

# What is the economic outlook for OECD countries?

## An interim assessment

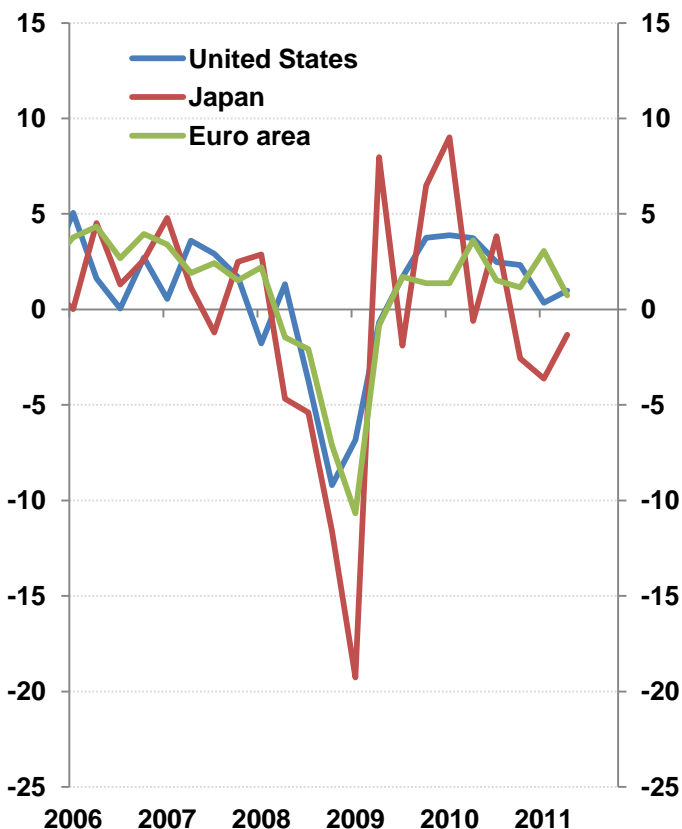
Paris, 8<sup>th</sup> September 2011  
11h00 Paris time

