

# What is the economic outlook for OECD countries?

**Paris, 28 November 2011**

11h Paris time

**Pier Carlo Padoan**

Deputy Secretary-General and Chief Economist

# The outlook

## Real GDP growth, in per cent

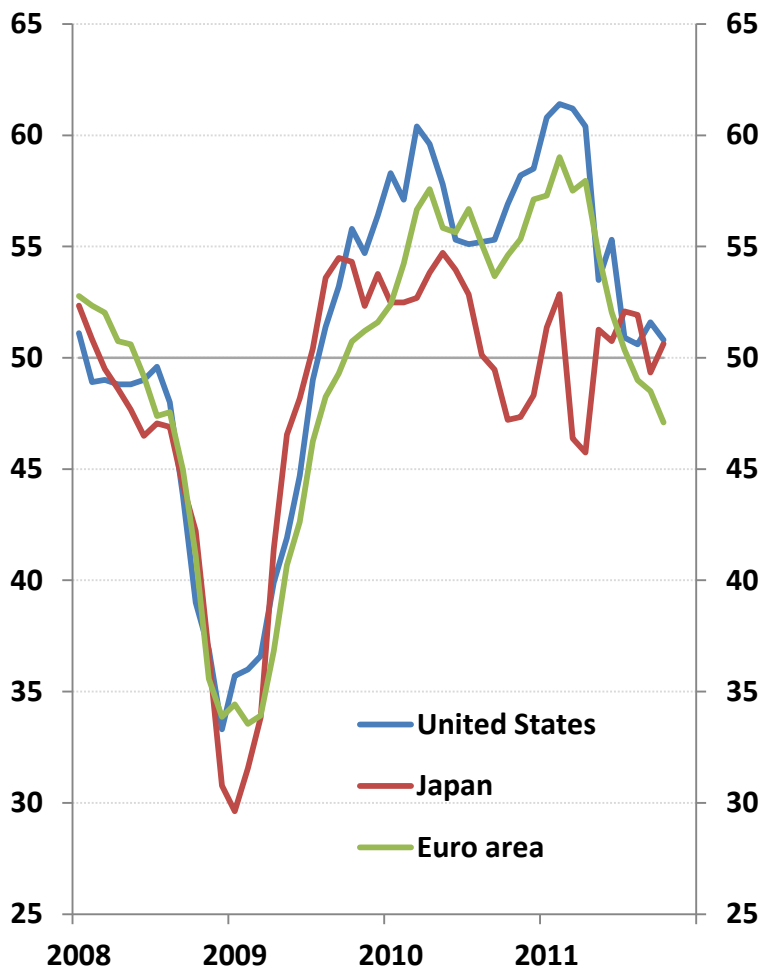
	2010	2011	2012	2013
United States	3.0	1.7	2.0	2.5
Euro area	1.8	1.6	0.2	1.4
Japan	4.1	-0.3	2.0	1.6
<b>Total OECD</b>	<b>3.1</b>	<b>1.9</b>	<b>1.6</b>	<b>2.3</b>
Brazil	7.5	3.4	3.2	3.9
China	10.4	9.3	8.5	9.5
India	9.9	7.7	7.2	8.2
Indonesia	6.1	6.3	6.1	6.5
Russian Federation	4.0	4.0	4.1	4.1
South Africa	2.8	3.2	3.6	4.7

Source: OECD Economic Outlook 90 database.

# Confidence is weakening

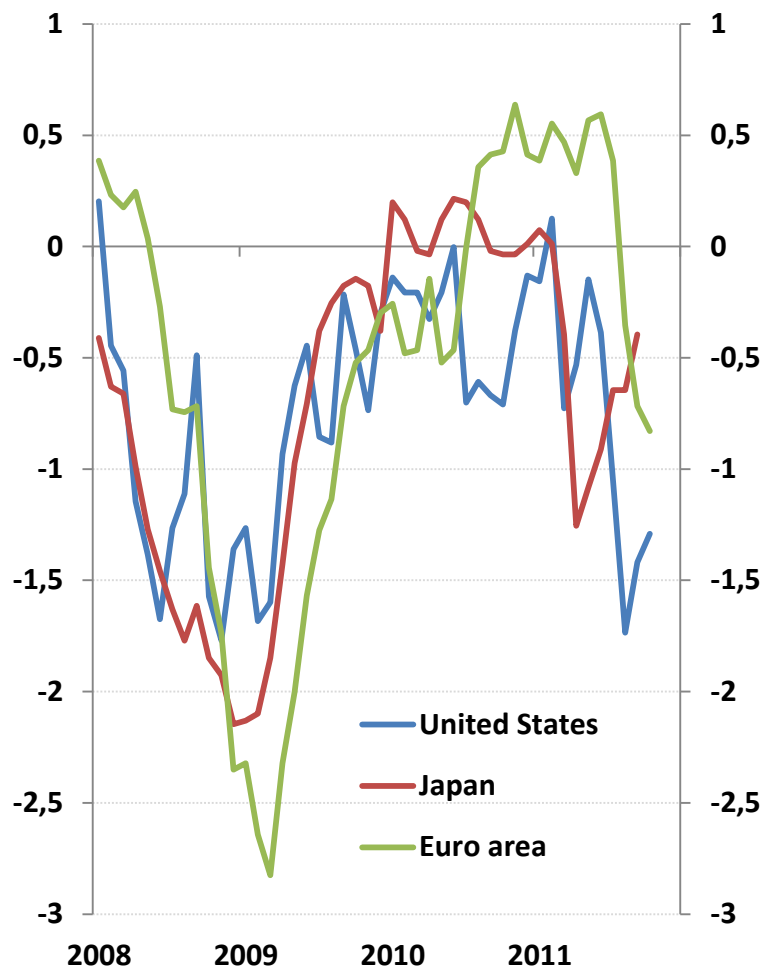
Confidence

## Business confidence



*Note:* Manufacturing sector. Values greater than 50 signify an improvement in economic activity.  
*Source:* Markit Economics Limited.

