

10. REGIONAL CONTRIBUTION TO GROWTH IN NATIONAL GDP

Economic performance varies significantly among OECD regions. In fact, the difference in gross domestic product (GDP) growth rates within countries over the period 1995-2005 is almost three times larger (17 percentage points) than the difference across OECD countries (6 percentage points).

Between 1995 and 2005 GDP in OECD countries grew at an average annual rate of 2.7% in real terms and slowed down by one percentage point in the last five years compared to 1995 to 2000 (Figure 10.1).

During the same period, differences in growth rates among regions in the same country were larger than 6 percentage points within Turkey, Poland, Hungary, Greece and the United Kingdom suggesting that national performance has been driven by the dynamism of a limited number of regions (Figure 10.2).

On average 44% of the total increase in OECD GDP has been driven by 10% of regions during 1995-2005. In Greece, almost all the increase in the national GDP is accounted for by the Attiki region. The regional contribution to growth of the 10% fastest growing regions was high (above 50% of GDP growth) also most notably in Sweden, Hungary, Finland, Italy and Japan (Figure 10.3).

Among the 932 regions considered, only 21 in 6 countries, Austria, Finland, Germany, Greece, Italy and the United Kingdom, experienced a decline in total GDP between 1995 and 2005.

Countries experienced different pattern of growth. While growth in Hungary, Poland and Korea occurred with large regional variations, Ireland, the Slovak Republic and Australia displayed a growth rate higher than the OECD average and small regional variations (Figure 10.2).

From 1995 to 2005 the top 20 regions in GDP growth are spread across countries. All regions in Ireland performed among the top 20 OECD regions, suggesting that growth at the national level can be sustained by a balanced exploitation of regional assets or national growth can benefit many regions across a country. For other countries like Korea and Hungary, national growth seems more dependent on the assets of specific regions (Figure 10.4).

Definition

Gross domestic product (GDP) is the standard measure of the value of the production activity (goods and services) of resident producer units. The regional GDP is measured according to the definition of the 1993 System of National Accounts. To make comparisons over time and across countries, it is expressed at constant prices (year 2000), using the OECD deflator and then it is converted into USD purchasing power parities (PPPs) to express each country's GDP into a common currency.

Source

OECD Regional Database, <http://dotstat/wbos/>, theme: Regional Statistics.

See Annex B for data sources and country related metadata.

OECD deflator and purchasing power parities, <http://dotstat/wbos/>, Reference series.

National values, <http://dotstat/wbos/>, National accounts.

Reference years and territorial level

1995-2005; TL3

Australia, Canada, Mexico and United States only TL2.

Regional GDP is not available for Iceland and Switzerland.

Figure notes

Figure 10.1: Constant 2000 GDP PPP. Own calculations from OECD National Accounts.

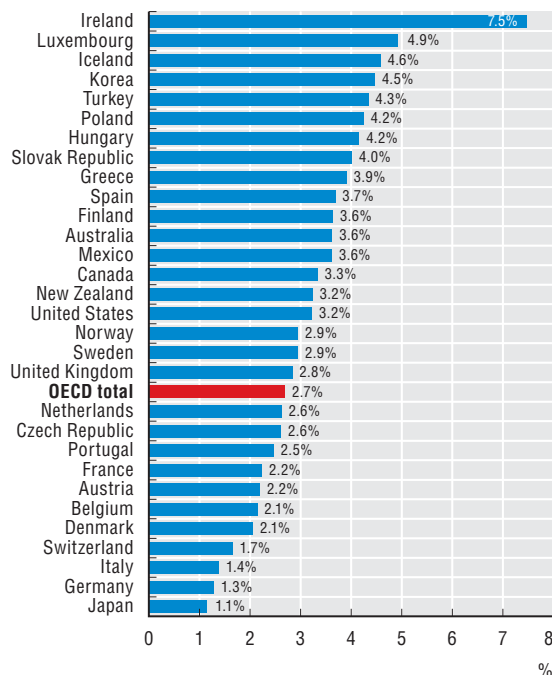
Figures 10.2 to 10.4: Available data: Italy 2000-05; Mexico 1995-2004; New Zealand 2000-03; Turkey 1995-2001 and the United States 1997-2005.

Figures 10.3 and 10.4: Turkey is excluded for lack of GDP data for comparable years.

