	20.7	19.9	20.2
Iceland	0.1	0.2	0.0	0.1	–18.3	2.2	–12.6	–3.3	8.0	4.6	9.7	8.6
Ireland	1.5	1.4	1.1	0.9	2.5	13.9	52.9	4.7	7.1	7.9	7.2	7.9
Netherlands	11.9	18.9	7.1	9.3	6.1	8.2	10.5	–10.6	10.1	10.4	16.6	14.4
Norway	2.4	4.3	1.7	1.6	18.3	0.3	20.2	–16.2	8.2	9.9	17.4	12.4
Portugal	1.1	3.5	0.7	1.8	14.4	11.1	24.8	–6.2	8.1	8.6	15.9	13.0
Spain	8.2	16.7	5.1	9.9	10.5	13.6	16.6	1.6	16.4	15.7	21.5	19.3
Sweden	6.9	5.8	3.7	3.3	7.2	5.6	0.0	9.2	12.8	13.0	11.7	12.9
Switzerland	11.4	6.4	6.2	3.1	5.1	8.1	4.7	–19.4	20.1	19.4	10.1	9.4
Turkey	4.5	6.5	2.7	3.1	–1.5	11.1	27.9	–6.8	36.7	39.7	35.5	29.7
Total of smaller European countries	78.3	96.7	45.4	51.3	7.1	9.4	11.4	–3.6	13.9	13.8	15.8	14.6
Australia	14.3	9.1	12.4	7.1	8.7	8.3	56.4	50.4	38.0	59.3	24.0	37.5
Total of smaller countries[a]	92.6	105.8	57.8	58.4	7.4	9.3	18.8	0.8	15.4	16.5	16.3	15.8
Total OECD[a]	521.1	583.3	324.6	325.6	10.0	9.2	13.1	2.7	23.0	24.7	24.8	24.5
Four major European countries	162.4	166.8	98.0	98.8	11.3	13.1	9.3	–0.3	18.5	19.3	18.7	18.6
OECD Europe	240.7	263.5	143.4	150.1	9.9	11.8	9.9	–1.5	16.7	17.2	17.5	17.0
EC	203.4	228.8	123.0	132.7	10.9	12.5	10.0	–1.0	16.6	17.2	17.9	17.4
Total OECD *less* the United States[a]	383.9	395.6	235.8	222.8	9.7	10.7	12.4	–0.6	20.4	21.7	21.1	20.7

a) Excluding New Zealand for which figures are not available.

Table 87. **OECD countries' trade with OPEC**

Data based on $ values

	Value in $ billion				Percentage changes				Exports to OPEC as a percentage of total exports		Imports from OPEC as a percentage of total imports	
	Annual average 1988-91		1992 I		Annual rate 1988-91		1991 I to 1992 I		Average 1988-91	1992 I	Average 1988-91	1992 I
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports				
United States	15.7	31.4	11.8	15.2	11.1	12.6	30.7	–8.7	4.2	5.3	6.6	6.0
Japan	13.6	37.1	9.8	19.4	13.1	13.3	30.3	–10.2	4.7	6.0	16.9	17.0
Germany	10.7	7.7	7.2	4.8	13.9	14.3	26.9	7.0	2.9	3.5	2.5	2.4
France	7.4	8.7	4.7	4.7	13.0	20.6	14.9	–7.5	3.9	4.0	4.1	3.9
Italy	7.1	11.1	4.8	6.1	11.3	18.3	19.5	–10.3	4.7	5.4	6.6	6.1
United Kingdom	9.2	4.1	5.2	2.4	4.2	9.9	13.4	6.9	5.5	5.5	2.0	2.1
Canada	1.7	1.7	0.9	0.7	10.4	20.3	8.9	–3.0	1.4	1.3	1.5	1.2
Total of the above countries	65.4	101.7	44.3	53.2	11.2	14.3	24.3	–7.5	3.9	4.6	5.9	5.5
Austria	1.0	0.9	0.6	0.5	8.5	22.4	18.7	–11.3	2.8	2.9	1.9	1.9
Belgium-Luxembourg	2.0	3.1	1.3	1.5	18.2	16.0	4.9	–22.4	1.8	2.0	2.8	2.4
Denmark	0.7	0.4	0.4	0.1	10.0	–23.3	15.2	–1.2	2.3	2.1	1.5	0.6
Finland	0.4	0.3	0.2	0.1	11.5	33.4	–12.2	–37.3	1.8	1.6	1.2	1.3
Greece	0.3	1.0	0.1	0.9	4.1	56.8	19.9	20.4	4.2	3.4	5.3	8.2
Iceland	0.0	0.0	0.0	0.0	–9.6	22.5	–6.8	56.8	0.8	0.7	0.0	0.1
Ireland	0.4	0.1	0.2	0.0	–12.5	34.8	–7.0	–55.0	2.1	1.2	0.4	0.2
Netherlands	2.7	6.1	1.6	3.0	4.0	10.1	10.3	–7.9	2.3	2.3	5.4	4.7
Norway	0.3	0.2	0.1	0.1	8.2	8.4	48.8	–45.1	0.8	0.7	0.6	0.5
Portugal	0.1	1.3	0.0	0.5	–8.8	13.3	24.8	–13.0	0.7	0.6	5.6	3.7
Spain	1.9	5.6	1.0	2.8	5.4	18.6	4.6	–19.5	3.9	3.2	7.1	5.5
Sweden	1.4	0.7	0.8	0.5	15.3	24.4	–19.9	9.5	2.6	2.6	1.4	1.8
Switzerland	2.0	0.7	1.3	0.3	1.3	14.1	27.3	–1.1	3.5	4.0	1.1	1.0
Turkey	2.0	2.8	0.9	1.3	–14.0	0.8	14.1	–2.2	16.5	12.9	15.8	12.2
Total of smaller European countries	15.3	23.0	8.5	11.6	4.1	14.1	8.1	–11.6	2.7	2.6	3.7	3.3
Australia	2.0	1.4	1.1	0.8	15.0	20.5	12.7	–4.9	5.4	5.3	3.7	4.4
Total of smaller countries[a]	17.4	24.5	9.6	12.5	5.2	14.4	8.6	–11.2	2.9	2.8	3.7	3.4
Total OECD[a]	82.7	126.2	54.0	65.7	9.9	14.3	21.1	–8.2	3.7	4.1	5.3	4.9
Four major European countries	34.4	31.6	21.8	17.9	10.5	16.7	19.3	–3.3	3.9	4.3	3.5	3.4
OECD Europe	49.7	54.6	30.3	29.5	8.4	15.6	15.9	–6.8	3.5	3.6	3.6	3.4
EC	42.6	49.1	26.5	26.8	9.8	16.3	17.0	–6.8	3.5	3.7	3.8	3.5
Total OECD *less* the United States[a]	67.0	94.8	42.1	50.5	9.6	14.9	18.7	–8.0	3.6	3.9	5.0	4.7

a) Excluding New Zealand for which figures are not available.

Table 88. **OECD countries' trade with Asia and Oceania**[a]

Data based on $ values

	Value in $ billion				Percentage changes				Exports to Asia and Oceania as a percentage of total exports		Imports from Asia and Oceania as a percentage of total imports	
	Annual average 1988-91		1992 I		Annual rate 1988-91		1991 I to 1992 I		Average 1988-91	1992 I	Average 1988-91	1992 I
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports				
United States	22.5	36.6	12.9	25.3	7.7	18.1	2.1	30.2	6.0	5.8	7.7	10.0
Japan	30.0	30.1	19.1	18.6	10.6	11.7	14.2	8.2	10.5	11.7	13.8	16.3
Germany	14.6	16.3	8.4	10.8	7.2	23.7	5.1	–1.0	4.0	4.0	5.1	5.4
France	7.3	6.9	4.2	4.8	9.2	20.3	20.6	10.4	3.9	3.6	3.3	4.0
Italy	7.6	7.6	4.5	4.9	12.3	12.3	5.6	2.7	4.9	5.1	4.6	4.9
United Kingdom	8.4	7.6	4.2	4.6	3.2	10.7	5.5	8.3	5.0	4.5	3.7	4.2
Canada	2.9	2.6	1.8	1.8	–2.1	17.0	32.9	28.0	2.4	2.7	2.3	2.9
Total of the above countries	93.3	107.7	55.2	70.9	8.3	16.2	9.2	13.7	5.6	5.7	6.3	7.4
Austria	1.5	1.3	0.8	0.9	12.8	22.4	–1.0	3.6	4.2	3.9	3.0	3.3
Belgium-Luxembourg	4.9	2.7	2.7	1.6	9.5	12.7	6.3	–4.4	4.6	4.4	2.5	2.5
Denmark	1.0	1.0	0.5	0.7	2.1	12.2	17.3	4.6	3.1	2.8	3.6	4.0
Finland	0.7	0.5	0.3	0.3	17.2	9.3	–13.9	–7.3	2.8	2.8	2.3	2.7
Greece	0.5	0.6	0.3	0.3	26.0	24.5	5.5	–1.6	7.2	7.4	3.5	3.0
Iceland	0.0	0.0	0.0	0.0	8.1	31.4	–27.3	123.0	1.4	1.0	1.1	3.1
Ireland	0.2	0.3	0.1	0.1	15.2	16.6	–41.9	–31.9	1.1	0.6	1.7	1.3
Netherlands	2.5	3.2	1.4	1.8	5.3	12.9	6.9	–11.5	2.2	2.1	2.8	2.7
Norway	0.6	0.7	0.4	0.4	14.2	18.0	9.2	–9.0	2.1	2.5	2.9	2.9
Portugal	0.2	0.4	0.1	0.2	12.8	7.7	20.8	–3.1	1.2	1.3	1.7	1.6
Spain	1.6	2.1	1.0	1.8	9.1	27.8	18.8	23.7	3.2	3.1	2.6	3.4
Sweden	1.8	1.2	0.8	0.9	–3.5	13.9	0.1	32.6	3.3	2.8	2.4	3.5
Switzerland	2.9	1.3	1.4	0.9	5.3	14.2	–2.8	18.4	5.1	4.5	2.1	2.8
Turkey	1.0	0.8	0.6	0.4	0.8	13.7	10.1	–9.0	8.1	9.0	4.4	4.1
Total of smaller European countries	19.5	16.3	10.7	10.2	7.3	16.0	4.4	2.9	3.5	3.2	2.6	2.9
Australia	4.5	2.9	1.6	1.0	8.0	14.7	–35.3	–43.9	11.9	7.5	7.7	5.0
Total of smaller countries[b]	24.0	19.2	12.2	11.2	7.4	15.8	–3.2	–3.9	4.0	3.5	2.9	3.0
Total OECD[b]	117.3	126.9	67.4	82.1	8.1	16.2	6.8	10.9	5.2	5.1	5.4	6.2
Four major European countries	37.9	38.4	21.4	25.2	7.7	18.1	8.0	3.4	4.3	4.2	4.3	4.7
OECD Europe	57.4	54.7	32.0	35.4	7.5	17.5	6.8	3.3	4.0	3.8	3.6	4.0
EC	48.8	48.8	27.6	31.7	7.9	17.7	8.1	2.7	4.0	3.8	3.8	4.2
Total OECD *less* the United States[b]	94.7	90.3	54.5	56.8	8.2	15.4	7.9	4.0	5.0	5.0	4.8	5.3

a) Excluding Hong Kong, Singapore, Korea, Taiwan and OPEC countries.
b) Excluding New Zealand for which figures are not available.

Table 89. **OECD countries' trade with Africa**[a]

Data based on $ values

	Value in $ billion				Percentage changes				Exports to Africa as a percentage of total exports		Imports from Africa as a percentage of total imports	
	Annual average 1988-91		1992 I		Annual rate 1988-91		1991 I to 1992 I		Average 1988-91	1992 I	Average 1988-91	1992 I
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports				
United States	6.6	6.2	3.7	3.2	4.5	2.7	4.9	11.3	1.8	1.7	1.3	1.3
Japan	4.6	3.7	3.1	1.8	0.5	–3.7	37.4	0.7	1.6	1.9	1.7	1.6
Germany	7.2	5.4	3.6	2.7	0.7	6.2	1.9	–11.4	2.0	1.7	1.8	1.4
France	10.3	6.8	5.3	3.6	8.4	5.7	–3.5	–6.6	5.5	4.5	3.3	3.0
Italy	4.4	6.5	2.4	3.2	8.0	5.8	–2.1	–1.6	2.9	2.7	3.9	3.2
United Kingdom	4.7	3.7	2.4	2.0	1.3	2.9	–2.3	0.4	2.9	2.5	1.8	1.8
Canada	0.7	0.5	0.3	0.2	–4.1	–3.1	–19.6	–22.7	0.6	0.4	0.4	0.3
Total of the above countries	38.5	32.9	20.7	16.7	4.1	3.7	3.6	–2.2	2.3	2.1	1.9	1.7
Austria	0.3	0.3	0.2	0.2	1.0	10.0	1.1	–10.9	1.0	0.8	0.8	0.7
Belgium-Luxembourg	2.1	3.6	1.0	2.1	7.1	3.5	–9.3	21.7	1.9	1.7	3.3	3.3
Denmark	0.6	0.2	0.3	0.1	–16.2	–3.7	85.7	16.8	1.8	1.7	0.6	0.5
Finland	0.3	0.1	0.2	0.1	4.1	–8.9	62.9	44.2	1.2	1.4	0.4	0.7
Greece	0.2	0.3	0.1	0.2	10.9	8.1	52.0	35.2	2.3	2.7	2.0	2.1
Iceland	0.0	0.0	0.0	0.0	–55.3	–19.6	121.2	19.6	0.1	0.0	0.3	0.3
Ireland	0.3	0.2	0.1	0.1	–6.2	10.6	–19.4	–40.4	1.2	0.7	1.2	0.6
Netherlands	2.0	1.5	0.9	0.7	–1.1	3.7	–7.7	–16.0	1.7	1.3	1.3	1.1
Norway	0.4	0.9	0.3	0.1	30.8	–12.1	–10.8	–54.2	1.4	1.7	3.7	1.1
Portugal	0.6	0.8	0.5	0.4	27.1	9.9	26.2	3.8	4.3	5.3	3.5	3.2
Spain	1.7	2.1	1.1	1.5	5.8	11.1	15.4	47.9	3.4	3.3	2.7	3.0
Sweden	0.7	0.2	0.3	0.1	–2.1	–4.7	–8.0	7.3	1.3	1.0	0.3	0.3
Switzerland	0.9	0.8	0.4	0.2	2.9	–2.9	–13.4	–50.2	1.7	1.4	1.3	0.6
Turkey	0.3	0.5	0.2	0.1	1.1	–6.3	15.9	–23.2	2.7	2.7	2.9	1.2
Total of smaller European countries	10.4	11.5	5.6	5.9	4.3	3.5	3.5	6.4	1.9	1.7	1.9	1.7
Australia	0.5	0.1	0.2	0.1	2.3	–7.3	–15.4	38.2	1.3	0.9	0.4	0.4
Total of smaller countries[b]	10.9	11.6	5.8	6.0	4.2	3.3	2.7	6.7	1.8	1.6	1.8	1.6
Total OECD[b]	49.4	44.5	26.4	22.7	4.2	3.6	3.4	0.0	2.2	2.0	1.9	1.7
Four major European countries	26.7	22.5	13.6	11.5	4.9	5.4	–1.7	–5.3	3.1	2.7	2.5	2.2
OECD Europe	37.1	34.0	19.2	17.5	4.7	4.7	–0.2	–1.6	2.6	2.3	2.3	2.0
EC	34.1	31.1	17.6	16.7	4.7	5.6	0.0	0.7	2.8	2.5	2.5	2.2
Total OECD *less* the United States[b]	42.8	38.3	22.7	19.5	4.1	3.7	3.1	–1.6	2.3	2.1	2.1	1.8

a) Excluding OPEC countries.
b) Excluding New Zealand for which figures are not available.

Table 90. **OECD countries' trade with Latin America**[a]

Data based on $ values

	Value in $ billion				Percentage changes				Exports to Latin America as a percentage of total exports		Imports from Latin America as a percentage of total imports	
	Annual average 1988-91		1992 I		Annual rate 1988-91		1991 I to 1992 I		Average 1988-91	1992 I	Average 1988-91	1992 I
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports				
United States	48.0	50.0	33.9	29.0	14.4	5.8	26.6	11.6	12.8	15.1	10.5	11.5
Japan	9.3	8.3	6.7	3.9	12.9	5.2	27.9	–12.6	3.3	4.1	3.9	3.4
Germany	6.1	7.8	3.7	4.1	15.2	7.2	10.5	–5.2	1.7	1.8	2.5	2.1
France	5.5	4.5	3.5	2.5	14.6	5.0	27.5	–1.6	2.9	3.0	2.2	2.0
Italy	2.8	4.1	1.9	2.3	20.5	7.6	16.2	–4.9	1.8	2.1	2.5	2.3
United Kingdom	2.5	3.5	1.3	2.0	7.1	2.8	8.1	7.0	1.5	1.4	1.7	1.8
Canada	2.0	3.5	1.1	2.1	0.2	9.7	30.3	8.9	1.7	1.6	3.0	3.4
Total of the above countries	76.3	81.8	52.1	45.8	13.9	5.9	24.6	5.5	4.6	5.4	4.8	4.8
Austria	0.2	0.5	0.2	0.2	18.7	2.7	44.0	–14.5	0.6	0.8	1.1	0.8
Belgium-Luxembourg	0.8	1.6	0.5	0.8	13.1	4.1	24.0	–4.6	0.7	0.8	1.5	1.3
Denmark	0.6	0.9	0.4	0.5	10.0	1.6	32.4	29.5	2.0	2.1	3.2	3.1
Finland	0.4	0.5	0.2	0.3	–2.2	–6.4	27.8	60.1	1.6	1.4	1.9	3.1
Greece	0.1	0.3	0.0	0.1	49.7	18.9	–23.5	–10.8	0.9	1.1	2.0	1.2
Iceland	0.0	0.0	0.0	0.0	–15.6	–0.7	9.0	–15.7	0.9	0.3	0.7	0.7
Ireland	0.2	0.2	0.1	0.0	17.5	5.2	19.7	–47.0	1.0	0.7	0.9	0.4
Netherlands	1.2	2.8	0.7	1.1	11.7	2.3	12.8	–17.1	1.0	1.1	2.5	1.8
Norway	0.5	1.2	0.4	0.3	14.7	–8.9	67.1	–23.4	1.5	2.4	4.8	2.3
Portugal	0.1	0.8	0.0	0.4	11.3	8.1	16.2	–11.5	0.6	0.5	3.7	2.9
Spain	1.7	3.5	1.1	1.9	16.0	7.7	25.2	–4.3	3.4	3.4	4.6	3.8
Sweden	0.9	0.9	0.5	0.4	6.7	–4.9	27.1	–13.3	1.6	1.9	1.7	1.4
Switzerland	1.4	1.3	0.8	0.6	6.2	1.0	11.9	–11.3	2.4	2.5	2.1	1.9
Turkey	0.0	0.4	0.0	0.1	38.0	9.0	50.2	–21.7	0.3	0.3	2.3	1.3
Total of smaller European countries	8.0	14.9	5.1	7.0	11.0	3.1	24.0	–7.1	1.4	1.5	2.5	2.0
Australia	0.3	0.5	0.2	0.3	5.0	0.5	–8.3	21.7	0.8	0.8	1.3	1.3
Total of smaller countries[b]	8.3	15.4	5.2	7.2	10.7	3.0	22.6	–6.3	1.4	1.5	2.4	1.9
Total OECD[b]	84.6	97.2	57.3	53.0	13.6	5.5	24.5	3.7	3.7	4.4	4.2	4.0
Four major European countries	16.9	19.9	10.4	10.8	14.7	6.0	16.4	–2.3	1.9	2.1	2.3	2.0
OECD Europe	24.9	34.9	15.5	17.8	13.5	4.8	18.8	–4.2	1.7	1.9	2.3	2.0
EC	21.5	30.1	13.4	15.8	14.5	5.8	17.4	–3.7	1.7	1.9	2.4	2.1
Total OECD *less* the United States[b]	36.5	47.2	23.4	24.0	12.5	5.2	21.5	–4.4	1.9	2.2	2.5	2.2

a) Excluding OPEC countries.
b) Excluding New Zealand for which figures are not available.

Table 91. **OECD countries' trade with four Asian NIEs**[a]

Data based on $ values

	Value in $ billion				Percentage changes				Exports to four Asian NIEs as a percentage of total exports		Imports from four Asian NIEs as a percentage of total imports	
	Annual average 1988-91		1992 I		Annual rate 1988-91		1991 I to 1992 I		Average 1988-91	1992 I	Average 1988-91	1992 I
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports				
United States	39.9	61.4	23.9	29.2	9.4	–2.1	4.5	7.5	10.7	10.7	13.0	11.6
Japan	56.5	26.4	34.2	12.9	10.3	3.0	6.5	–2.4	19.7	20.9	12.2	11.3
Germany	8.4	10.8	5.1	6.5	13.9	14.9	7.1	–2.5	2.3	2.4	3.5	3.2
France	4.2	4.8	2.6	2.7	14.7	8.3	1.3	0.7	2.2	2.2	2.3	2.3
Italy	3.8	2.8	2.4	1.8	17.7	7.3	13.3	3.4	2.4	2.8	1.7	1.8
United Kingdom	5.4	9.0	3.4	4.7	14.2	5.4	5.0	5.7	3.2	3.6	4.4	4.2
Canada	3.2	5.2	1.6	2.5	8.2	1.2	–13.7	3.3	2.6	2.4	4.6	4.1
Total of the above countries	121.3	120.5	73.2	60.3	10.7	1.8	5.3	3.4	7.3	7.6	7.1	6.3
Austria	0.4	1.0	0.3	0.6	17.8	13.3	21.3	–1.5	1.2	1.3	2.4	2.4
Belgium-Luxembourg	1.7	1.2	1.0	0.7	10.0	10.6	12.0	5.8	1.5	1.6	1.1	1.2
Denmark	0.6	0.7	0.3	0.3	9.0	14.2	2.5	–29.3	1.9	1.8	2.5	2.1
Finland	0.5	0.6	0.3	0.4	19.2	2.6	7.4	33.6	2.0	2.4	2.4	3.5
Greece	0.1	0.4	0.0	0.2	12.5	1.1	51.2	19.2	0.7	0.7	2.6	2.2
Iceland	0.0	0.0	0.0	0.0	24.4	7.1	–4.3	–4.6	1.2	2.1	2.1	2.4
Ireland	0.2	0.4	0.1	0.3	5.2	16.4	8.8	6.4	1.1	1.0	2.1	2.4
Netherlands	1.8	3.0	1.2	1.7	2.7	9.8	19.4	–3.1	1.6	1.7	2.6	2.7
Norway	0.3	0.8	0.2	0.4	23.3	1.0	11.6	4.6	1.1	1.3	3.3	3.3
Portugal	0.1	0.2	0.0	0.1	9.5	24.6	–10.4	–7.2	0.6	0.5	1.0	1.0
Spain	0.7	1.9	0.4	1.3	17.3	14.4	1.0	11.7	1.3	1.1	2.4	2.5
Sweden	1.2	1.6	0.7	0.8	17.0	6.0	–6.3	0.4	2.1	2.3	3.1	3.0
Switzerland	2.8	1.4	1.6	0.7	11.6	2.8	13.2	–10.5	4.8	5.2	2.3	2.1
Turkey	0.3	0.5	0.6	0.3	14.5	54.6	194.9	–3.5	2.3	8.4	2.3	3.3
Total of smaller European countries	10.5	13.8	6.8	8.0	11.2	10.2	16.1	0.4	1.9	2.1	2.3	2.3
Australia	6.3	4.0	3.6	1.6	12.2	2.1	–8.7	–14.4	16.7	17.0	10.5	8.3
Total of smaller countries[b]	16.8	17.8	10.4	9.6	11.6	8.4	6.2	–2.4	2.8	3.0	2.7	2.6
Total OECD[b]	138.1	138.2	83.6	69.9	10.8	2.6	5.4	2.6	6.1	6.4	5.9	5.3
Four major European countries	21.7	27.5	13.5	15.6	14.7	9.8	6.4	1.1	2.5	2.7	3.1	2.9
OECD Europe	32.2	41.3	20.3	23.6	13.6	9.9	9.5	0.8	2.2	2.4	2.7	2.7
EC	26.7	35.4	16.6	20.4	13.3	10.2	7.4	0.9	2.2	2.3	2.8	2.7
Total OECD *less* the United States[b]	98.2	76.8	59.6	40.6	11.4	6.5	5.8	–0.7	5.2	5.5	4.1	3.8

a) Hong Kong, Korea, Singapore and Taiwan.
b) Excluding New Zealand for which figures are not available.

Table 92. **OECD countries' trade with Central and Eastern Europe**

Data based on $ values

	Value in $ billion				Percentage changes				Exports to central and eastern Europe as a percentage of total exports		Imports from central and eastern Europe as a percentage of total imports	
	Annual average 1988-91		1992 I		Annual rate 1988-91		1991 I to 1992 I		Average 1988-91	1992 I	Average 1988-91	1992 I
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports				
United States	4.4	2.0	2.5	0.9	10.6	–4.0	7.2	0.3	1.2	1.1	0.4	0.4
Japan	3.4	3.7	0.8	1.5	–8.6	5.3	–44.0	–24.4	1.2	0.5	1.7	1.3
Germany[a]	15.5	13.2	10.8	10.3	27.1	29.8	–2.4	4.2	4.2	5.2	4.1	5.1
France	3.1	4.6	2.1	2.6	5.6	4.7	9.7	2.2	1.6	1.8	2.2	2.2
Italy	4.3	6.3	3.1	3.6	14.0	10.8	37.6	–4.0	2.8	3.5	3.8	3.6
United Kingdom	2.0	2.7	1.2	1.2	–1.1	2.2	33.8	–6.6	1.2	1.2	1.3	1.1
Canada	1.0	0.4	0.7	0.2	10.4	0.9	–30.9	–0.8	0.9	1.0	0.3	0.3
Total of the above countries	33.7	32.9	21.2	20.3	15.1	14.8	1.4	–1.2	2.0	2.2	1.9	2.1
Austria	2.9	2.6	2.0	1.6	15.8	12.6	19.7	14.7	8.0	9.2	5.9	6.3
Belgium-Luxembourg	1.2	1.8	0.8	1.0	13.6	6.1	9.6	–9.2	1.1	1.3	1.7	1.5
Denmark	0.7	0.7	0.6	0.5	40.5	16.7	14.8	8.7	2.3	3.0	2.4	2.8
Finland	3.1	3.0	0.8	1.0	–24.7	–9.2	6.6	–14.1	13.1	6.7	12.6	9.0
Greece	0.3	0.8	0.2	0.4	27.2	17.6	0.4	–6.0	4.4	5.2	4.4	3.5
Iceland	0.1	0.1	0.0	0.0	–45.1	–4.1	–26.9	–46.4	3.6	0.5	5.5	2.1
Ireland	0.2	0.2	0.1	0.1	32.2	9.0	100.3	–24.5	0.7	1.1	1.0	0.8
Netherlands	1.6	2.2	1.3	0.9	21.7	5.4	21.9	–16.7	1.4	1.9	2.0	1.4
Norway	0.3	0.5	0.2	0.3	14.9	10.9	33.4	8.3	1.1	1.4	2.0	2.3
Portugal	0.1	0.1	0.0	0.1	–29.4	6.6	148.2	21.6	0.7	0.4	0.5	0.5
Spain	0.6	1.5	0.5	0.6	24.2	–5.7	43.4	–5.8	1.2	1.5	2.0	1.1
Sweden	1.0	1.4	0.7	0.7	11.4	–2.3	25.9	9.7	1.9	2.4	2.8	2.8
Switzerland	1.4	0.8	0.6	0.3	–1.0	25.6	–23.6	–61.7	2.6	1.7	1.2	1.0
Turkey	0.8	1.5	0.5	0.8	26.5	29.8	18.9	–5.8	6.6	7.4	7.7	8.0
Total of smaller European countries	14.4	17.1	8.4	8.3	7.3	6.2	15.3	–8.4	2.6	2.5	2.8	2.4
Australia	0.7	0.1	0.1	0.1	–25.3	–6.6	–36.8	2.9	1.9	0.7	0.4	0.3
Total of smaller countries[b]	15.1	17.2	8.5	8.3	5.8	6.1	13.7	–8.4	2.5	2.4	2.6	2.3
Total OECD[b]	48.9	50.1	29.7	28.7	12.2	11.8	4.7	–3.4	2.2	2.3	2.1	2.2
Four major European countries	24.9	26.8	17.2	17.7	19.6	17.8	6.7	1.4	2.8	3.4	3.0	3.3
OECD Europe	39.3	43.9	25.6	26.0	15.2	13.3	9.4	–2.0	2.7	3.1	2.9	3.0
EC	29.6	34.2	20.8	21.2	20.0	15.3	8.9	–0.4	2.4	2.9	2.7	2.8
Total OECD *less* the United States[b]	44.4	48.1	27.2	27.8	12.4	12.5	4.5	–3.5	2.4	2.5	2.6	2.6

a) Including trade of western Germany only.
b) Excluding New Zealand for which figures are not available.

