

What is the economic outlook for OECD countries?

Paris, 25th May 2011

10h30 Paris time

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&

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The outlook

Real GDP growth, in per cent

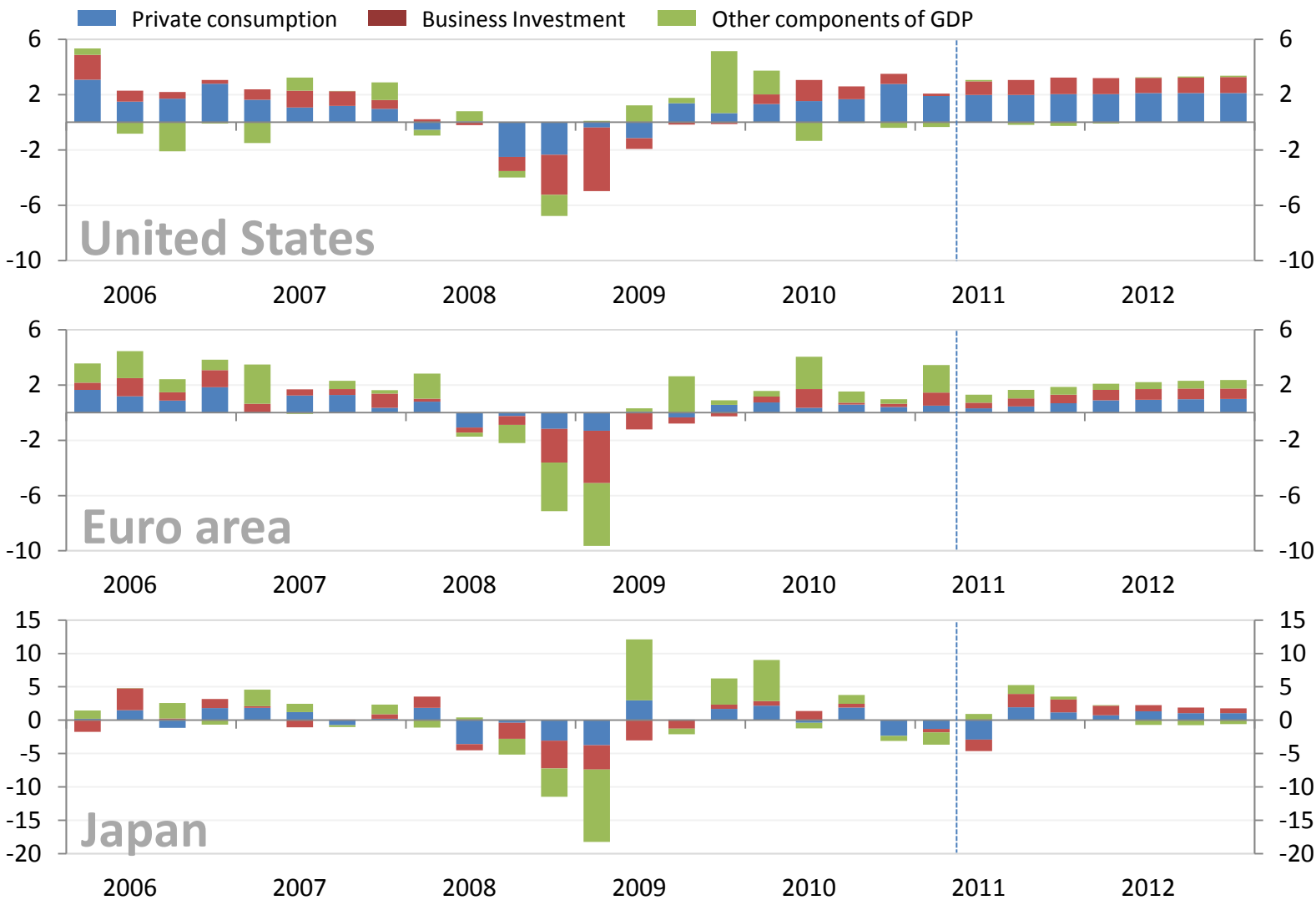
	2010	2011	2012
United States	2.9	2.6	3.1
Euro area	1.7	2.0	2.0
Japan	4.0	-0.9	2.2
Total OECD	2.9	2.3	2.8
Brazil	7.5	4.1	4.5
China	10.3	9.0	9.2
India	10.4	8.5	8.6
Indonesia	6.1	6.6	6.4
Russian Federation	4.0	4.9	4.5
South Africa	2.8	3.9	4.2

Source: OECD Economic Outlook 89 database.