**Pier Carlo Padoan**  
Chief Economist and Deputy Secretary-General

# Growth slowdown across major OECD and non-OECD economies

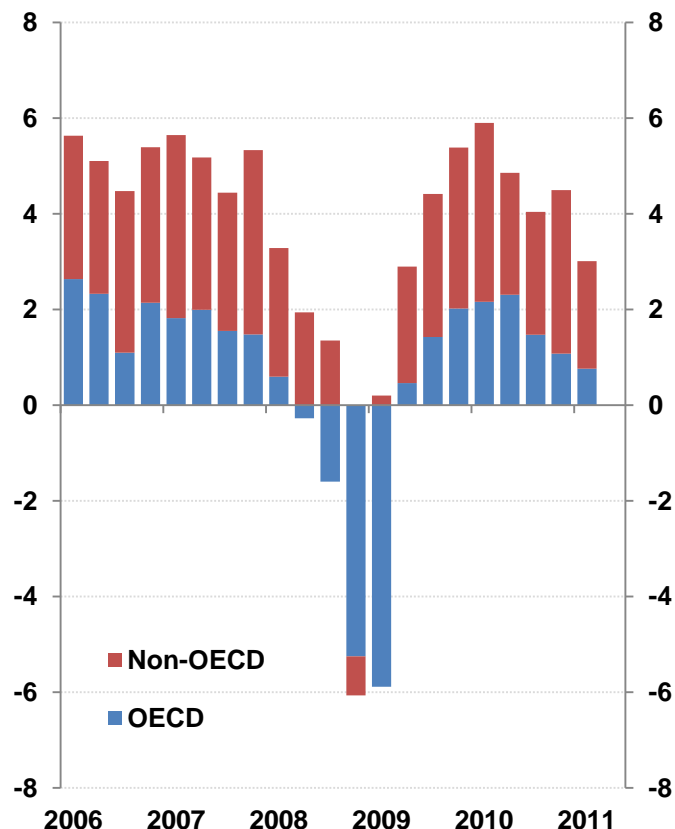
## OECD majors GDP growth

Quarterly GDP growth, annualised, in per cent



## World GDP growth

Contributions to quarterly GDP growth, annualised, in per cent

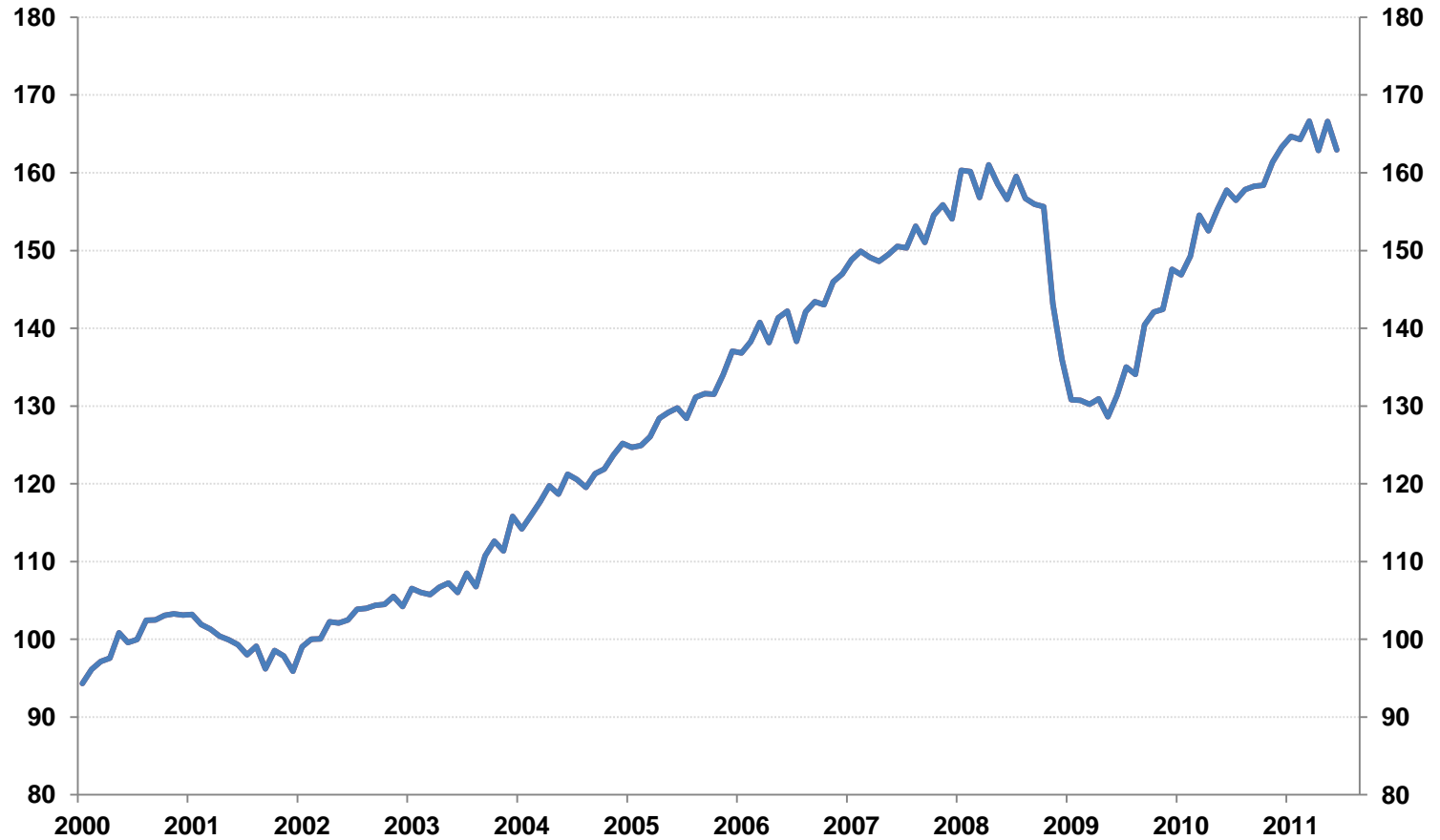


Source: OECD Quarterly National Accounts database; and national sources.