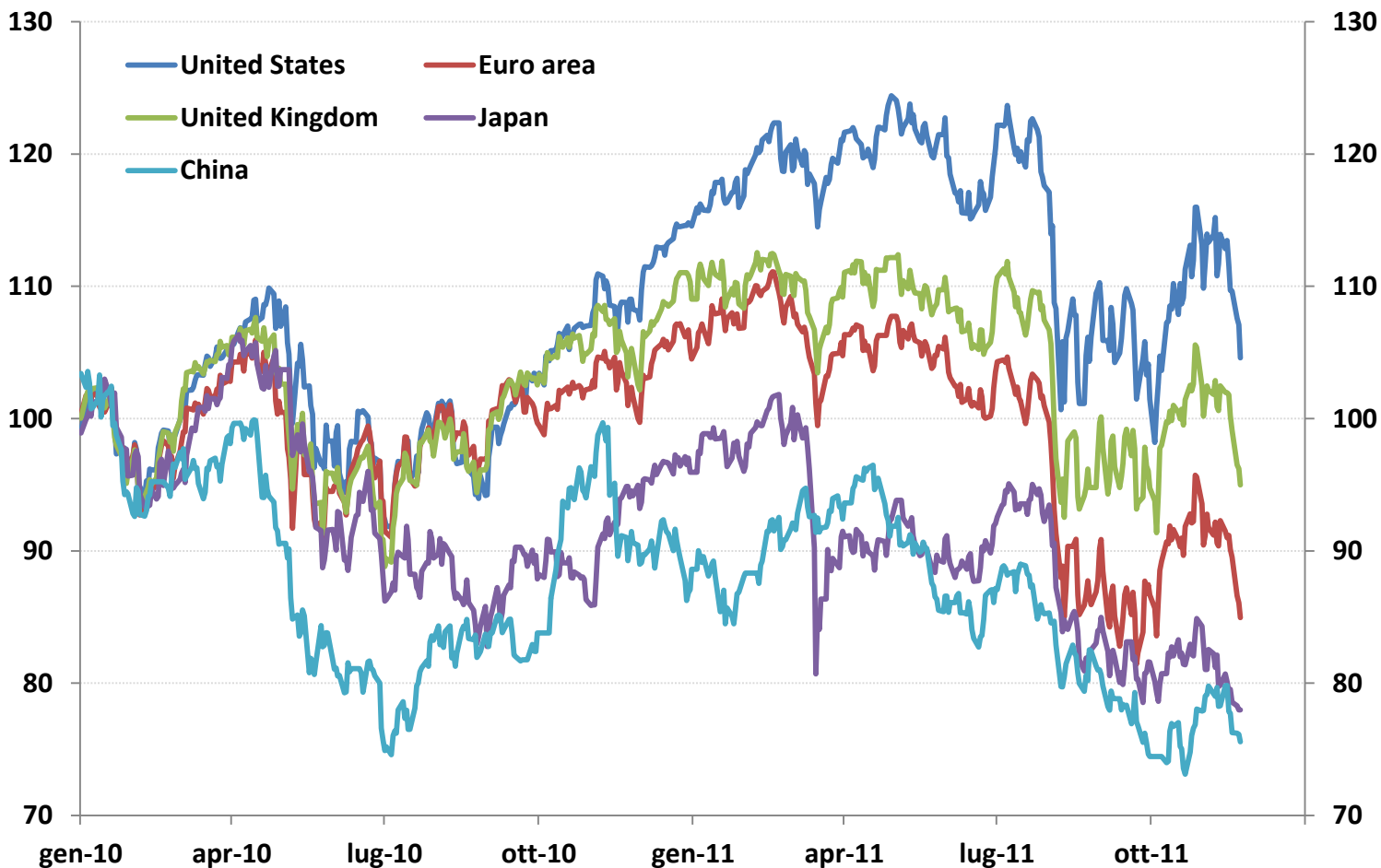
## Consumer confidence



*Note:* Values below zero signify levels of consumer confidence below the period average.  
*Source:* OECD Main Economic Indicators.

# Equity markets extremely volatile

Share price indices, January 2010 = 100

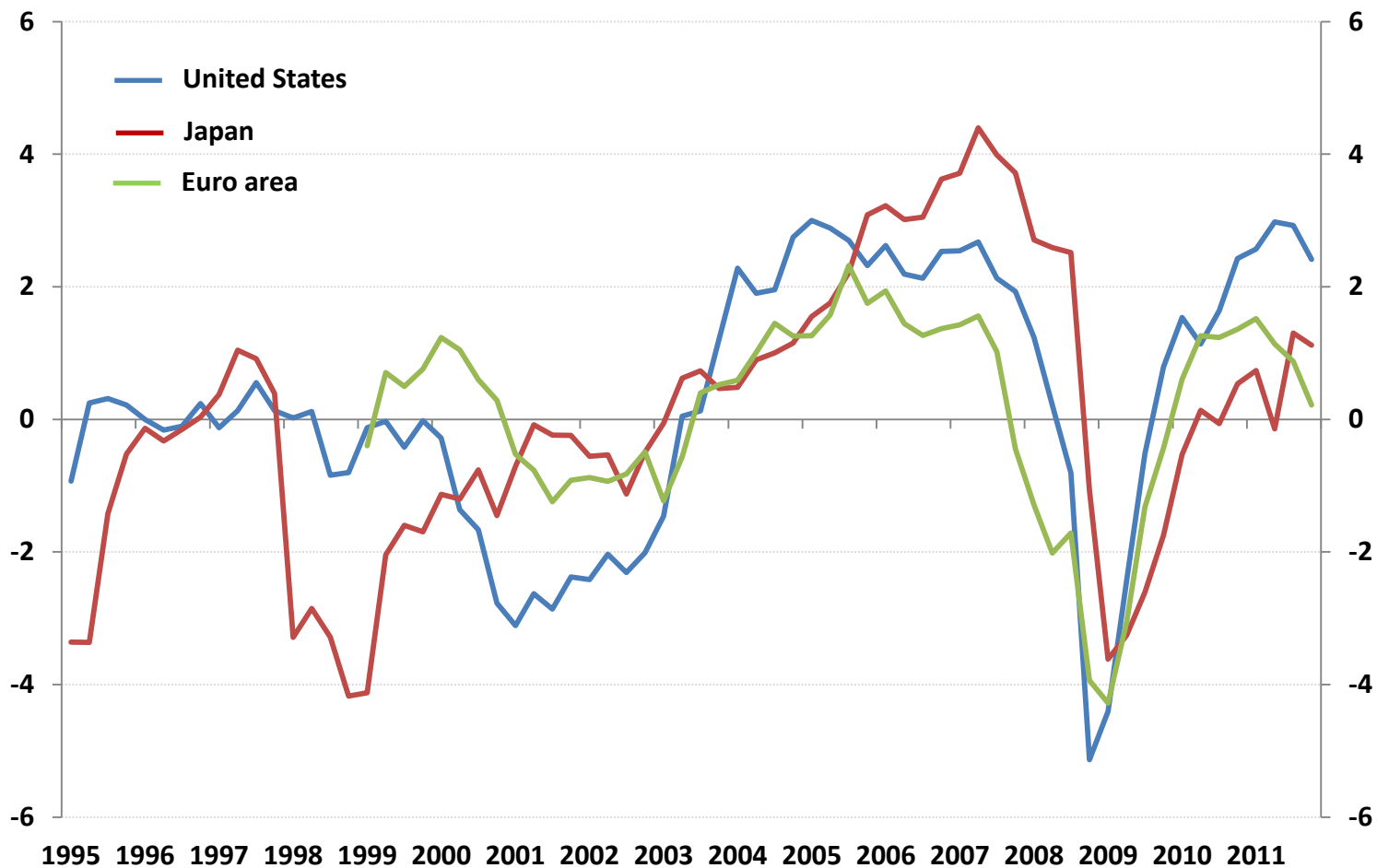


Note: Wilshire 5000, FTSE Eurotop 100, FTSE 100, Nikkei 225, Shanghai Composite. Last observation: 23-11-2011.