Growth is becoming self-sustained

Contributions to annualised quarterly GDP growth, percentage points

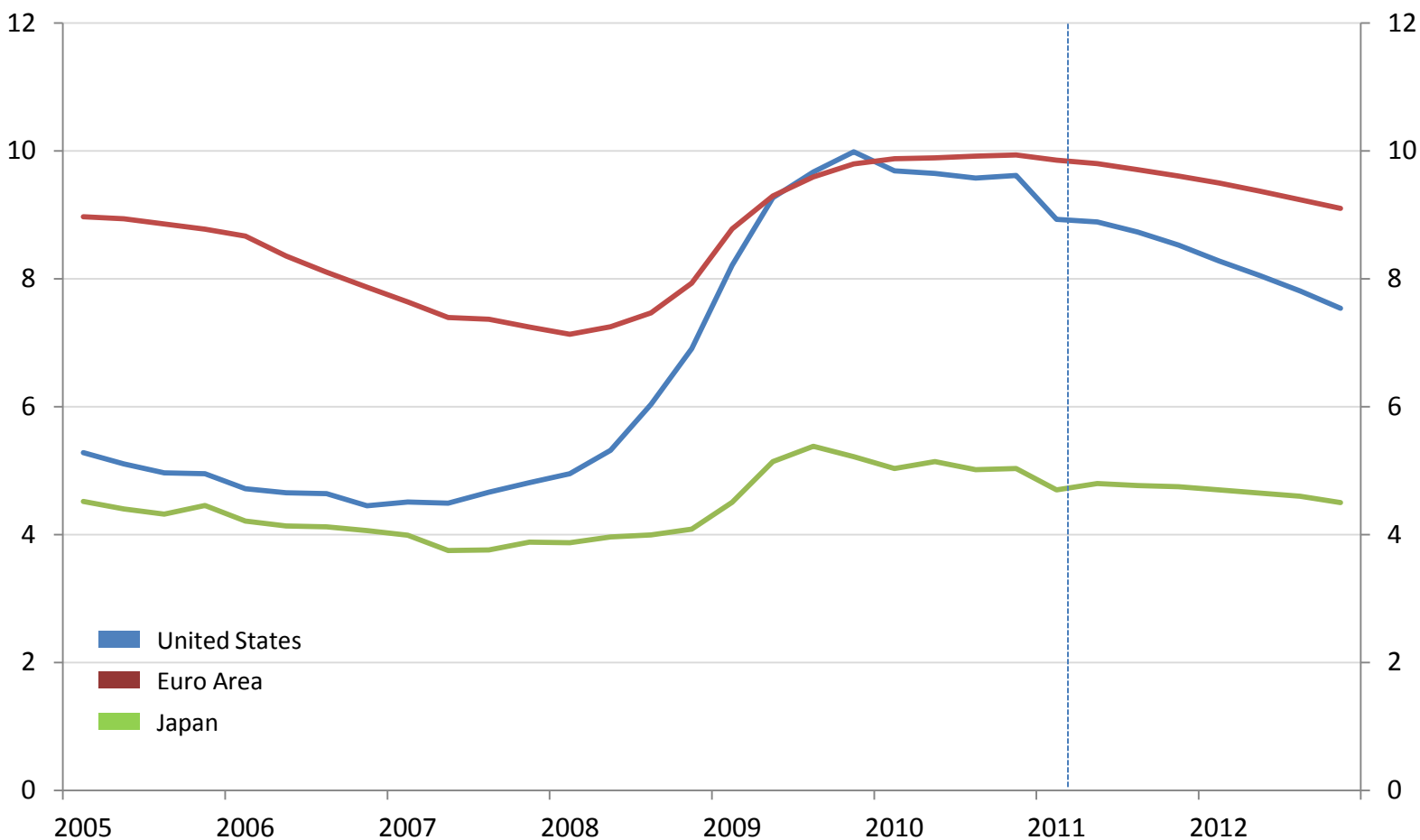
Contributions to growth



Source: OECD Economic Outlook 89 database.