# World trade is flat

## CPB indicator of world trade

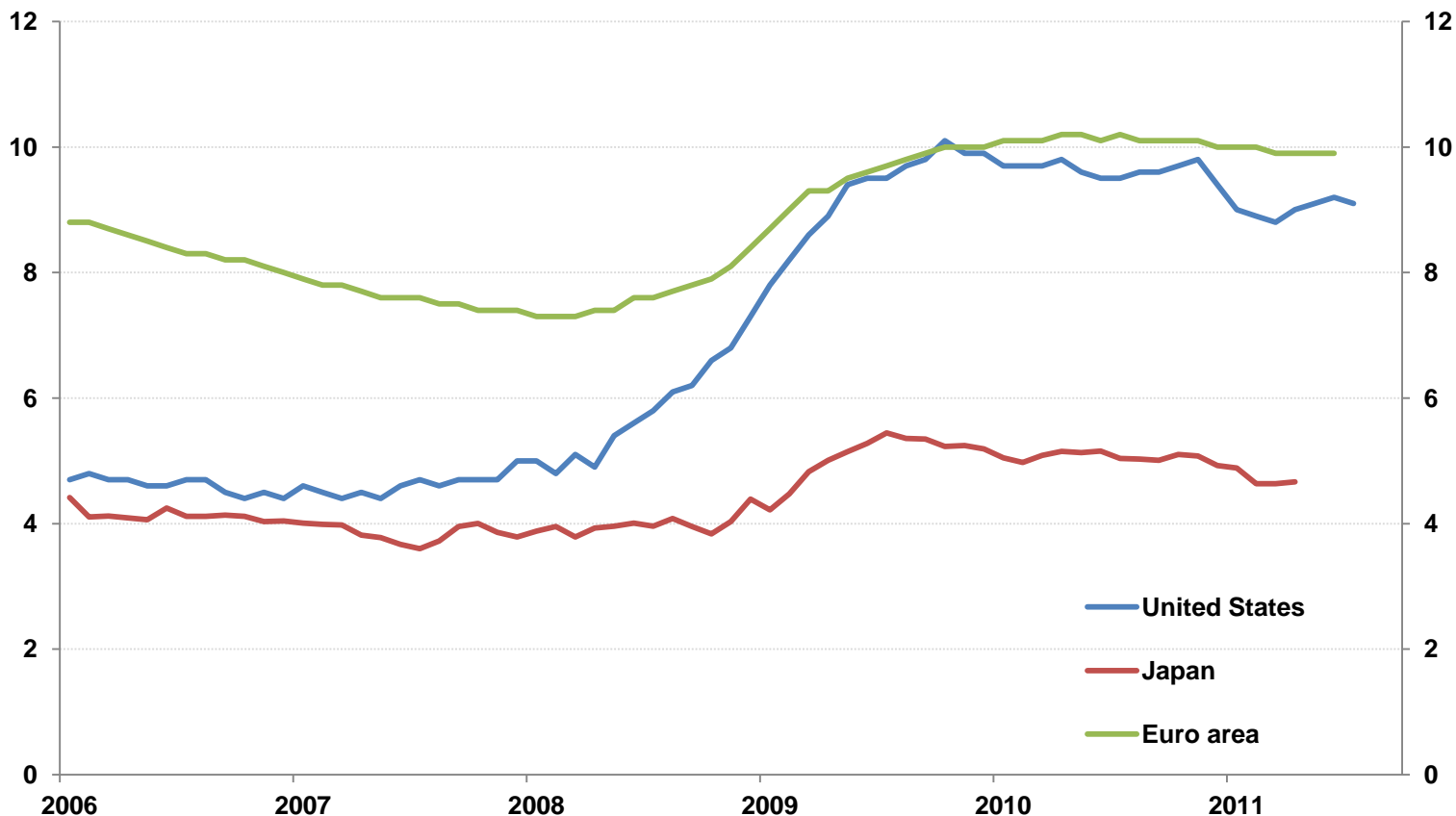
Index: 2000 = 100



Source: Dutch Central Planning Bureau.

# Unemployment remains stubbornly high

**Unemployment rate**  
In percent of labour force



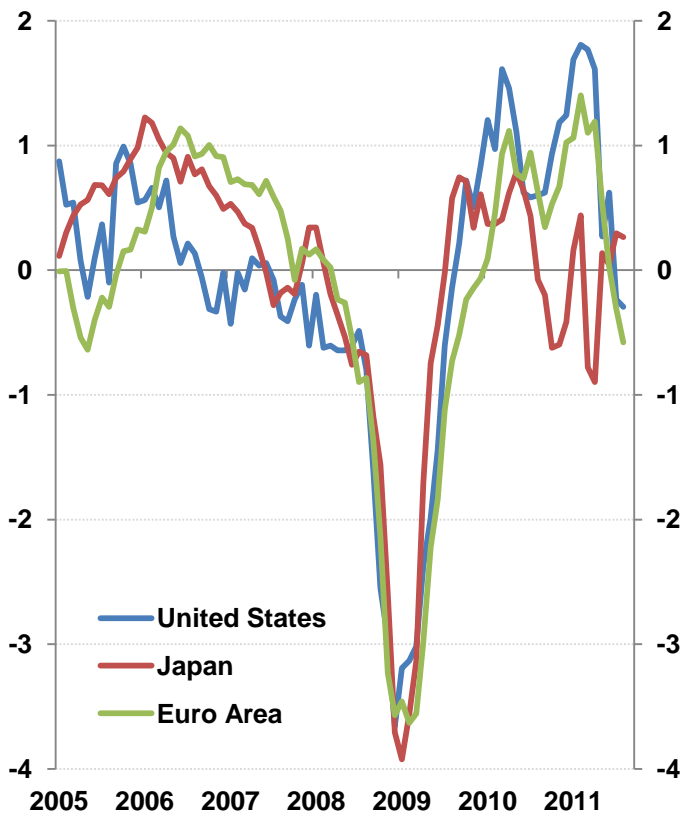
Source: OECD Main Economic Indicators; and Eurostat.