Source: Datastream

# Financial conditions tightening

OECD Financial Conditions Index

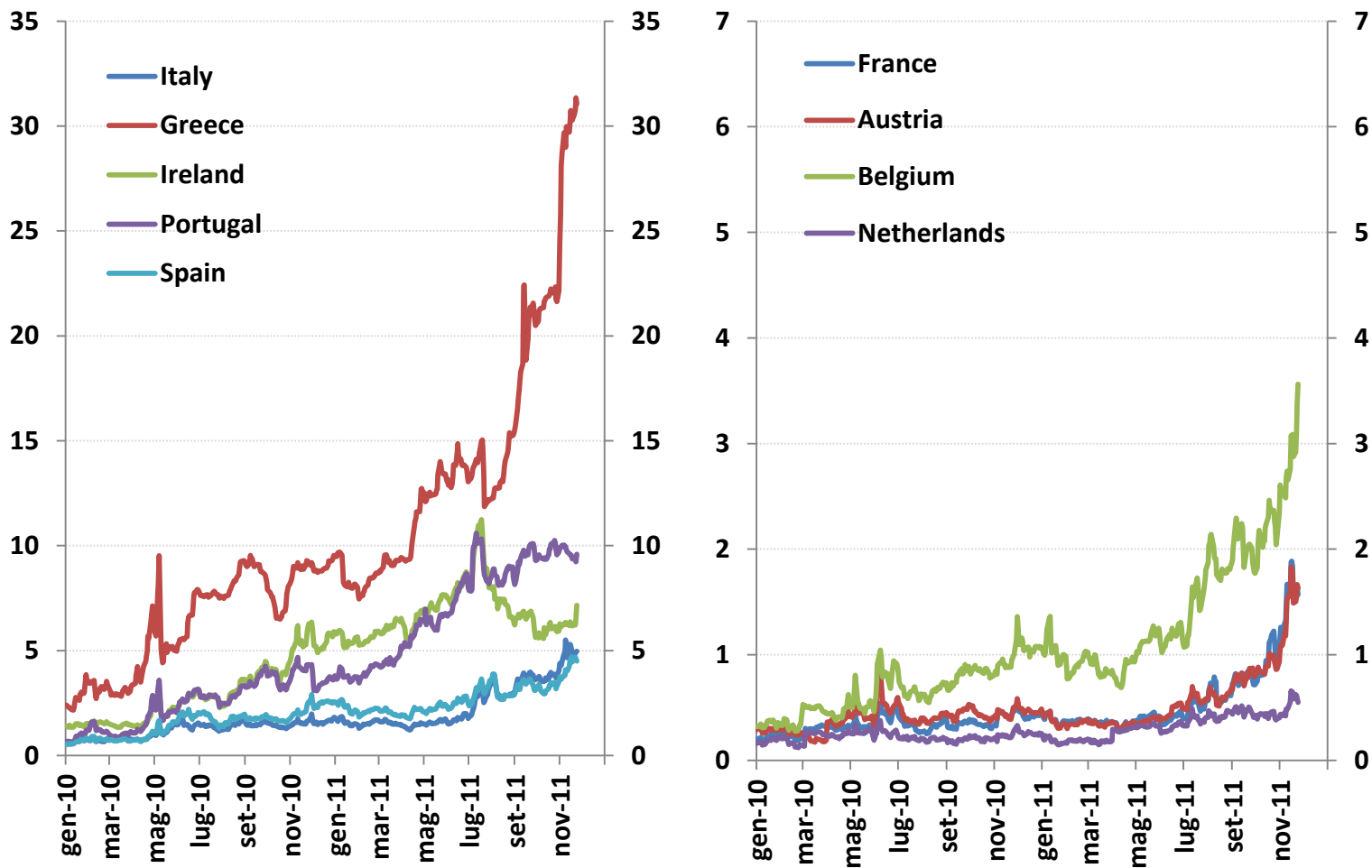


*Note:* A unit increase (decline) in the index implies an easing (tightening) in financial conditions sufficient to produce an average increase (reduction) in the level of GDP of ½ to 1% after four to six quarters.

*Source:* Datastream; OECD Economic Outlook 90 database; and OECD calculations.