TECHNICAL ANNEX

Sources and methods

The analysis in the *Economic Outlook* and the projections on which it is based are the work of the Country Studies and Economic Prospects, and Policy Studies Branches of the OECD Economics Department. The following notes describe various technical aspects of the projection methods used, and underlying statistical concepts, sources and methods.

PROJECTION METHODS

While taking into account official and unofficial national macroeconomic projections for Member countries, the OECD *Economic Outlook* projections are based on the OECD's independent assessment of the world economy. A key feature is the combination of individual country, general economic and area analyses, which aim to be internally and externally consistent. Emphasis is therefore placed on the role of international trade and financial linkages, and the overall assessment process depends critically on the consistent interaction of domestic and external factors (these latter acting through international trade and payments and financial markets and involving both OECD countries and the non-OECD regions), so as to achieve a consistent and convergent view of the world economy.

The *Economic Outlook* projections are *specifically conditional* on technical assumptions about exchange rates, energy prices, and the choice of economic policies – fiscal, monetary and structural. The primary considerations involved in the choice of these assumptions are as follows:

- *Exchange rates* against the U.S. dollar are generally *assumed* to remain constant over the projection period, at the level prevailing on a prespecified cut-off date, chosen in the course of the exercise, except for those countries with stated or *de facto* policies.
- The *price of crude oil* is set on the basis of a technical assumption described in the text.
- *Fiscal and monetary policy* assumptions for individual countries are generally based upon stated official policies, with public sector expenditure and revenue projections being based upon the most recent budgetary statements.

Specific details of the main policy assumptions for individual countries are discussed in the corresponding Country Note sections of the *Economic Outlook,* whilst those concerning exchange rates and commodity prices are outlined in the corresponding subject chapters. The *Economic Outlook* presents a single assessment, that judged by the OECD to be "most likely" given the specific set of assumptions. Scenarios, indicating the effects of changing one or more of the assumptions, are also presented when they contribute to the illustration of a particular risk or uncertainty.

In the course of OECD's biannual macroeconomic assessment cycles, the OECD's world macroeconomic model, INTERLINK[1], is used extensively as a means of ensuring national and international consistency, though a considerable amount of country-specific expertise and judgement is brought to bear in the construction of the underlying individual country assessments. The *Economic Outlook* assessment "Round" typically begins with a number of model-based simulations which are designed to provide an initial, incremental update on the previous set of projections, taking into account changes in achieved and announced policies and revised technical assumptions (those broadly described above). Together with individual assessments of specific factors affecting each economy, the most recent data and information available from leading economic indicators and survey evidence, these simulations provide a starting point for the assessment of domestic and international developments.

Given this preliminary re-assessment, detailed discussions take place and analyses are carried out, involving both country and subject specialists. As a result, successive adjustments are made to the overall set of domestic and international projections with the international consequences of individual revisions to domestic country projections being carefully monitored and taken into account, in order to ensure consistency. Such a procedure ensures, from the outset, that the estimates of domestic developments, produced by country specialists, and international trade and financial developments, produced by topic specialists, are nationally and internationally coherent. A preliminary version of the *Economic Outlook* projections is presented to and discussed by the OECD Working Group on Short-Term Economic Prospects, where Member country delegates provide their analyses and detailed comment, drawing on national authority evidence and projections.

The OECD's economic projection procedures are therefore conditional and pragmatic, with model-based projections being revised and modified in the light of alternative expert views, new assumptions, and more recent evidence. Within the overall process, the INTERLINK model, however, provides a focal point for information flows and the discussion of specific issues, as well as serving as the Department's ongoing repository for empirical evidence and views on key macroeconomic relationships. Its data system and interfaces to the Department's Analytical Data Base (ADB) facilitate data submission and the historical updating of country statistics, and ensure an efficient co-ordination of information for the production of the *Economic Outlook.* The ADB system is also used extensively in the production of OECD's *Economic Outlook*-related data products[2]. A more detailed account of the role, structure and simulation properties of OECD's INTERLINK model is given in Richardson (1988) and OECD (1988).

In presenting half-yearly demand, output and price projections, all estimates reported in the *Economic Outlook* are seasonally adjusted and shown in terms of percentage changes at annual rates. Further definitional notes relating to reporting conventions, in particular the measurement of semiannual rates of growth, are given in the final section of this annex.

The domestic economy

Macroeconomic developments reflect a complex and *simultaneous* interaction of many economic variables and relationships. It is therefore virtually impossible fully to describe all of the relationships actually at work. The following paragraphs describe those which are particularly important to OECD projections. Although the specific details of domestic trends differ somewhat between individual OECD economies, the main features involved are broadly as outlined.

Domestic expenditure components

Two broad categories of domestic expenditure are generally distinguished – consumption and investment – which are further subdivided into various private and public sector components. Depending on the country concerned, further disaggregation may also be involved, e.g. into energy and non-energy sectors. The analysis and projection of private consumption typically depend on the evolution of real personal disposable income, with allowance made for the effects of changes in the rate of inflation, monetary and financial conditions, and also leading indicators of consumer confidence and retail sales. Particular attention is given, *inter alia,* to current trends in personal and business sector savings rates and asset holdings. Private investment is, for most countries, subdivided into at least three components – business fixed investment, residential construction and stockbuilding. Business fixed investment is typically assessed in relation to non-financial variables (sales, output and capacity utilisation) and financial variables (cash flow and interest rates) but also gives weight to available business survey information related to investment intentions, output and capacity expectations. Within INTERLINK itself, the demand for capital and labour is modelled jointly in the context of a production function framework, which in turn provides independent measures of productive potential[3]. Projections for residential construction take account of demographic trends, housing stocks, real income and financial conditions, but also draw on cyclical indicators for the construction sector, such as building starts and permits, the availability and cost of mortgage finance and land prices[4]. Projections of stockbuilding are usually made with reference to relevant stock-output and stock-sales ratios, taking account of recent trends, financial factors and specific supply-side influences.

Government non-wage expenditures, divided into non-wage consumption and investment, are treated as being exogenous policy assumptions, specified in either nominal or real terms, according to the varying practices adopted in the budgetary statements of Member countries. In a number of cases an independent assessment is made of expected out-turns versus stated policy goals. Government wage expenditures may be set either in terms of nominal targets for the total wage bill or as the product of government employment and associated wage projections.

Methods involved in the analysis of external influences on output and real GDP, i.e. those coming from goods and services trade, are described below in the section concerning foreign trade.

Employment, wages and prices

Employment and other labour market trends are commonly assessed in relation to changes in the levels of actual and expected output. Important additional elements relate to labour and factor productivity trends, capacity constraints and real factor costs. Unemployment rate projections are given by the combination of employment and labour supply projections, with the latter assessed judgmentally on the basis of demographic trends and participation rate assumptions.

Wage and earnings assessments take into account a number of key factors. Extensive use is made of the pattern of current wage settlement as a leading indicator, with pressure of demand in the labour market, productivity rates and the terms of trade also influencing the overall projection of real wages and compensation per employee. Allowing for these influences, wages are often assumed to adjust fully, or nearly so, to changes in consumer prices within a year for most countries, consistent with Phillips curve relationships in INTERLINK[5]. Combining employment, productivity growth, wage rate and contribution projections provides projections of unit labour costs as an input to the assessment of prices and inflation. Public sector wage projections are generally based on announced policies but may also be assumed to adjust gradually over time in line with private sector wages.

The assessment of domestic prices and inflation trends depends crucially on unit costs, the levels of demand and supply potential – and hence spare capacity – and foreign prices. Changes in domestic and import costs are typically assumed to be reflected in domestic prices within twelve to eighteen months. In making individual price projections, allowance is also made for a number of special factors affecting prices in individual countries – harvest yields, changes in taxes and subsidies and administered price regimes – for example, with respect to the Common Agricultural Policy. The overall set of domestic expenditure deflators in conjunction with goods and services trade prices and corresponding real expenditure components are then combined to give projections of total domestic demand and output deflators. The specific treatment of trade prices is discussed in more detail in the later section concerning foreign trade.

Sectoral accounts

Appropriation accounts for the household and government sectors are projected for the seven major OECD economies and some smaller countries. Both accounts are constructed by identifying the different sources of income and expenditures, savings and net lending.

Household income consists primarily of the wage compensation of employees, self-employment income, and transfers. Property and other income – essentially dividends and interest – are evaluated in the light of business income and debt interest flows. The sum of these elements is adjusted for direct taxes and transfers paid to give household disposable income. The latter is then split between household consumption and savings. Household taxes and transfers are projected on the basis of movements in the appropriate nominal bases – weighted functions of the relevant income components – and corresponding marginal tax and transfer rates. There is some variation in the detail of the treatment of transfers as between the larger and smaller economies. Social security receipts are projected on the basis of the unemployment rate, prices and wage compensation levels. Household net lending is obtained by subtracting housing investment from household savings.

For the United States a full disaggregation of revenues and expenditures is made as between State and Local and Federal accounts, with wage and non-wage expenditures also split between defence and non-defence spending. For the other major economies a relatively standardised total general government approach (described below) is adopted, while for some smaller economies there is a less detailed treatment of transfers, subsidies and property income. For a number of countries, specific allowance is also given to revenues and tax receipts from sectors of specific importance, for example, oil and gas.

The current receipts of the government sector are in general defined as the sum of direct taxes on household and business sectors, indirect taxes, social security, and other transfer receipts and interest-related property income. Indirect taxes are projected on the basis of weighted expenditures, combined with corresponding marginal tax elasticities. Business sector taxes are assessed on the basis of projected business income, making due allowance for the lags between accruals and payments. Social security and other transfer receipts are linked directly to the corresponding household sector payments, while property income is in general assumed to grow broadly in line with nominal GDP.

Current disbursements in nominal terms are made up of government current consumption, transfer payments, subsidies and interest payments. For the major economies, interest payments are assessed on the basis of the stocks of outstanding debt, the rate of roll-over in the stock and the relevant interest rates. Government net lending is then derived as current savings, less nominal investment, capital consumption and other miscellaneous capital transactions. The stock of government net financial liabilities is finally obtained as the cumulation of net lending, subject to statistical discrepancies.

Domestic monetary policies

For the major economies, prevailing monetary policies are examined against a range of monetary indicators. Typically, assumptions are made about the choice and stance of policy, taking into account recent policy announcements with respect to the choice of monetary targets, associated target ranges and instruments, by national authorities. Increasingly, this involves a strong interdependent element, given for example the importance of interest rates, exchange rates, output and prices to international transmission mechanisms. Effectively this means that international financial linkages are increasingly important in the overall global assessment, and hence the assumptions for short- and long-term interest rates and/or monetary aggregates for virtually all OECD countries may hinge critically on the assessment of monetary policy in the three largest ones.

Further details of a wider range of statistical and methodological issues are described in the Monetary Aggregates and Interest Rates section of this annex.

Foreign trade

Particular attention is given in the forecasting exercice to ensuring the consistency of international trade and price projections, trade representing a principal channel through which developments in one country affect other OECD economies. Six categories of international trade are customarily distinguished: manufactures; energy; food; raw materials; non-factor services; and other services. Various adjustment and reconciliation procedures are involved in linking customs basis foreign trade projections to the national accounts basis projections for individual countries.

The projections for total goods trade are based on a split into the following specific SITC categories:

- food: 0 + 1
- raw materials: 2 + 4
- energy: 3
- manufactures: 5 + 6 + 7 + 8 + 9

Projections for these components are weighted together using moving weights based on 1987 trade flows. These are approximately comparable to figures published in the OECD's monthly *Statistics of Foreign Trade* (Series "A"). The paragraphs below summarise how projections for these components are prepared. The structural specifications of equations used in the foreign trade projections are set out, for each country, in the OECD Secretariat's INTERLINK Technical Manual.

a) *Goods: volumes*

i) *Manufactures*

The initial projections of import volume growth for manufactured goods are derived from equations (in logarithm level form) in which the main explanatory variables are activity (demand) and lagged competitive position. The activity variable in the import equations is specified so that a distinction is made for most countries between the short-and long-term response of imports to a change in demand (i.e. demand is split into two components: a moving average, and the ratio of actual demand to this moving average). In addition, for some countries a lagged dependent variable is included in the specification. Export volume projections are based on export market growth, derived as weighted averages of the forecasts for imports of manufactured goods, with an allowance for the effects of competitive position. This is typically represented by relative prices.

Expenditure elasticities for imports are, in general, estimated in the range of 1.5 to 2.5, while most of the price elasticities (import prices relative to domestic prices) range from –0.4 to –0.9, the response being lagged over two to three years. For export volumes, price elasticities (export prices relative to competitors' prices) are typically taken to be in the range of –1.0 to –2.0, lagged over three years, while market growth elasticities for most countries are close to unity.

ii) *Energy*

International trade in energy is concentrated in oil, and the forecasting effort is focused accordingly. At the interregional level, it is assumed that OPEC is the marginal supplier, with other producers setting prices relative to those of OPEC such that they are always able to sell their full capacity output.

The demand for oil is projected, in collaboration with the International Energy Agency, from relationships which link oil consumption to the real cost of imported oil. Judgmental adjustment is then made to reflect any unusual weather conditions and new developments in energy substitution.

With oil demand determined, net oil imports are obtained by subtracting expected domestic production and adjusting for any expected change in stocks. The movement in oil imports is then added to the projected movements of imports of other forms of energy.

iii) *Food and raw materials*

Import volumes of food are assumed to follow projected movements in real private consumption; import volumes of raw materials are assumed to follow movements in industrial production. While some allowance is made for the effects of large changes in competitiveness, trade volumes of food and raw

materials are generally assumed to be relatively insensitive to changes in competitiveness over the projection period. Food and raw material exports are based on, *inter alia,* projected import volumes of other countries, with an allowance for factors affecting supply.

b) *Goods: unit values*

i) *Manufactures*

Projections for unit values of exports of manufactured goods are based initially on movements in unit labour costs, import prices, and competitors' export prices – the first two being subject to lags of up to one year. Some allowance is made for exceptionally high or low rates of capacity utilisation.

Import unit values are derived as weighted averages of foreign costs and domestic prices. The resulting import price projections are then modified to reflect time lags in the translation of exchange rate changes into import prices. In those countries where competitiveness has changed sharply, an allowance is made for price discrimination by foreign suppliers in the first half-year, partly reversed over the next two half-years. The export and import price equations have been estimated to ensure consistency at the world level. (For more details, see "Import and export price equations of manufactures", *OECD Economics and Statistics Department Working Papers,* No. 43, Richard Herd.)

ii) *Energy*

The customary technical assumption is that, in the near term, oil prices are determined by market conditions, including announced OPEC decisions, and thereafter follow prices of OECD exports of manufactured goods. Adjustments are made to reflect natural gas and coal contracts and thereby allow for the lag between the movements of other fossil fuels and oil prices.

iii) *Food and raw materials*

In general, food and raw material unit values (in dollars) are derived from projected movements of spot commodity prices. Current OECD estimates suggest that about three-quarters of the change in spot industrial materials prices is passed through into OECD import unit values of raw materials within about six months.

Equations for OECD export unit values for food and raw materials utilise domestic cost pressure variables as well as world spot commodity prices as explanatory variables. In addition, food export unit value equations for EC countries are adjusted for the effects of the Common Agricultural Policy. Import unit values for food and raw materials are trade-weighted averages of partner-country export unit values.

c) *Services*

Projections of non-factor services (some two-thirds of total service flows) are based on equations of broadly similar specification to those used for manufactures trade. Volumes of non-factor service debits depend both on projected movements of import-content-weighted real expenditure, and the price of import of services relative to domestic prices. Non-factor service credits depend on market growth and each country's export prices relative to those of its competitors. A service trade share matrix is used to calculate market growth and competitors' prices. Export prices of services for each country are assumed to move in line with its total expenditure price deflator. Service export prices for non-OECD zones are assumed to move with the average for the OECD area. Import prices are then calculated from export prices using the service trade share matrix. Import elasticities of non-factor services with respect to import-content-weighted expenditure components are around 1.2, with price elasticities of –0.7 to –0.8 lagged over 1½ years. Non-factor service export projections are based on market growth in partner countries, with market growth elasticities around unity and prices elasticities of –0.4 to –0.5 lagged over 1½ years. Projections for investment income are based on equations that take account of external assets and liabilities and rates of return. Movements in external assets and liabilities are linked to capital outflows and current-account balances.

d) *Non-OECD*

Trade volumes and prices of non-OECD area are projected on the basis of six country groupings (see Country Classification below for detail). Individual projections are made for some important non-OECD countries. Import and export prices for each group reflect world prices weighted according to the commodity structure of trade. Export volumes for each group are projected on the basis largely of OECD demand, with some account taken of demand from other non-OECD groupings and, in some cases, changes in competitiveness. For groups with large external assets, import volumes are in line with assessment of development plans. For other groups, import volumes are projected taking account of export revenues, the level of external financing and import prices.

EFFECTIVE EXCHANGE RATES

The calculation of effective exchange rates uses a system of weights based on a double-weighting principle, which is also used to calculate price and cost competitiveness indicators. The effective exchange rates take account of both export and import competitiveness.

Twenty-three OECD Member countries (Belgium-Luxembourg is treated as one region) and four of the dynamic Asian economies (Hong Kong, Korea, Singapore and Taiwan) are included in the calculation of effective exchange rate. Twenty-nine markets are considered: the 23 OECD countries and the six non-OECD zones.

For each year, starting 1970, a 27 x 29 (country market) matrix has been constructed, based on ISIC data. Each diagonal element represents the production of manufactured goods (net of exports) of individual countries and each off-diagonal element represents the exports of manufactured goods from one country (row) to any other OECD country or non-OECD zones (column). This basic matrix is then used to compute a new intermediate matrix for each country which gives a measure of the relative importance of the other 26 competitors in the 29 markets. The obtained intermediate matrix is then weighted by the relative share of the 29 markets for the country involved. This gives a global weighting system for each year since 1970.

Geometric indices of effective exchange rates are then computed: indices of nominal exchange rates are weighted each year with the weighting matrix of the previous year. For 1970, the indices are weighted with the 1970 weighting matrix. This gives a set of effective exchange rates based on moving weights.

A fuller description of this methodology is given in "OECD'S indicators of international trade and competitiveness," *OECD Economics Department Working Papers,* No. 120, Martine Durand, Jacques Simon and Colin Webb.

FISCAL POLICY

Government debt

The figures for gross public debt (Table 42) refer to the debt and other liabilities (short and long-term) of all of the institutions contained in the general government sector of the national accounts. This sector is the aggregate of the central and local government sectors and the social security sector. The gross data for the individual government sectors is consolidated where national sources permit such a consolidation. The figures for net debt (Table 41) measure the gross debt of the general government sector less the financial assets held by the general government sector. Such assets may be cash, bank deposits, loans to the private sector, participations in private sector companies, holdings in public corporations or foreign exchange reserves (depending on the institutional structure of the country concerned and as shown in the footnotes to Table 42). If it has not been possible to consolidate the gross debt data, assets may include debt issued by one institution in the general government sector but held by another institution in the general government sector (see the footnotes of Table 42 for the non-consolidated countries).

Cyclical and non-cyclical changes in general government financial balances (Table 46 and Figure 4)

Changes in the budget balance can be decomposed into a cyclical and a non-cyclical component. The decomposition is aimed at separating cyclical budget changes resulting from the divergence between actual and trend output (the output gap) from those which are non-cyclical. The latter can be seen as a cause rather than an effect of output fluctuations and may be interpreted as indicative of discretionary policy adjustments. It should be noted, however, that changes in resource revenues – as a result of oil price changes, for example – and in interest payments – as a result of past debt accumulation or changes in interest rates – are neither cyclical nor purely discretionary. Yet these changes are reflected in the evolution of the non-cyclical component of the budget balance (cyclically adjusted balance).

The cyclically adjusted balance is derived by calculating the budget which would be obtained if the economy grew at its trend rate of growth. Denoting a cyclically adjusted variable by an asterisk, the output gap is defined as the percentage deviation of actual real GDP (y_t) from its trend value (y_t^*)

$$g_t = (y_t^* - y_t) / y_t^*$$

Cyclically adjusted revenues and expenditures are defined as:

$$T_t^* = T_t . (1 + g_t.\mu)$$
$$G_t^* = G_t . (1 + g_t.\varepsilon)$$

where T_t are current receipts in year t, G_t is current expenditure, μ and ε are respectively the elasticity of current receipts and expenditure with respect to real output growth.

Changes in the cyclically adjusted budget balances are reported in Table 46 as a ratio of trend output at current prices. Trend output growth is based on the average growth rate of real GDP from one cyclical peak to the next. The trend growth rate for the major seven economies averages approximately 2.7 per cent in 1991.

The cyclically adjusted primary balance is obtained by netting net interest payments from the overall cyclically adjusted balance. Since interest payments are outside the direct control of budgetary authorities (being determined by interest rates over which budgetary authorities have little control and the public debt level which is predetermined in any given year), the changes in the cyclically adjusted primary balance – shown in Table 46 – represent a better proxy for discretionary policy action than the changes in the overall cyclically adjusted balance.

For a further discussion of these issues, see "Indicators of fiscal policy: a re-examination", *OECD Department of Economics and Statistics Working Papers,* No. 78, Jean-Claude Chouraqui, Robert P. Hagemann and Nicola Sartor.

MONETARY AGGREGATES AND INTEREST RATES

Monetary aggregates (Table 47)

M1 is the narrowly defined money supply, i.e. currency plus domestic demand deposits. M2, M2+CD, M3 and M4 are broadly-defined money stocks, which add to M1 domestic savings deposits and other managed liabilities of banks and other financial institutions, and certificates of deposit (CD) in Japan, France and the United Kingdom. For France, TDI signifies total domestic indebtedness. In the United Kingdom, M0 is currency in circulation with the public plus bankers' operational balances with the central bank. For Italy, TDC is total domestic credit excluding bank acceptances.

Interest rates (Table 48)

Projections are based on the technical assumptions of unchanged policies and exchange rates. Interest rates used are:

Short-term rates: United States: 3-month Treasury bills; Japan: 3-6 month CD; Germany, Italy, United Kingdom: 3-month interbank rates; France: 3-month PIBOR; Canada: 90-day finance company paper.

Long-term rates: United States: 10-year government bonds; Japan: Central government bonds; Germany, United Kingdom: public sector bonds; France: public and semi-public sector bonds; Italy: Treasury bonds; Canada: long-term federal government bonds.

LABOUR FORCE DATA

This section outlines the sources and definitions of the data concerning the labour markets. Where different series are available, those chosen are the ones which the OECD Economics Department finds most useful for policy analysis and forecasting, usually because they are the most commonly cited, and are frequently published. The data are not always consistent with the national authorities' definitions and those published in the OECD's quarterly and annual publication *Labour Force Statistics* (LFS). Exceptions are noted below.

For most countries the source of these data is a labour force survey of a sample of households in which both components of the unemployment rate (UNR), unemployment levels (UN) and labour force (LF), are measured simultaneously. For the remaining countries, one of the components of the identity LF = UN + ET (employment) is derived from the other two, which are generally estimated from different sources. The term "total" is used with reference to labour force and employment to indicate that all armed forces (conscripts as well as professional military) are included. In some countries (indicated below), employment and labour force include professional military, but exclude conscripts. "Civilian" labour force and employment data exclude all military personnel. Unless

otherwise specified, annual data refer to the average of either monthly or quarterly data; semiannual data shown for the seven largest countries are averages of monthly or quarterly seasonally-adjusted figures.

United States

Unemployment, civilian employment and civilian labour force are from the monthly Current Population Survey of persons aged sixteen and over. The data are seasonally adjusted by the Bureau of Labor Statistics. All layoffs are included in unemployment.

Japan

Unemployment, employment and labour force (including national "self-defence" forces) are from the monthly labour force survey of persons aged fifteen and over. The data are seasonally adjusted by the OECD.

Germany

Data on employment and unemployment are based on national accounts statistics. The labour force (LF) is derived as the sum of total employment (dependent and self employed) and unemployment. Seasonal adjustment has been made by the Secretariat. Until 1991, data on employment and unemployment refer to western Germany only. From 1984 on, annual data are drawn from the EC Labour Force Survey, but also include conscripts among the employed. Semiannual data between any two benchmarks are interpolated on the basis of national series for registered unemployment and the labour force. The same procedure applies to the extrapolation of the series after the most recent benchmark and the data are therefore liable to revision when the subsequent survey becomes available. Employment series prior to 1984 are taken directly from the annual Mikrozensus. An estimate of standardised unemployment prior to 1984 is obtained by extrapolating backwards from the 1984 level of standardised unemployment using the growth rate of the unemployment series in the Mikrozensus. The definition of unemployment in the Mikrozensus is close to the ILO guidelines used in the EC survey.

France

INSEE provides OECD with monthly data on seasonally adjusted unemployment rates and total labour force levels corresponding to the ILO guidelines. The unemployment rate is based on the results of the annual labour force survey held in March, and converted to a quarterly basis using end-of-month registrations. Unemployment levels are calculated using the relationship UN = UNR*LF/100, and total employment (ET) is then obtained as a residual.

Italy

Employment, unemployment and labour force are from the quarterly labour force survey of persons aged fourteen and over, held in January, April, July and October of each year. The definition of unemployment was revised in 1986 to be more in line with ILO guidelines. Persons with a marginal attachment to the labour force are now excluded. The employment figures from the quarterly labour force survey differ from those in the National Accounts source, *Conti Economici Trimestrali,* ISTAT. The latter are used for derived variables such as labour productivity and labour costs. A standard labour unit has been defined which measures the average volume of work carried out by a full-time worker.