## Five causes of slowdown

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

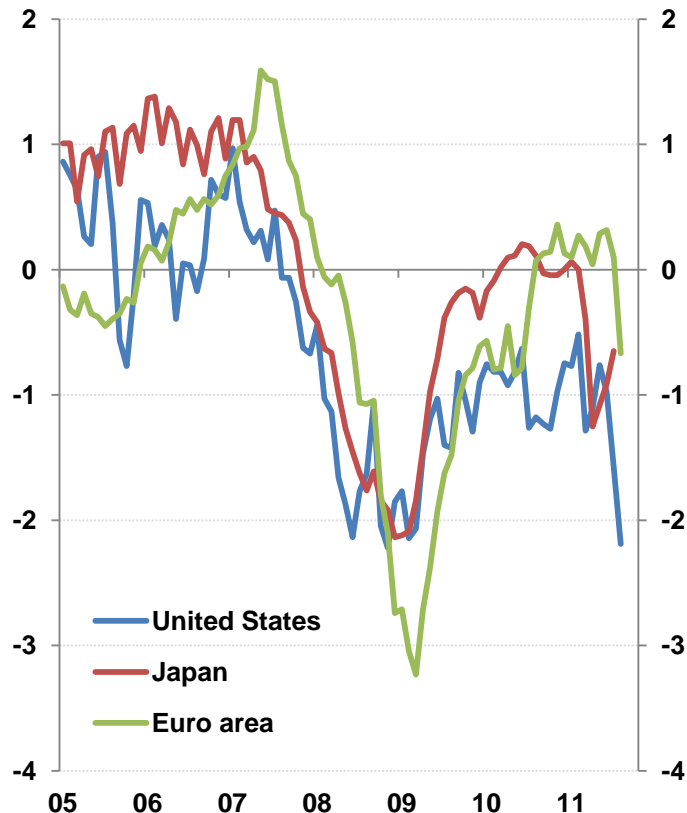
# Confidence has weakened

## Business confidence



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

## Consumer confidence

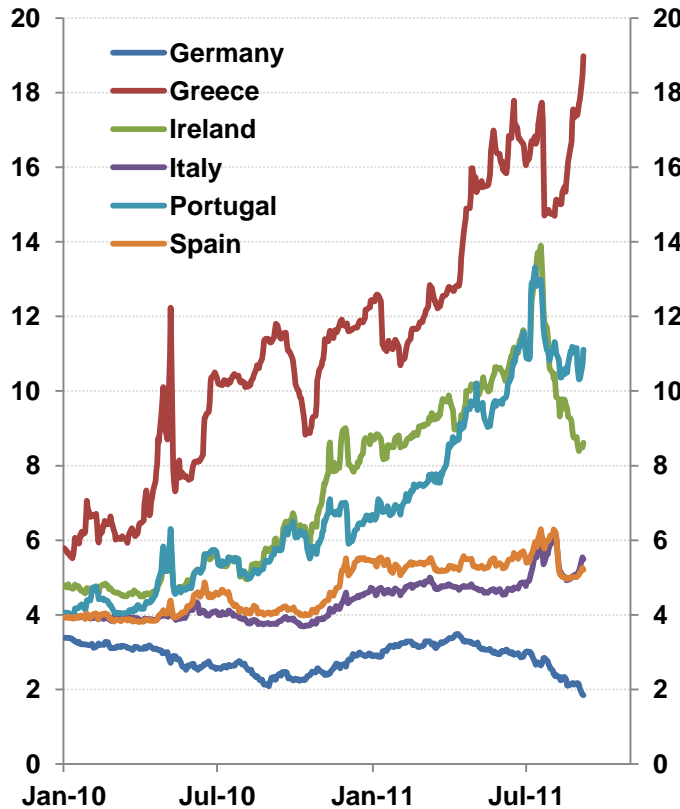


*Note:* Normalised and presented in units of standard deviation. *Source:* OECD Main Economic Indicators; Japanese Cabinet Office.

# Higher risk perceptions reflected in yields

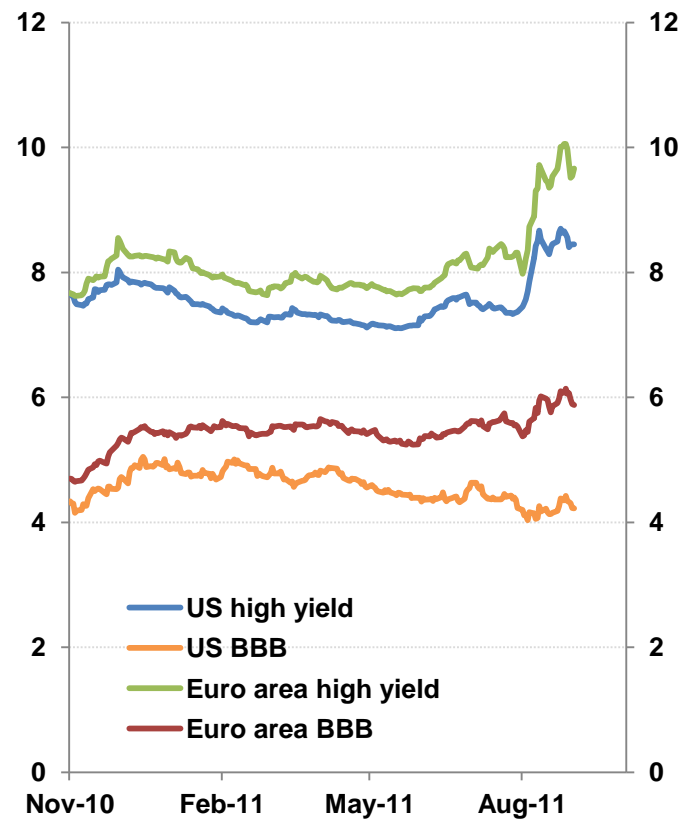
## Euro-area sovereign bond yields

In per cent



## Corporate bond yields

In per cent



Source: Datastream; and OECD Main Economic Indicators.