# Euro-area sovereign spreads widening

10-year government bond yield spreads versus German bunds, percentage points

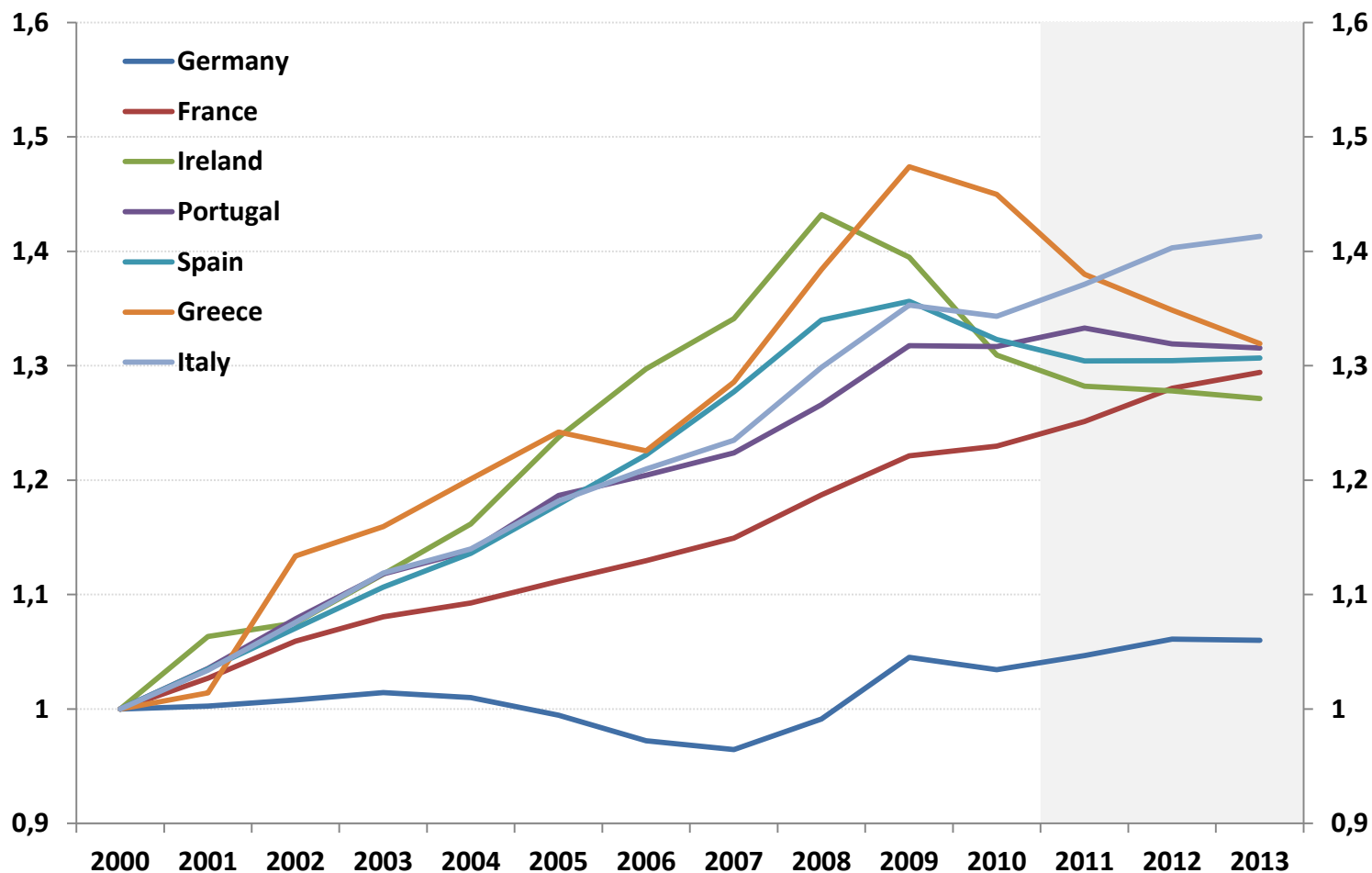


Note: Last observation: 24-11-2011.

Source: Datastream.

# Divergent euro area labour costs

Unit labour costs, 2000 = 1

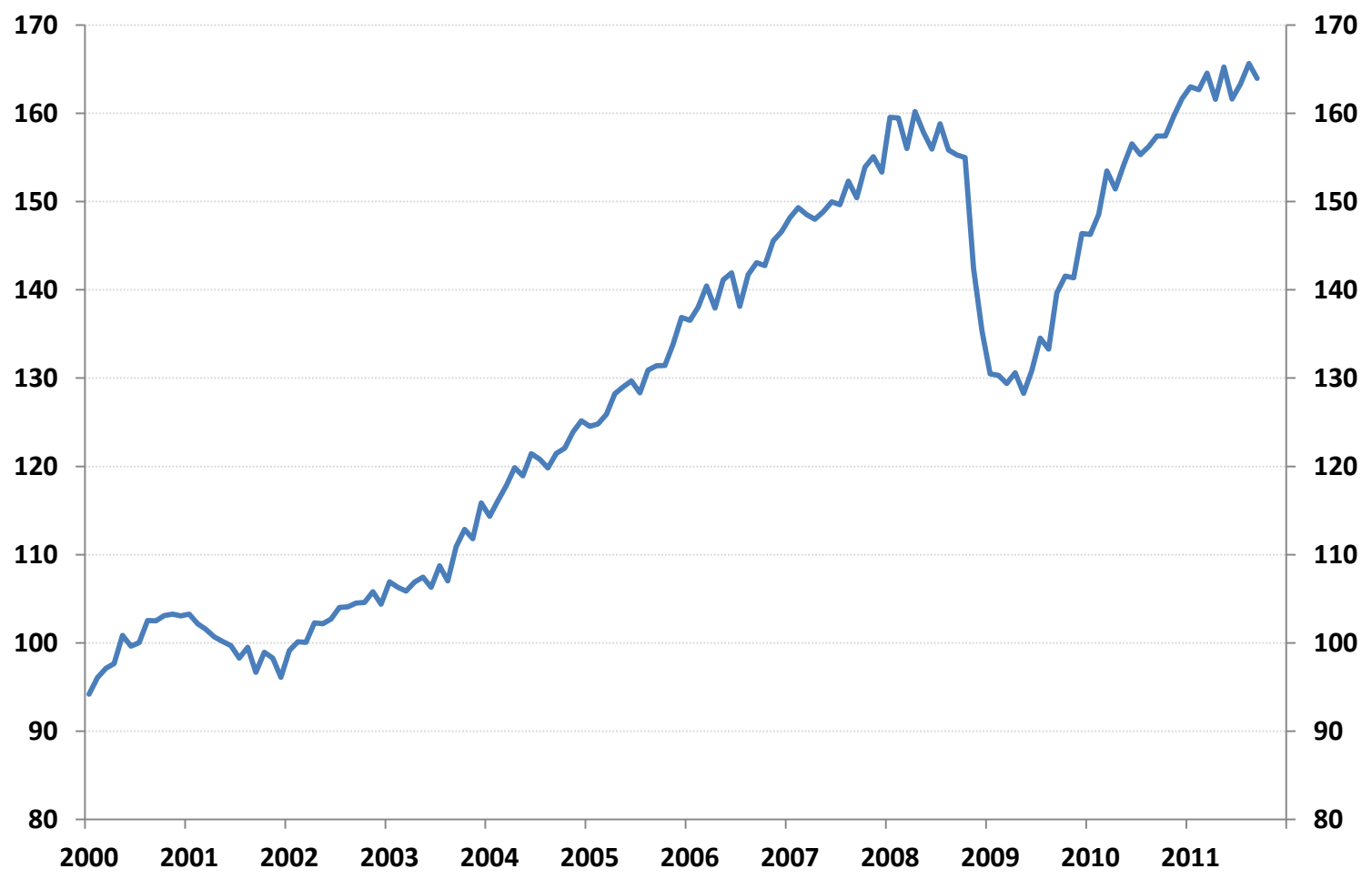


Source: OECD Economic Outlook 90 Database.