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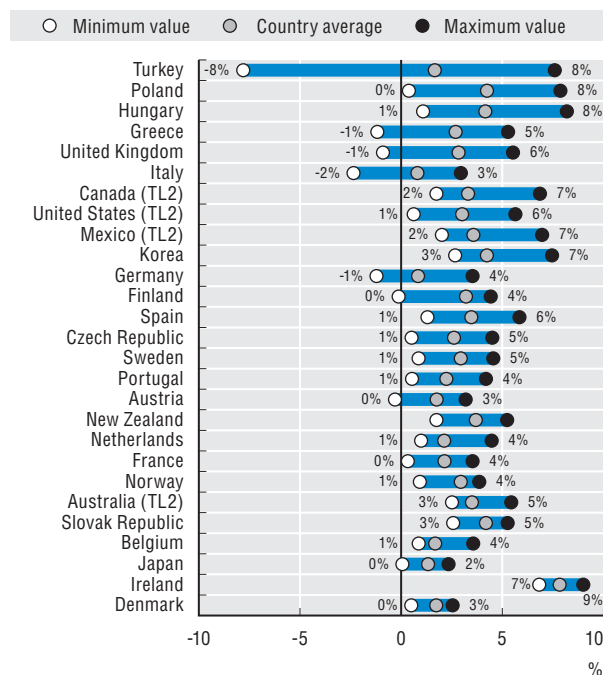
10.1 National GDP annualized rates of growth, 1995-2005

Between 1995 and 2005, GDP grew 7.5% per year in Ireland and in Japan 1.1%.



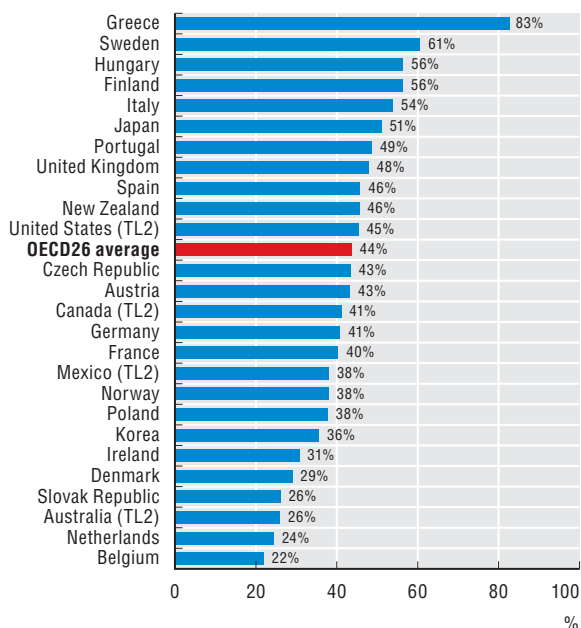
10.2 Countries ranked by size of difference in TL3 regional annual GDP growth rates, 1995-2005

Over 1995-2005, Turkey had the widest regional differences in GDP growth.



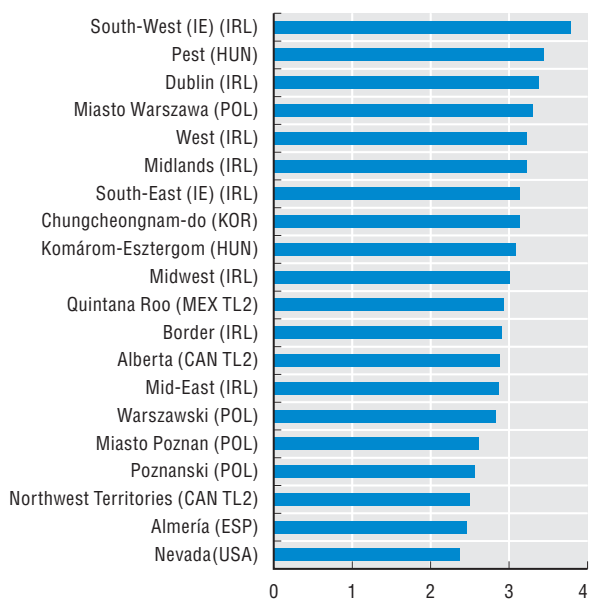
10.3 Per cent of national GDP increase contributed by the top 10% of TL3 regions, ranked by regional increase, 1995-2005

44% of the increase in total GDP in OECD countries between 1995 and 2005 was driven by 10% of regions.