# The outlook

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

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

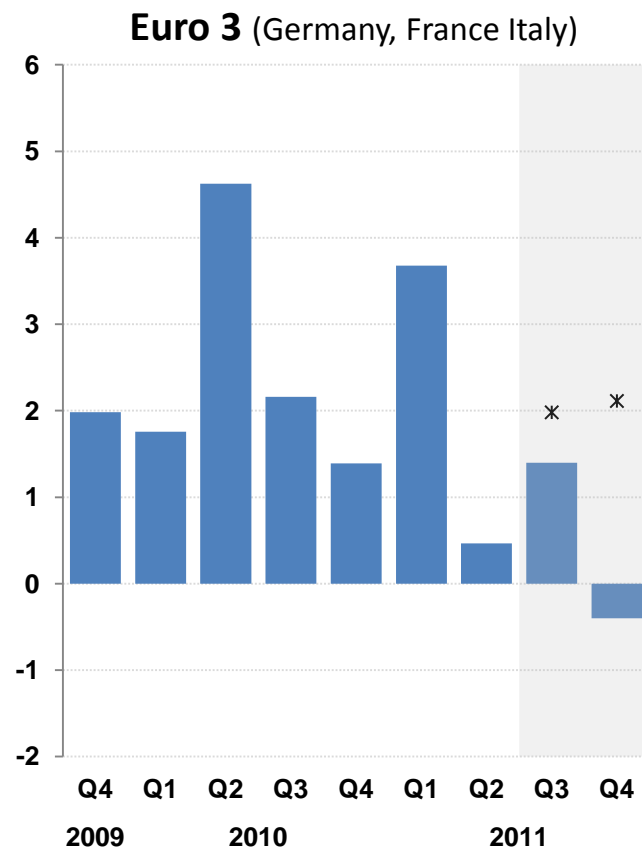
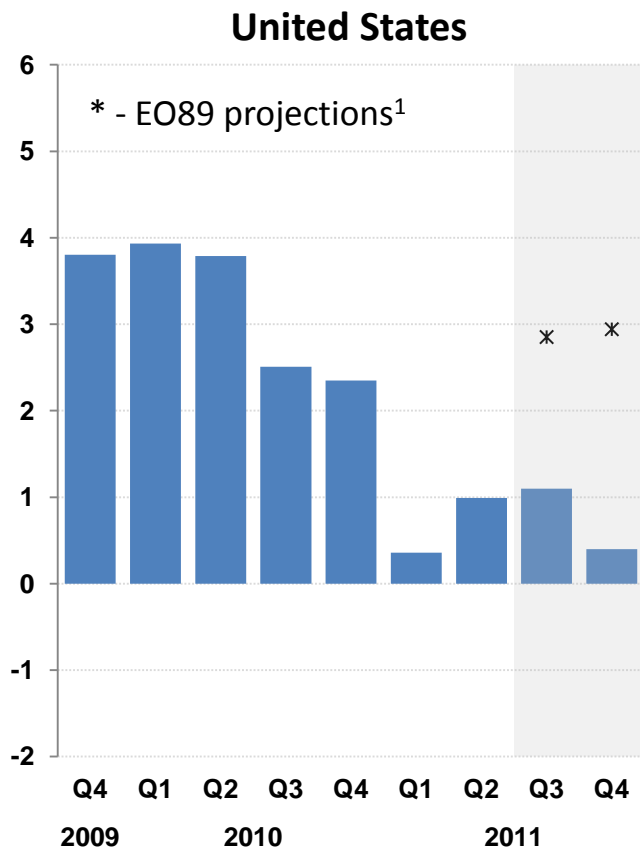
1. Weighted average of Germany, France and Italy.

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



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

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



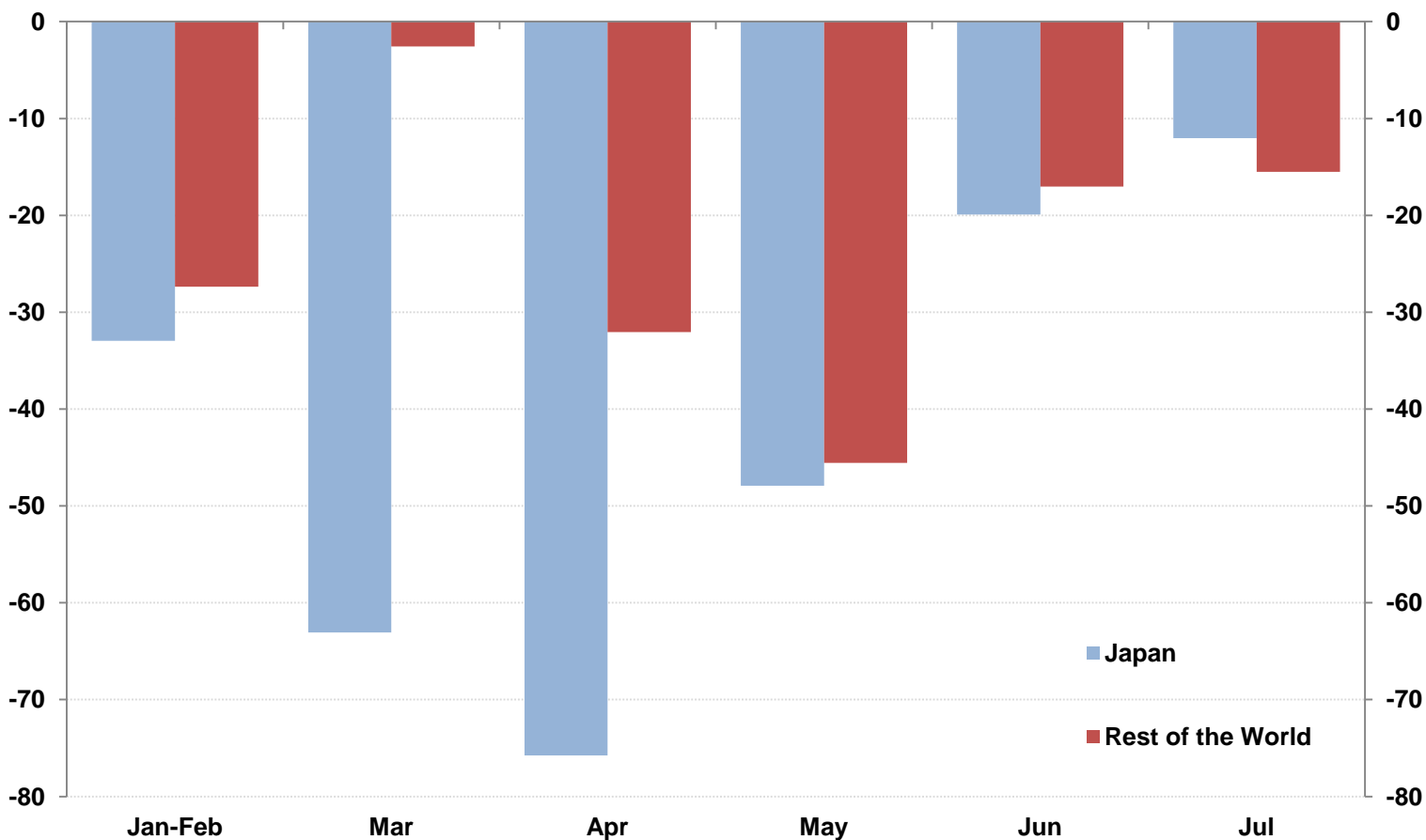
1. Refers to OECD Economic Outlook No. 89 projections (published in May 2011).  
 Source: OECD, Quarterly National Accounts database; OECD Economic Outlook 89 database;  
 and OECD Indicator Model forecasts.