# World trade has stagnated

World trade

CPB world trade index

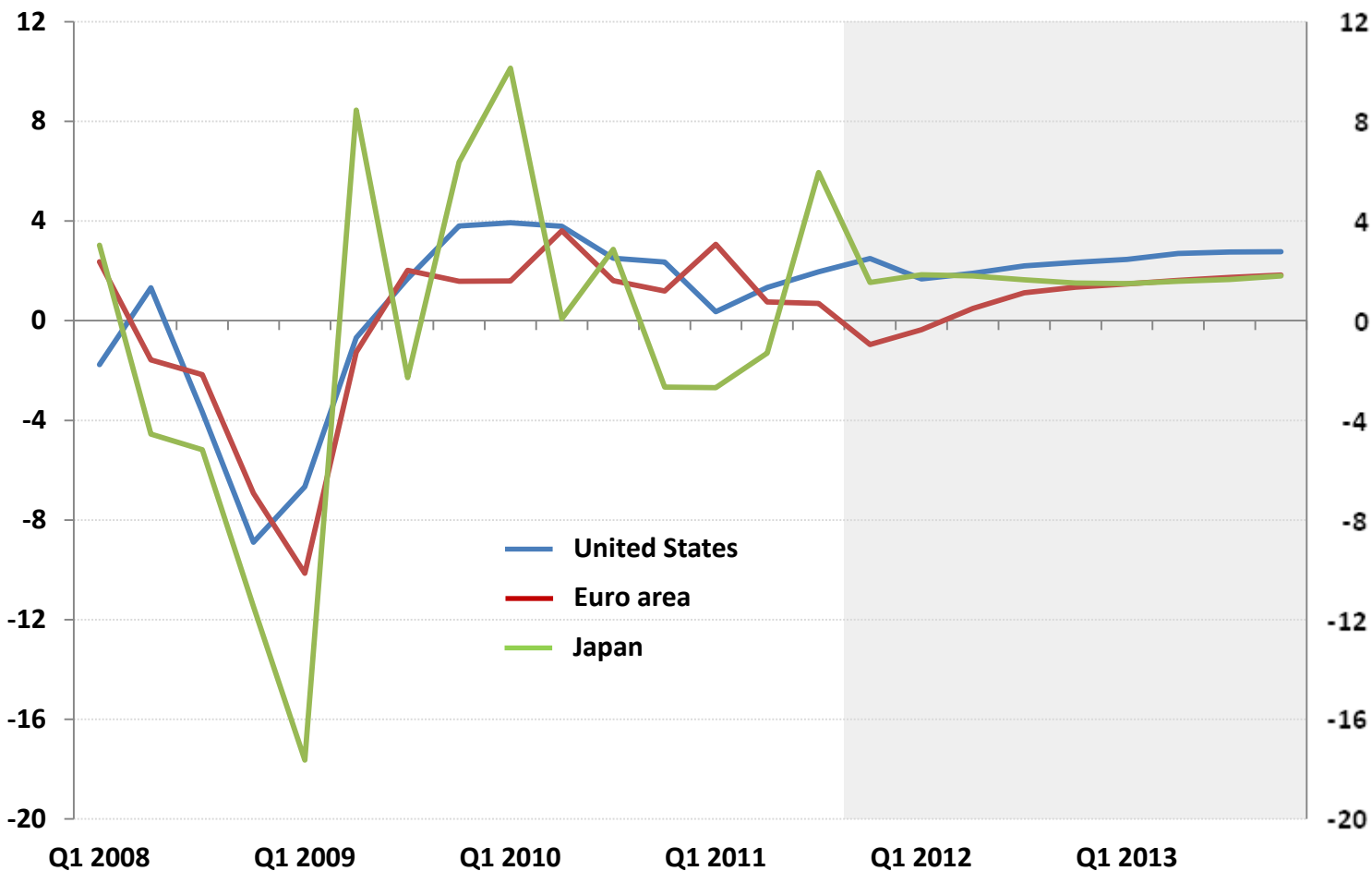


Note: Index 2000 = 100.  
Source: CPB.



# The recovery will resume slowly

Annualised quarterly real GDP growth, in percent

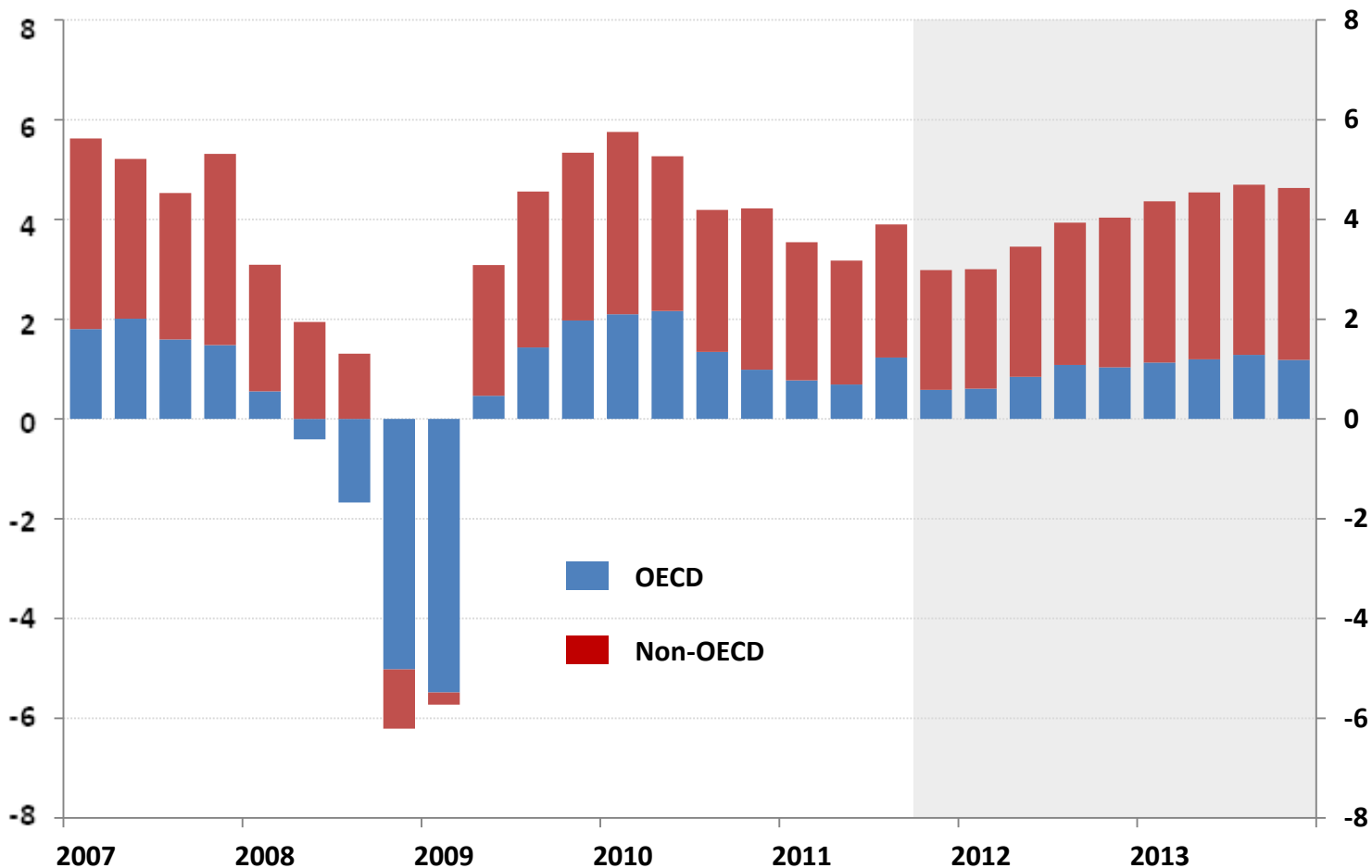


Source: OECD Economic Outlook 90 database.