Unemployment rates are now declining but remain high

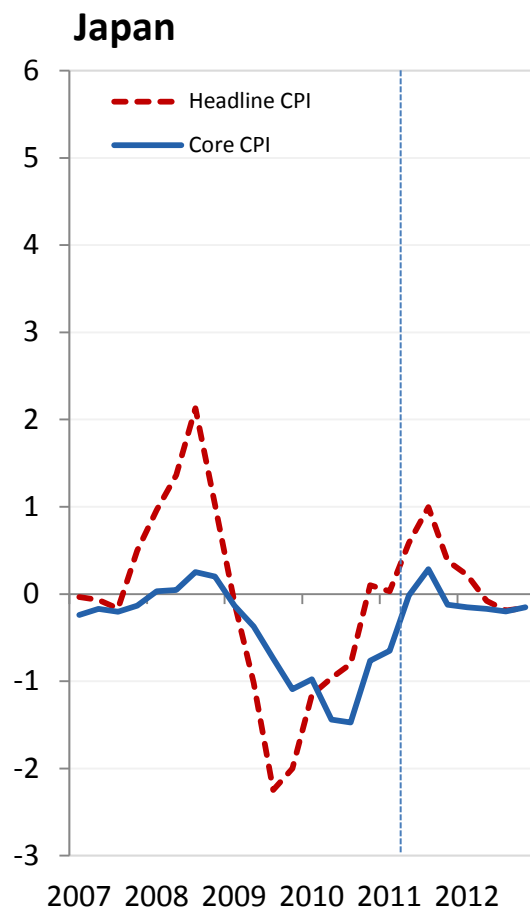
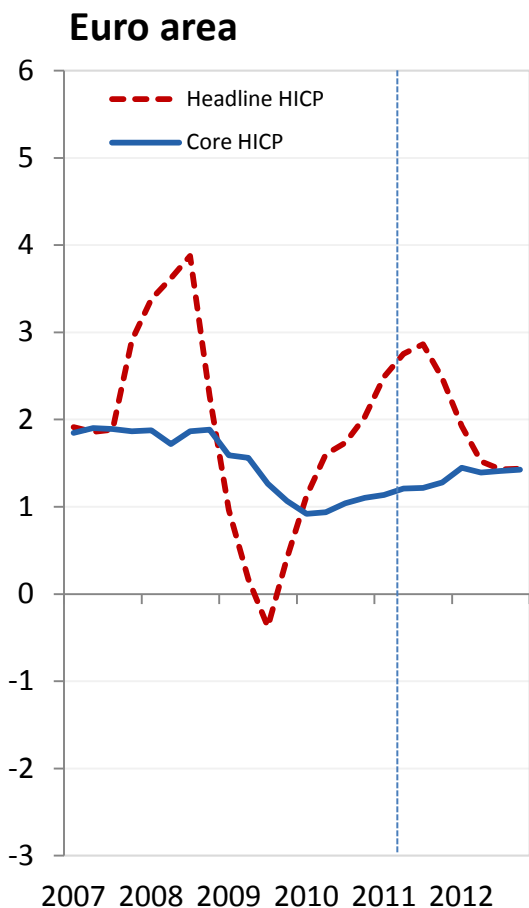
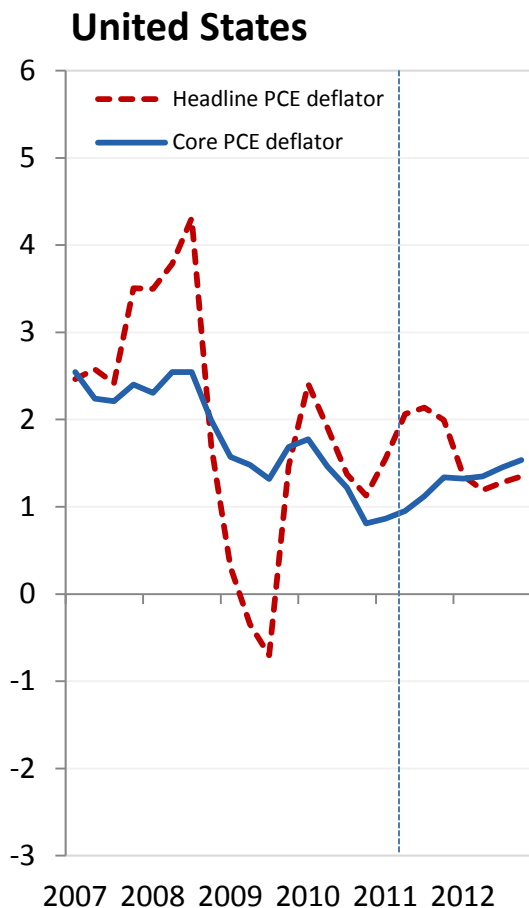
Percentage of labour force



Source: OECD Economic Outlook 89 database.