10.4 Index of growth of the fastest growing TL3 regions (OECD index equals 1), 1995-2005

Across all OECD regions, the South-West region of Ireland grew at the fastest rate over 1995-2005.

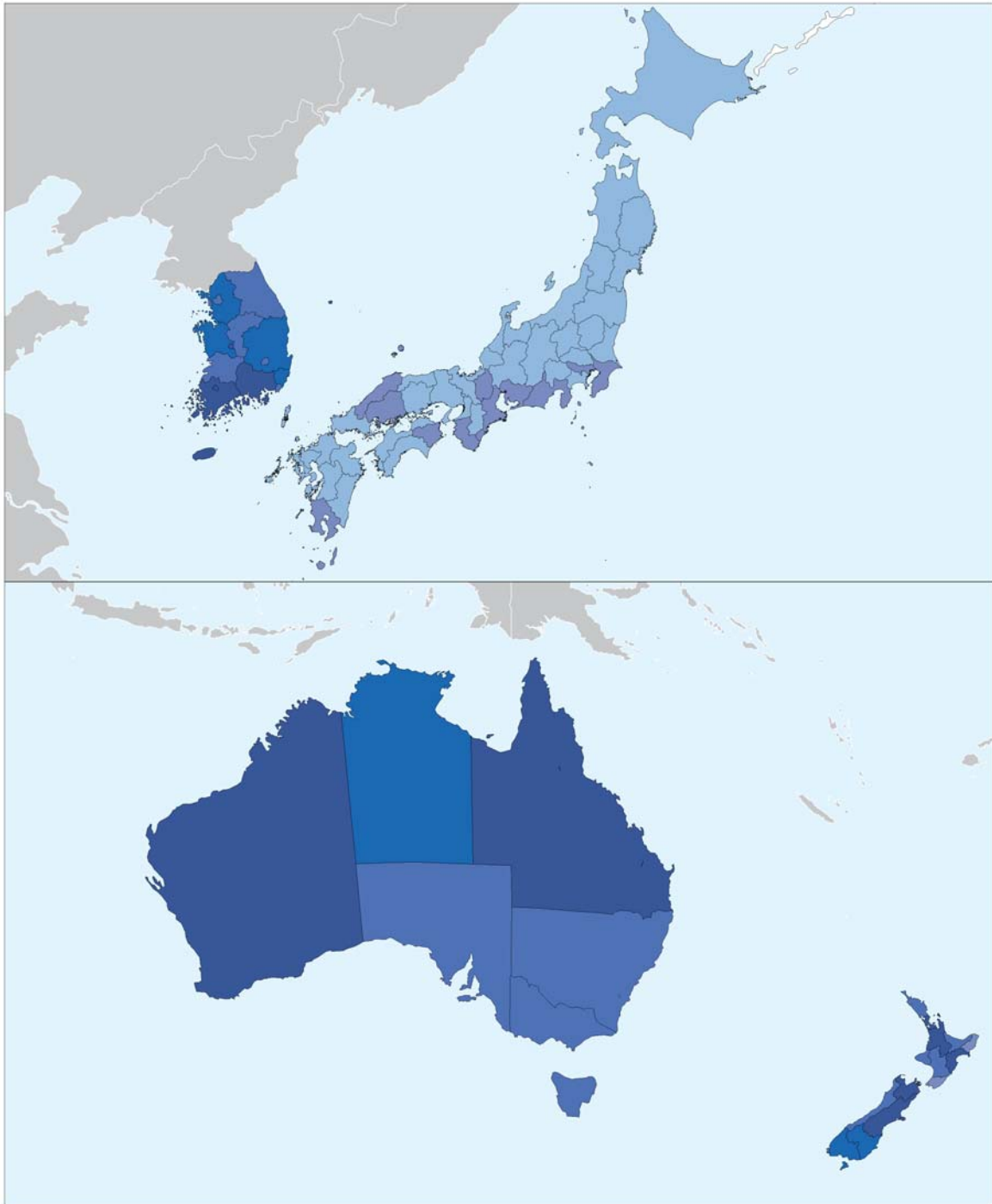



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10.5 Regional GDP growth: Asia and Oceania