# Growth to be sustained by non-OECD

World growth

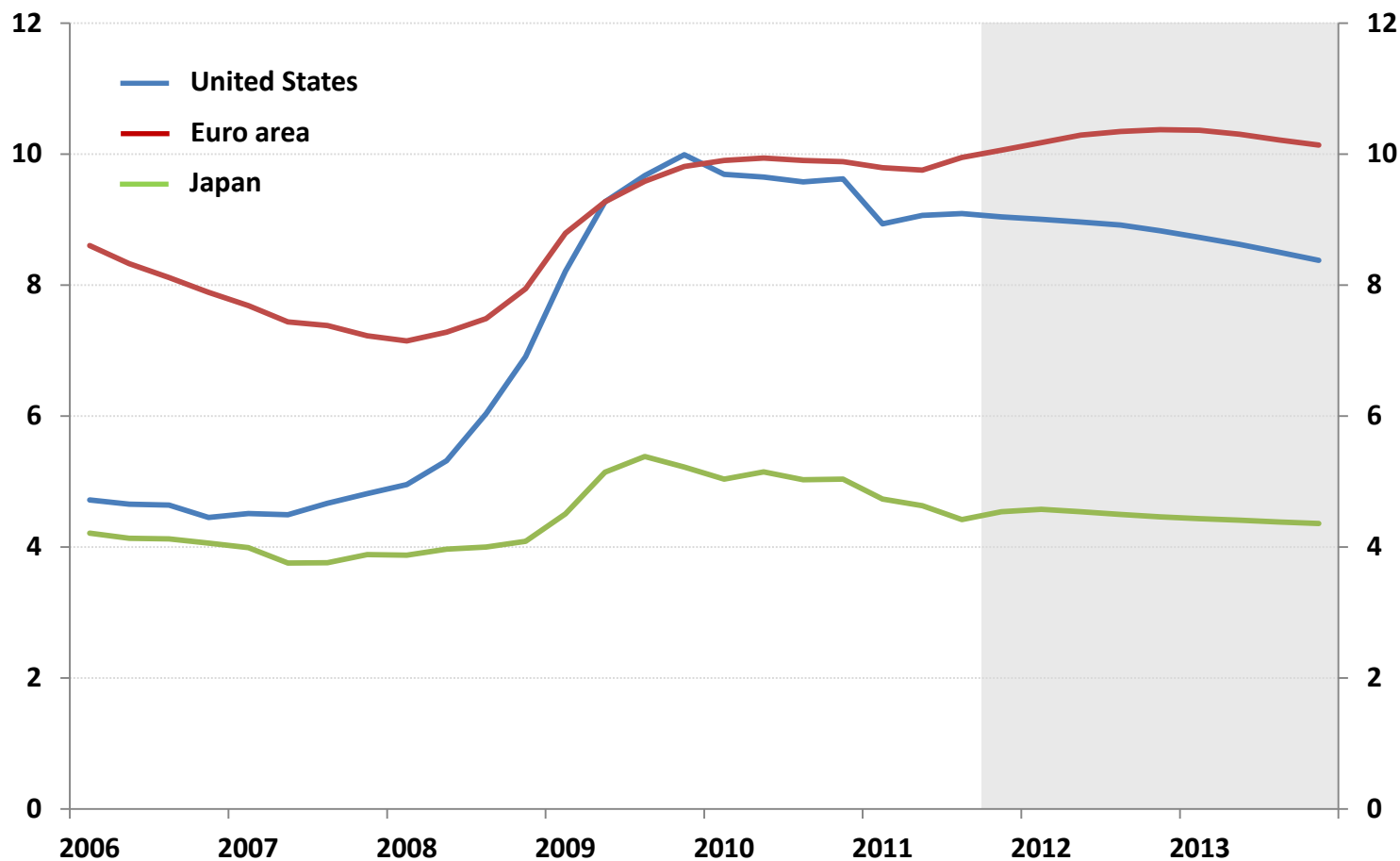
Contribution to annualised quarterly world real GDP growth, percentage points



Note: Calculated using moving nominal GDP weights, based on national GDP at purchasing power parities.  
 Source: OECD Economic Outlook 90 database.

# Unemployment will remain high

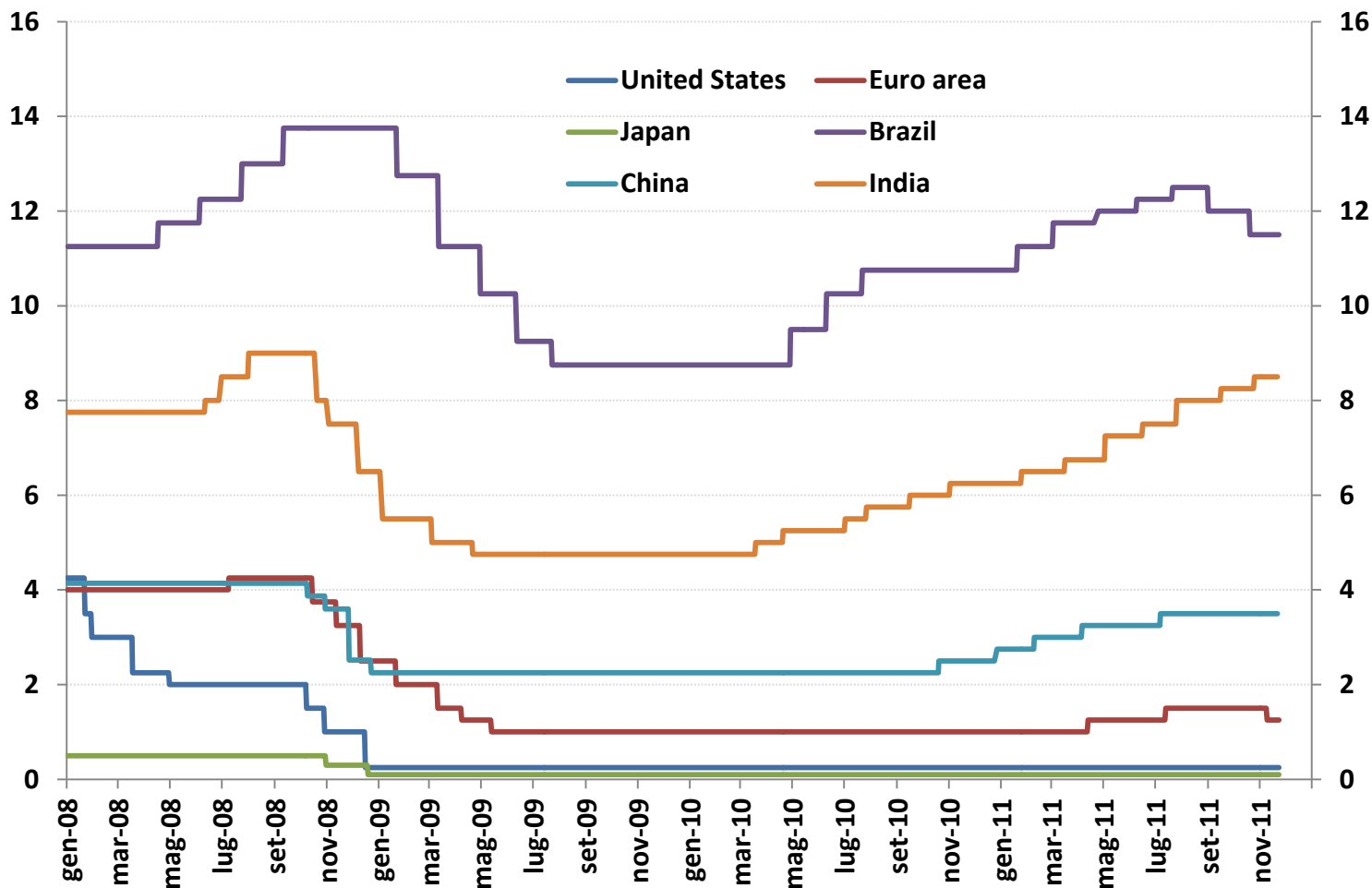
Unemployment rates, percentage of labour force



Source: OECD Economic Outlook 90 database.