Underlying inflation is edging up

4-quarter percentage change

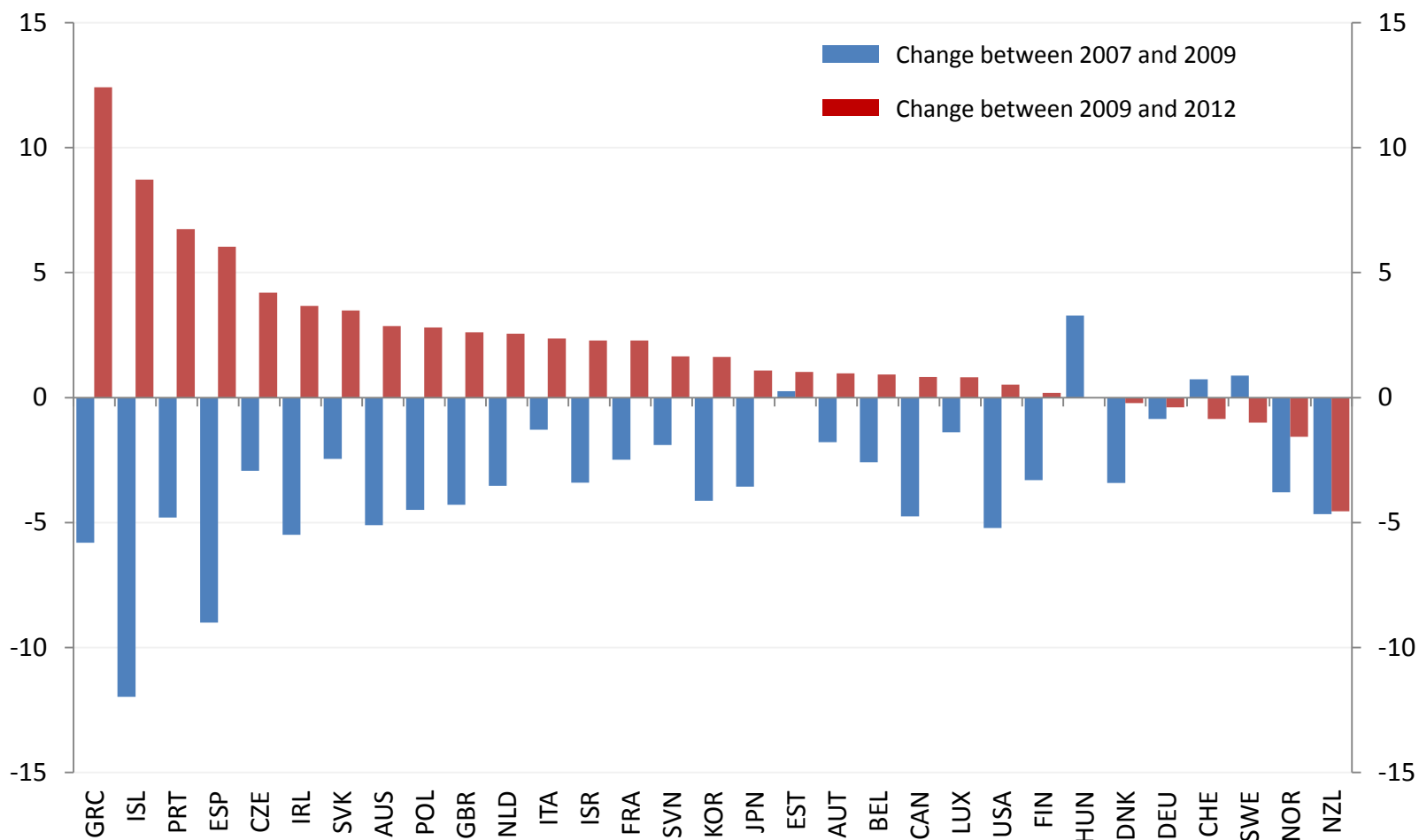


Note: PCE deflator refers to the deflator of personal consumption expenditures, HICP to the harmonised index of consumer prices and CPI to the consumer price index.

Source: OECD Economic Outlook 89 database.

Fiscal policy is shifting from stimulus to tightening

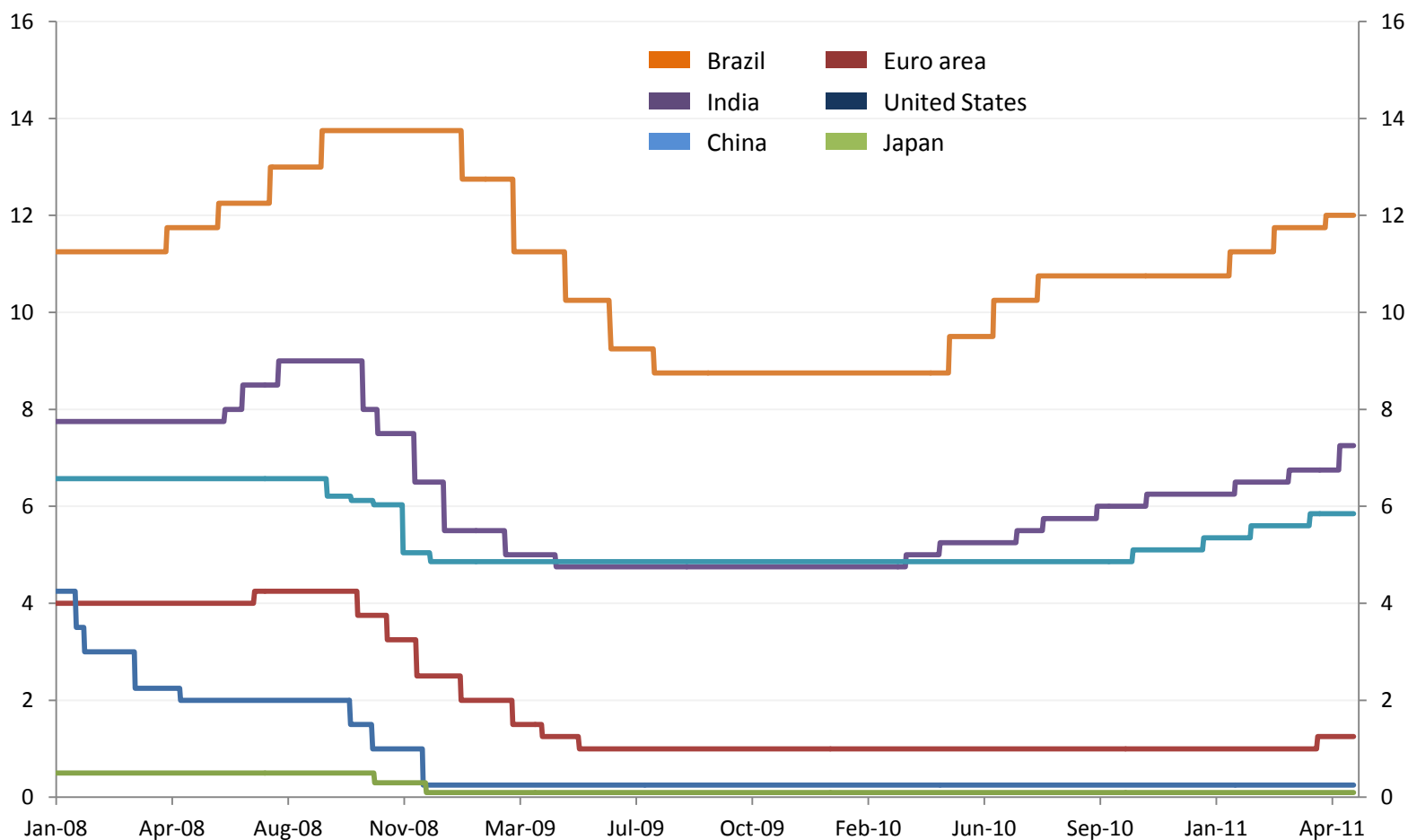
Change in underlying budget balance, in per cent of potential GDP