United Kingdom

Seasonally-adjusted unemployment, total employment and total labour force (working population) are from the Department of Employment publication, *Employment Gazette.* The unemployment figures refer to claimants at Unemployment Benefit Offices. They exclude students seeking vacation work and those persons temporarily stopped from work. The number of employees is estimated from the census of employment, surveys of employees and the annual labour force survey. Self-employment is derived from the annual labour force survey, the census of agriculture and the census of population; it excludes unpaid family workers. Total employment equals the sum of employees, participants in work-related government training programmes, self-employment and the armed forces. Quarterly data for all series refer to the last month of the quarter. The national unemployment rate refers to unemployed claimants aged eighteen and over as a percentage of the total labour force.

Canada

Unemployment, civilian employment and civilian labour force are from the monthly labour force survey of persons aged fifteen and over. Unemployment also includes persons who, while not actively looking for work in the preceding four weeks, were available for work, but were on layoff or had a new job to start in four weeks or less. The data are seasonally adjusted by the national authorities.

Australia

Unemployment, total employment and the total labour force are from the monthly household labour force survey of persons aged fifteen and over. Only persons laid-off for less than four weeks (because of bad weather or plant breakdown) are included with the employed; all other layoffs are considered as unemployed or out of the labour force. The national unemployment rate is calculated with reference to the civilian labour force.

Austria

Unemployment, total employment and total labour force are from the quarterly labour force survey (microcensus) of persons aged fifteen and over carried out in March, June, September and December of each year. The figures have been adjusted by the OECD for breaks in the employment series at 1969/70, 1981/82 and 1983/84. The national unemployment rate refers to registered unemployment as a percentage of civilian employees from social insurance statistics plus the armed forces and the registered unemployed.

Belgium

Unemployment refers to end of June registrations, which comprise those unemployed persons entitled to benefits, other unemployed obliged to register and voluntarily registered persons. The mid-year estimate of the total labour force is based on the insured employed, border workers, the self-employed, all armed forces and the unemployed. The national authorities publish two unemployment rates which differ from the above because they relate only to the wholly unemployed registered with the Office National pour l'Emploi (ONEM), and they are

expressed as a percentage of *i)* the insured labour force and *ii)* the total labour force.

Denmark

Unemployment refers to the registered unemployed aged 16 to 66 years and includes the partially unemployed converted to full-time equivalents; this is measured by dividing each person's hours of unemployment during the reference period by the number of hours for which that person is insured during the same period. Unemployment and total employment figures, corresponding to national accounts concepts, are compiled from the Danish Central Register of Labour Market Statistics (CRAM). The CRAM data are provided by the unemployment insurance funds, the public employment offices and the Central Population Register. Total labour force is then derived from the identity LF = ET + UN. The national rate refers to all registered unemployed expressed as a percentage of the CRAM estimate of total labour force. The *Economic Outlook* statistics differ from those published in LFS, which are based on the spring labour force survey.

Finland

Unemployment, civilian employment and civilian labour force are from the monthly labour force survey of persons aged 15 to 74. The labour force concept underlying the national unemployment rate includes the professional military but excludes conscripts. Unemployment figures now exclude persons over the age of 56 receiving a preretirement unemployment pension and not actively seeking work. Previously all persons receiving the pension were classified as unemployed. Data published in *Economic Outlook* take account of this revision, which reduced the 1986 unemployment rate by about 1½ percentage points.

Greece

Unemployment, total employment and total labour force are compiled from the annual labour force survey. The figures are completed or revised in line with the latest census results. All data refer to the second quarter of each year.

Iceland

The unemployed are registrations. Civilian employment, expressed in man-years, is compiled from accident insurance statistics. The labour force is derived from the identity LF = ET + UN.

Ireland

Unemployment, total employment and total labour force figures are derived from the annual labour force survey and relate to mid-April of each year. The national unemployment rate refers to the registered unemployed, persons on the "Live Register", as a percentage of the mid-April total labour force.

Luxembourg

Civilian employment includes non-resident persons working in Luxembourg and excludes nationals working over the border. The figures are derived from sickness insurance funds, pension funds and enterprise surveys. Unemployment refers to those registered at the employment agencies and resident in Luxembourg. The labour force is derived from the identity LF = ET + UN.

Netherlands

Unemployment refers to the monthly registered unemployed, excluding part-time unemployed (defined as persons seeking work for less than 20 hours per week), and the unemployed temporarily engaged in state-run unemployment relief programmes. There are breaks in the series at 1983, 1984 and 1989. Up until the end of 1988 the official series was derived solely from registration data provided by the labour offices. Under this procedure, there were 682 000 unemployed in 1988. However, surveys undertaken since late 1986 suggest these data overestimate the unemployment total: persons actually meeting the official definition of unemployment were estimated to number 435 000 in 1988. Since the beginning of 1989 the official series is based on a combination of registration data provided by the labour offices and the regular monthly survey undertaken by the Central Bureau of Statistics. Estimates for 1987 and 1988, in line with the new measurement methods, have been made by the OECD. Total employment, expressed in man-years, is taken from the National Accounts source; an adjustment is made for those who are in part-time or part-year employment to put them on a full-year equivalent basis. The total labour force is then derived from the identity LF = ET + UN. The national unemployment rate refers to registered unemployed seeking work for more than 20 hours per week expressed as a percentage of the dependent labour force including the armed forces. The labour force figures published in LFS are based on the annual labour force survey.

New Zealand

Unemployment, civilian employment and civilian labour force are from the quarterly survey of households which began in late 1985. The level of employment in the household survey is around 15 per cent higher than that estimated by the previous source: the non-agricultural establishment survey, supplemented by Department of Labour estimates of agricultural and other non-establishment workers. The new series for total employment and unemployment are chain-linked with the previous series at 1985. At the time of the introduction of the new household survey, the survey-based number of unemployed people was close to the number of people registered as unemployed.

Norway

Unemployment, employment and labour force are from the quarterly labour force survey of persons aged 16 to 74. The figures include the professional military, but exclude conscripts. The national authorities publish two unemployment rates; one is identical to the rate published in *Economic Outlook* and the second refers to registered unemployed as a percentage of total labour force including conscripts.

Portugal

Unemployment, civilian employment and civilian labour force are derived from the quarterly labour force survey of persons aged twelve and over. There are breaks in the series in 1973/74, 1982/83 and 1991/92. The data shown refer to continental Portugal; the professional army is included, conscripts are excluded. Figures reported in the *Economic Outlook* adopt the narrow definition of unemployment which applies a one-

month reference period for job search. The national authorities also publish unemployment rates according to a wider definition which includes those persons who are not actively seeking work during the reference period.

Spain

Unemployment, employment and labour force are from the quarterly labour force survey of persons aged sixteen and over, held in March, June, September, and December. The provinces of Ceuta and Melilla and permanent inmates at institutions, notably religious establishments, are excluded from the survey. Professional military are included whereas conscripts are excluded. Conscripts are added to total employment and labour force figures published in LFS and all data are adjusted to include Ceuta and Melilla and permanent inmates at institutions. New definitions were introduced into the Labour Force Survey during the first quarter of 1987; employment and labour force data in the second quarter of 1987 are, respectively, 0.5 and 0.3 percentage points higher than under the previous definitions. For homogeneity, employment and labour force series before 1987 have been adjusted using the Ministry of Finance procedure.

Sweden

Unemployment is from the monthly labour force survey of persons aged 16 to 64 (aged 16 to 74 prior to January 1986). Adjustments have not been made for this break in the series; in 1985 persons aged 65 to 74 were 0.5 per cent of all unemployed. Since January 1987 there has also been a significant revision to the definitions used in the labour force survey to bring them in line with the ILO guidelines. This has resulted in a reduction of the unemployment rate of around half a percentage point. Data for earlier years published in *Economic Outlook* have been revised accordingly. Employment is from the labour force survey. The labour force is derived from the identity LF = ET + UN. Both the numerator and the denominator of the national unemployment rate and the Swedish labour force data published in LFS are based on the results of the labour force survey.

Switzerland

Unemployment refers to the monthly registered unemployed, including the partially unemployed. Civilian employment figures, including permanent military personnel, are established using the census of enterprises, the census of population and the quarterly employment survey of enterprises. The labour force is derived from the identity LF = ET + UN. All data refer to the average of the seasonally-adjusted figures for March, June, September and December. The unemployment rate published by the national authorities refers to the registered unemployed, including the partially unemployed, as a per cent of the civilian labour force based on the 1980 census of population. Unemployment levels published in LFS refer to the average of twelve months.

Turkey

In 1989, the State Planning Organisation revised the labour market statistics from 1978 onwards. The new series on civilian employment, civilian labour force and unemployment are based on the provisional results of the 1988 Household Labour Force Survey and sectoral value-added and productivity statistics. As before, unemployment is derived as a residual, but in the new series estimates for disguised unemployment in agriculture are excluded both from the labour force and employment figures.

COST AND PRICE DATA

Average compensation (Tables 3 and 64)

Average compensation is calculated as wage and non-wage labour costs, as estimated in the national accounts, per employed person.

Capital income shares and rates of return on capital (Table 4)

The estimates of capital income are derived from *OECD National Accounts* statistics. They refer to income generated from production, and hence exclude inflation gains and losses accruing to enterprises from holdings of tangible and financial assets and liabilities. The difference between value-added calculated at factor cost (i.e. excluding net indirect taxes) and labour income – the gross operating surplus of enterprises – is taken as the measure of income from capital. A labour income component equal to average business-sector compensation has been imputed to self-employed persons after excluding from the latter unpaid family workers.

Given the lack of data on labour income of the self-employed, it is difficult to establish with precision the appropriateness of the above imputation. For those countries where data on numbers of unpaid family workers are not available either for the whole or part of the period covered (see notes to the tables), the bias due to this omission is unlikely to be significant.

An adjustment to exclude the operating surplus of the housing sector has not been made owing to the paucity of data; however, estimates based on available data suggest that excluding this item might typically reduce capital income shares by around 6 percentage points, and the estimated rates of return on capital by around 3 percentage points.

The capital stock estimates which are used to compute the rates of return cover only assets included in non-residential gross fixed capital formation and hence exclude dwellings, inventories, monetary working capital, land and natural resources. The historical capital stock data are obtained from the ADB system and, where possible, are based on national sources. For the projection period they have been extrapolated using the perpetual inventory method, which involves accumulating past investment and dropping out assets at the end of their service lives.

Evaluation of the capital stock is based on replacement cost. It should be noted that cross-country differences exist in respect to the assumed service lives of the different capital assets (structures and plant/equipment) and the deflation methods applied[6].

USE OF NATIONAL STATISTICS

National accounts

The figures shown in the country tables on Demand and Output follow, in general, the *OECD Standardised System*[7] definitions, which need not be summarised here. One important deviation from the *Standardised System* is the line "public investment" which includes, whenever possible, fixed capital

formation by both general government and government-owned and controlled enterprises. The latter's definition and coverage may vary as between countries.

a) *United States*

Official quarterly national accounts, published by the Bureau of Economic Analysis of the U.S. Department of Commerce, are available through the third quarter of 1992. The Appropriation Account for households is on OECD definitions and differs slightly from official U.S. figures. Briefly, OECD disposable income equals U.S. disposable income minus consumer interest payments and net foreign transfers. OECD estimates of the savings ratio may thus differ by one- or two-tenths of a percentage point from estimates based on the official U.S. definition. Government fixed investment expenditures (including those of government enterprises) are included in "government expenditure" and no allowance is made for depreciation of government fixed capital. The investment figures, therefore, refer to the private sector only.

b) *Japan*

Annual and quarterly national accounts are published by the Economic Planning Agency. Figures for the second quarter of 1991 through to the second quarter of 1992 are preliminary estimates published by the Economic Planning Agency.

c) *Germany*

The historical figures for western Germany are based on official data published by the Statistisches Bundesamt. Historical seasonally adjusted quarterly components of demand and GNP, available through the first half of 1992, are estimated by the Deutsche Bundesbank. National account data for eastern Germany are available for the second half of 1990 and 1991 only.

d) *France*

Quarterly accounts based on the *Enlarged System of National Accounts* (ESNA) are available through the second quarter of 1992. Industrial production figures refer to the official quarterly index of industrial production and not to the value added in the industrial sector.

e) *Italy*

The definitions used are those of the OECD System of National Accounts. Half-yearly series, in constant prices, through the first half of 1992, are based on quarterly national accounts published by the *Istituto Centrale di Statistica* (ISTAT).

f) *United Kingdom*

National accounts data through the second quarter of 1992 are taken from *Economic Trends,* CSO. The three official estimates of GDP, output, expenditure and income are averaged to yield a "compromise" GDP estimate.

g) *Canada*

Official quarterly national accounts through the second quarter of 1992 are published by Statistics Canada. Over the projection period, the residual error is assumed to remain constant from the first half of 1992.

Current statistics

Unless otherwise stated, all the national statistics quoted in the *Economic Outlook* are taken from the *Main Economic Indicators* published monthly by the OECD (MEI). Starting in September 1967, supplements to MEI have been published describing in detail the sources and methods of these statistics. The following notes are therefore confined to some methodological points of special importance for the understanding of the text.

Index of industrial production

The figures shown include, as far as possible, mining, manufacturing and public utilities (electricity, gas and water), but exclude construction. The exact coverage, the weighting system and the methods of calculation vary from country to country but the divergences are less important than in the case of the price and the wage indices[8]. With the exception of certain smaller countries, the indices are seasonally adjusted by national statistical offices using different methods usually derived from the U.S. Bureau of the Census Method II.

Seasonal adjustment

Some of the series used have been seasonally adjusted, notably in the area of foreign trade but also in some cases for industrial production, unemployment and consumer prices. The method used is the X-11 variant of the U.S. Bureau of the Census Method as programmed for computer use by the Agency. (Further details may be found in Technical Paper No. 15 of the Bureau of the Census). Where appropriate, series are also corrected for calendar variations.

CALCULATION AND DEFINITION OF SEMIANNUAL GROWTH RATES

Although quarterly and higher frequency data are commonly shown in the *Economic Outlook* for some countries and variables, most of the data reported are either annual or semiannual and are presented in terms of percentage growth rates. The calculation and presentation of growth rate information, particularly that relating to semiannual series, is sometimes a source of confusion and the following paragraphs therefore provide specific clarification on the measurement principles involved.

Annual growth rates are commonly defined as the percentage change in a variable between two consecutive years. Similarly, semiannual growth rates can be calculated as the percentage changes between two consecutive half-years. It is often convenient, however, to convert such measures of semiannual growth into a form which is more readily comparable with annual growth figures, i.e. to express them at *annual rates.* Mathematically, this is done by squaring the semiannual growth factor (which is obtained by dividing the current value of a variable by its value in the preceding half year) and subtracting unity. In effect, the semiannual growth rate is *compounded* over two half-years to provide an indication of the annual rate of growth which would result from the continuation of the semiannual rate of growth over a one year period.

In terms of simple algebra, if a variable has a value of X_t in one half-year and X_{t+1} in the next, the formula for the semiannual rate of growth for period t+1, expressed at an *annual rate,* is given by: $g(t+1) = [(X_{t+1}/X_t)^2 - 1.0]*100$. For example, recent statistics for the Industrial Production index in the United Kingdom are as follows:

	1988		1989		1990	
	I	II	I	II	I	II
Industrial production (1985 = 100 basis)	111.7	116.4	118.8	119.0	119.9	116.7

Given the above formula, the growth between the first and second halves of 1989 expressed at an *annual rate,* is computed as $[(119.0/118.8)^2 - 1.0]*100$, or 0.3 per cent. Corresponding rates of growth for each of the years and half-years in question are, on a similar basis, as follows:

	1989	1990	1988		1989		1990	
			I	II	I	II	I	II
Industrial production (growth rates)	4.3	–0.5	5.2	8.6	4.2	0.3	1.5	–5.3

Such a numerical example helps illustrate the usefulness of semiannual growth rates in highlighting movements in an economic variable during the course of a year. It also demonstrates that annual growth rates for a specific year do not usually correspond to the average of the semiannual growth rates *during* that year. In the above example, the annual rate of growth for 1989, at 4.3 per cent, is higher than the average of the two semiannual rates of growth experienced during 1989, at 2.2 per cent. This is because year-on-year rates of growth are influenced by the levels of a variable achieved in both halves of the preceding year, whereas the average of the corresponding two semiannual rates are influenced only by the level achieved in the second half of the preceding year. This feature is known as a "carry over" effect.

There is however a useful rule of thumb which can be used to approximately convert semiannual rates of growth to corresponding year-on-year growth rates. Known as the "quarter-half-quarter" rule, this approximates the year-on-year growth rate by weighting together the semiannual growth rates for the second semester of the preceding year and those of the first and second semesters of the year in question, with weights of one quarter, one half and one quarter respectively. Applying this rule to the above example gives annual rates of growth for 1989 and 1990 of 4.3 per cent (i.e. 8.6/4 + 4.2/2 + 0.3/4) and –0.5 per cent (i.e. 0.3/4 + 1.5/2 - 5.3/4), respectively, coinciding with the actual measured rates. In using this rule, it is important to bear in mind that some degree of approximation is involved, particularly where large variations in semiannual growth rates are concerned.

Other measures of growth rates are, of course, used in commenting and presenting economic statistics. Quarter-on-quarter growth rates are often referred to, which may in turn be expressed at annual rates, by raising the quarterly growth factor to the power four, subtracting unity and multiplying by 100. Analogous measures also exist for monthly rates of growth or inflation, expressed also at annual rates. In some countries, notably the United States, public interest may also focus on growth rates between the final quarters of successive years, commonly referred to as the growth rate *in* the year in question. In others, growth rates measured in relation to the corresponding month, quarter or semester of the previous year are also commonly used.

NOTES

1. Recent descriptions of the scope, structure and properties of OECD's INTERLINK model and the underlying empirical studies are given by Richardson (1988), OECD (1988), and associated *Economics Department Working Papers.*
2. The data base and projections underlying the *Economic Outlook* are readily available on PC diskette and magnetic tape media in a fully consistent form. For further details see the corresponding OECD data sales publicity notice appended to the inside front cover of this publication.
3. The development and form of the INTERLINK supply blocks for the seven major economies are described by Helliwell *et al.* (1986) and, more recently, Jarrett and Torres (1987). The overall approach has recently been extended to all but a few smaller OECD countries, as reported in Torres *et al.* (1989).
4. Recent OECD evidence on the determinants of housing investment in the seven major OECD economies is reported in Egebo and Lienert (1988).
5. The empirical work underlying the model's most recent private sector wage equations (WR) is summarised by Chan-Lee *et al.* (1987), building on the earlier work of Coe (1985).
6. A full description of the sources and methods for the capital stock data is contained in Keese *et al.* (1991).
7. United Nations, *A System of National Accounts,* New York, 1968.
8. A quarterly supplement to *Main Economic Indicators* provides an internationally comparable selection of industrial output indices for branches and a number of categories.

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COUNTRY CLASSIFICATION

	OECD
Seven major OECD countries	The United States, Japan, Germany, France, Italy, the United Kingdom and Canada
Other OECD	All other OECD
	NON-OECD
OPEC	Algeria, Bahrain, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, the Libyan Arab Jamahiriya, Nigeria, Oman, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela
Asian newly industrialising economies (NIEs)	Hong Kong, Korea, Singapore, Taiwan
Non-OPEC developing countries (NODCs)	
Other Asia	Non-OECD Asia and the Middle East, excluding OPEC countries and the Asian newly industrialising economies
Other Africa	Africa, excluding OPEC countries
Other Latin America	Central and southern America, excluding OPEC countries
Central and Eastern European countries	Albania, Bulgaria, Czech and Slovak Federal Republic, Hungary, Poland, Romania, Commonwealth of Independent States, and Baltic States

Detail on the trade, debt, and other main economic characteristics of each of the groups above is given in "Revised Groupings for non-OECD Countries in OECD's Macroeconomic Model INTERLINK", *OECD Department of Economics and Statistics Working Papers,* No. 64, Paul O'Brien, Laure Meuro and Arthur Camilleri.

REFERENCE STATISTICS

This annex contains data on national accounts, prices, employment, unemployment, balance of payments, and exchange rates covering, where possible, the last twenty years. They are intended to provide a historical background to the recent economic developments in the OECD area described in the main body of this report. The data in some of the tables have been adjusted to internationally agreed concepts and definitions in order to make them more comparable as between countries, as well as consistent with historical data shown in other OECD publications. The figures are therefore not always identical with the corresponding national-definitions data given in the main body of the text, which Member governments, and hence OECD, use for forecasting purposes. Regional totals and sub-totals in each table are based on those countries in the table for which data are available. The definition of Germany in the Reference Statistics is given in the box on page iii. The attention of readers is drawn to the following points.

Tables R 1 to R 16

Tables R 1 to R 14 are based on the same national definitions and concepts as shown in the text tables. Annual national accounts data for France are constructed from quarterly data supplied by INSEE (base 1980 = 100) as from the first quarter of 1970, and are OECD estimates based on quarterly INSEE data with an earlier base year before that date. The definition of GDP used in Tables R 15 and R 16 conforms to the UN/OECD *System of National Accounts* as published in the *OECD's National Accounts* (Volumes I and II). It should be noted that these GDP data become available some time after those underlying Tables R 1 to R 11, and R 14, and may not incorporate recent revisions.

Table R 18

The standardised unemployment rates in this table are based on data which have been adjusted to make them conform as closely as possible with the internationally-agreed guidelines drawn up by the International Labour Organisation. They may differ from unemployment rates as published by individual countries, or as used in the text, because adjustments have been made to the numbers of unemployed, the size of the labour force, or both. Differences may also occur if a national figure refers to a single point in time within a year, whereas the standardised rates are annual averages.

Table R 20

The balance-of-payments data in this table are derived from OECD countries' submissions and publications which are based on the concepts and definitions of the IMF *Balance of Payments Manual.* They are published, at irregular intervals, in the OECD publication *Balances of Payments of OECD Countries.*

Readers are referred to the footnotes to the individual tables for a detailed description of the concepts, definitions, coverage and sources of the various series.

Table R 1. **Growth of real GDP in the OECD area**[a]

Percentage changes from previous period

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	4.8	5.2	–0.6	–0.8	4.9	4.5	4.8	2.5	–0.5	1.8	–2.2	3.9	6.2	3.2	2.9	3.1	3.9	2.5	0.8	–1.2
Japan	8.2	7.6	–0.6	2.9	4.2	4.7	4.9	5.5	3.6	3.6	3.2	2.7	4.3	5.0	2.6	4.1	6.2	4.7	5.2	4.4
Germany	4.3	4.9	0.4	–1.4	4.9	3.0	3.1	4.2	1.1	0.2	–1.1	1.5	2.8	2.1	2.2	1.3	3.6	3.3	4.8	3.7
France	4.4	5.4	3.1	–0.3	4.2	3.2	3.4	3.2	1.6	1.2	2.5	0.7	1.3	1.9	2.5	2.3	4.5	4.1	2.2	1.2
Italy	2.7	7.1	5.4	–2.7	6.6	3.4	3.7	6.0	4.2	0.6	0.2	1.0	2.7	2.6	2.9	3.1	4.1	2.9	2.2	1.4
United Kingdom	3.5	7.1	–1.5	–0.7	2.7	2.3	3.6	2.8	–1.9	–1.0	1.5	3.5	2.3	3.8	4.1	4.8	4.4	2.1	0.5	–2.2
Canada	5.7	7.7	4.4	2.6	6.2	3.6	4.6	3.9	1.8	3.4	–3.2	3.2	6.3	4.7	3.3	4.2	5.0	2.3	–0.5	–1.7
Total of above countries	5.3	6.1	0.3	0.0	4.7	4.0	4.4	3.7	1.1	1.8	–0.1	2.9	4.5	3.4	2.8	3.2	4.5	3.2	2.4	0.9
Austria	6.2	4.9	3.9	–0.4	4.6	4.5	0.1	4.7	2.9	–0.3	1.1	2.0	1.4	2.5	1.2	1.7	4.1	3.8	4.4	3.1
Belgium	5.4	6.0	4.2	–1.4	5.7	0.6	2.9	2.2	4.1	–0.9	1.5	0.5	2.1	0.8	1.6	2.1	5.0	3.9	3.3	2.1
Denmark	5.3	3.6	–0.9	–0.7	6.5	1.6	1.5	3.5	–0.4	–0.9	3.0	2.5	4.4	4.3	3.6	0.3	1.2	0.8	1.7	1.2
Finland	7.6	6.6	3.1	1.1	0.3	0.1	2.2	7.3	5.3	1.6	3.6	3.0	3.1	3.3	2.8	3.3	5.4	5.4	0.3	–6.5
Greece	8.9	7.3	–3.6	6.1	6.4	3.4	6.7	3.7	1.8	0.1	0.4	0.4	2.8	3.1	1.6	–0.7	4.1	3.5	–0.1	1.8
Iceland	5.8	5.8	6.3	0.9	6.1	8.9	7.0	5.5	6.3	4.4	1.7	–2.3	4.2	3.9	6.5	9.2	–0.3	0.0	0.4	1.5
Ireland	7.3	4.9	4.1	2.3	1.4	8.2	7.2	3.1	3.1	3.3	2.3	–0.2	4.4	3.1	–0.4	5.0	4.9	6.5	8.3	2.5
Luxembourg	6.6	8.3	4.2	–6.6	2.5	1.6	4.1	2.3	0.8	–0.6	1.1	3.0	6.2	2.9	4.8	2.7	5.6	6.3	2.3	3.1
Netherlands	3.3	4.7	4.0	–0.1	4.8	2.6	2.4	2.3	0.9	–0.7	–1.4	1.4	3.2	2.6	2.0	0.8	2.7	4.0	3.9	2.1
Norway	5.2	4.1	5.2	4.2	6.8	3.6	4.5	5.1	4.2	0.9	0.3	4.6	5.7	5.3	4.2	2.0	–0.5	0.6	1.8	1.9
Portugal	8.0	11.2	1.1	–4.3	6.9	5.6	2.8	5.6	4.6	1.6	2.1	–0.2	–1.9	2.8	4.1	5.3	3.9	5.2	4.4	2.1
Spain	8.1	7.7	5.4	0.6	3.4	2.9	1.4	0.0	1.3	–0.3	1.2	1.7	1.7	2.5	3.8	5.6	5.2	4.8	3.6	2.4
Sweden	2.3	4.0	3.2	2.6	1.1	–1.6	1.8	3.8	1.7	0.0	1.1	1.8	4.0	2.2	2.2	2.8	2.3	2.3	0.4	–1.4
Switzerland	3.5	3.2	1.2	–6.7	–0.8	2.4	0.6	2.4	4.4	1.4	–0.9	1.0	1.8	3.7	2.9	2.0	2.9	3.9	2.3	–0.1
Turkey[b]	6.6	5.4	7.4	8.0	7.9	3.9	2.9	–0.4	–1.1	4.1	4.5	3.3	5.9	5.1	8.1	7.5	3.6	1.9	9.2	0.3
Total smaller European countries	5.5	5.4	3.4	0.2	3.7	2.3	2.1	2.8	2.3	0.3	1.0	1.7	2.8	2.9	2.9	2.9	3.5	3.6	3.0	1.0
Australia	3.4	5.6	1.9	1.8	4.0	0.9	3.5	3.6	2.4	3.7	–0.2	0.7	7.4	4.9	1.8	4.2	3.8	4.2	1.5	–1.2
New Zealand	1.6	9.0	11.3	–5.1	3.3	–1.3	–6.4	1.5	0.4	4.7	3.4	1.0	8.6	1.2	0.6	–2.2	3.0	–0.7	0.5	–1.8
Total smaller countries	5.2	5.5	3.4	0.2	3.7	2.0	2.1	2.8	2.3	0.7	0.9	1.6	3.4	3.1	2.7	2.9	3.5	3.6	2.8	0.7
Total OECD	5.3	6.0	0.8	0.0	4.6	3.8	4.0	3.6	1.2	1.6	0.0	2.7	4.4	3.4	2.8	3.2	4.4	3.3	2.4	0.8
Four major European countries	3.8	6.0	1.8	–1.2	4.7	3.0	3.4	4.1	1.3	0.3	0.7	1.6	2.3	2.5	2.8	2.7	4.1	3.2	2.7	1.4
OECD Europe	4.4	5.8	2.3	–0.8	4.4	2.8	3.0	3.6	1.6	0.3	0.8	1.6	2.5	2.6	2.9	2.7	3.9	3.3	2.8	1.3
EC	4.3	6.0	2.1	–1.0	4.7	2.9	3.2	3.6	1.4	0.2	0.7	1.5	2.3	2.5	2.8	2.7	4.1	3.4	2.9	1.5
Total OECD *less* the United States	5.5	6.5	1.6	0.5	4.4	3.3	3.6	4.2	2.2	1.5	1.3	2.0	3.3	3.5	2.8	3.2	4.6	3.7	3.3	2.0

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) GNP.