# Policy rates becoming accommodative

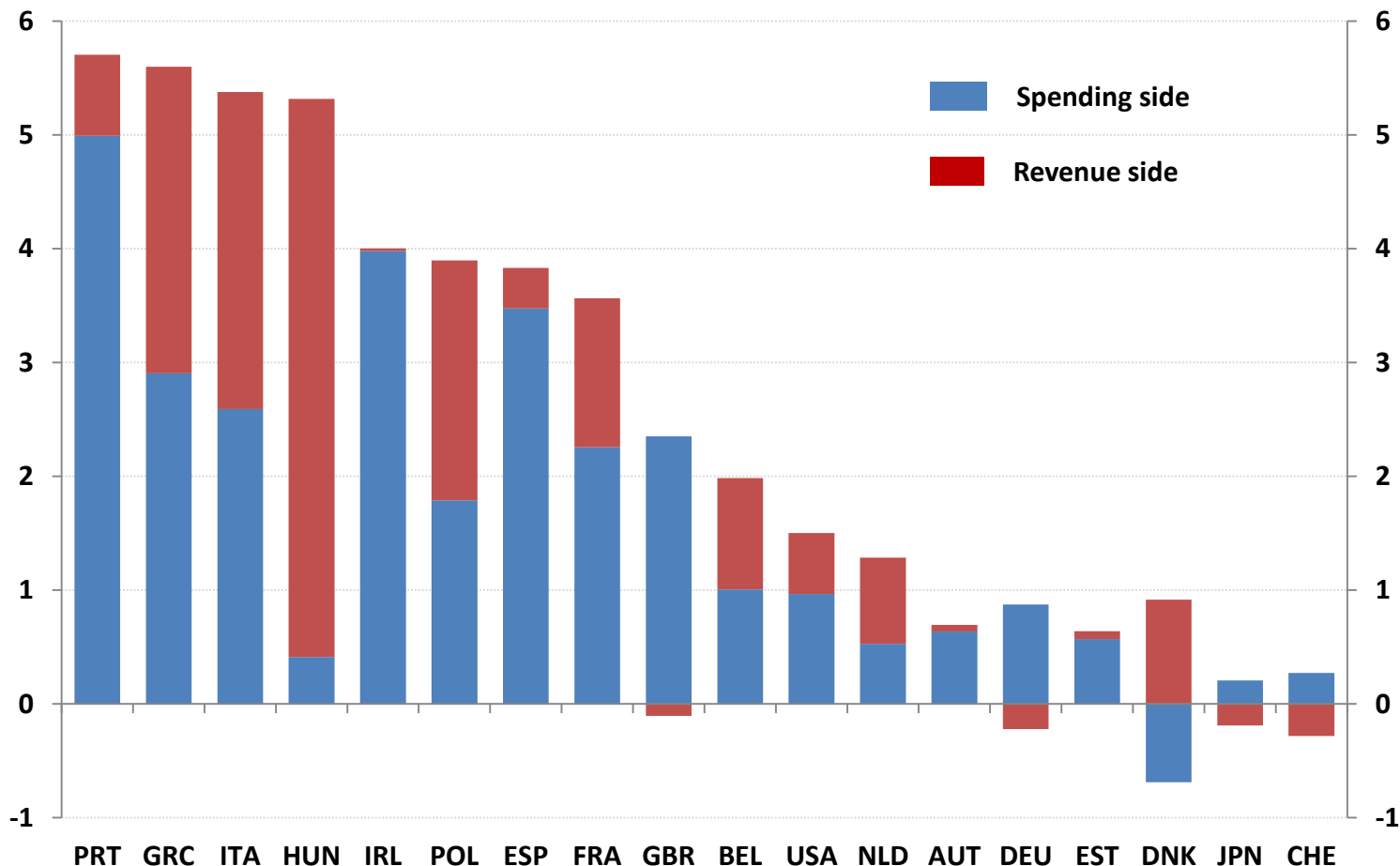
Policy interest rates, in percent



Source: Datastream; Central Bank of Brazil; Reserve Bank of India; and CEIC.