Average annual growth rate (constant 2000 USD PPP), TL3 regions, 1995-2005

- Higher than 5.0%
- Between 3.5% and 5.0%
- Between 2.5% and 3.5%
- Between 1.5% and 2.5%
- Between 0.0% and 1.5%
- Lower than 0.0%
- Data not available



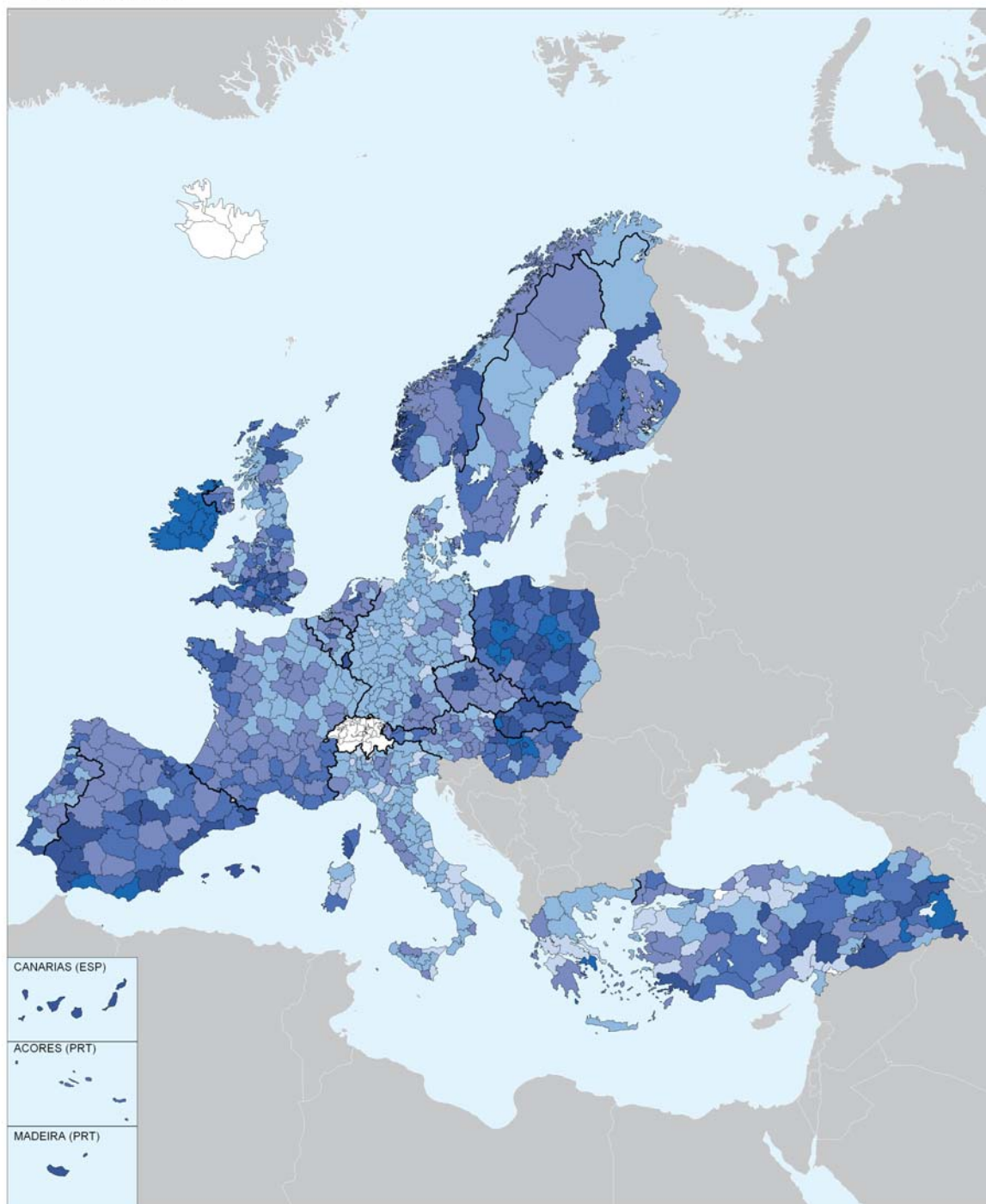
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10.6 Regional GDP growth: Europe

Average annual growth rate (constant 2000 USD PPP), TL3 regions, 1995-2005

- Higher than 5.0%
- Between 3.5% and 5.0%
- Between 2.5% and 3.5%
- Between 1.5% and 2.5%
- Between 0.0% and 1.5%
- Lower than 0.0%
- Data not available