Source: OECD Economic Outlook 89 database.

Monetary policy is tightening in emerging-market economies

Policy interest rates, percentage points



Note: Last observation 23 May 2011.

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

Risks remain high

➤ Upside risks

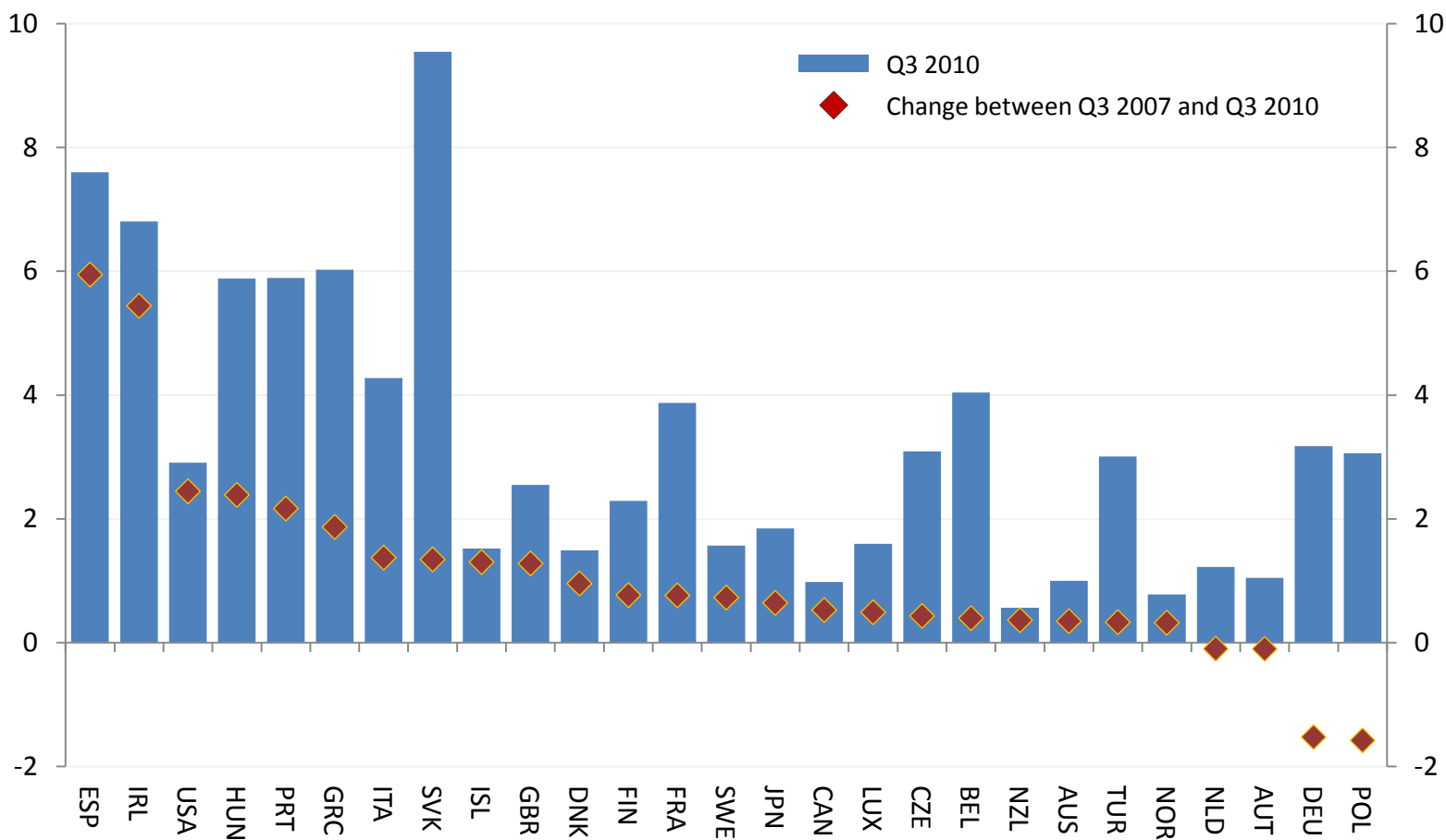
- Stronger-than-projected final demand momentum
- Additional short-term impacts from structural reform