# Impact of Japan disaster is fading

Japan disaster

## Car production

12-month percent change, number of units produced

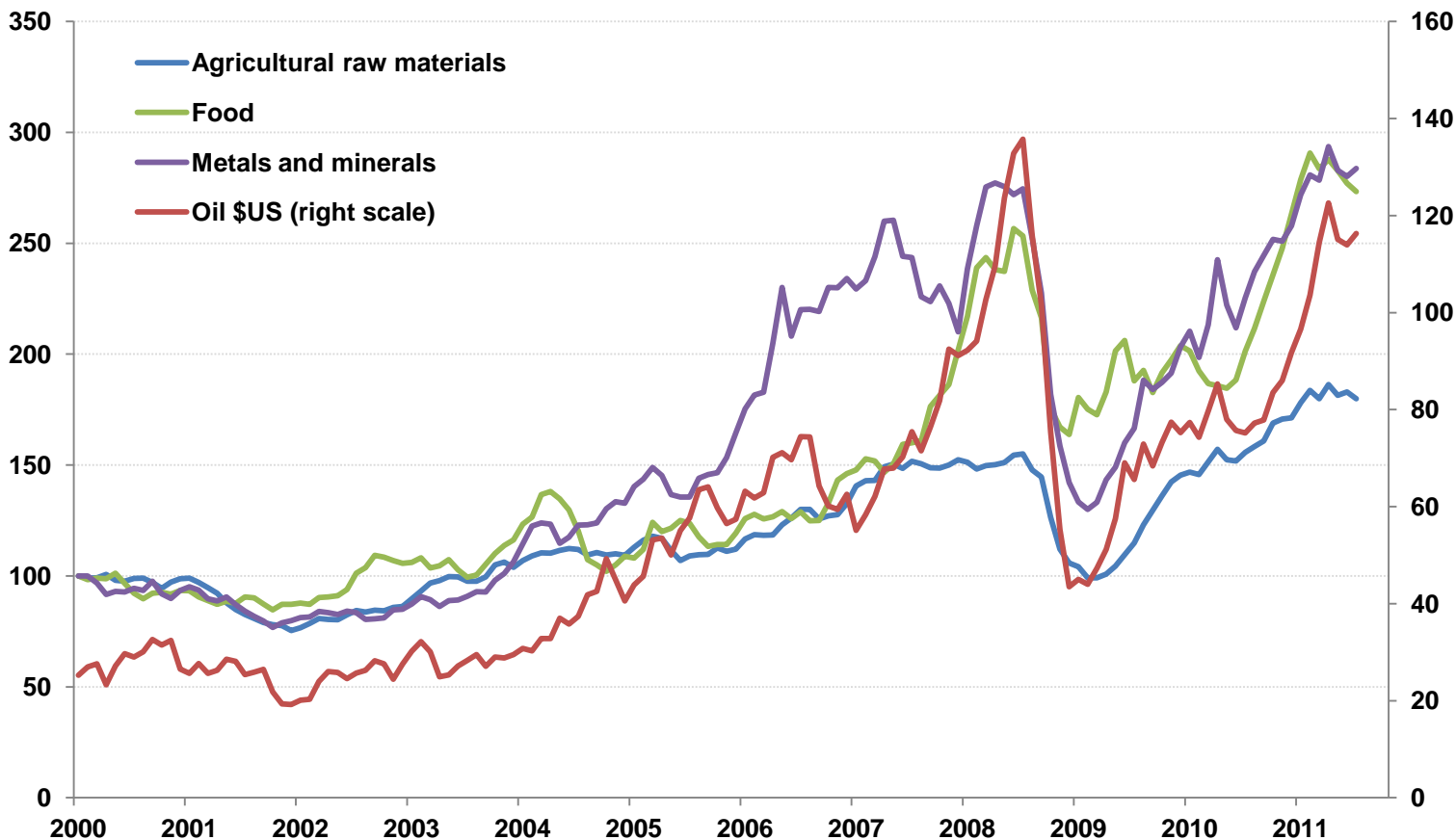


Note: 2011

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

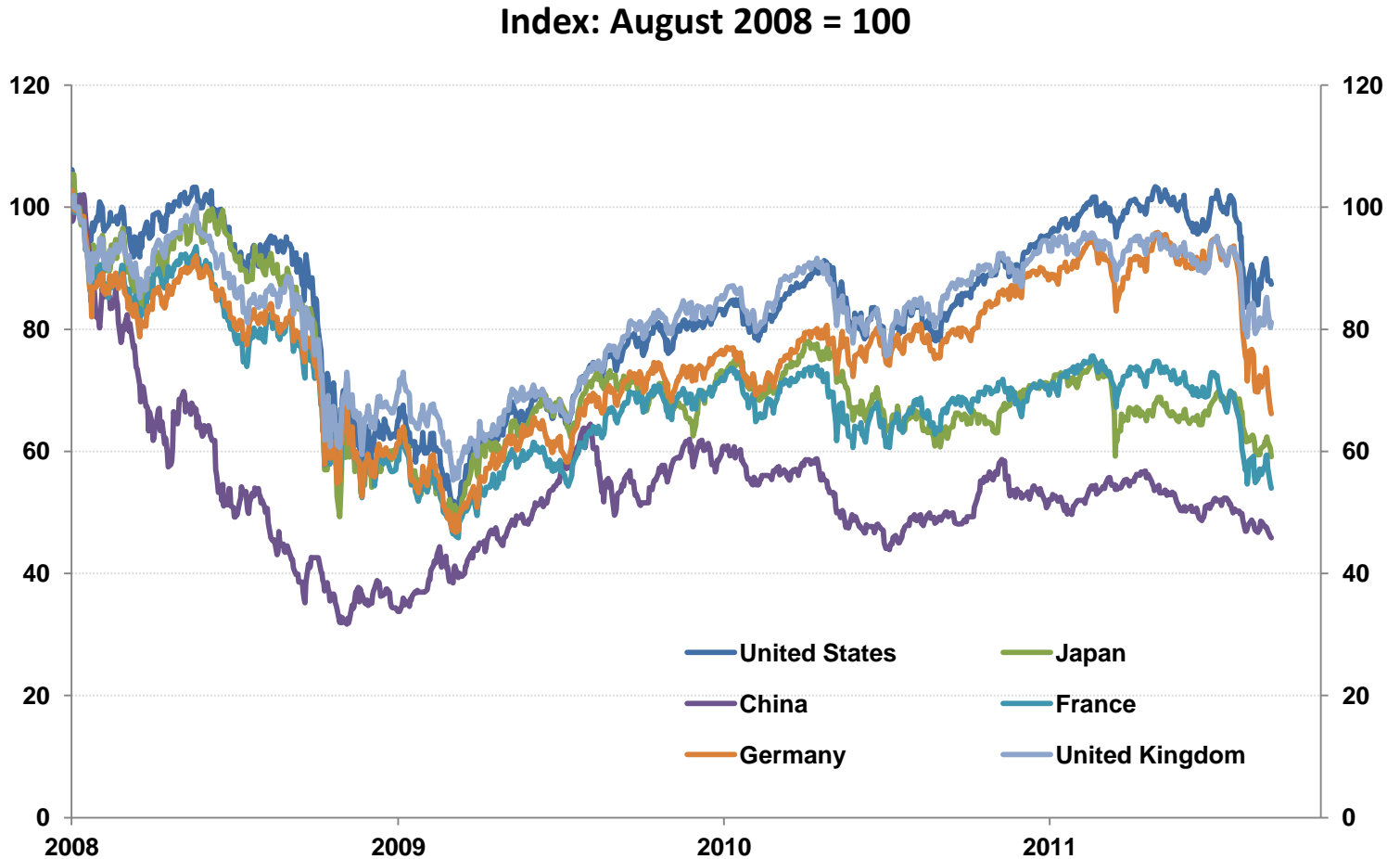
# Commodity prices remain high

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