Table R 2. **Growth of nominal GDP in the OECD area**[a]

Percentage changes from previous period

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	10.0	11.8	8.1	8.7	11.5	11.6	13.1	11.5	8.8	11.9	3.9	8.1	10.9	6.9	5.7	6.4	7.9	7.1	5.2	2.8
Japan	14.5	21.8	19.3	10.5	12.3	11.4	10.1	8.4	8.4	7.4	4.9	4.1	6.7	6.6	4.4	4.1	6.6	6.7	7.5	6.4
Germany	9.9	11.5	7.4	4.3	8.7	6.9	7.4	8.2	6.0	4.3	3.4	5.1	4.9	4.4	5.6	3.3	5.2	6.0	8.4	8.4
France	11.7	14.4	15.3	12.7	15.9	12.8	13.8	13.7	13.2	12.7	14.6	10.5	8.9	7.8	7.9	5.3	7.5	7.4	5.4	4.0
Italy	9.3	21.2	26.3	13.5	26.1	22.6	18.3	22.2	25.1	19.7	17.5	16.2	14.6	11.7	11.0	9.3	11.0	9.3	9.9	8.8
United Kingdom	12.0	14.9	12.9	26.2	18.4	16.6	15.4	17.6	17.0	10.1	9.3	9.0	7.1	9.7	7.7	10.0	11.3	9.3	6.8	4.3
Canada	11.7	17.3	19.4	12.8	15.4	10.1	10.9	14.3	12.6	14.6	5.2	8.4	9.6	7.5	5.8	9.1	9.8	7.3	2.8	1.0
Total of above countries	11.3	15.2	13.1	10.6	13.4	12.2	12.3	11.9	10.6	10.7	6.3	7.8	9.2	7.2	6.1	6.0	7.8	7.3	6.4	4.7
Austria	14.3	13.3	13.8	6.1	10.5	9.9	5.8	9.0	8.3	6.2	7.3	6.0	6.3	5.6	5.5	4.1	5.8	6.7	7.3	6.9
Belgium	11.8	13.6	17.3	10.6	13.8	8.1	7.4	6.8	8.0	3.9	8.7	6.0	7.6	7.0	5.5	4.4	6.7	8.6	6.0	4.7
Denmark	15.0	14.7	12.0	11.7	16.2	11.2	11.5	11.4	7.8	9.1	13.9	10.4	10.3	8.8	8.4	5.0	4.6	5.2	3.9	4.1
Finland	16.7	21.7	26.2	15.7	12.9	10.3	10.5	16.4	15.3	13.5	12.5	11.8	12.3	8.6	7.5	8.7	12.7	12.5	5.9	–4.3
Greece	14.4	28.2	16.5	19.1	22.7	16.8	20.5	23.0	19.7	19.8	25.6	19.6	23.6	21.3	19.5	13.5	20.2	16.6	20.4	21.7
Iceland	25.1	39.2	45.9	43.2	41.1	44.6	56.3	48.5	61.9	56.2	56.8	72.7	32.9	36.1	32.5	30.7	22.9	20.5	14.7	9.3
Ireland	21.5	21.0	10.7	25.5	22.7	22.6	18.5	17.2	18.2	21.3	17.9	10.4	11.0	8.5	6.1	7.4	7.9	11.5	6.6	3.8
Luxembourg	12.8	21.5	21.9	–7.4	15.1	2.8	9.4	8.8	8.8	6.6	12.1	10.0	10.9	6.0	8.8	2.0	9.0	12.4	4.5	4.7
Netherlands	13.0	14.1	13.5	10.1	14.5	9.1	8.0	6.4	6.6	4.8	4.6	3.3	5.1	4.5	2.5	0.4	4.6	5.7	7.0	5.3
Norway	10.4	13.7	16.0	14.6	14.8	12.2	11.2	12.0	19.4	15.0	10.5	11.0	12.5	10.6	2.7	9.3	3.9	6.5	6.5	3.8
Portugal	16.4	21.7	20.2	11.2	24.3	33.5	25.8	26.2	26.4	19.5	23.3	24.5	22.2	25.2	25.4	17.1	16.0	18.8	19.3	16.0
Spain	17.4	20.6	22.6	17.4	20.3	26.8	22.3	17.0	15.7	11.7	15.2	13.6	12.8	11.2	14.7	11.8	11.1	12.1	11.2	9.4
Sweden	9.4	11.3	13.0	17.4	13.1	8.8	11.5	12.1	14.2	9.6	9.5	12.0	11.9	9.0	9.2	7.8	8.9	10.5	9.8	6.2
Switzerland	13.3	11.4	8.5	–0.7	1.3	2.7	4.0	4.5	7.4	8.5	6.1	4.0	4.6	6.9	6.8	4.7	5.4	8.2	8.1	6.0
Turkey[b]	24.0	28.3	37.7	25.5	26.0	29.3	47.8	70.4	101.6	47.7	33.3	32.2	59.0	51.3	41.7	48.7	71.9	69.0	68.9	56.5
Total smaller European countries	14.5	16.5	17.1	12.7	14.9	14.0	13.8	14.4	16.3	11.4	11.9	10.6	12.1	10.8	10.0	8.7	10.9	12.0	11.1	8.6
Australia	11.4	19.0	18.8	19.4	18.2	10.1	11.3	13.7	13.9	13.6	10.9	8.9	14.3	11.4	9.2	12.1	13.1	12.3	5.8	0.5
New Zealand	13.4	20.4	10.6	7.7	23.5	15.5	7.9	17.5	16.2	22.1	14.8	8.8	14.0	15.1	19.9	12.8	9.9	7.5	4.4	–0.9
Total smaller countries	14.1	16.9	17.2	13.3	15.4	13.6	13.4	14.4	16.0	11.9	11.9	10.4	12.4	11.0	10.1	9.2	11.1	12.0	10.4	7.5
Total OECD	11.7	15.5	13.7	11.0	13.7	12.4	12.5	12.3	11.4	10.9	7.1	8.2	9.6	7.7	6.7	6.5	8.3	7.9	7.0	5.1
Four major European countries	10.7	15.0	14.7	12.9	16.3	13.8	13.0	14.6	14.3	11.0	10.5	9.7	8.5	7.9	7.8	6.5	8.3	7.8	7.7	6.6
OECD Europe	11.8	15.5	15.4	12.8	15.9	13.9	13.3	14.5	14.9	11.1	11.0	10.0	9.6	8.8	8.5	7.2	9.1	9.1	8.7	7.2
EC	11.5	15.6	15.2	13.0	16.6	14.4	13.4	14.2	13.8	10.7	10.9	9.8	9.0	8.2	8.2	6.6	8.3	8.1	8.0	6.8
Total OECD *less* the United States	12.6	17.6	16.9	12.3	14.9	12.9	12.2	12.7	12.9	10.3	8.9	8.2	8.9	8.2	7.2	6.5	8.5	8.4	8.0	6.4

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) GNP.

Table R 3. **Growth of real private consumption expenditure in the OECD area**[a]

Percentage changes from previous period

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	5.6	4.5	–0.6	2.1	5.2	4.0	4.1	2.4	–0.1	1.2	1.1	4.6	4.8	4.4	3.6	2.8	3.6	1.9	1.2	–0.6
Japan	9.1	9.1	–0.1	4.5	3.1	4.1	5.4	6.5	1.1	1.6	4.4	3.4	2.7	3.4	3.4	4.2	5.2	4.3	4.2	2.7
Germany	4.6	3.0	0.5	3.1	3.9	4.5	3.6	3.3	1.1	–0.5	–1.7	1.4	1.6	1.5	3.4	3.3	2.5	3.0	5.3	3.6
France	4.9	5.3	1.2	2.9	4.9	2.7	3.7	3.0	1.2	2.1	3.5	0.9	1.1	2.4	3.9	2.9	3.3	3.3	2.9	1.5
Italy	3.7	6.9	3.7	0.3	5.2	4.1	3.4	7.3	5.6	1.5	1.2	0.7	2.0	3.0	3.7	4.2	4.2	3.5	2.8	2.8
United Kingdom	6.3	5.3	–1.5	–0.4	0.4	–0.4	5.6	4.3	0.1	0.1	1.0	4.5	1.9	3.8	6.4	5.5	7.4	3.3	0.7	–2.1
Canada	7.5	7.5	5.8	4.7	6.5	3.2	3.4	2.9	2.2	2.3	–2.6	3.4	4.6	5.2	4.4	4.4	4.5	3.2	0.9	–1.7
Total of above countries	6.2	5.8	0.3	2.6	4.3	3.7	4.4	3.9	0.9	1.2	1.6	3.4	3.3	3.6	3.8	3.5	4.1	2.9	2.5	0.8
Austria	6.1	5.4	3.0	3.2	4.5	5.4	–1.5	4.4	1.5	0.3	1.2	5.0	–0.1	2.4	1.8	3.1	3.6	3.1	3.7	2.8
Belgium	6.2	7.8	2.7	0.6	5.0	2.4	2.5	4.8	1.8	–0.9	1.4	–1.5	1.2	1.9	2.6	3.1	2.9	3.8	2.8	2.7
Denmark	1.7	4.8	–2.9	3.7	7.9	1.1	0.7	1.4	–3.7	–2.3	1.4	2.6	3.4	5.0	5.7	–1.5	–1.0	–0.4	0.4	2.3
Finland	8.4	5.9	1.8	3.1	0.9	–1.2	2.5	5.5	2.0	1.2	4.7	2.6	2.7	3.2	4.1	5.7	5.0	4.2	0.2	–3.8
Greece	7.0	7.6	0.7	5.5	5.3	4.6	5.7	2.6	0.2	2.0	3.9	0.3	1.7	3.9	0.7	1.0	3.5	4.3	2.0	1.2
Iceland	7.3	5.3	10.3	–9.6	5.4	12.9	9.0	2.8	4.4	6.4	5.1	–5.8	3.8	4.4	7.2	16.6	–4.3	–4.2	–0.6	5.6
Ireland	5.3	7.5	1.4	–2.8	2.8	6.8	9.0	4.4	0.4	1.7	–7.1	0.9	2.0	4.6	2.0	3.4	4.6	3.8	3.0	0.3
Luxembourg	4.8	5.8	4.5	5.3	3.1	2.3	2.9	3.5	2.8	1.7	0.4	0.5	1.4	2.7	3.0	4.8	4.6	3.4	3.4	4.3
Netherlands	3.5	4.0	3.7	3.3	5.3	4.7	4.3	2.9	–0.1	–2.5	–1.2	0.8	0.8	2.4	3.1	3.2	0.9	2.9	3.9	3.3
Norway	3.0	2.9	3.9	5.1	6.1	6.9	–1.6	3.2	2.3	1.1	1.8	1.5	2.7	9.9	5.6	–1.0	–2.8	–2.8	2.9	–0.1
Portugal	4.0	12.0	9.7	–0.9	3.5	0.6	–2.0	0.0	3.7	2.9	2.4	–1.4	–2.9	0.7	5.6	5.4	6.6	3.3	5.3	5.2
Spain	8.3	7.8	5.1	1.8	5.6	1.5	0.9	1.3	0.6	–0.6	0.2	0.3	–0.4	2.4	4.1	5.8	4.8	5.6	3.7	3.0
Sweden	3.3	2.4	3.5	2.8	4.2	–1.1	–0.7	2.4	–0.9	–0.5	0.7	–2.2	1.7	2.8	5.2	4.6	2.5	1.4	–0.2	1.2
Switzerland	5.4	2.8	–0.4	–2.7	1.2	3.0	2.1	1.1	2.6	0.5	0.0	1.7	1.6	1.4	2.8	2.1	2.1	2.2	1.5	1.5
Turkey	6.4	0.2	9.0	7.7	10.1	6.7	–3.9	–3.1	–5.2	0.6	4.2	5.0	6.8	1.2	11.5	6.5	2.8	3.9	10.4	2.1
Total smaller European countries	5.5	5.2	3.1	2.2	4.8	2.8	1.3	2.4	0.5	–0.3	0.8	0.9	1.3	2.9	4.0	3.5	2.6	2.9	2.8	2.0
Australia	4.3	6.6	3.4	3.3	2.8	1.5	3.4	2.7	3.2	4.3	2.7	1.4	3.0	4.8	1.3	2.1	3.5	5.2	2.2	0.7
New Zealand	4.8	8.5	10.8	–4.0	–1.4	–3.3	–0.7	1.8	0.3	2.3	0.9	0.7	6.3	0.1	3.9	1.7	2.0	1.4	–0.8	–0.5
Total smaller countries	5.3	5.4	3.3	2.2	4.4	2.5	1.5	2.4	0.8	0.2	1.1	1.0	1.6	3.1	3.7	3.3	2.7	3.1	2.7	1.8
Total OECD	6.1	5.7	0.7	2.6	4.3	3.5	3.9	3.7	0.9	1.0	1.5	3.1	3.1	3.5	3.8	3.5	3.9	3.0	2.5	1.0
Four major European countries	4.8	4.9	1.0	1.7	3.7	3.0	4.0	4.3	1.9	0.7	0.8	1.7	1.6	2.5	4.2	3.8	4.0	3.3	3.2	1.7
OECD Europe	5.0	5.0	1.7	1.9	4.1	2.9	3.1	3.7	1.5	0.4	0.8	1.5	1.5	2.6	4.2	3.7	3.6	3.2	3.1	1.8
EC	5.0	5.3	1.5	1.8	4.1	2.9	3.7	3.9	1.6	0.4	0.7	1.5	1.4	2.6	4.1	3.8	3.8	3.3	3.2	2.0
Total OECD *less* the United States	6.3	6.4	1.4	2.8	3.8	3.2	3.8	4.5	1.4	0.9	1.8	2.2	2.1	3.0	3.9	3.9	4.1	3.5	3.3	1.8

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table R 4. **Growth of real public consumption expenditure in the OECD area**[a]

Percentage changes from previous period

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	–0.4	–1.3	1.7	1.2	–0.6	0.7	1.9	1.8	2.2	1.3	1.5	2.8	3.1	6.1	5.2	3.0	0.6	2.0	2.8	1.2
Japan	5.4	5.3	3.2	7.8	4.5	4.1	5.1	4.3	3.3	4.8	2.0	3.0	2.7	1.7	4.5	0.4	2.2	2.0	1.9	3.4
Germany	4.1	5.0	4.0	3.9	1.6	1.4	3.9	3.4	2.6	1.8	–0.9	0.2	2.5	2.1	2.5	1.5	2.2	–1.7	2.4	0.5
France	3.5	3.4	1.2	4.3	4.1	2.4	5.1	3.0	2.5	3.1	3.7	2.1	1.1	2.3	1.7	2.8	3.4	0.3	1.9	2.9
Italy	5.0	2.6	2.5	2.5	2.3	2.8	3.5	3.0	2.1	2.3	2.6	3.4	2.3	3.4	2.6	3.4	2.8	0.8	1.3	1.7
United Kingdom	4.2	4.3	1.9	5.6	1.2	–1.7	2.3	2.0	1.6	0.3	0.8	2.0	1.0	0.0	1.8	1.2	0.6	0.9	3.2	2.8
Canada	2.7	5.8	5.6	6.5	2.0	4.6	1.7	0.6	2.8	2.5	2.4	1.4	1.2	3.2	1.6	1.7	4.1	3.7	2.9	1.9
Total of above countries	2.5	2.1	2.5	3.8	1.5	1.8	3.2	2.7	2.5	2.3	1.6	2.5	2.5	3.7	3.9	2.1	1.6	1.4	2.4	1.9
Austria	4.1	3.0	5.7	4.0	4.3	3.3	3.3	3.0	2.7	2.2	2.3	2.2	0.2	1.9	1.7	0.4	0.3	0.8	1.2	2.2
Belgium	5.9	5.3	3.8	4.7	4.0	2.7	5.9	2.7	1.6	0.3	–1.6	0.0	0.1	2.4	1.9	0.4	–0.3	0.6	1.2	1.1
Denmark	5.7	4.0	3.5	2.0	4.5	2.4	6.2	5.9	4.3	2.6	3.1	0.0	–0.4	2.5	0.5	2.5	0.9	–0.3	–1.0	–1.2
Finland	7.8	5.6	4.5	6.9	5.7	4.2	4.1	3.8	4.2	4.3	3.5	3.7	2.8	5.2	3.1	4.5	2.4	2.6	4.4	3.1
Greece	5.7	6.8	12.1	11.9	5.1	6.5	3.5	5.8	0.2	6.8	2.3	2.7	3.0	3.2	–0.8	0.9	4.7	4.2	–0.1	–0.7
Iceland	14.5	8.5	8.5	9.3	5.0	2.2	7.1	5.5	2.1	7.3	6.2	4.7	0.2	6.2	6.9	6.1	–1.3	8.1	4.1	5.2
Ireland	7.1	6.8	7.5	6.5	2.7	2.0	8.2	4.6	7.1	0.3	3.2	–0.4	–0.7	1.8	2.6	–4.3	–4.7	–1.1	5.2	1.3
Luxembourg	4.2	3.4	3.8	3.3	2.8	2.9	1.8	2.2	3.1	1.4	1.5	1.9	2.2	2.0	3.1	2.7	3.8	1.9	3.2	3.2
Netherlands	0.8	0.8	2.2	4.1	4.0	3.3	4.0	2.8	0.6	2.0	0.6	1.1	–0.7	1.3	2.3	2.0	0.4	0.2	0.1	0.7
Norway	4.5	5.5	4.0	6.4	7.4	4.9	5.3	3.5	5.4	6.1	3.9	4.6	2.4	3.3	2.2	4.0	0.5	2.6	2.0	2.3
Portugal	8.6	7.8	17.3	6.6	7.0	3.4	4.4	6.4	8.0	5.5	3.7	3.8	0.2	6.4	7.2	4.9	5.3	2.8	1.5	3.0
Spain	5.2	6.4	9.3	5.2	6.9	3.9	5.4	4.2	4.2	1.9	4.9	3.9	2.9	4.6	5.8	8.9	4.0	8.3	4.2	4.4
Sweden	2.6	2.9	2.9	4.5	3.5	3.0	3.2	4.8	2.3	2.3	1.0	0.8	2.3	2.4	1.4	1.0	0.6	1.9	2.1	1.0
Switzerland	3.0	3.1	2.2	0.7	3.0	0.4	2.0	1.6	0.9	2.5	1.1	3.9	1.2	3.3	3.7	1.8	4.3	4.1	4.7	2.8
Turkey	7.3	10.3	9.9	13.5	10.8	3.2	9.9	1.7	8.8	0.9	2.0	1.7	2.1	3.0	6.6	3.8	1.8	4.4	17.0	0.9
Total smaller European countries	4.5	4.5	5.4	4.9	5.1	3.2	4.7	3.6	3.1	2.5	2.2	2.3	1.3	3.1	3.1	3.2	1.8	3.0	2.9	2.0
Australia	3.5	7.2	6.3	8.2	6.1	2.2	5.3	1.2	3.9	3.5	–0.4	5.3	4.6	5.4	3.9	1.4	3.1	3.1	3.2	3.8
New Zealand	4.8	5.0	6.5	6.5	0.1	3.2	4.0	0.8	–0.3	2.0	0.5	1.4	4.4	0.2	3.0	–1.0	2.0	–0.3	1.0	–2.0
Total smaller countries	4.4	4.8	5.5	5.3	5.1	3.0	4.7	3.3	3.1	2.6	1.9	2.6	1.7	3.3	3.2	2.9	2.0	3.0	2.9	2.1
Total OECD	2.7	2.5	2.9	4.0	2.1	2.0	3.4	2.8	2.6	2.4	1.6	2.5	2.4	3.6	3.8	2.3	1.7	1.6	2.5	1.9
Four major European countries	4.2	3.9	2.5	4.0	2.3	1.3	3.8	2.9	2.3	1.9	1.4	1.8	1.8	2.0	2.2	2.2	2.3	–0.1	2.2	1.9
OECD Europe	4.3	4.1	3.4	4.3	3.2	1.9	4.1	3.1	2.5	2.1	1.7	1.9	1.6	2.3	2.5	2.5	2.2	0.9	2.4	1.9
EC	4.3	4.1	3.3	4.2	2.9	1.8	4.1	3.1	2.4	2.0	1.6	1.8	1.6	2.2	2.4	2.6	2.2	0.6	2.1	1.9
Total OECD *less* the United States	4.5	4.6	3.6	5.6	3.6	2.7	4.3	3.3	2.8	3.0	1.7	2.3	2.0	2.3	3.0	1.8	2.3	1.4	2.3	2.4

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table R 5. **Growth of total gross fixed capital formation in the OECD area**[a]

Percentage changes from previous period, volume

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	10.6	8.7	–7.6	–11.8	9.7	14.3	10.8	4.6	–8.1	0.6	–8.0	6.6	15.9	5.0	0.4	–0.5	4.2	0.1	–2.8	–8.5
Japan	9.7	11.6	–8.3	–1.0	2.7	2.8	7.8	6.2	0.0	2.4	–0.1	–1.0	4.7	5.3	4.8	9.6	11.9	9.3	9.5	3.4
Germany	2.6	–0.3	–9.7	–5.2	3.7	3.8	4.3	6.9	2.3	–4.9	–5.3	3.3	0.3	0.0	3.6	2.1	4.6	6.5	8.7	6.5
France	6.0	8.5	1.3	–6.5	3.3	–1.8	2.1	3.1	2.6	–1.9	–1.4	–3.6	–2.6	3.2	4.5	4.8	9.6	7.0	2.9	–1.2
Italy	1.3	8.8	2.0	–7.3	0.0	1.8	0.6	5.7	8.7	–3.1	–4.7	–0.6	3.6	0.6	2.2	5.0	6.9	4.3	3.3	0.9
United Kingdom	–0.2	6.5	–2.4	–2.0	1.7	–1.8	3.0	2.8	–5.4	–9.6	5.4	5.0	8.5	4.0	2.4	9.6	14.2	7.2	–3.1	–9.9
Canada	4.3	9.9	6.6	5.8	4.6	2.1	3.1	8.5	11.6	10.3	–11.0	–0.3	2.0	9.3	6.0	10.8	10.3	6.0	–3.9	–3.7
Total of above countries	7.6	8.3	–5.7	–6.7	5.6	7.0	7.2	5.2	–2.3	–0.3	–4.4	2.9	8.4	4.2	2.5	3.9	7.5	4.3	1.9	–3.0
Austria	12.1	0.4	4.0	–4.9	3.8	5.1	–4.1	3.5	3.0	–1.4	–8.2	–0.6	2.1	5.0	3.7	3.1	6.0	5.4	6.4	5.8
Belgium	2.9	7.0	7.4	–1.8	3.8	0.1	2.6	–2.6	4.6	–15.8	–2.0	–4.5	1.8	0.7	4.5	5.6	15.3	13.6	8.2	0.3
Denmark	9.3	3.5	–8.9	–12.4	17.1	–2.4	1.1	–0.4	–12.6	–19.2	7.1	1.9	12.9	12.6	17.1	–3.8	–6.6	–0.6	–0.5	–3.1
Finland	6.5	8.5	3.5	5.9	–8.8	–3.5	–6.9	3.0	10.4	2.2	4.4	4.1	–2.1	2.9	0.0	5.4	10.5	14.1	–4.9	–19.0
Greece	15.4	7.7	–25.6	0.2	6.8	7.8	6.0	8.8	–6.5	–7.5	–1.9	–1.3	–5.7	5.2	–6.2	–5.1	8.9	10.0	5.7	–2.0
Iceland	–0.8	20.3	10.0	–8.9	–3.1	12.0	–3.2	0.2	14.2	1.0	–0.5	–12.3	9.2	2.0	–1.2	19.0	–0.6	–8.3	2.8	2.9
Ireland	5.6	18.1	–8.1	–3.7	10.1	4.8	18.3	14.5	–3.7	7.3	–3.3	–9.0	–2.7	–7.8	–1.8	–4.4	–0.5	15.9	10.8	–6.5
Luxembourg	7.0	11.8	–7.0	–7.4	–4.2	–0.1	1.1	3.8	12.7	–7.4	–0.5	–11.8	0.1	–9.5	31.5	14.8	12.3	–6.5	9.4	6.5
Netherlands	–2.3	4.2	–4.0	–4.4	–2.7	10.0	2.4	–1.7	–0.9	–10.5	–3.9	2.2	5.4	6.6	7.8	0.8	8.3	4.5	5.1	–0.1
Norway	–4.1	13.6	5.1	11.9	10.1	3.6	–11.2	–5.0	–1.5	17.9	–11.0	5.8	10.9	–13.9	23.9	–2.1	1.6	–3.9	–26.6	1.0
Portugal	13.5	9.5	–7.0	–11.3	0.8	12.0	6.2	–1.3	8.5	5.5	2.3	–7.1	–17.4	–3.5	10.9	15.1	15.0	5.6	5.9	2.5
Spain	14.2	13.0	6.2	–4.5	–0.8	–0.9	–2.7	–4.4	0.7	–3.3	0.5	–2.5	–5.8	4.1	10.0	14.0	14.0	13.8	6.9	1.6
Sweden	4.2	2.7	–3.0	3.1	1.9	–2.9	–6.8	4.5	3.5	–5.8	–0.3	1.9	6.0	7.3	0.7	7.6	6.0	11.6	–0.9	–7.3
Switzerland	5.2	3.2	–4.6	–13.2	–10.2	1.4	5.6	5.1	9.8	2.7	–2.6	4.1	4.1	5.3	7.9	7.4	6.9	5.8	2.6	–2.5
Turkey	14.8	13.2	10.7	24.7	17.7	3.9	–10.0	–3.6	–10.0	1.7	3.5	3.0	0.5	16.8	11.0	5.6	–1.0	–1.0	14.0	–0.4
Total smaller European countries	6.8	7.2	0.1	–2.2	1.5	2.1	–1.0	0.2	1.4	–4.0	–1.3	0.3	1.8	4.3	7.6	5.5	7.8	7.9	2.8	–1.6
Australia	–1.5	4.8	–3.1	–0.6	4.4	–0.9	3.1	3.8	5.0	9.5	–2.5	–8.5	9.2	10.0	–1.7	3.0	8.6	10.6	–6.9	–10.4
New Zealand	14.8	12.9	10.4	–5.9	–3.5	–11.1	–7.7	–7.7	1.1	11.4	13.8	–2.8	11.3	5.3	–2.0	2.7	0.3	8.4	1.9	–16.2
Total smaller countries	6.1	7.1	–0.1	–2.1	1.7	1.5	–0.7	0.5	1.8	–2.2	–1.2	–0.7	2.8	5.0	6.4	5.2	7.8	8.2	1.8	–2.9
Total OECD	7.4	8.1	–4.9	–6.0	5.0	6.2	6.1	4.5	–1.7	–0.6	–4.0	2.4	7.6	4.3	3.0	4.1	7.5	4.9	1.9	–3.0
Four major European countries	2.6	5.3	–2.8	–5.3	2.4	0.8	2.7	4.8	2.3	–4.7	–2.0	1.0	1.9	1.8	3.3	5.0	8.4	6.3	3.6	0.0
OECD Europe	3.9	5.9	–1.9	–4.4	2.1	1.2	1.5	3.4	2.0	–4.5	–1.8	0.8	1.9	2.6	4.6	5.1	8.2	6.8	3.4	–0.5
EC	3.6	6.0	–2.4	–5.3	2.4	1.2	2.4	3.6	1.6	–5.4	–1.7	0.5	1.6	2.3	4.3	5.1	8.6	6.9	4.1	0.0
Total OECD *less* the United States	5.6	7.8	–3.4	–2.7	2.4	1.6	3.5	4.5	2.0	–1.2	–1.7	0.0	2.9	3.9	4.5	6.7	9.4	7.6	4.6	0.2