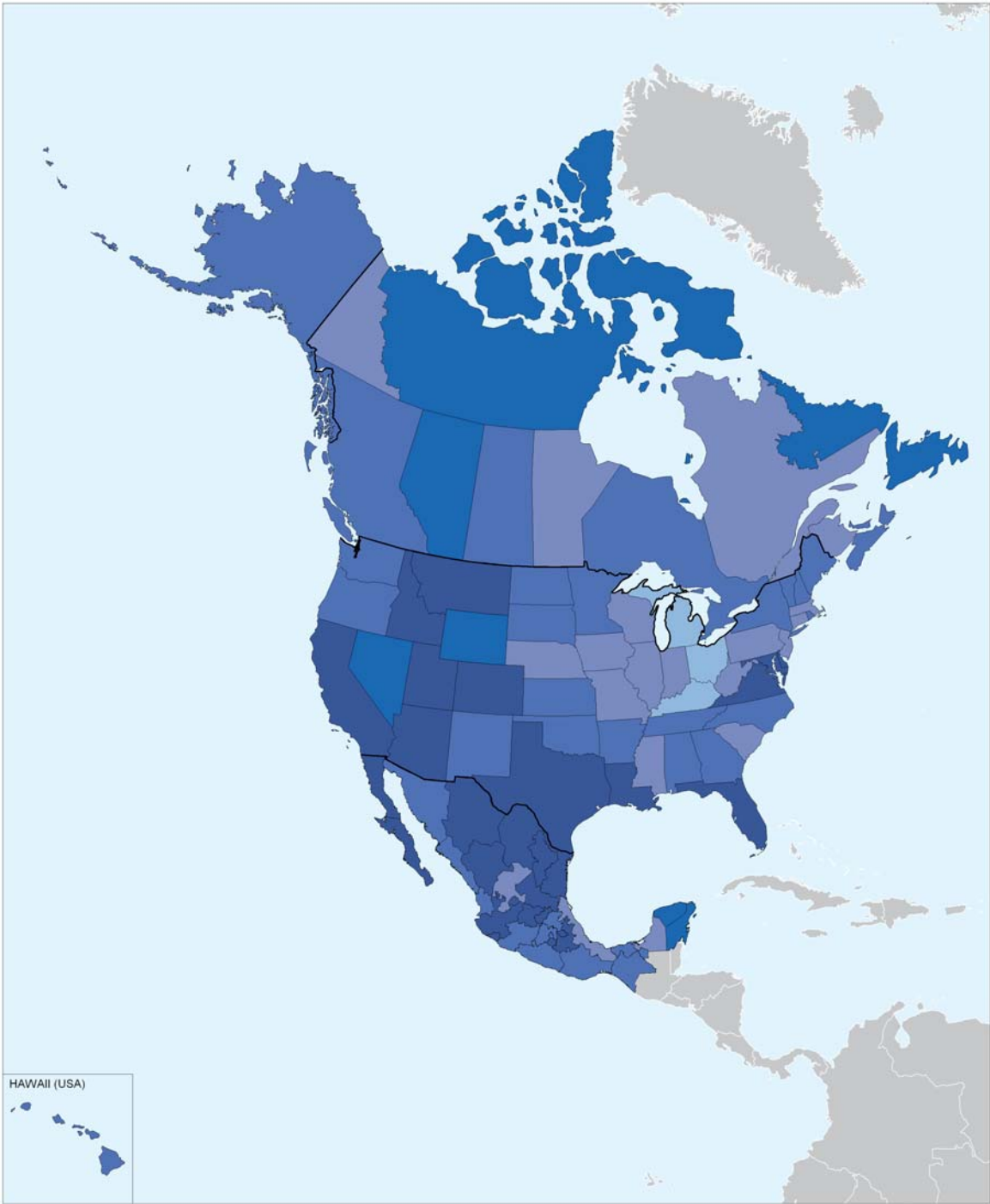
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10.7 Regional GDP growth: North America

Average annual growth rate (constant 2000 USD PPP), TL2 regions, 1995-2005

- Higher than 5.0%
- Between 3.5% and 5.0%
- Between 2.5% and 3.5%
- Between 1.5% and 2.5%
- Between 0.0% and 1.5%
- Lower than 0.0%
- Data not available



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GDP per capita growth trends in predominantly urban and predominantly rural regions

In the period 1995-2005, predominantly urban (PU) regions grew faster than intermediate (IN) and predominantly rural (PR) regions. Anyhow, this pattern has been very different across countries: PU regions in Greece, Sweden and Hungary grew on average at a rate of more than 2 percentage points higher than PR regions. In Korea, Turkey and Germany, on the contrary, PR regions grew on average faster than PU regions even if by a small difference.