➤ Downside risks

- Renewed increases in commodity prices
 - Deeper-than-projected slowdown in China
 - Continuing concern about public debt sustainability in some OECD countries
 - Lingering weakness in property markets
 - Ongoing financial fragility in the euro area
- If downside risks interact, their cumulative impact could weaken the recovery significantly

Long-term unemployment has risen sharply in some countries

Ratio of long-term unemployed to labour force, per cent

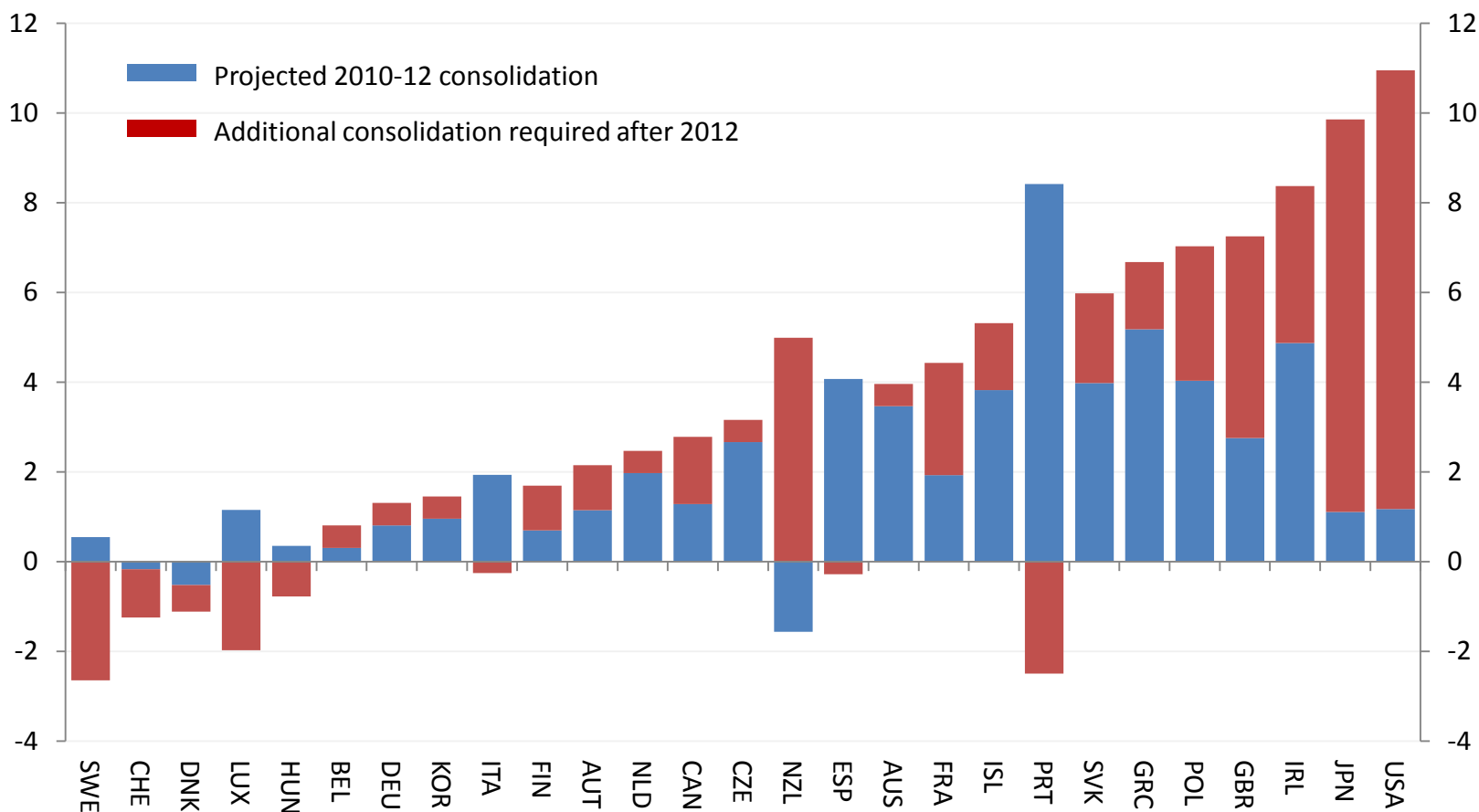


Note: Long-term unemployed are those out of work for longer than 12 months; series smoothed using a three-quarter centred moving averages.

Source: OECD Economic Outlook 89 database.