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table R 6. **Growth of gross private non-residential fixed capital formation in the OECD area**[a]

Percentage changes from previous period, volume

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	6.5	14.7	–0.2	–11.1	3.8	10.8	13.3	8.7	–2.4	3.9	–4.6	–3.0	16.5	6.4	–4.1	–0.5	6.6	1.7	–0.4	–7.1
Japan	2.2	14.2	–4.2	–6.1	–0.2	–0.4	4.5	12.9	7.9	3.8	1.3	1.7	11.7	12.1	4.4	6.7	14.8	16.6	12.4	6.0
Germany	–1.4	–1.1	–11.3	–2.6	6.1	6.6	5.8	7.8	3.0	–3.7	–4.5	4.9	–0.1	5.5	4.6	4.0	5.9	7.6	10.3	8.5
France	5.6	8.4	–1.5	–8.9	5.6	–0.1	1.0	2.6	4.2	–2.5	0.0	–4.1	–2.1	4.4	6.6	6.0	9.6	7.8	4.3	–2.0
Italy	3.0	16.6	1.1	–10.6	4.6	3.0	1.9	6.9	9.4	–8.4	–8.9	–6.6	4.3	0.0	4.0	9.1	9.5	4.7	1.5	–1.8
United Kingdom	2.3	8.7	–1.7	–3.8	3.4	7.2	8.7	3.3	–4.2	–5.6	8.0	–0.9	14.6	13.5	0.9	16.9	18.4	8.2	–2.8	–9.6
Canada	2.1	12.5	7.9	10.5	0.6	3.4	4.0	14.9	15.3	13.0	–11.4	–6.4	1.7	8.7	4.2	9.7	15.8	6.4	–3.3	–1.4
Total of above countries	4.0	12.1	–2.0	–7.6	3.2	5.9	8.1	8.8	2.4	1.5	–2.7	–1.5	10.7	7.5	0.8	4.3	9.9	6.9	3.8	–1.7
Austria	16.1	1.3	5.2	–9.2	5.4	8.4	–4.6	4.7	4.7	–2.7	–10.2	–0.9	4.1	8.6	3.7	5.8	7.3	7.6	10.0	6.4
Belgium	0.7	7.8	8.5	–4.4	–3.9	–1.3	3.1	2.6	8.7	–4.3	1.7	–5.3	6.7	2.4	6.5	7.4	14.9	15.3	8.7	–0.4
Denmark	–1.2	10.7	2.5	–14.1	21.6	0.8	1.3	–2.0	–9.6	–16.5	19.9	2.7	12.1	18.9	18.8	–5.4	–7.3	3.1	3.2	–0.6
Finland	1.3	11.7	3.5	9.0	–10.0	–8.2	–12.8	6.0	14.7	4.5	2.8	6.3	–1.8	5.7	2.9	6.6	11.0	15.5	–7.2	–22.5
Greece	7.8	15.0	–11.7	–13.6	7.2	5.9	5.7	14.1	1.0	–4.2	0.2	–8.4	–6.6	7.2	–11.4	–4.1	12.4	13.6	6.1	–0.3
Iceland	..	..	..	..	..	..	–1.6	–3.5	12.7	3.2	0.6	–11.3	14.6	18.6	6.6	20.6	–6.5	–16.5	5.4	2.0
Ireland	1.6	19.3	–19.3	1.5	24.5	2.5	21.8	16.1	–4.7	11.4	–4.5	–10.4	–3.0	–13.2	–1.4	–0.1	7.3	15.7	13.1	–8.7
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Netherlands	–6.1	11.2	0.0	–6.3	–4.5	14.1	5.1	1.2	–4.7	–12.6	–2.0	5.6	5.4	13.0	11.8	1.4	7.4	6.7	8.7	2.7
Norway	–10.4	20.4	7.4	13.3	12.8	3.5	–17.9	–6.3	–1.9	27.5	–15.5	7.3	15.5	–19.4	29.5	–5.4	1.9	–1.6	–31.6	3.4
Portugal	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Spain	19.6	15.9	9.3	–5.1	0.7	–3.2	1.5	–1.0	1.5	–6.4	–4.1	0.0	–8.6	0.5	14.2	21.0	14.2	15.5	3.2	1.1
Sweden	6.5	9.2	0.3	5.6	7.4	–5.8	–16.6	7.2	8.3	–6.8	1.5	3.8	7.6	12.4	2.5	7.4	4.7	13.9	–1.7	–14.5
Switzerland	–1.3	5.3	1.9	–7.0	–15.5	4.3	7.2	4.1	11.3	2.9	–1.3	3.7	4.2	9.0	12.8	10.4	8.2	5.7	2.5	–3.1
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total smaller European countries	4.0	9.4	2.9	–2.9	0.8	1.6	–0.9	2.2	2.8	–3.2	–0.7	1.3	2.4	5.4	9.8	7.5	8.1	9.0	2.8	–2.0
Australia	–6.9	2.0	0.4	–2.4	0.8	1.5	9.3	3.8	5.2	16.4	2.1	–9.5	5.1	13.2	–1.0	5.6	7.9	14.0	–6.2	–14.4
New Zealand	8.0	15.4	6.6	–18.3	4.7	–10.9	–6.8	0.3	11.6	12.8	9.9	–11.3	27.9	3.5	–5.2	14.1	–0.6	17.3	–1.9	–11.2
Total smaller countries	3.0	8.7	2.7	–3.2	0.8	1.3	0.0	2.3	3.2	–0.9	–0.2	0.0	3.1	6.1	8.4	7.4	7.9	9.7	1.8	–3.5
Total OECD	3.8	11.6	–1.3	–6.9	2.8	5.2	6.9	7.8	2.5	1.1	–2.3	–1.3	9.5	7.3	1.9	4.7	9.6	7.4	3.5	–2.0
Four major European countries	2.1	7.2	–4.1	–6.2	5.1	4.2	4.3	5.4	3.3	–4.8	–1.8	–1.1	3.3	5.6	4.2	8.2	10.2	7.1	4.2	–0.1
OECD Europe	2.7	7.9	–1.8	–5.1	3.7	3.3	2.6	4.3	3.1	–4.3	–1.5	–0.3	3.0	5.5	6.1	8.0	9.5	7.8	3.7	–0.7
EC	2.8	8.2	–2.6	–6.2	4.5	3.9	4.1	4.6	2.5	–5.3	–1.3	–1.0	2.6	5.6	5.6	8.3	10.1	8.0	4.6	0.1
Total OECD *less* the United States	2.3	9.9	–1.9	–4.6	2.3	2.1	3.3	7.4	5.2	–0.4	–1.0	–0.3	5.7	7.8	5.2	7.7	11.3	10.5	5.6	0.9

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table R 7. **Growth of gross private residential fixed capital formation in the OECD area**[a]

Percentage changes from previous period, volume

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	17.8	–0.7	–20.9	–13.4	23.5	21.3	6.3	–3.3	–20.5	–8.1	–18.1	40.4	14.4	1.3	12.0	–0.4	–1.1	–3.8	–9.1	–12.6
Japan	18.0	15.3	–12.3	1.2	8.7	0.5	5.6	–0.9	–9.2	–2.3	–0.7	–5.9	–2.1	2.6	7.8	22.6	11.9	0.5	4.6	–8.0
Germany	12.4	1.2	–14.8	–10.5	4.0	3.6	2.7	6.9	2.2	–5.0	–4.9	5.7	2.0	–10.0	–0.6	–1.2	3.7	4.9	7.8	3.4
France	8.8	10.2	5.2	–8.7	–0.2	–1.2	6.2	4.0	–0.3	–3.1	–6.3	–2.6	–4.4	–2.1	1.3	3.3	7.1	7.2	–0.6	–2.5
Italy	–2.5	–1.1	1.3	–4.1	–8.0	0.0	–0.3	2.9	4.7	–0.1	–4.4	4.4	–0.5	–2.8	–2.1	–2.4	1.3	2.4	2.7	1.8
United Kingdom	9.2	–3.1	–12.6	–1.1	1.2	–0.8	6.7	9.0	–5.5	–10.8	6.5	7.4	4.3	–4.2	11.2	3.6	21.1	–5.5	–14.5	–14.9
Canada	9.2	7.3	3.4	–0.9	18.0	1.2	1.1	–1.0	–5.4	6.6	–16.3	17.0	0.5	9.8	13.3	16.4	2.8	4.2	–9.1	–11.8
Total of above countries	14.2	4.1	–13.2	–7.6	12.4	9.3	5.1	0.2	–10.7	–5.1	–9.3	17.5	5.7	–0.1	7.9	5.7	4.7	–0.4	–3.1	–8.2
Austria	9.7	2.7	–2.6	–1.5	7.6	0.8	–4.9	3.7	4.8	2.0	–1.8	–1.7	–1.0	–1.5	2.5	1.8	8.3	–0.6	–0.7	5.5
Belgium	5.2	25.3	14.4	–3.5	15.8	1.8	6.1	–13.1	–1.2	–41.6	–5.8	–1.6	–0.4	4.6	4.6	7.6	22.3	19.0	8.5	–0.8
Denmark	31.9	3.4	–25.0	–14.5	19.9	–9.5	0.9	–0.8	–16.8	–25.7	–8.5	11.5	20.3	–2.1	21.3	–3.2	–9.4	–8.1	–10.7	–12.3
Finland	13.4	9.0	5.8	–1.3	–8.0	5.0	1.3	–1.5	4.7	–2.5	5.9	–0.3	–2.7	–3.0	–8.3	0.7	16.7	18.3	–6.7	–22.3
Greece	27.7	3.2	–48.1	28.7	7.0	21.1	14.0	4.7	–13.8	–22.7	–5.8	4.6	–19.7	–0.5	14.6	3.4	2.9	5.5	11.2	–16.6
Iceland	24.7	48.0	–13.2	–9.1	3.2	6.5	9.4	6.6	5.4	–9.8	9.4	–9.1	10.4	–13.6	–13.8	14.2	10.6	2.3	0.0	–5.0
Ireland	28.4	13.4	10.5	–13.5	1.4	7.6	16.0	13.7	–13.5	1.0	–1.3	–4.9	6.9	–1.7	4.6	0.2	–4.3	22.7	2.3	1.4
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Netherlands	9.8	1.3	–12.5	–8.1	–1.2	16.7	1.4	–5.0	4.7	–9.6	–5.6	–0.4	4.5	–0.7	4.1	1.7	13.2	0.6	–3.1	–7.7
Norway	9.5	1.1	–0.3	7.9	2.5	2.9	7.8	2.4	–2.3	1.1	8.0	0.8	–1.4	4.2	9.6	4.0	–3.8	–17.0	–21.0	–25.4
Portugal	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Spain	11.5	12.3	3.0	–7.3	–1.0	–2.0	–6.0	–7.6	–2.0	–1.7	–2.9	–6.4	–6.3	–1.5	2.0	6.3	11.3	3.2	6.9	–4.5
Sweden	2.1	–3.2	–9.1	–1.2	–8.6	–2.4	14.1	1.8	–6.0	–4.7	–1.7	–1.2	7.4	0.6	–3.4	11.9	9.6	5.5	3.0	4.1
Switzerland	16.6	4.4	–14.7	–31.3	–13.2	7.6	12.8	12.1	17.4	2.5	–6.1	6.2	7.2	3.3	1.5	4.4	3.6	6.9	2.9	–3.2
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total smaller European countries	10.7	6.0	–4.7	–6.0	0.5	3.0	3.2	–1.0	0.2	–7.4	–2.6	–0.2	1.4	0.2	3.0	3.8	7.5	3.6	0.4	–5.0
Australia	10.0	13.3	–16.5	–6.4	27.1	–4.3	–4.1	9.2	12.0	2.7	–13.1	–10.9	21.0	2.2	–8.3	0.2	21.8	4.1	–11.9	–6.5
New Zealand	19.0	27.5	13.2	–15.0	–1.5	–21.0	–20.1	–3.5	–1.9	6.3	7.2	2.2	16.1	–1.1	–6.2	–1.5	5.3	12.7	4.1	–17.2
Total smaller countries	10.8	7.1	–5.6	–6.2	3.2	1.9	2.0	0.0	1.3	–6.1	–3.5	–1.2	3.7	0.4	1.7	3.4	9.0	3.8	–0.8	–5.4
Total OECD	13.7	4.5	–12.0	–7.4	11.0	8.2	4.6	0.2	–8.9	–5.3	–8.4	14.6	5.4	–0.1	7.0	5.4	5.3	0.2	–2.8	–7.8
Four major European countries	7.5	2.2	–5.7	–6.7	–0.3	0.7	3.8	5.7	0.6	–4.6	–2.9	3.6	0.3	–5.2	1.9	0.6	7.5	2.9	0.0	–2.2
OECD Europe	8.6	3.4	–5.4	–6.5	0.0	1.5	3.6	3.5	0.4	–5.5	–2.8	2.4	0.6	–3.4	2.3	1.7	7.5	3.1	0.1	–3.1
EC	8.7	3.7	–5.5	–6.5	0.7	1.3	3.2	3.5	–0.1	–6.5	–3.2	2.7	0.3	–4.2	2.7	1.2	7.9	3.2	0.5	–2.9
Total OECD *less* the United States	11.5	7.5	–7.2	–4.0	4.1	0.9	3.7	2.1	–2.4	–3.7	–3.1	0.4	0.4	–0.8	4.2	8.6	8.9	2.5	0.7	–5.1

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table R 8. **Growth of real total domestic demand in the OECD area**[a]

Percentage changes from previous period

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	5.1	4.4	–1.5	–1.7	5.9	5.1	4.8	2.0	–1.6	2.0	–1.4	5.2	7.8	3.6	3.0	2.7	3.0	1.8	0.4	–1.8
Japan	8.8	9.8	–1.8	1.3	3.4	3.9	5.7	6.6	0.7	2.1	2.7	1.8	3.6	4.1	3.7	5.1	7.6	5.8	5.4	3.0
Germany	4.1	3.5	–2.4	0.5	5.6	2.7	3.7	5.4	0.7	–2.6	–2.3	2.2	1.9	1.1	3.4	2.5	3.5	2.8	5.1	3.1
France	4.8	6.3	1.9	–2.0	6.1	1.8	2.8	3.8	1.6	–0.1	3.5	–0.7	0.4	2.5	4.5	3.3	4.7	3.7	2.6	1.0
Italy	3.1	8.1	4.5	–5.4	7.3	1.9	2.9	6.6	6.7	–1.1	0.6	0.2	3.5	2.8	3.0	4.2	4.4	2.8	2.4	2.3
United Kingdom	4.3	7.7	–2.1	–1.5	2.6	–0.4	4.2	3.7	–2.6	–1.4	2.3	4.9	2.7	2.9	4.7	5.4	8.0	3.3	–0.5	–3.2
Canada	6.2	7.9	6.7	3.9	5.5	3.0	2.6	4.5	2.7	4.1	–5.4	3.6	4.7	5.2	4.2	5.3	5.5	4.2	–1.0	–0.9
Total of above countries	5.6	6.3	–0.7	–0.8	5.2	3.7	4.5	4.1	0.1	1.0	0.1	3.2	4.9	3.3	3.5	3.6	4.7	3.2	2.2	0.3
Austria	6.8	6.0	3.0	–1.1	6.5	5.1	–2.0	4.9	3.3	–2.2	–1.1	2.8	2.7	2.2	1.8	2.6	4.3	3.2	4.3	3.5
Belgium	4.7	8.7	4.7	–2.3	5.6	2.5	3.1	3.7	2.0	–4.5	0.6	–2.4	2.2	0.6	3.0	3.8	4.5	5.1	3.4	1.7
Denmark	4.0	5.4	–3.1	–1.7	10.1	0.4	1.1	2.7	–4.3	–4.1	3.5	1.4	5.1	5.4	6.1	–2.2	–1.2	0.4	–0.8	0.0
Finland	4.4	7.2	7.8	1.9	–4.5	–0.9	–0.3	9.2	5.5	–0.4	4.3	2.3	2.0	2.9	2.4	5.7	6.7	7.3	–0.8	–8.5
Greece	8.0	12.8	–5.3	4.6	4.6	4.1	5.9	4.7	–0.9	–0.9	1.7	0.4	0.2	5.2	–0.9	–1.1	6.3	3.9	1.1	2.5
Iceland	1.3	10.2	11.8	–5.1	0.3	13.1	3.0	4.0	6.5	5.7	5.0	–8.7	6.4	2.9	4.6	16.0	–1.0	–4.6	0.8	5.8
Ireland	7.3	9.2	2.0	–5.4	5.4	7.5	9.5	7.1	–1.8	2.8	–2.6	–2.2	1.1	1.1	1.1	–0.2	1.6	6.7	6.3	–0.7
Luxembourg	4.2	5.9	–0.6	0.8	2.7	–2.6	8.0	–0.6	6.1	1.2	1.1	–0.6	2.5	0.1	7.7	4.2	6.2	5.8	3.4	4.8
Netherlands	1.1	4.2	2.2	–0.5	5.0	4.8	3.9	1.7	–0.2	–4.6	–0.9	1.5	1.6	3.1	2.8	1.3	2.0	4.3	3.9	1.8
Norway	–0.9	6.6	7.0	5.9	7.5	3.6	–5.6	3.7	4.7	0.9	2.0	1.1	6.0	4.7	8.1	–1.4	–3.1	–2.9	–0.7	–0.2
Portugal	7.2	14.2	5.0	–11.5	8.0	8.2	0.7	2.6	6.1	3.4	2.2	–5.7	–6.7	0.9	8.3	10.4	7.4	4.3	5.4	4.1
Spain	9.5	8.7	6.6	0.5	4.2	0.5	–0.1	0.9	1.5	–2.3	1.1	–0.1	–0.6	3.1	5.9	8.1	7.0	7.8	4.7	2.9
Sweden	1.9	2.3	4.7	4.1	2.6	–3.1	–2.2	5.6	1.9	–2.4	0.4	–1.1	3.4	4.3	2.7	4.0	2.9	3.9	0.4	–2.7
Switzerland	3.8	2.9	0.6	–9.4	0.0	2.2	3.1	4.1	5.2	–0.8	–0.9	2.3	2.2	2.5	5.6	3.6	2.8	4.1	2.3	–0.6
Turkey	8.0	2.2	11.9	11.4	11.6	4.5	–5.4	–2.2	–1.2	1.6	2.8	4.7	5.2	4.4	11.6	5.4	0.5	2.2	16.4	–3.7
Total smaller European countries	4.8	6.2	3.9	–0.3	4.5	2.1	0.7	3.3	1.8	–2.0	0.8	0.6	2.0	3.1	4.5	3.7	3.5	4.3	3.2	0.4
Australia	0.6	8.3	4.7	–0.6	5.3	0.6	3.6	3.4	3.0	5.6	0.0	–0.9	6.5	5.4	0.4	2.3	5.4	7.0	–1.2	–2.1
New Zealand	4.3	12.6	18.5	–12.1	–0.6	–1.1	–8.2	4.7	–1.1	4.4	5.0	–3.1	11.8	–0.6	1.9	0.9	0.8	5.6	0.0	–6.6
Total smaller countries	4.4	6.5	4.3	–0.6	4.5	1.9	0.8	3.3	1.9	–1.0	0.8	0.4	2.7	3.3	4.0	3.5	3.7	4.6	2.7	0.0
Total OECD	5.5	6.3	0.0	–0.8	5.1	3.4	4.0	3.9	0.3	0.7	0.2	2.8	4.6	3.3	3.6	3.6	4.6	3.4	2.3	0.2
Four major European countries	4.1	6.1	0.3	–1.8	5.5	1.7	3.4	4.9	1.6	–1.4	0.7	1.6	2.0	2.2	3.8	3.7	4.9	3.2	2.7	1.1
OECD Europe	4.3	6.1	1.4	–1.4	5.2	1.8	2.5	4.4	1.7	–1.6	0.8	1.3	2.0	2.5	4.0	3.7	4.5	3.5	2.9	0.9
EC	4.4	6.4	0.8	–1.7	5.5	1.9	3.1	4.4	1.4	–1.7	0.7	1.2	1.8	2.3	3.9	3.7	4.8	3.6	2.9	1.3
Total OECD *less* the United States	5.7	7.4	0.9	–0.3	4.6	2.5	3.5	5.1	1.4	0.0	1.0	1.5	2.8	3.2	3.9	4.1	5.4	4.3	3.3	1.3

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table R 9. **Growth of real exports of goods and services in the OECD area**[a]

Percentage changes from previous period

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	7.3	21.1	11.4	–0.6	4.5	1.4	9.5	8.6	9.2	1.7	–9.0	–3.6	6.9	1.2	6.6	10.5	15.8	11.9	8.1	5.8
Japan	4.1	5.2	23.2	–1.0	16.6	11.7	–0.3	4.3	17.0	12.5	0.9	4.8	14.8	5.4	–4.9	0.1	7.0	9.0	7.3	5.2
Germany	6.4	10.3	12.0	–6.4	9.7	3.8	3.4	4.6	5.7	8.3	3.3	–0.9	9.0	7.6	–0.1	0.5	5.6	11.9	11.7	12.7
France	12.0	10.8	8.8	–1.7	8.2	7.4	5.9	7.5	2.7	3.7	–1.7	3.7	7.0	1.9	–1.4	3.1	8.1	10.2	5.5	3.6
Italy	9.3	4.1	7.0	1.6	10.5	9.9	9.0	8.5	–8.7	7.9	–2.4	2.3	8.5	3.2	2.5	4.7	5.4	8.8	7.8	–0.8
United Kingdom	1.1	11.9	7.3	–2.8	9.1	6.9	1.9	3.8	–0.2	–0.7	0.8	2.0	6.6	5.9	4.7	5.6	–0.1	3.8	4.9	0.3
Canada	7.8	10.6	–2.0	–6.8	10.6	8.9	13.6	5.0	2.7	4.4	–2.2	6.4	17.7	6.0	4.5	3.5	9.5	0.9	4.1	0.5
Total of above countries	6.7	13.4	12.8	–1.6	9.0	5.7	6.0	6.7	7.9	5.4	–3.6	0.3	9.4	3.5	2.2	5.5	10.2	10.0	7.7	5.1
Austria	10.1	5.4	10.7	–2.4	11.1	4.2	7.3	11.7	5.2	4.9	2.7	3.2	6.1	6.9	–2.7	2.4	9.0	10.2	8.1	8.1
Belgium	10.0	14.4	6.8	–8.9	11.7	12.7	3.4	7.1	3.3	3.1	2.1	3.2	5.7	1.3	5.4	7.2	9.2	7.9	4.5	3.1
Denmark	5.6	7.8	3.5	–1.8	4.1	4.1	1.2	8.4	5.2	8.2	2.5	4.9	3.5	5.0	0.0	5.1	7.8	5.0	8.0	6.0
Finland	14.5	7.3	–0.6	–14.0	12.8	15.7	8.9	8.8	8.4	4.9	–1.1	2.5	5.4	1.2	1.3	2.6	3.7	1.6	1.6	–6.3
Greece	22.9	23.4	0.1	10.6	16.4	1.8	16.4	6.7	6.9	–5.9	–7.2	8.0	16.9	1.3	14.0	16.0	9.0	1.3	0.8	16.4
Iceland	14.5	8.7	–2.7	2.6	13.1	8.9	15.2	6.3	2.7	2.0	–9.7	11.7	1.7	11.2	6.3	4.7	–3.0	2.5	–0.4	–5.9
Ireland	3.6	10.9	0.7	7.2	8.1	14.0	12.3	6.5	6.4	2.0	5.5	10.5	16.6	6.6	2.9	13.4	8.7	10.1	8.8	4.9
Luxembourg	5.3	13.9	10.7	–15.7	0.9	4.2	2.7	9.7	–1.4	–4.8	–0.3	5.3	18.0	9.5	3.4	6.0	7.6	6.8	2.2	5.1
Netherlands	10.0	12.1	2.6	–3.1	9.9	–1.8	3.3	7.4	1.5	1.6	0.0	3.3	7.2	5.2	3.3	3.1	8.0	6.3	4.7	4.3
Norway	14.1	8.3	0.7	3.1	11.3	3.6	8.4	2.6	2.1	1.4	–0.1	7.6	8.2	6.9	1.6	1.2	5.5	10.7	8.0	6.3
Portugal	18.5	4.2	–15.7	–15.6	0.0	5.9	9.1	33.0	2.2	–4.4	4.7	13.6	11.6	6.7	6.8	8.6	10.2	13.3	9.5	1.1
Spain	13.4	10.0	–1.0	–0.4	5.0	12.1	10.7	5.6	2.3	8.4	4.8	10.1	11.7	2.7	1.9	6.3	5.1	3.0	3.2	8.4
Sweden	5.9	13.7	5.3	–9.3	4.3	1.5	7.8	6.1	–0.5	2.0	5.7	9.9	6.9	1.4	3.2	3.9	3.0	3.0	1.5	–2.8
Switzerland	6.4	7.6	0.7	–6.4	9.3	9.6	3.6	2.4	5.1	4.8	–2.9	1.1	6.3	8.3	0.4	1.7	5.8	5.0	3.0	–0.7
Turkey	14.6	32.3	–20.9	–8.8	8.7	–18.4	3.5	4.4	–5.5	47.0	26.5	6.1	20.4	11.3	1.2	24.3	16.3	11.3	8.4	11.4
Total smaller European countries	10.7	11.3	1.2	–4.3	8.3	5.8	6.7	7.0	2.9	5.9	2.8	6.0	8.6	4.6	2.3	5.6	6.9	5.8	4.6	4.2
Australia	6.0	–1.9	–3.0	9.0	8.8	0.6	3.4	11.5	–1.6	–4.1	9.5	–4.8	16.2	11.2	4.1	11.8	1.8	3.9	10.1	12.3
New Zealand	–5.2	7.8	–2.6	4.7	15.8	1.1	1.5	6.5	3.8	3.7	1.3	7.4	5.3	8.2	–0.5	3.3	5.1	–3.4	7.1	7.7
Total smaller countries	9.8	9.8	0.7	–2.6	8.5	5.1	6.2	7.5	2.4	4.7	3.5	4.8	9.4	5.4	2.5	6.2	6.3	5.4	5.2	5.1
Total OECD	7.1	12.9	11.1	–1.7	8.9	5.6	6.1	6.8	7.1	5.3	–2.6	0.9	9.4	3.7	2.2	5.6	9.6	9.3	7.4	5.1
Four major European countries	7.4	9.4	9.2	–2.7	9.4	6.7	5.0	6.0	0.6	5.2	0.2	1.6	7.9	4.8	1.1	3.1	5.0	9.1	7.9	4.9
OECD Europe	8.4	10.0	6.7	–3.2	9.0	6.4	5.5	6.3	1.3	5.4	1.0	2.9	8.1	4.8	1.5	3.9	5.6	8.1	6.9	4.7
EC	8.2	9.8	7.6	–2.7	9.0	6.8	5.3	6.4	1.0	5.0	0.6	2.6	8.1	4.6	1.6	3.8	5.5	8.4	7.2	5.1
Total OECD *less* the United States	7.0	8.3	10.9	–2.4	11.4	7.9	4.1	5.8	6.0	7.2	1.0	3.5	10.8	5.2	–0.2	2.9	6.2	7.9	6.9	4.8