Source: OECD Main Economic Indicators; and Datastream.

# Equity prices have tumbled



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

Source: Datastream.

# Policy imperative is to restore confidence: medium term

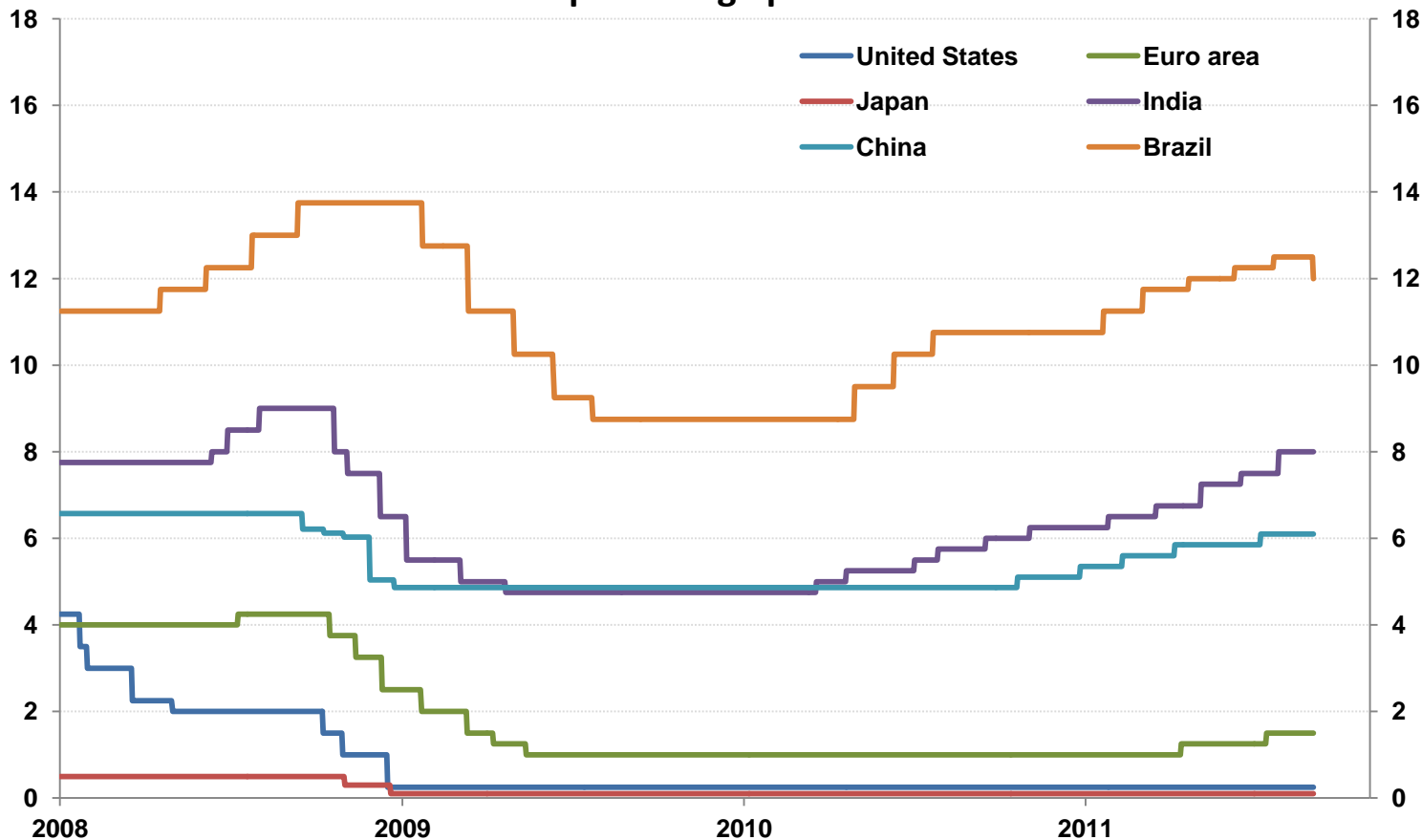
- **Fiscal consolidation**
- **Structural policies**
- **Banking recapitalisation**
- **Euro-area architecture**