Substantial fiscal consolidation required to stabilise debt in many countries

Improvement in underlying primary balances, percentage points of GDP

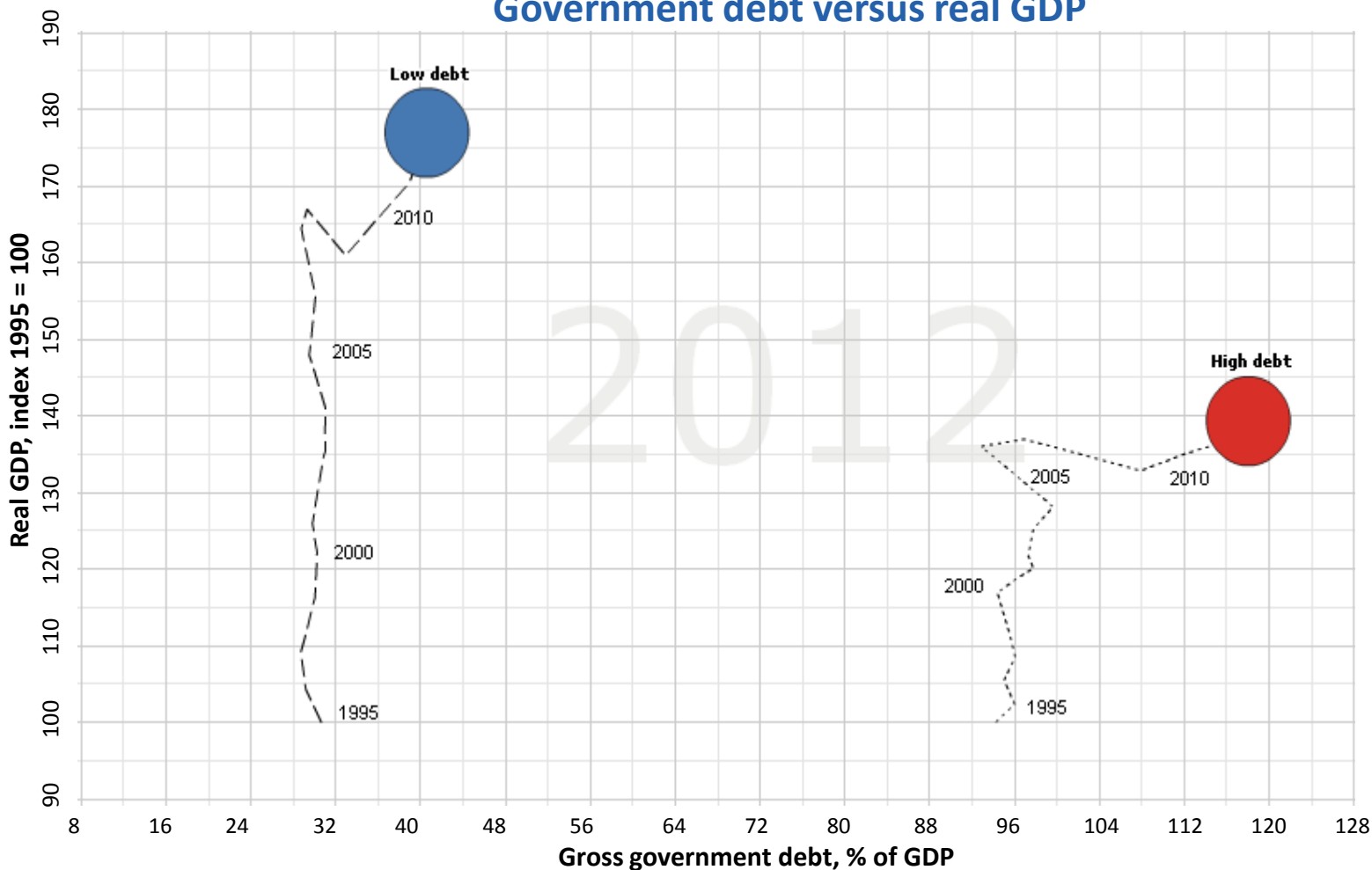


Note: Consolidation through 2011 and 2012 as projected in Economic Outlook 89; consolidation after 2012 assumed to be an additional ½ percentage points of GDP each year.