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table R 10. **Growth of real imports of goods and services in the OECD area**[a]

Percentage changes from previous period

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	10.8	6.1	–2.4	–12.0	19.0	10.0	9.2	1.3	–4.7	4.9	0.0	12.5	25.0	6.3	6.6	4.6	3.7	3.8	3.0	–0.1
Japan	10.5	24.3	4.2	–10.3	6.7	4.1	6.9	12.9	–7.8	0.4	–2.5	–3.0	10.4	–1.4	2.4	7.8	18.7	17.6	8.6	–4.6
Germany	5.2	4.7	1.7	0.2	10.1	4.4	4.2	9.7	4.4	–1.3	–0.3	0.1	5.4	5.3	3.3	3.9	5.6	8.8	12.4	12.1
France	13.2	14.2	1.9	–9.7	17.4	0.1	3.0	10.1	2.5	–2.1	2.6	–2.7	2.7	4.5	7.1	7.7	8.6	8.2	6.5	2.9
Italy	9.8	9.3	2.2	–12.6	14.1	1.7	4.8	11.7	2.9	–1.2	–0.3	–1.4	12.3	3.9	2.9	9.1	6.8	7.6	7.9	2.9
United Kingdom	9.9	11.4	1.0	–6.6	4.8	1.6	4.2	9.6	–3.6	–2.8	4.9	6.5	9.9	2.6	6.9	7.8	12.2	7.4	1.0	–3.1
Canada	13.8	14.7	11.1	–3.3	8.6	1.7	7.4	11.4	4.9	8.5	–15.2	9.0	17.1	8.7	7.6	7.0	13.8	6.4	1.9	2.2
Total of above countries	10.4	11.6	0.9	–9.5	13.6	5.8	7.0	7.1	–2.9	1.9	–0.7	5.0	15.8	4.0	5.2	6.1	8.8	8.3	5.7	0.5
Austria	12.1	9.6	6.9	–4.6	17.4	6.2	0.1	11.7	6.2	–0.8	–3.3	5.5	9.9	6.2	–1.2	4.7	9.4	8.5	7.8	8.8
Belgium	8.4	19.4	7.5	–9.8	11.0	15.4	3.7	9.1	0.3	–2.7	0.9	–1.1	6.0	1.0	7.4	9.6	8.7	9.3	4.6	2.7
Denmark	1.5	12.8	–3.8	–4.8	15.6	0.0	0.1	5.0	–6.8	–1.7	3.8	1.8	5.5	8.1	6.8	–2.0	1.5	4.4	2.1	3.9
Finland	4.2	13.0	6.7	0.6	–2.0	–1.5	–3.7	18.4	8.3	–4.7	2.5	3.0	1.0	6.8	3.1	9.0	11.1	8.8	–0.9	–11.7
Greece	15.4	32.2	–16.3	6.3	6.1	8.0	7.2	7.2	–8.0	3.6	7.0	6.6	0.2	12.8	3.8	16.6	8.0	10.8	11.9	13.2
Iceland	0.5	20.3	12.5	–12.8	–3.6	20.6	3.6	2.5	3.0	5.7	–0.4	–8.3	7.8	8.8	1.4	23.0	–4.6	–10.2	0.7	5.8
Ireland	5.1	19.0	–2.3	–10.2	14.7	13.3	15.7	13.9	–4.5	1.7	–3.1	4.7	9.9	3.2	5.6	5.0	3.9	10.9	6.0	0.7
Luxembourg	2.7	11.3	5.9	–9.0	1.2	–0.4	7.0	6.4	3.9	–2.9	–0.3	1.2	13.9	7.0	6.0	7.5	8.2	6.4	3.1	6.7
Netherlands	4.8	11.0	–0.8	–4.1	10.6	2.5	6.2	6.5	–1.1	–5.9	1.0	3.8	5.1	6.7	3.3	5.8	7.1	5.8	5.4	4.0
Norway	–1.0	14.4	4.7	7.0	12.3	3.4	–13.5	–0.7	3.3	1.5	3.7	0.0	9.5	5.9	9.9	–7.3	–1.7	0.9	2.3	1.2
Portugal	12.0	12.7	4.8	–25.2	3.4	12.0	0.2	12.6	6.9	2.3	3.9	–6.1	–4.4	1.4	16.9	20.0	16.1	9.1	10.1	4.9
Spain	24.3	16.7	8.0	–0.9	9.8	–5.5	–1.0	11.4	3.3	–4.2	3.9	–0.6	–1.0	6.2	14.4	20.1	14.4	17.2	7.8	9.4
Sweden	4.0	6.9	9.9	–3.5	9.0	–3.8	–5.5	11.6	0.4	–5.8	3.4	0.8	5.4	7.8	4.7	7.2	4.7	7.1	1.5	–6.3
Switzerland	7.3	6.5	–1.0	–15.3	13.0	9.3	10.9	6.8	7.2	–1.3	–2.6	4.4	7.1	5.1	7.1	5.5	5.3	5.4	2.9	–1.7
Turkey	19.0	10.4	1.7	11.8	24.1	–3.9	–31.4	–7.9	–4.6	16.5	13.4	12.7	15.5	7.8	16.1	12.8	3.6	12.4	32.0	–2.2
Total smaller European countries	10.0	13.1	3.6	–4.1	11.1	2.6	–0.1	8.5	1.7	–2.0	2.2	2.2	4.9	6.1	7.5	8.8	7.7	8.9	6.0	2.5
Australia	–8.0	22.4	25.9	–15.8	11.7	0.4	4.2	2.3	4.8	9.7	5.4	–10.6	20.5	5.5	–2.5	3.3	15.7	21.3	–3.5	–1.6
New Zealand	5.7	21.4	26.3	–22.3	–1.5	1.5	–6.1	17.4	–1.6	3.1	6.4	–6.3	15.9	1.9	3.4	12.3	–1.3	14.4	4.3	–6.3
Total smaller countries	8.0	14.2	6.5	–5.7	10.9	2.3	0.3	8.0	1.9	–0.6	2.6	0.7	6.8	5.9	6.3	8.3	8.4	10.4	4.9	1.9
Total OECD	10.0	12.0	1.7	–9.0	13.2	5.3	6.0	7.3	–2.2	1.6	–0.2	4.4	14.5	4.3	5.3	6.4	8.7	8.6	5.6	0.7
Four major European countries	9.2	9.5	1.7	–6.5	11.8	2.1	4.0	10.2	2.0	–1.8	1.5	0.4	7.1	4.2	4.9	6.8	7.9	8.1	7.6	4.6
OECD Europe	9.5	10.6	2.3	–5.8	11.6	2.3	2.7	9.7	1.9	–1.8	1.7	0.9	6.4	4.8	5.7	7.4	7.9	8.3	7.1	4.0
EC	9.9	10.8	1.9	–6.1	11.5	2.2	3.8	10.0	1.5	–2.1	1.7	0.5	6.3	4.5	5.7	7.8	8.3	8.6	7.3	4.9
Total OECD *less* the United States	9.6	15.2	4.0	–7.3	9.9	2.7	4.2	10.6	–0.8	–0.3	–0.3	–0.1	8.6	3.2	4.6	7.5	11.6	11.3	7.0	1.2

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table R 11. **Private consumption deflators**[a]

Percentage changes from previous year

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	3.8	5.7	10.1	8.2	6.0	6.9	7.3	8.9	10.4	8.9	5.8	4.8	4.0	3.9	3.1	4.2	4.2	4.9	5.2	4.3
Japan	5.8	10.8	21.0	11.2	9.6	7.4	4.5	3.6	7.5	4.5	2.7	2.0	2.5	2.2	0.4	0.2	–0.1	1.8	2.6	2.6
Germany	5.6	6.4	7.1	6.0	4.3	3.3	2.7	4.2	5.8	6.4	5.3	3.3	2.7	2.0	–0.5	0.6	1.3	3.1	2.7	3.8
France	6.3	7.4	14.8	11.8	9.9	9.4	9.1	10.7	13.3	13.0	11.5	9.7	7.7	5.8	2.7	3.2	2.7	3.5	3.0	3.1
Italy	6.4	13.8	21.3	16.6	17.7	17.6	13.2	14.5	20.5	18.0	17.1	14.9	12.0	9.0	6.3	5.3	5.7	6.3	6.2	6.7
United Kingdom	6.5	8.6	16.9	23.7	15.8	14.8	9.1	13.6	16.3	11.2	8.7	4.9	5.0	5.3	4.3	4.3	5.1	5.9	5.3	7.2
Canada	4.2	6.4	10.5	10.6	7.3	7.4	7.6	8.5	10.0	11.2	10.2	6.3	3.9	3.7	3.8	4.0	3.8	4.7	4.3	4.8
Total of above countries	5.0	7.8	13.8	10.6	8.4	8.1	6.9	8.0	10.6	8.9	6.7	5.2	4.4	3.9	2.4	2.9	3.0	4.1	4.2	4.2
Austria	6.5	6.6	10.0	7.9	6.5	5.6	4.2	4.5	6.4	7.6	6.0	3.4	5.6	3.3	1.9	1.0	1.4	2.7	3.2	3.5
Belgium	5.3	6.1	12.8	12.5	8.1	7.2	4.2	3.9	6.2	8.7	7.9	7.0	5.9	6.0	0.8	1.7	1.3	3.2	2.9	2.8
Denmark	8.2	11.7	15.0	9.9	9.9	10.6	9.2	10.4	10.7	12.0	10.3	6.7	6.4	4.3	2.9	4.6	4.0	5.0	2.1	2.4
Finland[b]	8.4	12.2	19.6	16.4	13.6	11.7	8.1	8.0	11.5	11.9	9.4	8.9	7.1	5.9	3.2	3.7	4.6	5.2	5.9	5.3
Greece	3.3	15.0	23.5	12.7	13.4	11.9	12.8	16.5	22.0	22.5	20.7	18.1	17.9	18.2	22.3	15.7	14.2	15.2	19.7	18.5
Iceland[b]	14.7	26.1	37.6	55.5	29.9	27.6	43.3	46.3	55.3	51.0	52.2	82.6	31.6	32.7	19.8	15.9	25.9	23.2	16.2	5.9
Ireland	9.6	11.6	15.8	22.7	20.0	14.1	8.0	14.9	18.6	19.6	14.9	9.2	7.4	5.0	4.6	2.9	2.5	3.7	1.7	3.2
Luxembourg	5.1	4.9	10.0	10.2	9.3	5.7	3.4	4.9	7.5	8.6	10.6	8.3	6.5	4.3	1.7	1.8	2.7	3.3	4.2	3.2
Netherlands	8.3	8.5	9.5	10.1	9.0	6.1	4.6	4.4	7.0	6.3	5.3	2.8	2.1	2.2	0.3	–0.2	1.0	1.6	2.3	3.3
Norway	6.6	7.8	9.2	11.7	8.7	8.6	8.3	5.1	10.0	13.4	11.0	8.4	6.4	5.9	7.6	7.9	6.2	4.3	5.1	3.6
Portugal	5.2	9.8	22.8	19.1	16.8	27.3	21.3	25.2	21.5	20.2	20.2	26.0	28.4	19.3	13.8	10.0	10.0	12.1	12.7	12.0
Spain	7.6	11.4	17.8	15.5	16.5	23.7	19.0	16.5	16.5	14.4	14.5	12.3	10.9	8.2	8.6	5.7	5.0	6.6	6.5	6.3
Sweden	6.4	7.6	10.3	10.9	11.0	10.7	11.6	7.9	14.4	12.4	10.6	11.3	7.7	7.0	4.6	5.3	6.0	6.9	9.7	10.2
Switzerland	7.6	9.0	9.9	6.4	2.1	1.2	0.7	4.5	4.5	6.6	5.5	2.6	3.3	3.7	0.3	1.5	2.3	3.5	5.3	5.7
Turkey	16.4	26.4	33.7	15.2	10.4	20.7	53.6	76.2	118.7	49.7	30.9	31.7	50.4	45.4	21.2	35.1	62.4	63.2	60.3	66.0
Total smaller European countries	7.6	10.1	14.4	12.2	10.5	11.7	11.2	12.0	15.9	13.0	11.0	9.4	9.3	7.9	5.2	5.3	6.5	7.5	8.0	8.3
Australia	6.0	8.4	16.2	17.9	14.6	10.3	8.4	9.7	10.5	9.3	10.4	9.3	6.4	7.1	8.7	8.0	7.0	6.7	6.2	3.6
New Zealand	7.6	4.9	5.9	14.9	18.5	16.2	12.2	14.0	17.9	14.7	15.3	7.2	6.5	16.8	12.9	13.7	8.4	6.7	6.4	3.2
Total smaller countries	7.4	9.8	14.5	12.9	11.1	11.6	10.9	11.8	15.3	12.6	11.0	9.4	8.9	8.0	5.7	5.7	6.6	7.4	7.8	7.7
Total OECD	5.4	8.1	13.9	10.9	8.8	8.6	7.5	8.6	11.3	9.4	7.3	5.8	5.1	4.5	2.9	3.3	3.5	4.5	4.7	4.7
Four major European countries	6.1	8.7	14.2	13.4	11.0	10.3	7.9	10.1	13.1	11.6	10.2	7.8	6.5	5.2	2.8	3.1	3.4	4.5	4.1	4.9
OECD Europe	6.6	9.2	14.3	13.0	10.8	10.8	9.0	10.7	13.9	12.0	10.4	8.3	7.4	6.0	3.5	3.7	4.4	5.4	5.3	6.0
EC	6.3	9.0	14.4	13.4	11.3	11.1	8.6	10.2	12.9	11.7	10.4	8.1	6.9	5.5	3.3	3.3	3.5	4.6	4.3	5.0
Total OECD *less* the United States	6.2	9.5	16.1	12.5	10.4	9.6	7.5	8.4	11.7	9.7	8.1	6.3	5.7	4.8	2.8	2.8	3.1	4.4	4.4	4.8

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.
b) Consumer price index.

Table R 12. **Net household saving as a percentage of disposable household income: national definitions**

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	8.9	7.6	6.5	7.1	7.2	8.1	9.1	8.9	6.9	8.3	6.6	6.2	4.5	4.5	4.1	4.5	4.9
Japan	22.8	23.2	21.8	20.8	18.2	17.9	18.4	16.7	16.1	15.8	15.6	16.1	14.7	14.3	14.6	14.1	14.6
Germany	15.1	13.3	12.2	12.1	12.7	13.0	13.5	12.8	10.9	11.4	11.4	12.2	12.5	13.0	11.6	12.4	12.6[a]
France	20.2	18.2	18.7	20.4	18.8	17.6	18.0	17.3	15.9	14.5	14.0	12.9	10.8	11.0	11.7	12.2	12.6
Italy	26.9	25.7	23.3	23.6	22.5	21.6	20.5	19.0	20.0	20.5	18.0	15.3	15.7	15.4	14.5	16.1	15.6
United Kingdom	11.4	10.7	9.1	10.8	12.0	13.3	12.6	11.2	9.6	11.0	10.6	8.6	6.8	5.6	6.6	8.3	9.8
Canada	12.7	11.8	11.4	12.6	13.2	13.6	15.4	18.2	14.8	15.0	13.3	10.7	9.2	9.7	10.5	10.3	10.5
Austria	9.9	10.4	8.0	11.3	11.2	10.4	8.1	10.3	8.3	8.2	8.3	10.9	12.4	11.5	12.7	13.3	12.8
Belgium	16.5	18.9	16.6	16.6	15.2	16.2	16.2	13.7	15.1	13.7	11.5	13.4	9.5	12.9	14.3	15.1	17.0
Denmark	7.1	7.8	6.1	6.8	7.2	8.0	12.3	18.7	17.2	16.7	12.4	4.8	3.2	8.0	12.2	15.5	14.7
Finland	5.7	3.9	3.3	4.7	4.6	5.5	4.6	5.3	5.7	4.6	3.9	1.8	1.8	–1.6	–0.4	0.7	5.8
Greece	19.0	19.8	19.9	20.4	21.6	20.6	21.6	19.7	18.8	20.6	21.4	17.9	16.6	20.2	20.8	21.0	20.7
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	19.4	19.8	17.8	16.0	16.8	20.3	18.8	18.2	15.9	14.4	14.6	11.6	10.5	12.1	13.5
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Netherlands	3.9	3.7	2.9	2.6	1.7	0.7	2.4	4.8	2.1	2.0	2.0	2.9	2.1	2.6	4.1	6.5	0.6
Norway	4.2	6.1	4.7	8.4	4.6	3.4	4.5	3.8	4.3	5.2	–2.6	–6.0	–6.2	–3.1	1.0	0.3	4.3
Portugal	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Spain	11.8	9.6	9.3	10.5	9.2	7.3	7.3	7.7	7.0	6.5	7.0	7.2	5.1	6.9	6.2	9.0	8.7
Sweden	4.7	2.4	4.1	4.5	2.9	4.8	4.0	0.8	1.6	1.3	1.7	0.3	–3.4	–5.1	–4.5	–1.2	1.9
Switzerland	7.6	5.5	3.9	4.6	3.7	3.3	4.6	6.2	5.8	5.8	5.7	7.0	8.4	10.0	10.9	12.0	12.5
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Australia	14.9	12.8	11.6	11.9	11.4	10.3	9.6	8.5	8.3	9.8	7.9	7.3	5.5	6.5	7.0	7.7	8.4
New Zealand	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..

a) Total Germany.
b) Gross saving.

Table R 13. **Gross national saving as a percentage of GDP**[a]

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
United States	20.1	18.2	18.7	19.7	21.1	21.0	19.2	19.9	16.8	15.8	17.2	16.0	14.9	14.6	15.4	15.6	14.4
Japan	36.3	32.3	32.6	32.0	32.3	31.5	31.1	31.5	30.6	29.8	30.8	31.7	32.0	32.6	33.9	34.3	34.6
Germany	24.7	21.0	22.4	21.7	22.6	22.8	21.7	20.3	20.2	21.2	21.7	22.0	23.8	23.5	24.3	25.7	24.6
France	26.8	24.3	24.5	24.4	24.6	24.6	23.6	21.1	19.7	19.1	19.0	18.9	20.1	20.0	21.1	21.7	21.2
Italy	26.0	23.8	25.7	26.0	26.3	26.3	24.7	22.5	22.0	22.2	22.3	21.6	21.4	20.8	20.7	20.1	19.3
United Kingdom	15.2	14.5	15.2	18.5	18.4	19.0	17.7	16.7	16.7	17.1	17.1	17.8	16.4	16.3	15.8	15.8	15.6
Canada	25.6	22.3	22.8	20.9	21.1	23.1	22.9	22.6	19.5	18.8	20.2	19.6	18.1	19.0	20.6	19.5	16.7
Austria	30.2	25.9	25.0	24.3	25.3	25.7	25.8	24.3	24.0	22.6	23.5	23.2	23.8	23.8	24.6	25.4	26.1
Belgium	25.3	21.8	22.5	20.8	20.6	18.6	17.5	14.1	13.7	14.7	15.8	15.2	17.1	17.4	19.4	21.5	21.8
Denmark	22.1	19.4	19.1	18.9	18.8	16.6	14.9	12.4	12.1	13.4	15.1	14.9	16.1	16.1	16.6	16.8	18.0
Finland	30.4	26.5	24.2	23.4	23.4	25.3	25.8	24.8	23.2	22.8	24.1	23.0	22.1	22.1	24.4	25.3	23.4
Greece	26.5	23.3	24.4	24.5	26.3	28.3	29.1	24.6	16.7	16.8	15.4	13.1	14.5	14.6	17.2	15.4	13.6
Iceland	22.8	22.5	25.0	25.6	24.5	23.2	23.8	21.1	18.5	17.9	17.1	15.6	17.7	16.0	15.9	16.6	16.0
Ireland	19.2	21.8	20.1	22.5	22.2	19.6	16.1	13.6	17.2	16.9	16.9	16.0	15.9	17.7	17.3	19.2	21.6
Luxembourg	47.7	39.9	44.3	42.1	44.6	43.8	44.2	45.8	59.3	63.8	63.8	64.1	62.2	55.1	57.0	60.9	60.9
Netherlands	27.4	23.1	23.6	22.4	21.0	20.3	20.1	20.5	21.1	21.5	23.2	23.8	22.9	21.0	23.1	24.8	25.4
Norway	28.9	26.7	25.2	22.3	23.4	25.3	29.6	29.4	27.7	28.3	31.0	29.6	23.0	23.4	22.7	24.6	24.1
Portugal	23.0	12.5	15.3	19.7	24.8	27.8	26.9	22.4	20.6	20.0	18.8	21.0	24.7	27.1	25.3	26.8	26.6
Spain	26.2	25.2	22.8	23.0	23.7	22.7	20.9	18.9	19.0	18.9	20.4	20.6	21.6	21.6	22.7	22.0	22.1
Sweden	22.0	22.8	20.6	17.3	17.1	17.3	17.2	15.1	13.7	15.7	17.5	17.2	17.6	17.8	18.3	18.8	17.1
Switzerland	31.7	27.8	26.8	26.5	27.0	26.6	26.7	28.4	28.1	27.9	28.9	29.8	31.1	31.7	32.8	33.7	33.1
Turkey	20.1	17.8	18.8	14.6	13.9	14.2	12.2	19.2	17.8	14.5	15.3	19.8	22.6	23.7	26.3	24.0	22.2
Australia	24.6	22.8	22.6	20.7	21.5	22.0	21.4	20.3	17.2	19.3	19.2	18.7	19.1	20.6	22.6	20.6	17.7
New Zealand	21.4	19.0	23.1	21.0	19.5	20.1	18.6	20.7	19.3	20.6	20.4	17.8	20.1	18.7	17.9	16.8	16.1
Total OECD	25.1	22.5	23.0	23.1	23.8	23.8	22.6	22.3	20.7	20.3	21.2	21.0	20.8	20.8	21.6	21.9	21.2
OECD Europe	25.8	24.9	22.5	22.7	23.3	22.4	20.6	18.7	18.7	18.6	20.1	20.4	21.3	21.3	22.4	21.7	21.8
EC	24.0	21.5	22.2	22.6	22.9	22.9	21.7	19.9	19.4	19.7	20.1	20.1	20.7	20.5	21.1	21.6	21.1

a) Aggregates were computed on the basis of 1987 GDP weights expressed in 1987 US dollars.

Table R 14. **General government financial balances**[a]

Surplus (+) or deficit (-) as a percentage of nominal GDP

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
United States	+0.5	–0.3	–4.1	–2.2	–0.9	+0.1	+0.4	–1.3	–1.0	–3.4	–4.1	–2.9	–3.1	–3.4	–2.5	–2.0	–1.5	–2.5	–3.4
Japan	+0.5	+0.4	–2.8	–3.7	–3.8	–5.5	–4.7	–4.4	–3.8	–3.6	–3.6	–2.1	–0.8	–0.9	+0.5	+1.5	+2.5	+3.0	+2.4
Germany	+1.2	–1.3	–5.6	–3.4	–2.4	–2.4	–2.6	–2.9	–3.7	–3.3	–2.6	–1.9	–1.1	–1.3	–1.9	–2.2	+0.2	–2.0	–3.2
France	+0.6	+0.3	–2.4	–0.7	–0.8	–2.1	–0.8	0.0	–1.9	–2.8	–3.2	–2.8	–2.9	–2.7	–1.9	–1.7	–1.1	–1.4	–2.2
Italy	–7.9	–7.8	–12.9	–9.8	–8.6	–10.4	–10.2	–8.6	–11.6	–11.3	–10.7	–11.6	–12.6	–11.6	–11.0	–10.7	–9.8	–10.9	–10.2
United Kingdom	–2.7	–3.8	–4.5	–4.9	–3.2	–4.3	–3.2	–3.3	–2.6	–2.4	–3.3	–3.9	–2.9	–2.4	–1.3	+1.0	+0.9	–1.3	–2.8
Canada	+0.9	+1.9	–2.5	–1.8	–2.5	–3.2	–2.0	–2.8	–1.5	–5.9	–6.9	–6.5	–6.8	–5.4	–3.8	–2.5	–3.0	–4.1	–6.1
Total of above countries[b]	–0.2	–0.9	–4.4	–3.2	–2.4	–2.7	–2.2	–2.7	–2.8	–4.0	–4.3	–3.4	–3.2	–3.2	–2.3	–1.6	–0.9	–1.7	–2.5
Australia	+2.0	–0.8	–3.1	–0.3	–1.6	–4.2	–2.4	–1.2	–0.3	–0.1	–3.5	–3.0	–2.4	–2.4	+0.2	+1.6	+1.6	+1.2	–2.3
Austria	+1.3	+1.3	–2.5	–3.7	–2.4	–2.8	–2.4	–1.7	–1.8	–3.4	–4.0	–2.6	–2.5	–3.7	–4.3	–3.0	–2.8	–2.0	–2.1
Belgium	–3.8	–2.9	–5.3	–6.0	–6.3	–6.7	–7.4	–9.2	–13.1	–11.2	–11.6	–9.4	–8.8	–9.1	–7.3	–6.5	–6.4	–5.8	–6.4
Denmark	+5.2	+3.1	–1.4	–0.3	–0.6	–0.4	–1.7	–3.3	–6.9	–9.1	–7.2	–4.1	–2.0	+3.4	+2.4	+0.6	–0.5	–1.4	–2.0
Finland	+5.7	+4.6	+2.6	+4.9	+3.2	+1.4	+0.4	+0.3	+1.2	–0.6	–1.7	+0.4	+0.1	+0.8	–1.5	+1.3	+2.9	+1.4	–5.9
Greece	–1.4	–2.2	–3.4	–2.6	–2.1	–1.7	–2.5	–2.9	–10.9	–7.6	–8.6	–10.2	–14.5	–12.6	–12.3	–13.8	–17.7	–18.6	–16.1
Ireland	–3.8	–6.9	–11.1	–7.4	–6.5	–8.3	–10.6	–11.8	–12.7	–13.1	–11.0	–9.1	–10.5	–10.3	–8.2	–4.0	–1.1	–1.8	–1.9
Netherlands	+0.9	–0.2	–2.8	–2.6	–1.8	–2.7	–3.7	–4.0	–5.5	–7.1	–6.4	–6.3	–4.8	–6.1	–6.5	–5.1	–5.1	–5.3	–2.6
Norway	+5.7	+4.7	+3.3	+2.5	+1.2	0.0	+1.3	+5.8	+4.8	+4.5	+4.3	+7.6	+10.3	+5.9	+4.8	+2.7	+1.4	+2.5	–0.4
Portugal	+1.4	–1.6	–5.5	–7.0	–4.7	–6.9	–6.3	+5.5	–10.6	–7.6	–10.1	–7.1	–7.4	–6.4	–7.3	–5.5	–3.1	–5.4	–6.1
Spain	+0.8	–0.3	–0.5	–1.0	–1.3	–2.3	–2.1	–2.5	–3.8	–5.4	–4.6	–5.3	–6.9	–6.0	–3.1	–3.3	–2.8	–4.0	–4.9
Sweden	+4.1	+2.0	+2.8	+4.5	+1.7	–0.5	–2.9	–4.0	–5.3	–7.0	–5.0	–2.9	–3.9	–1.3	+4.3	+3.5	+5.6	+3.9	–1.5
Total of above countries[b]	0.0	–0.7	–4.0	–2.9	–2.3	–2.7	–2.3	–2.7	–3.0	–4.1	–4.4	–3.5	–3.3	–3.2	–2.3	–1.7	–1.0	–1.8	–2.7

a) On a SNA basis except for the United States, the United Kingdom, Australia, Greece and Sweden where the data are based on national methods.
b) 1987 GDP weights and exchange rates.