# Policy imperative is to restore confidence: short term

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

# Room for monetary policy response in some economies

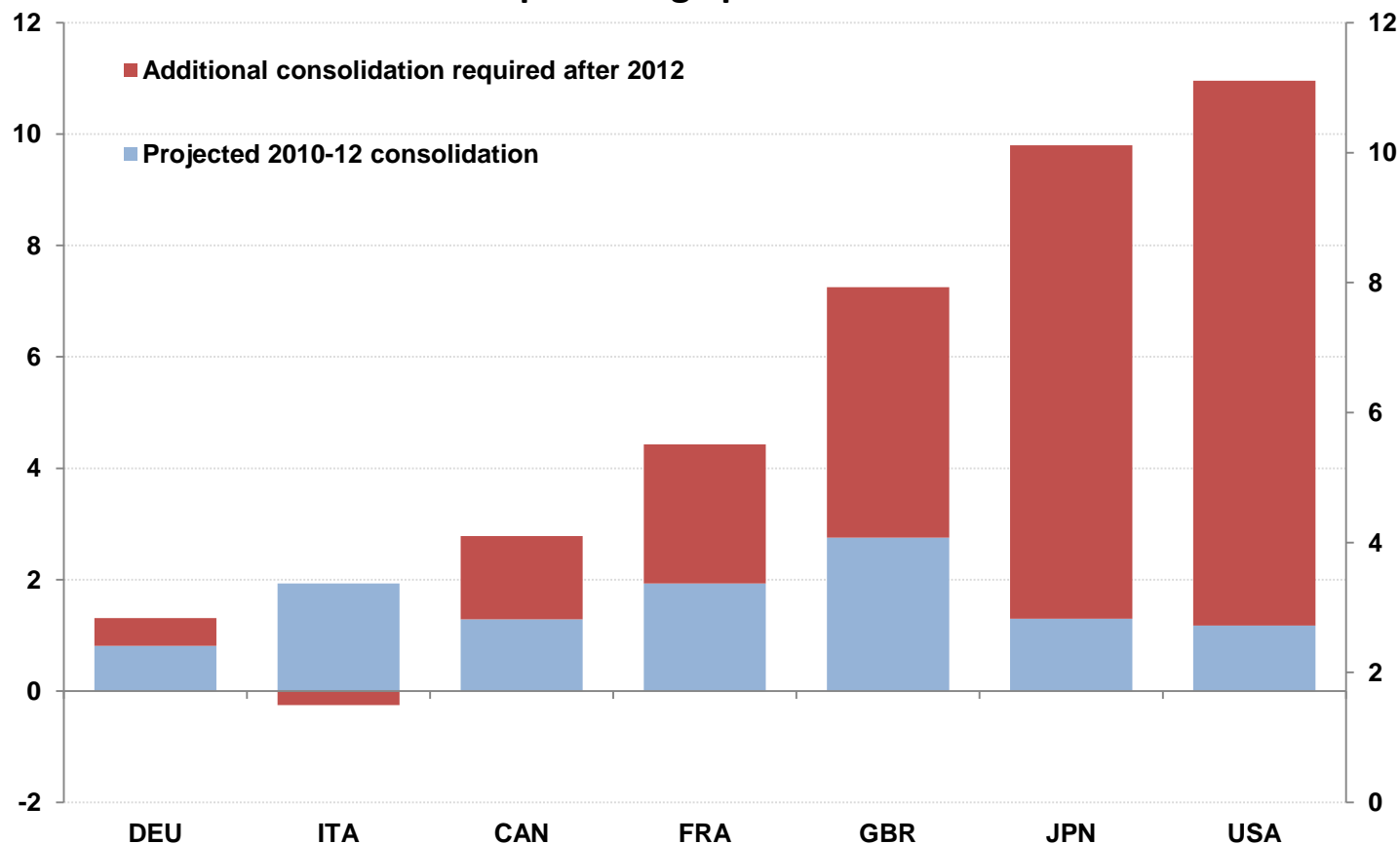
## Central bank policy rates percentage points



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

# Fiscal consolidation required is large in many countries

## Improvement in underlying primary balances percentage points of GDP



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

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



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