# Fiscal consolidation is ongoing

Change in underlying primary balance 2011 to 2013, percent of GDP

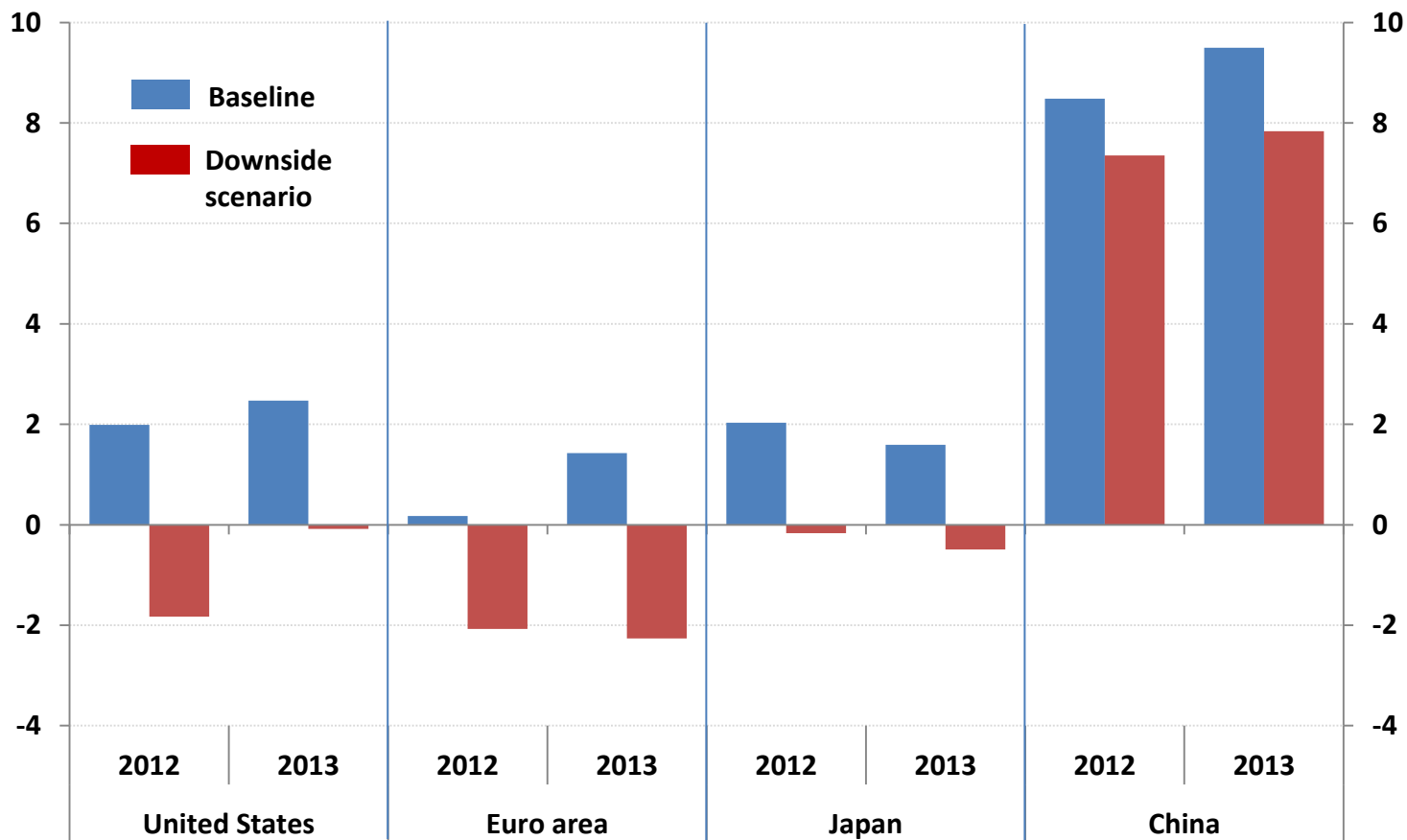


*Note:* Percentage of potential GDP. Total consolidation is the projected difference in the underlying primary balance; revenue side is the projected increase in the underlying receipts excluding interest earned on financial assets; and spending side is the projected decline in the underlying primary spending excluding interest payments on debt.

*Source:* OECD Economic Outlook 90 database; and OECD calculations.

# The downside scenario

Intensification of euro-area crisis and excessive US fiscal consolidation

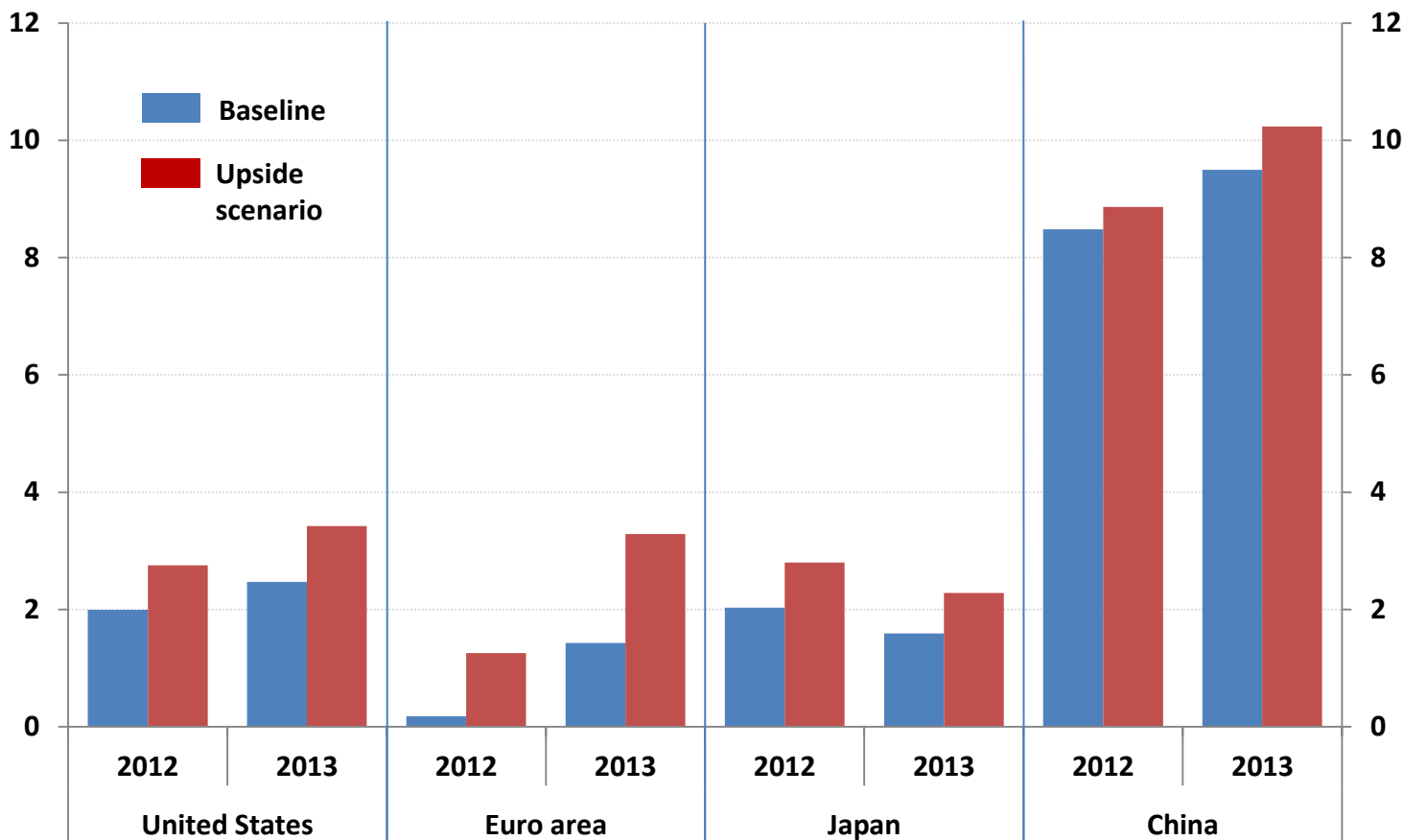


Source: OECD calculations.

Downside scenario

# The upside scenario

Euro-area debt crisis successfully defused



Source: OECD calculations.

## **The euro area: Stop contagion**

The 26 October package:

- Stabilisation by ensuring an adequately resourced European Financial Stability Fund (EFSF).
- Voluntary Greek sovereign debt haircut.
- Shoring up the banking sector through recapitalisation.
- Be ready to provide liquidity to the banking sector if needed.
- Overhaul of euro-area governance, combined with substantive structural reforms.

These measures need to be followed up at the next ECOFIN Council on 9 December.

## **The United States:**

Efforts need to be redoubled to reach an agreement on a credible fiscal programme.



# The OECD Strategic Response

**Identifies country-specific policy measures that could be implemented in the event of a relapse:**

- Fiscal support backed by improved fiscal frameworks where public finances and confidence allows.
- Monetary policy easing where possible.
- Structural reforms to strengthen growth, lower unemployment and bolster confidence.

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