Table R 15. **Total outlays of government as a percentage of GDP**

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
United States	31.6	31.3	30.6	32.2	34.7	33.4	32.2	31.6	31.7	33.7	34.1	36.5	36.9	35.8	36.7	37.1	36.8	36.1	36.1	..
Japan	20.9	22.1	22.4	24.5	27.2	27.7	29.0	30.5	31.6	32.6	33.4	33.6	33.9	32.9	32.3	32.6	32.8	32.2	31.5	32.3
Germany	40.1	40.8	41.5	44.6	48.9	48.0	48.1	47.8	47.7	48.5	49.4	49.6	48.5	48.1	47.6	47.0	47.3	46.9	45.5	46.0
France	38.1	38.3	38.3	39.3	43.4	43.9	43.7	44.6	45.0	46.1	48.7	50.4	51.4	52.0	52.2	51.4	50.9	50.2	49.4	49.9
Italy	36.6	38.6	37.8	37.9	43.2	42.2	42.5	46.1	45.5	41.7	45.8	47.4	48.6	49.4	50.9	50.7	50.2	50.4	51.5	53.0
United Kingdom	38.1	39.3	40.4	44.8	46.4	46.0	43.5	43.1	42.6	44.8	47.5	47.0	46.7	47.3	46.2	45.2	43.1	41.3	41.2	42.1
Canada	36.1	36.6	35.4	36.8	40.1	39.1	40.1	40.3	39.0	40.5	41.5	46.6	47.2	46.8	47.1	46.4	45.2	44.3	44.6	46.9
Total of above countries	32.7	32.9	32.7	34.5	37.7	36.8	36.3	36.5	37.0	38.4	38.9	40.4	40.5	39.4	39.7	39.9	39.8	39.1	38.7	42.2
Austria	39.7	39.8	41.3	41.9	46.1	46.9	46.8	49.7	48.9	48.9	50.3	50.9	51.2	50.8	51.7	52.4	52.7	51.1	50.0	49.6
Belgium	38.0	38.8	39.1	39.4	51.5	52.7	54.7	56.2	58.1	59.0	64.2	64.2	64.1	62.8	62.5	61.8	60.1	57.7	55.7	55.2
Denmark	43.0	42.6	42.1	45.9	48.2	47.8	48.9	50.6	53.2	56.2	59.8	61.2	61.6	60.3	59.3	55.7	57.3	59.4	59.4	58.4
Finland	32.0	32.4	31.0	32.0	36.1	37.1	38.3	37.8	36.7	36.6	37.5	39.1	40.3	39.8	41.6	42.2	42.2	40.0	38.2	41.2
Greece[a]	22.8	22.0	21.1	25.0	26.7	27.4	29.0	29.9	29.7	30.5	35.9	37.0	38.2	40.2	43.7	42.9	44.8	45.2	46.4	50.9
Iceland	33.5	34.3	35.0	37.8	38.0	32.9	32.5	32.5	32.8	32.2	32.9	34.2	35.9	32.1	34.5	36.6	33.2	37.2	39.2	37.9
Ireland	40.5	38.8	39.0	43.0	46.5	46.0	43.7	44.3	46.8	50.8	52.5	55.8	55.8	54.0	54.8	54.6	52.8	49.6	43.1	..
Luxembourg	36.8	37.2	36.1	35.6	48.5	49.1	51.9	51.3	52.5	54.8	58.5	55.8	55.1	51.8	51.7	51.0	..	..	..	..
Netherlands	45.0	45.6	45.8	47.9	52.8	52.9	53.0	54.4	55.8	57.5	59.7	61.6	62.2	61.0	59.7	59.6	60.8	58.3	55.9	55.6
Norway	43.0	44.6	44.6	44.6	46.2	48.1	49.6	51.8	50.4	48.3	47.9	48.3	48.4	46.3	45.6	49.9	51.5	53.7	54.7	54.8
Portugal	21.3	22.7	21.3	24.7	30.3	35.1	35.2	36.4	36.2	25.9	43.9	43.0	47.9	44.4	43.4	43.9	43.5	43.5	41.7	42.9
Spain	23.6	23.2	23.0	23.1	24.7	26.0	27.5	29.3	30.5	32.9	35.6	37.5	38.8	39.3	42.2	41.7	40.5	40.5	41.9	..
Sweden	45.3	46.2	44.7	48.1	48.9	51.7	57.5	59.2	60.7	61.6	64.2	66.3	66.0	63.5	64.7	63.0	59.2	59.5	59.9	61.4
Switzerland[a]	21.9	21.9	24.2	25.5	28.7	30.2	30.4	30.2	29.9	29.3	28.9	30.1	30.9	31.4	31.0	30.5	30.1	30.5	30.2	30.7
Turkey	22.1	22.5	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total smaller European countries	34.9	35.0	35.5	36.9	40.9	42.3	44.0	45.1	45.5	46.4	48.8	49.7	50.5	49.7	50.3	49.9	49.3	48.6	48.0	50.4
Australia[b]	27.5	27.0	27.7	31.6	33.4	33.9	35.0	34.2	33.5	33.8	34.4	37.1	37.3	38.6	38.8	38.7	36.6	34.7	35.5	37.6
New Zealand	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total smaller countries	33.8	33.9	34.3	36.1	39.8	41.0	42.7	43.6	44.0	44.8	46.5	47.7	48.3	47.7	48.5	48.5	47.8	46.7	46.2	48.4
Total OECD	32.9	33.1	32.9	34.8	38.1	37.5	37.3	37.6	38.1	39.4	40.0	41.4	41.5	40.4	40.7	41.0	40.9	40.1	39.8	43.4
Four major European countries	38.5	39.5	39.8	42.1	45.9	45.5	45.1	45.8	45.6	45.8	48.1	48.8	48.9	49.2	49.2	48.6	48.1	47.3	46.9	47.8
OECD Europe	37.4	38.1	38.5	40.4	44.3	44.5	44.7	45.5	45.6	46.0	48.3	49.1	49.4	49.3	49.5	49.0	48.4	47.7	47.2	48.5
EC	37.7	38.5	38.7	40.7	44.7	44.6	44.6	45.5	45.5	46.0	48.5	49.3	49.6	49.7	49.8	49.2	48.7	47.9	47.4	48.7
Total OECD *less* the United States	34.0	34.4	34.5	36.5	40.2	40.1	40.5	41.1	41.7	42.5	43.7	44.8	44.8	44.2	44.1	43.6	43.2	42.2	41.8	43.4

Source: *National Accounts* (annual OECD publication). The data in this table are measured according to the standard definitions of the OECD-United Nations system of accounts. (See *A System of National Accounts,* Series F, No. 2, Rev. 3, United Nations, 1968.)

Percentages for country groups. The percentages for each group of countries are calculated from the total GDP and total outlays of government for the group, with both aggregates expressed in US dollars at current exchange rates. Percentages for country groups exclude countries for which no data are shown in the table.

Total outlays of government mainly consists of current disbursements plus gross capital formation. It is the sum of lines 38, 9, 10, 13, 14 and 15 less line 2 and 3 in Table 6 (Capital accumulation account) of National Accounts,Volume II, Detailed Tables.

a) Only current disbursements.

b) Fiscal years beginning on 1st July.

Table R 16. **Current receipts of government as a percentage of GDP**

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
United States	28.2	29.3	29.6	30.4	28.8	29.5	29.7	29.9	30.5	30.8	31.6	31.1	30.7	30.7	31.3	31.4	32.0	31.5	31.8	..
Japan	21.6	21.5	22.5	24.5	24.0	23.6	24.7	24.5	26.3	27.6	29.0	29.4	29.6	30.2	30.8	31.0	32.6	33.1	33.4	34.6
Germany	39.4	39.8	42.2	42.8	42.7	44.0	45.1	44.8	44.5	44.9	45.0	45.6	45.2	45.4	45.8	45.0	44.7	44.1	45.0	43.4
France	37.7	37.9	37.8	38.4	39.7	41.8	41.4	41.1	42.7	44.5	45.1	45.9	46.6	47.5	47.6	46.9	47.3	46.7	46.4	46.5
Italy	31.1	30.9	30.4	30.6	31.2	32.9	34.3	36.0	35.7	33.0	34.1	35.9	37.7	37.5	38.1	38.8	39.0	39.3	41.1	42.1
United Kingdom	38.3	36.3	35.7	39.6	40.3	39.7	38.9	37.5	38.0	39.9	42.1	42.8	42.1	42.1	42.2	41.3	40.7	40.5	40.2	40.0
Canada	34.7	35.2	34.9	37.2	36.1	35.8	36.1	35.7	35.5	36.2	38.5	39.1	38.7	38.7	38.7	39.5	40.0	40.2	40.1	41.6
Total of above countries	30.6	31.0	31.5	32.7	32.2	32.6	32.9	32.8	33.9	34.6	35.0	35.0	34.7	34.5	34.8	35.2	36.1	35.8	36.1	40.0
Austria	40.5	41.1	41.9	42.5	42.9	42.4	43.7	46.2	45.8	46.4	47.8	46.7	46.4	47.5	48.5	47.9	47.6	47.3	46.4	46.7
Belgium	35.7	35.5	36.4	37.7	45.7	46.2	48.0	49.2	50.2	49.3	50.3	52.4	52.0	53.0	53.2	52.2	52.4	50.7	48.9	49.5
Denmark	46.4	45.9	46.8	48.4	46.1	46.9	47.6	49.6	50.8	52.2	52.1	51.2	53.6	55.5	56.5	58.3	58.8	59.1	57.9	56.1
Finland	35.7	35.4	36.0	35.7	37.8	41.0	40.4	38.0	36.1	35.8	37.5	37.3	37.4	39.0	40.5	41.8	39.4	40.0	39.8	41.2
Greece	26.6	26.6	25.4	27.0	27.4	29.5	29.9	30.1	30.6	30.5	29.1	32.3	33.6	34.8	34.6	35.5	37.0	35.1	32.5	34.7
Iceland	32.6	34.5	34.2	34.1	34.0	33.0	31.3	31.6	32.7	33.3	33.9	35.6	33.5	34.0	32.5	32.1	32.1	35.0	35.9	34.9
Ireland	36.3	34.9	34.5	35.2	34.6	37.9	36.4	35.2	35.9	38.8	39.6	41.9	43.6	43.8	43.3	43.2	43.4	44.1	40.1	..
Luxembourg	38.4	38.5	39.0	40.2	48.6	50.2	54.2	55.2	52.1	53.3	53.8	53.8	56.2	54.2	55.9	52.9	..	..	..	..
Netherlands	43.3	44.5	45.9	47.0	49.2	49.5	50.5	50.9	51.4	52.8	53.5	53.8	55.3	54.1	54.3	53.0	53.6	52.4	49.9	49.5
Norway	46.6	48.4	49.6	48.5	48.7	49.8	50.0	50.8	50.8	53.2	51.8	51.9	51.8	53.0	55.1	54.7	55.2	55.1	54.9	56.2
Portugal	23.5	23.4	22.7	23.0	24.8	28.1	30.5	29.5	30.0	31.4	33.3	35.4	37.8	37.3	35.9	37.6	36.2	38.1	38.7	37.6
Spain	22.6	23.0	23.7	22.8	24.3	25.3	26.5	27.1	28.4	29.7	31.2	31.4	33.5	33.2	34.2	34.7	36.4	36.3	38.1	..
Sweden	49.4	49.5	47.7	48.8	50.5	55.1	58.0	57.5	56.4	56.3	57.6	58.0	59.6	59.2	59.5	60.4	62.3	61.7	64.2	63.9
Switzerland	26.2	26.4	28.8	29.7	32.1	33.9	33.7	33.8	33.1	32.8	32.8	33.3	33.9	34.7	34.4	35.0	34.5	35.0	34.1	34.2
Turkey	23.7	27.1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total smaller European countries	36.0	36.3	37.2	37.5	39.7	41.4	42.6	42.8	42.7	43.4	44.0	44.2	45.5	45.8	46.4	46.4	46.7	46.2	45.8	48.3
Australia[a]	27.3	25.2	26.7	28.5	29.0	29.7	30.1	29.0	29.8	30.7	31.7	32.3	31.5	33.3	34.1	35.2	35.0	34.6	34.7	35.1
New Zealand	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total smaller countries	34.8	34.8	35.5	36.1	38.1	39.7	40.9	41.0	41.1	41.8	42.1	42.3	43.1	43.5	44.4	45.0	45.3	44.6	44.2	46.2
Total OECD	31.1	31.5	32.1	33.2	33.1	33.8	34.2	34.1	35.0	35.7	36.0	36.1	35.8	35.6	36.0	36.5	37.3	37.0	37.2	41.2
Four major European countries	37.3	37.0	37.8	39.0	39.5	40.8	41.2	41.0	41.3	41.5	42.3	43.2	43.4	43.6	43.8	43.4	43.3	42.9	43.4	43.2
OECD Europe	36.9	36.8	37.6	38.5	39.6	41.0	41.7	41.6	41.8	42.1	42.8	43.5	44.0	44.2	44.6	44.3	44.3	43.9	44.2	44.4
EC	36.6	36.4	37.2	38.1	39.1	40.4	41.0	41.0	41.3	41.6	42.4	43.2	43.7	43.8	44.1	43.8	43.9	43.4	43.6	43.9
Total OECD *less* the United States	33.6	33.2	33.8	35.1	35.8	36.5	37.0	36.5	37.5	38.4	38.8	39.4	39.4	39.5	39.9	39.8	40.3	40.0	40.3	41.2

Source: *National Accounts* (annual OECD publication). The data in this table are measured according to the standard definitions of the OECD-United Nations system of accounts. (See *A System of National Accounts*, Series F, No. 2, Rev. 3, United Nations, 1968.)

Percentages for country groups. The percentages tages for each group of countries are calculated from the total GDP and current receipts of government for the group, with both aggregates expressed in US dollars at current exchange rates. Percentages for country groups exclude countries for which no data are shown in the table.

Current receipts of government mainly consists of direct and indirect taxes, and social security contributions paid by employers and employees. It is given on line 21 of Table 6 (Income and outlay account) of National Accounts, Volume II, Detailed Tables.

a) Fiscal years beginning on 1st July.

Table R 17. **Growth of employment in the OECD area**[a]

Percentage changes from previous period

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	3.5	3.6	2.1	–1.1	3.4	3.7	4.4	2.9	0.5	1.1	–0.9	1.3	4.1	2.0	2.3	2.6	2.3	2.0	0.5	–0.9
Japan	0.1	2.6	–0.4	–0.3	0.9	1.3	1.3	1.3	1.0	0.8	1.0	1.7	0.6	0.7	0.8	1.0	1.7	1.9	2.0	1.9
Germany	1.0	0.8	–0.8	–3.3	–0.8	0.5	0.5	1.3	2.0	0.3	–0.6	–1.2	–0.2	0.8	1.4	0.7	0.8	1.4	2.6	1.8
France	0.7	1.4	0.9	–1.0	0.8	0.8	0.3	0.1	0.0	–0.3	–0.1	–0.3	–0.9	–0.3	0.2	0.3	0.8	1.2	1.1	0.2
Italy	–1.7	0.8	2.1	0.5	0.6	0.9	0.3	1.0	1.3	0.2	–0.3	0.2	0.4	0.4	0.5	–0.2	1.1	0.1	1.9	0.9
United Kingdom	0.7	2.0	0.3	–0.6	–0.7	0.1	0.8	1.3	–1.0	–3.4	–1.9	–0.2	2.2	1.1	0.3	2.3	3.3	2.7	0.3	–3.1
Canada	3.0	5.0	4.2	1.7	2.1	1.8	3.5	4.1	3.0	2.7	–3.5	0.5	2.4	2.6	2.8	2.9	3.2	2.0	0.7	–1.8
Total of above countries	1.4	2.5	1.0	–0.9	1.5	1.9	2.2	1.9	0.7	0.4	–0.5	0.7	2.0	1.3	1.4	1.7	1.9	1.8	1.2	–0.1
Austria	0.7	0.5	0.0	–2.2	0.2	1.4	0.9	1.2	0.7	0.6	1.2	–1.0	0.1	0.0	1.4	0.6	0.3	1.0	2.1	1.8
Belgium	–0.2	0.9	1.5	–1.4	–0.6	–0.4	0.1	0.9	–0.1	–1.9	–1.3	–1.0	–0.2	0.6	0.7	0.5	1.5	1.6	1.4	0.3
Denmark	0.2	1.5	0.0	–2.8	1.8	0.8	1.0	1.2	–0.5	–1.3	0.4	0.3	1.7	2.5	2.6	0.9	–0.6	–0.7	–0.5	–0.9
Finland	–0.2	2.2	3.0	–0.3	2.6	–2.0	–1.4	2.5	3.2	1.1	1.0	0.6	1.0	1.0	–0.3	–0.3	0.3	1.6	–0.1	–5.3
Greece	0.5	1.0	0.1	0.1	1.2	0.8	0.4	1.1	1.4	5.2	–0.8	1.1	0.3	1.0	0.3	–0.1	1.7	0.4	1.2	–1.7
Iceland	2.6	2.7	3.4	1.7	3.6	0.3	2.9	1.0	3.3	4.8	2.6	0.9	1.5	3.6	3.1	5.8	–2.8	–1.6	0.1	0.6
Ireland	0.3	1.4	1.4	–0.8	–0.8	1.8	2.5	3.2	1.0	–0.9	0.2	–2.1	–1.8	–2.5	0.5	0.6	0.3	–0.1	3.3	–0.4
Luxembourg	2.7	1.9	2.8	1.2	–0.1	–0.1	–0.6	0.5	0.7	0.3	–0.3	–0.3	0.6	1.5	2.6	2.7	3.1	4.0	4.2	4.3
Netherlands	–0.6	–0.1	0.0	–0.7	0.0	0.2	0.7	1.3	0.7	–1.5	–2.5	–1.9	–0.1	1.5	2.0	1.4	1.4	1.7	2.1	1.3
Norway	1.1	0.3	0.5	2.8	4.6	2.0	1.6	1.1	0.5	1.5	0.4	0.1	1.3	2.3	3.6	1.9	–0.6	–3.0	–0.9	–1.0
Portugal	–0.5	–0.8	7.1	4.7	1.4	0.6	–0.2	1.2	3.1	–0.6	0.3	5.1	–1.3	–0.4	0.2	2.6	2.6	2.3	2.2	3.0
Spain	0.3	1.6	1.2	–0.9	–0.5	–0.7	–1.7	–1.7	–3.0	–3.0	–1.3	–1.1	–1.8	–0.9	2.2	3.1	2.9	4.1	2.6	0.2
Sweden	0.0	0.5	2.1	2.5	0.6	0.2	0.4	1.5	1.3	–0.2	–0.1	0.1	0.7	1.0	–0.7	1.6	1.4	1.5	1.0	–1.7
Switzerland	1.4	1.0	–0.1	–4.8	–2.9	0.4	1.0	1.1	2.3	2.3	0.5	0.0	1.0	1.9	1.4	1.2	1.2	1.1	1.3	–0.1
Turkey	2.3	1.7	1.6	1.7	2.3	1.9	1.0	–0.6	–0.6	2.1	1.4	2.4	2.6	2.2	3.2	3.0	1.4	1.3	2.2	0.2
Total smaller European countries	0.7	1.1	1.4	0.0	0.7	0.5	0.2	0.3	0.0	0.1	–0.1	0.5	0.4	0.9	1.8	1.9	1.5	1.6	1.8	0.0
Australia	1.4	2.8	2.1	–0.4	1.4	0.9	–0.3	1.2	2.8	2.1	0.0	–1.8	3.0	3.1	4.1	2.2	3.7	4.4	1.8	–2.0
New Zealand	1.1	3.5	4.3	1.7	1.7	1.5	–0.6	1.4	–0.1	0.7	0.9	–1.0	2.7	3.2	–0.1	0.6	–3.3	–3.0	0.9	–1.3
Total smaller countries	0.7	1.3	1.5	0.0	0.8	0.6	0.1	0.4	0.2	0.3	0.0	0.2	0.7	1.2	1.9	1.9	1.6	1.8	1.8	–0.2
Total OECD	1.3	2.2	1.1	–0.7	1.3	1.6	1.8	1.6	0.6	0.4	–0.4	0.6	1.7	1.2	1.5	1.7	1.9	1.8	1.3	–0.1
Four major European countries	0.3	1.3	0.5	–1.2	–0.1	0.5	0.5	0.9	0.6	–0.9	–0.8	–0.4	0.4	0.5	0.6	0.9	1.5	1.4	1.5	–0.1
OECD Europe	0.4	1.2	0.8	–0.7	0.2	0.5	0.4	0.7	0.3	–0.5	–0.5	–0.1	0.4	0.7	1.1	1.3	1.5	1.5	1.6	0.0
EC	0.2	1.2	0.7	–1.0	0.0	0.4	0.3	0.7	0.3	–1.0	–0.8	–0.3	0.1	0.4	0.9	1.1	1.6	1.6	1.6	0.0
Total OECD *less* the United States	0.5	1.7	0.7	–0.5	0.5	0.8	0.7	1.0	0.7	0.1	–0.2	0.3	0.6	0.9	1.2	1.3	1.7	1.7	1.7	0.3

a) For sources and definitions, see "Sources and Methods".

Table R 18. **Standardised unemployment rates in 17 OECD countries**

Per cent of total labour force

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	5.5	4.8	5.5	8.3	7.6	6.9	6.0	5.8	7.0	7.5	9.5	9.5	7.4	7.1	6.9	6.1	5.4	5.2	5.4	6.6
Japan	1.4	1.3	1.4	1.9	2.0	2.0	2.2	2.1	2.0	2.2	2.4	2.6	2.7	2.6	2.8	2.8	2.5	2.3	2.1	2.1
Germany[a]	0.8	0.8	1.6	3.6	3.7	3.6	3.5	3.2	2.9	4.2	5.9	7.7	7.1 |	7.1	6.4	6.2	6.2	5.5	4.9	4.3[b]
France[a]	2.8	2.7	2.8	4.0	4.4	4.9	5.2	5.9	6.3	7.4	8.1	8.3	9.7	10.2	10.4	10.5	10.0	9.4	9.0	9.5
Italy	6.3	6.2	5.3	5.8	6.6	7.0	7.1	7.6	7.5	7.8	8.4	8.8	9.4	9.6	10.5	10.9	11.0	10.9	10.3	9.9
United Kingdom[a]	4.0	3.0	2.9	4.3	5.6	6.0	5.9	5.0	6.4	9.8	11.3	12.4	11.7 |	11.2	11.2	10.3	8.6	7.1	6.8	8.7
Canada	6.2	5.5	5.3	6.9	7.1	8.0	8.3	7.4	7.4	7.5	10.9	11.8	11.2	10.4	9.5	8.8	7.7	7.5	8.1	10.2
Major seven countries	3.8	3.4	3.7	5.4	5.4	5.4	5.1	4.9	5.5	6.3	7.7	8.1	7.3 |	7.2	7.1	6.7	6.1	5.7	5.6	6.3
Belgium[a]	2.7	2.7	3.0	5.0	6.4	7.4	7.9	8.2	8.8	10.8	12.6	12.1 |	12.1	11.3	11.2	11.0	9.7	8.0	7.2	7.1
Finland	2.5	2.3	1.7	2.2	3.8	5.8	7.2	5.9	4.6	4.8	5.3 |	5.4	5.2	5.0	5.3	5.0	4.5	3.4	3.4	7.5
Ireland	..	..	..	..	..	..	..	..	..	..	..	14.0	15.5	17.0	17.1	16.7	16.2	14.7	13.4	14.9
Netherlands[a]	2.2	2.2	2.7	5.2	5.5	5.3	5.3	5.4	6.0	8.5	11.4	12.0 |	11.8	10.6	9.9	9.6	9.2	8.3	7.5	7.0
Norway	1.6	1.5	1.5	2.3	1.7	1.4	1.8	2.0	1.6 |	2.0	2.6	3.4	3.1	2.6	2.0	2.1	3.2	4.9	5.2	5.5
Portugal	..	..	..	..	..	..	..	..	..	..	..	7.8	8.4	8.5	8.4	7.0	5.7	5.0	4.6	4.1
Spain	3.1	2.5	2.6	3.6	4.5	5.1	6.8	8.4	11.1	13.8	15.6	17.0	19.7	21.1	20.8	20.1	19.1	16.9	15.9	16.0
Sweden	2.7	2.5	2.0	1.6	1.6	1.8	2.2	2.1	2.0	2.5	3.2	3.5	3.1	2.8	2.7	1.9 |	1.6	1.4	1.5	2.7
Australia	2.6	2.3	2.6	4.8	4.7	5.6	6.2	6.2	6.0	5.7	7.1	9.9	8.9	8.2	8.0	8.0	7.2	6.1	6.9	9.5
New Zealand	..	..	..	..	..	..	..	..	..	..	..	..	..	..	3.9	4.0	5.6	7.1	7.9	10.3
Total OECD	3.7	3.3	3.5	5.2	5.3	5.3	5.2	5.1	5.8	6.6	8.1	8.5 |	8.0 |	7.8	7.7	7.3	6.7	6.2	6.1	6.8
Memorandum item EC[c]	3.2	2.9	3.0	4.3	5.0	5.4	5.6	5.7	6.4	8.1	9.4	10.3 |	10.7 |	10.8	10.8	10.6	9.9	9.0	8.4	8.7

a) Series based on EC Labour Force Surveys: see corresponding notes in Quarterly Labour Force Statistics.
b) Western Germany.
c) EC: only countries shown: Germany, France, United Kingdom, Italy, Belgium, Ireland, Netherlands, Portugal and Spain are included in the area total.
Note: These unemployment rates are based on the ILO/OECD Guidelines. The unemployed are defined as persons of working age who are without work, available for work and actively seeking employment; unemployment is expressed as a percentage of total labour force including all members of the armed forces. Break is marked by (I). The data above are averages of quarterly or monthly figures. For a detailed description of the sources and methods used see Standardized Unemployment Rates, Sources and Methods (OECD, 1985).