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

Highly indebted countries have tended to grow more slowly

Government debt versus real GDP

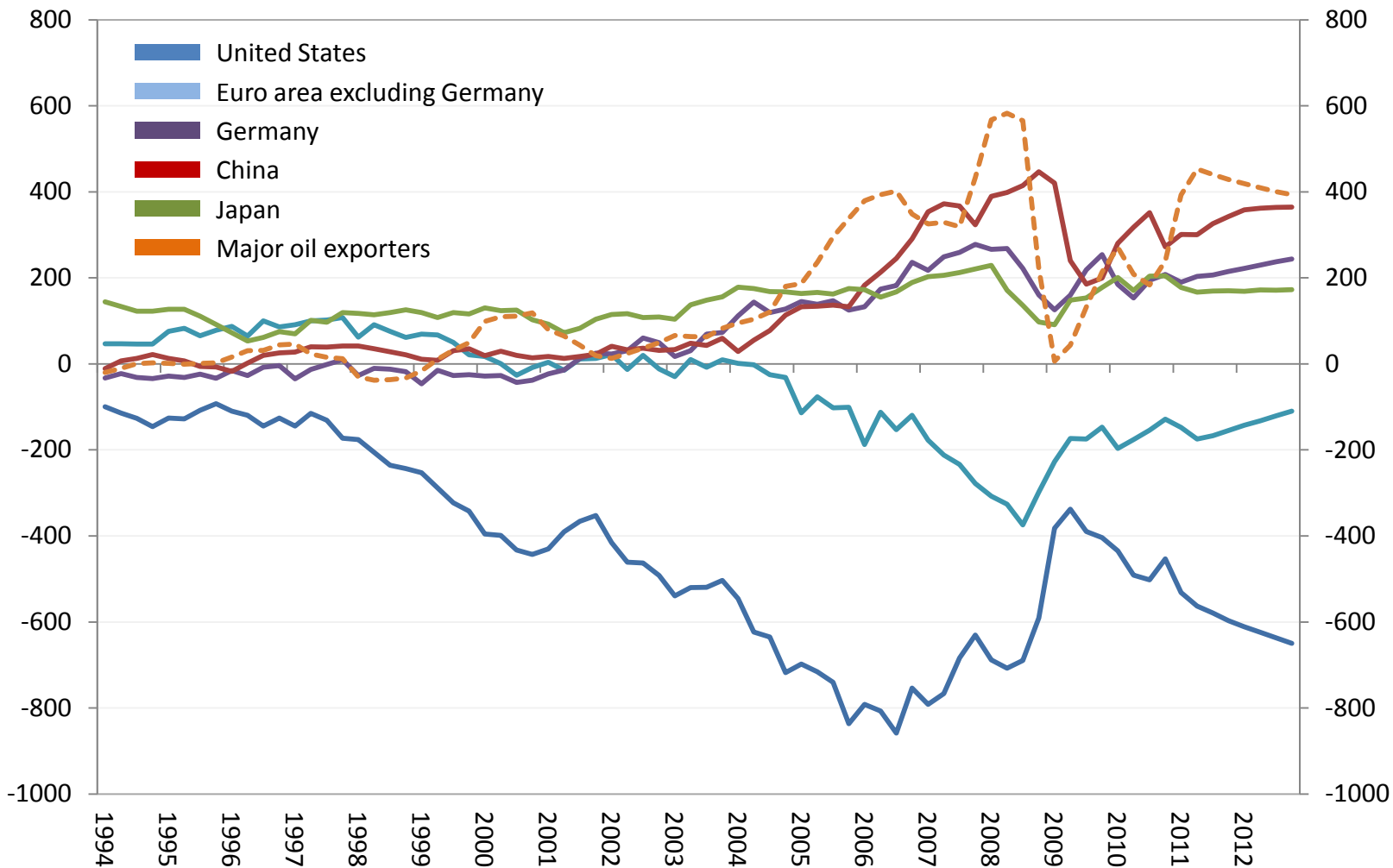


Note: Low debt (debt below 60 % of GDP for the period 1995-2012): AUS, CHE, CZE, EST, KOR, LUX, NOR, NZL, SVK, SVN; high debt (debt above 60 % of GDP for the period 1995-2012): AUT, BEL, CAN, FRA, GRC, ISR, ITA, JPN, PRT.

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

Global imbalances remain wide

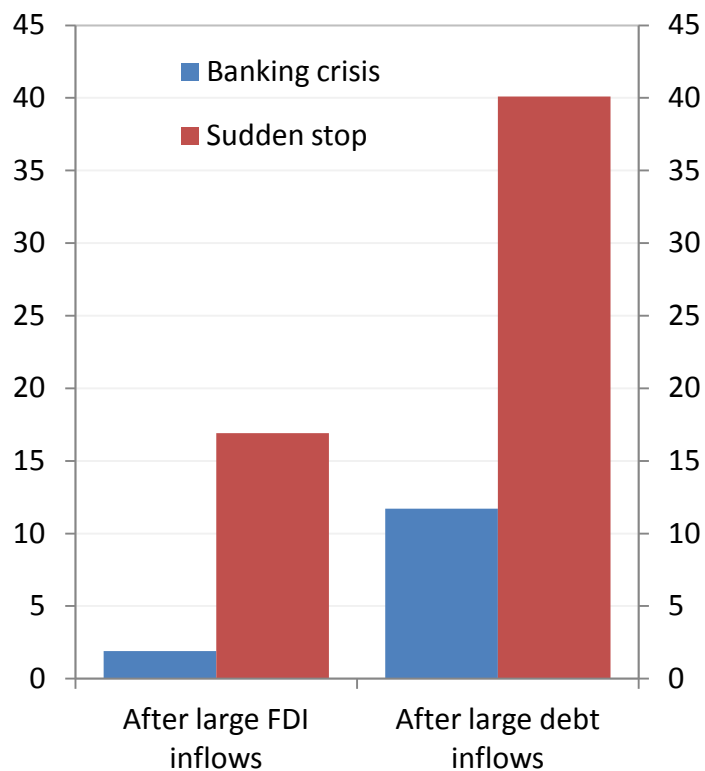
Current account balance, in US\$ billions



Source: OECD Economic Outlook 89 database.

The likelihood of a crisis depends on the nature of capital flows

Annual probability of banking crisis and sudden stops, in per cent



Note: Based on regression results in Table 10 and 14 in Furceri et al. (2011).

Source: OECD calculations.

- Structural policies impact size and composition of capital movements
- Mechanisms are needed to cope with short-term instability
- Advanced and emerging economies should agree on a framework to meet these goals
- OECD Code of Liberalisation of Capital Movements is open to all countries

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