Table R 19. **Unemployment rates in OECD countries: commonly used definitions**[a]

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	5.6	4.9	5.6	8.3	7.7	7.0	6.1	5.8	7.2	7.6	9.7	9.6	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.7
Japan	1.4	1.3	1.4	1.9	2.0	2.0	2.2	2.1	2.0	2.2	2.3	2.7	2.7	2.6	2.8	2.9	2.5	2.3	2.1	2.1
Germany	0.7	0.6	1.3	3.1	3.2	3.3	3.1	2.9	2.5	3.4	5.0	6.6	7.1	7.1	6.4	6.2	6.2	5.6	4.9	6.7[b]
France	2.8	2.7	2.9	4.2	4.5	5.0	5.3	6.0	6.3	7.5	8.1	8.3	9.8	10.2	10.4	10.5	10.0	9.4	9.0	9.6
Italy	6.4	6.4	5.4	5.9	6.7	7.2	7.3	7.8	7.7	8.5	9.2	10.0	10.1	10.2	11.2	12.1	12.2	12.1	11.1	11.0
United Kingdom	3.1	2.1	2.2	3.6	4.8	5.2	4.9	4.5	6.1	9.1	10.4	11.2	11.4	11.6	11.8	10.4	8.2	6.2	5.9	8.3
Canada	6.2	5.5	5.3	6.9	7.1	8.1	8.3	7.4	7.5	7.6	11.0	11.8	11.2	10.5	9.5	8.8	7.8	7.5	8.1	10.3
Total of above countries	3.7	3.3	3.6	5.3	5.4	5.3	5.0	4.9	5.5	6.3	7.7	8.0	7.4	7.3	7.2	6.8	6.2	5.7	5.6	6.4
Austria	1.0	1.0	1.2	1.5	1.6	1.4	1.8	1.8	1.6	2.2	3.1	3.7	3.8	3.6	3.1	3.8	3.6	3.1	3.2	3.5
Belgium	2.3	2.4	2.5	4.5	5.9	6.7	7.2	7.5	7.9	10.2	11.9	13.2	13.2	12.3	11.6	11.3	10.3	9.3	8.7	8.8
Denmark	1.6	1.0	2.3	5.3	5.3	6.4	7.3	6.2	7.0	9.2	9.8	10.4	10.1	9.0	7.8	7.8	8.6	9.3	9.5	10.4
Finland	2.5	2.3	1.7	2.2	3.9	5.9	7.3	6.0	4.7	4.9	5.4	5.4	5.2	5.0	5.4	5.1	4.5	3.5	3.5	7.6
Greece	2.1	2.0	2.1	2.3	1.9	1.7	1.8	1.9	2.8	4.0	5.8	7.8	8.1	7.8	7.4	7.4	7.6	7.4	7.0	8.2
Iceland	0.5	0.4	0.4	0.5	0.5	0.3	0.4	0.4	0.3	0.4	0.7	1.0	1.3	0.9	0.6	0.5	0.6	1.6	1.8	1.5
Ireland	6.2	5.7	5.3	7.3	9.0	8.8	8.2	7.1	7.3	9.9	11.4	14.0	15.5	17.4	17.4	17.5	16.7	15.6	13.7	15.8
Luxembourg	0.0	0.0	0.1	0.2	0.3	0.5	0.8	0.7	0.7	1.0	1.3	1.6	1.7	1.6	1.4	1.6	1.4	1.3	1.1	1.3
Netherlands[c]	1.4	1.4	1.7	3.3	3.5	3.4	3.4	3.5	4.1	6.3	8.8	11.2	11.2	10.0	9.2	8.7	8.3	7.4	6.4	5.9
Norway	1.7	1.5	1.4	2.2	1.8	1.4	1.8	1.9	1.7	2.0	2.7	3.4	3.2	2.6	2.0	2.1	3.2	4.9	5.2	5.5
Portugal	2.1	2.2	1.9	3.5	5.8	7.1	7.9	8.2	7.8	7.6	7.5	7.9	8.6	8.6	8.6	7.1	5.8	5.0	4.7	4.1
Spain	3.2	2.8	3.0	4.1	4.6	5.2	7.0	8.6	11.5	14.3	16.4	18.2	20.1	21.5	21.0	20.5	19.5	17.3	16.3	16.3
Sweden	2.2	2.0	1.6	1.3	1.3	1.5	1.8	1.7	1.6	2.1	2.6	2.9	2.6	2.4	2.2	1.9	1.6	1.4	1.5	2.7
Switzerland	0.0	0.0	0.0	0.3	0.7	0.4	0.3	0.3	0.2	0.2	0.4	0.8	1.0	0.8	0.7	0.6	0.6	0.6	0.6	1.3
Turkey	7.6	7.9	8.4	8.7	7.9	7.5	7.8	9.7	11.6	11.6	12.3	12.1	11.8	11.3	10.5	9.5	9.8	10.2	10.0	11.5
Total smaller European countries	3.4	3.4	3.6	4.5	4.7	5.0	5.6	6.4	7.4	8.6	9.8	10.7	11.0	11.0	10.5	10.0	9.7	9.2	8.8	9.5
Australia	2.6	2.3	2.7	4.9	4.7	5.6	6.3	6.2	6.0	5.7	7.1	9.9	8.9	8.2	8.0	8.0	7.1	6.1	6.9	9.6
New Zealand	0.5	0.2	0.1	0.3	0.4	0.6	1.7	1.9	2.7	3.5	3.6	5.3	4.5	3.5	4.0	4.1	5.6	7.2	7.9	10.3
Total smaller countries	3.3	3.2	3.4	4.4	4.6	4.9	5.6	6.3	7.2	8.2	9.4	10.5	10.7	10.5	10.1	9.7	9.4	8.8	8.6	9.5
Total OECD	3.6	3.3	3.6	5.1	5.2	5.2	5.1	5.2	5.9	6.7	8.0	8.6	8.1	8.0	7.9	7.4	6.9	6.4	6.2	7.2
Four major European countries	3.0	2.7	2.8	4.1	4.7	5.1	5.1	5.1	5.5	7.0	8.1	9.0	9.5	9.7	9.8	9.6	8.9	8.1	7.5	8.6
OECD Europe	3.2	3.0	3.1	4.3	4.7	5.0	5.3	5.6	6.3	7.6	8.8	9.7	10.1	10.2	10.1	9.8	9.3	8.5	8.0	9.0
EC	2.9	2.6	2.7	4.1	4.7	5.1	5.3	5.5	6.2	7.8	9.0	10.1	10.7	10.9	10.9	10.6	10.0	9.0	8.4	9.2
Total OECD *less* the United States	2.9	2.6	2.8	3.8	4.2	4.4	4.7	4.9	5.3	6.3	7.3	8.1	8.4	8.3	8.2	8.0	7.5	6.9	6.6	7.4

a) For sources and definitions, see "Sources and Methods".
b) Total Germany.
c) Data for 1987 and 1988 are Central Planning Bureau estimates of unemployment based on the new measurement method which was officially introduced only from the beginning of 1989. Unemployment rates under the old method are 12.6 and 12.5 respectively.

Table R 20. **Current balances**

$ billion

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	18.13	4.21	–14.51	–15.14	–0.29	2.32	5.03	–11.44	–43.62	–98.82	–121.73	–147.53	–163.48	–126.66	–101.14	–90.43	–3.68
Japan	–0.68	3.68	10.92	16.54	–8.76	–10.75	4.77	6.85	20.80	35.00	49.17	85.85	87.01	79.63	57.15	35.76	72.90
Germany	4.33	3.70	4.01	8.90	–5.41	–13.83	–3.55	5.11	5.30	9.81	16.42	39.50	45.88	50.64	57.43	47.09	–19.83
France	2.65	–3.44	–0.44	7.00	5.20	–4.14	–4.66	–12.24	–4.77	–1.16	–0.24	1.93	–4.96	–4.72	–5.59	–14.91	–6.59
Italy	–0.58	–2.82	2.47	6.20	5.89	–9.79	–8.94	–5.66	1.68	–2.30	–3.59	2.43	–1.45	–5.73	–10.80	–14.71	–21.14
United Kingdom	–3.33	–1.69	–0.26	2.15	–0.96	6.61	13.56	8.12	5.71	2.39	3.58	0.10	–7.33	–28.78	–35.54	–30.25	–11.15
Canada	–4.55	–4.15	–4.06	–4.30	–4.15	–0.96	–5.12	2.28	2.49	2.08	–2.27	–8.20	–8.75	–12.58	–19.33	–22.03	–25.51
Austria	–0.23	–1.10	–2.18	–0.69	–1.12	–1.65	–1.35	0.71	0.22	–0.20	–0.12	0.24	–0.21	–0.32	0.16	1.16	–0.10
Belgium-Luxembourg	0.16	0.39	–0.55	–0.84	–3.05	–4.94	–4.19	–2.41	–0.43	–0.04	0.69	3.11	2.77	3.53	3.57	3.71	4.37
Denmark	–0.55	–1.99	–1.72	–1.41	–2.97	–2.45	–1.85	–2.25	–1.18	–1.63	–2.72	–4.49	–2.98	–1.24	–0.89	1.50	2.21
Finland	–2.13	–1.12	–0.11	0.67	–0.16	–1.40	–0.51	–0.99	–1.13	–0.03	–0.78	–0.71	–1.72	–2.71	–5.80	–6.94	–6.59
Greece	–0.95	–0.93	–1.07	–0.96	–1.88	–2.21	–2.41	–1.89	–1.88	–2.13	–3.27	–1.68	–1.22	–0.96	–2.56	–3.54	–1.52
Iceland	–0.14	–0.03	–0.05	0.02	–0.02	–0.08	–0.15	–0.26	–0.05	–0.13	–0.11	0.02	–0.19	–0.22	–0.08	–0.16	–0.32
Ireland	–0.12	–0.43	–0.53	–0.84	–2.10	–2.13	–2.57	–1.88	–1.15	–1.02	–0.69	–0.69	0.37	0.60	0.37	0.93	1.85
Netherlands	2.13	2.66	0.61	–1.60	–2.28	–2.90	2.70	4.23	3.92	4.88	5.06	4.85	2.87	5.04	8.02	10.38	9.57
Norway	–2.43	–3.73	–5.04	–2.09	–1.04	1.10	2.17	0.64	2.00	2.93	3.10	–4.53	–4.06	–3.87	0.24	3.72	5.00
Portugal	–0.77	–1.30	–0.94	–0.44	–0.05	–1.07	–2.55	–3.13	–0.83	–0.59	0.35	1.17	0.46	–1.02	0.16	–0.14	–0.66
Spain	–3.49	–4.30	–1.90	1.57	1.13	–5.13	–4.82	–4.24	–2.54	2.03	2.74	3.92	–0.07	–3.69	–10.94	–16.86	–15.80
Sweden	–0.36	–1.64	–2.15	–0.26	–2.39	–4.39	–2.92	–3.52	–0.83	0.53	–1.31	0.60	–0.13	–0.72	–3.28	–6.83	–3.39
Switzerland	2.57	3.37	3.48	4.41	2.41	–0.55	2.79	4.05	3.85	4.37	5.04	6.87	7.55	9.04	7.02	8.64	10.09
Turkey	–1.65	–2.03	–3.14	–1.26	–1.41	–3.41	–1.92	–0.96	–1.83	–1.41	–1.01	–1.47	–0.81	1.60	0.96	–2.62	0.27
Australia	–1.04	–1.95	–3.09	–4.46	–2.58	–4.14	–8.33	–7.93	–5.98	–8.66	–8.68	–9.17	–7.32	–9.96	–17.36	–14.71	–9.85
New Zealand	–1.34	–0.91	–0.82	–0.49	–0.69	–0.94	–1.15	–1.70	–0.98	–1.90	–1.61	–1.77	–1.88	–0.59	–1.45	–1.29	–0.03
Total	5.64	–15.55	–21.09	12.65	–26.67	–66.83	–25.96	–28.51	–21.24	–55.99	–61.98	–29.63	–59.64	–53.69	–79.66	–112.53	–19.88

Table R 21. **Current balances of OECD countries as a percentage of GDP**

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	0.1	1.1	0.2	–0.7	–0.7	0.0	0.1	0.2	–0.4	–1.3	–2.6	–3.0	–3.5	–3.6	–2.6	–1.9	–1.6	–0.1
Japan	–1.0	–0.1	0.7	1.6	1.7	–0.9	–1.0	0.4	0.6	1.8	2.8	3.7	4.3	3.6	2.7	2.0	1.2	2.2
Germany[a]	2.8	1.0	0.8	0.8	1.4	–0.7	–1.7	–0.5	0.8	0.8	1.6	2.6	4.4	4.1	4.2	4.8	3.0	–1.2
France	–1.5	0.8	–1.0	–0.1	1.4	0.9	–0.6	–0.8	–2.2	–0.9	–0.2	0.0	0.3	–0.6	–0.5	–0.6	–1.3	–0.6
Italy	–4.3	–0.3	–1.3	1.0	2.1	1.6	–2.2	–2.2	–1.4	0.4	–0.6	–0.8	0.4	–0.2	–0.7	–1.2	–1.3	–1.8
United Kingdom	–3.8	–1.4	–0.8	–0.1	0.7	–0.2	1.2	2.6	1.7	1.2	0.6	0.8	0.0	–1.1	–3.4	–4.2	–3.1	–1.1
Canada	–0.9	–2.7	–2.1	–2.0	–2.0	–1.8	–0.4	–1.7	0.8	0.8	0.6	–0.6	–2.3	–2.1	–2.6	–3.5	–3.8	–4.3
Total of the above countries	–0.4	0.5	0.0	0.0	0.4	–0.1	–0.5	0.0	–0.1	–0.2	–0.7	–0.8	–0.3	–0.5	–0.4	–0.5	–0.6	–0.1
Austria	–0.6	–0.6	–2.7	–4.5	–1.2	–1.6	–2.1	–2.0	1.1	0.3	–0.3	–0.2	0.3	–0.2	–0.2	0.1	0.7	–0.1
Belgium-Luxembourg	1.4	0.3	0.6	–0.7	–0.9	–2.7	–4.1	–4.2	–2.8	–0.5	–0.1	0.8	2.7	1.9	2.3	2.3	1.9	2.2
Denmark	–3.0	–1.5	–4.8	–3.7	–2.5	–4.5	–3.7	–3.2	–4.0	–2.1	–3.0	–4.7	–5.4	–2.9	–1.1	–0.8	1.2	1.7
Finland	–5.1	–7.5	–3.7	–0.3	1.9	–0.4	–2.7	–1.0	–1.9	–2.3	–0.1	–1.4	–1.0	–1.9	–2.6	–5.0	–5.0	–5.3
Greece	–6.1	–4.5	–4.1	–4.1	–3.0	–4.9	–5.5	–6.5	–4.9	–5.4	–6.3	–9.8	–4.2	–2.6	–1.8	–4.7	–5.3	–2.2
Iceland	–11.5	–10.5	–1.7	–2.5	0.7	–0.7	–2.5	–4.5	–8.4	–2.1	–4.8	–4.0	0.5	–3.6	–3.7	–1.5	–2.7	–4.9
Ireland	–9.6	–1.5	–5.2	–5.3	–6.5	–13.0	–11.1	–14.1	–9.9	–6.3	–5.7	–3.6	–2.7	1.2	1.8	1.1	2.2	4.3
Netherlands	3.1	2.5	2.8	0.5	–1.2	–1.4	–1.7	1.9	3.1	2.9	3.9	4.0	2.8	1.4	2.2	3.6	3.7	3.3
Norway	–4.7	–8.5	–11.9	–14.0	–5.1	–2.2	1.9	3.8	1.1	3.6	5.3	5.3	–6.5	–4.9	–4.3	0.3	3.5	4.7
Portugal	–6.2	–5.2	–8.4	–5.8	–2.5	–0.2	–4.3	–10.4	–13.4	–4.0	–3.0	1.7	3.9	1.3	–2.5	0.4	–0.2	–1.0
Spain	–3.6	–3.3	–3.9	–1.6	1.1	0.6	–2.4	–2.6	–2.4	–1.6	1.3	1.7	1.7	0.0	–1.1	–2.9	–3.4	–3.0
Sweden	–1.1	–0.5	–2.1	–2.6	–0.3	–2.2	–3.5	–2.6	–3.5	–0.9	0.6	–1.3	0.5	–0.1	–0.4	–1.7	–3.0	–1.4
Switzerland	0.4	4.7	5.9	5.7	5.2	2.5	–0.5	3.0	4.2	4.0	4.8	5.4	5.1	4.4	4.9	4.0	3.8	4.3
Turkey[a]	–2.1	–4.4	–4.7	–6.4	–2.4	–2.4	–5.8	–3.2	–1.8	–3.5	–2.8	–1.9	–2.5	–1.2	2.3	1.2	–2.4	0.2
Total of the smaller European countries	–1.5	–1.3	–1.9	–2.1	–0.4	–1.4	–2.8	–1.7	–1.2	–0.2	0.8	0.7	0.6	0.2	0.3	–0.2	–0.3	0.2
Australia	–3.3	–1.1	–1.9	–3.0	–3.8	–2.0	–2.8	–4.8	–4.7	–3.7	–4.8	–5.4	–5.5	–3.7	–4.0	–6.1	–5.0	–3.3
New Zealand	–11.6	–10.5	–7.0	–5.6	–2.9	–3.5	–4.4	–4.9	–7.3	–4.4	–8.7	–7.4	–6.4	–5.3	–1.4	–3.4	–2.9	–0.1
Total of the smaller countries	–2.0	–1.5	–2.0	–2.3	–0.9	–1.5	–2.8	–2.2	–1.9	–0.8	–0.3	–0.3	–0.3	–0.4	–0.3	–1.0	–0.9	–0.2
Total OECD	–0.7	0.1	–0.3	–0.4	0.2	–0.4	–0.9	–0.3	–0.4	–0.3	–0.7	–0.7	–0.3	–0.5	–0.4	–0.5	–0.7	–0.1
Four major European countries	–0.9	0.3	–0.3	0.4	1.4	0.2	–0.9	–0.2	–0.2	0.4	0.4	0.8	1.6	0.9	0.3	0.1	–0.3	–1.2
OECD Europe	–1.1	–0.3	–0.9	–0.4	0.8	–0.3	–1.5	–0.7	–0.5	0.2	0.6	0.8	1.3	0.7	0.3	0.0	–0.3	–0.7
EC	–1.0	0.0	–0.6	0.0	0.9	–0.2	–1.3	–0.7	–0.6	0.1	0.4	0.7	1.4	0.8	0.3	0.1	–0.3	–0.9
Total OECD *less* the United States	–1.2	–0.5	–0.7	–0.2	0.7	–0.6	–1.4	–0.6	–0.4	0.5	0.9	1.2	1.8	1.3	0.8	0.2	–0.2	–0.1

a) Percentage of GNP

Table R 22. **Exchange rates, national currencies against the United States dollar**

Average of daily rates

	Monetary unit	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	*Dollar*	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Japan	*Yen*	268.5	210.4	219.2	226.7	220.6	249.1	237.5	237.6	238.6	168.5	144.6	128.2	138.0	144.8	134.5
Germany	*Deutschemark*	2.322	2.009	1.833	1.817	2.259	2.427	2.553	2.846	2.944	2.172	1.797	1.756	1.880	1.616	1.659
France	*Franc*	4.913	4.512	4.255	4.226	5.434	6.572	7.621	8.739	8.984	6.927	6.009	5.956	6.380	5.446	5.641
Italy	*Lira*	882	849	831	856	1137	1353	1519	1757	1909	1491	1297	1302	1372	1198	1241
United Kingdom	*Pound*	0.573	0.521	0.472	0.430	0.498	0.573	0.660	0.752	0.779	0.682	0.612	0.562	0.611	0.563	0.567
Canada	*Dollar*	1.063	1.141	1.171	1.169	1.199	1.233	1.232	1.295	1.366	1.389	1.326	1.231	1.184	1.167	1.146
Austria	*Schilling*	16.52	14.53	13.37	12.94	15.92	17.06	17.97	20.01	20.69	15.27	12.64	12.34	13.23	11.37	11.67
Belgium-Luxembourg	*Franc*	35.84	31.50	29.31	29.25	37.14	45.70	51.13	57.76	59.43	44.69	37.34	36.77	39.40	33.42	34.16
Denmark	*Krone*	6.00	5.51	5.26	5.64	7.12	8.33	9.14	10.36	10.59	8.09	6.84	6.73	7.31	6.19	6.40
Finland	*Markka*	4.021	4.107	3.887	3.720	4.304	4.813	5.565	6.003	6.196	5.070	4.396	4.186	4.288	3.822	4.043
Greece	*Drachma*	36.8	36.7	37.0	42.6	55.3	66.7	87.9	112.7	138.1	139.5	135.2	141.6	162.1	158.2	182.1
Iceland	*Krona*	1.99	2.71	3.53	4.80	7.21	12.30	24.85	31.73	41.54	41.10	38.68	43.03	56.68	58.36	59.10
Ireland	*Pound*	0.573	0.521	0.489	0.487	0.622	0.704	0.805	0.923	0.946	0.747	0.672	0.657	0.706	0.605	0.622
Netherlands	*Guilder*	2.455	2.164	2.006	1.988	2.495	2.670	2.854	3.209	3.322	2.450	2.026	1.977	2.121	1.821	1.870
Norway	*Krone*	5.322	5.241	5.063	4.937	5.732	6.451	7.296	8.160	8.594	7.392	6.737	6.517	6.903	6.258	6.482
Portugal	*Escudo*	38.2	43.9	48.9	50.0	61.5	79.4	110.8	146.4	169.9	148.2	140.8	143.9	157.1	142.3	144.4
Spain	*Peseta*	76.0	76.7	67.2	71.7	92.3	109.8	143.5	160.8	170.1	140.0	123.5	116.5	118.4	101.9	103.9
Sweden	*Krona*	4.481	4.517	4.287	4.229	5.060	6.282	7.667	8.273	8.602	7.124	6.340	6.129	6.446	5.918	6.045
Switzerland	*Franc*	2.404	1.788	1.663	1.676	1.966	2.030	2.099	2.350	2.457	1.798	1.491	1.463	1.635	1.389	1.434
Turkey	*Lira*	18	24	38	76	110	161	224	363	520	669	855	1419	2120	2606	4169
Australia	*Dollar*	0.900	0.873	0.895	0.877	0.869	0.986	1.109	1.141	1.432	1.496	1.429	1.281	1.265	1.282	1.284
New Zealand	*Dollar*	1.025	0.961	0.978	1.027	1.153	1.332	1.496	1.767	2.026	1.917	1.695	1.529	1.674	1.678	1.729
Singapore	*Dollar*	2.439	2.274	2.175	2.141	2.113	2.140	2.113	2.133	2.200	2.177	2.106	2.013	1.949	1.812	1.727
Taiwan	*Dollar*	38.0	37.1	36.0	36.0	37.0	39.0	40.1	39.6	39.8	37.8	31.9	28.6	26.3	26.6	26.6
South Korea	*Won*	484.0	484.0	484.0	607.4	681.0	731.1	775.7	806.0	870.0	881.0	825.0	730.3	669.2	708.0	733.2
Hong Kong	*Dollar*	4.662	4.684	5.003	4.976	5.589	6.070	7.265	7.818	7.791	7.804	7.795	7.806	7.799	7.789	7.770
	ECU	–	–	0.730	0.720	0.898	1.024	1.125	1.272	1.322	1.019	0.867	0.846	0.908	0.788	0.809
	SDR	0.857	0.800	0.774	0.768	0.848	0.906	0.936	0.975	0.986	0.853	0.774	0.742	0.780	0.738	0.731

Table R 23. **Effective exchange rates**

Indices 1970 Q1 = 100, Average of daily rates

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
United States	89.7	81.7	80.9	82.1	88.3	97.4	102.0	107.6	110.5	92.9	80.2	76.4	79.1	77.1	75.9
Japan	130.8	160.5	148.9	147.1	164.5	155.9	172.3	178.8	184.2	239.9	255.9	280.8	270.1	250.5	272.1
Germany	141.2	149.8	156.9	159.7	154.6	162.9	171.7	171.1	173.8	192.5	201.3	202.0	199.4	212.9	211.5
France	93.7	92.9	93.4	95.0	90.0	82.8	77.6	75.5	77.0	80.5	80.0	79.3	78.8	82.7	81.4
Italy	56.3	52.9	51.0	49.5	45.2	42.4	41.2	39.5	37.6	38.7	38.2	37.3	37.6	38.9	38.5
United Kingdom	61.6	62.2	65.6	72.6	74.5	71.6	66.9	64.1	64.4	60.3	57.9	61.6	60.0	59.3	59.8
Canada	98.8	89.3	86.0	86.5	86.5	86.5	88.1	84.9	81.2	75.9	75.8	81.3	85.7	86.1	87.6
Austria	119.1	119.9	120.9	126.7	125.7	129.4	132.6	133.0	136.6	143.8	144.3	144.9	144.2	150.8	150.3
Belgium-Luxembourg	115.2	119.2	120.7	121.4	116.7	106.7	104.5	102.7	105.1	113.8	116.6	116.0	115.6	124.9	124.7
Denmark	106.8	107.0	104.3	97.1	91.8	88.3	89.0	85.8	86.1	92.0	94.1	93.6	91.0	97.9	96.5
Finland	87.9	79.8	80.0	82.9	85.1	86.0	81.7	82.8	84.0	82.2	81.9	83.5	86.9	88.8	85.3
Greece	68.4	60.4	58.1	50.5	47.1	42.9	35.7	30.7	26.6	20.6	18.4	18.0	16.8	15.8	14.0
Iceland	38.1	26.5	19.1	14.0	11.2	7.4	4.1	3.4	2.6	2.2	2.0	1.7	1.4	1.2	1.3
Ireland	78.0	78.0	77.1	74.1	67.6	66.1	63.7	60.0	59.6	63.5	62.2	61.0	60.6	64.1	63.2
Netherlands	123.1	125.8	128.0	129.6	125.3	132.3	135.8	133.8	135.7	149.0	154.3	153.8	154.1	164.6	163.5
Norway	114.0	109.2	108.3	109.4	111.9	111.1	110.4	109.4	107.4	101.4	94.9	98.0	99.8	99.6	97.9
Portugal	66.4	52.3	43.6	42.9	42.5	37.3	30.0	24.3	22.1	20.4	18.9	18.4	18.1	17.9	18.0
Spain	80.1	71.9	77.4	73.6	69.0	64.0	53.0	52.5	51.9	50.8	50.3	53.9	57.0	60.0	60.1
Sweden	97.7	88.5	88.2	89.5	89.3	80.2	71.1	72.6	72.5	71.6	69.5	69.7	70.5	70.1	70.0
Switzerland	154.5	191.1	193.9	192.1	197.8	211.0	221.8	220.2	221.4	235.4	242.4	239.6	227.6	245.6	242.1
Turkey	72.8	48.8	31.6	15.1	11.8	9.1	6.9	4.7	3.6	2.2	1.4	0.8	0.6	0.4	0.3
Australia	90.4	84.2	80.7	84.4	91.3	86.2	79.5	81.0	65.7	52.9	49.9	54.3	56.4	54.1	53.4
New Zealand	83.7	82.0	78.1	74.3	69.5	64.9	61.1	53.6	48.8	44.1	46.0	49.6	47.8	46.0	44.1
Singapore	113.6	112.2	115.3	117.7	130.2	139.5	148.3	154.6	152.5	135.6	129.7	131.1	139.8	145.2	152.0
Taiwan	95.3	91.1	93.1	93.0	97.0	98.7	99.2	103.6	105.1	98.6	109.0	116.7	129.7	125.2	124.8
South Korea	55.9	51.1	50.7	40.7	38.7	38.9	37.8	38.0	35.7	31.2	30.5	32.9	36.3	33.4	31.8
Hong Kong	118.4	109.5	99.8	99.8	98.2	98.0	85.8	82.8	84.8	74.6	68.2	65.5	67.6	64.9	65.1

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