When looking at the GDP per capita, the gap between PR and PU regions in GDP per capita did not narrow over the past ten years. In 2005, as in 1995, the GDP per capita in PU regions exceeded the OECD average by 20%; while in PR regions GDP per capita was around 85% of the OECD average.

Importantly, among regions with GDP per capita below the OECD average in 1995, a majority of regions converged to the OECD average GDP per capita (their growth in the 1995 to 2005 period was above the OECD average). The degree of convergence is similar in each type of region: 61% of PR, 60% of IN and 62% of PU (Table 10.8).

10.8 Share of regions by OECD average GDP per capita in 1995 and OECD average growth rate 1995-2005¹

78% of intermediate regions with GDP per capita above the OECD average in 1995 were below the OECD average in 2005.

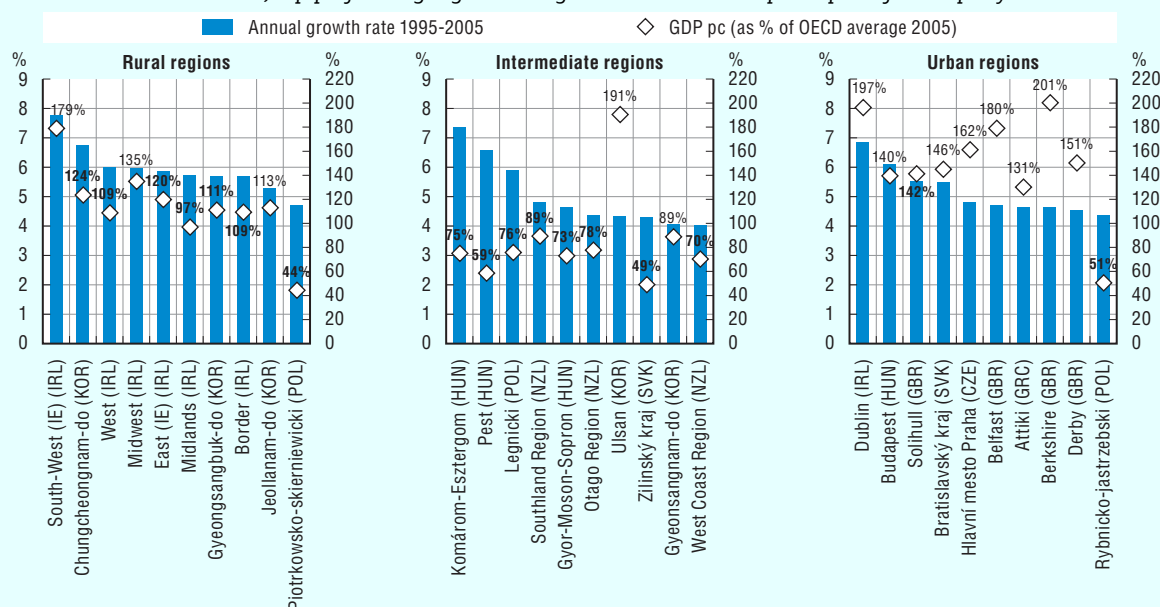
Rural regions				Intermediate regions				Urban regions			
GDP per capita, 1995	GDP growth 1995-2005		Total (%)	GDP per capita, 1995	GDP growth 1995-2005		Total (%)	GDP per capita, 1995	GDP growth 1995-2005		Total (%)
	Below OECD average (%)	Above OECD average (%)			Below OECD average (%)	Above OECD average (%)			Below OECD average (%)	Above OECD average (%)	
Below OECD average	39	61	100	Below OECD average	40	60	100	Below OECD average	38	62	100
Above OECD average	66	34	100	Above OECD average	78	22	100	Above OECD average	66	34	100

Equally importantly, 70% of the 395 regions with GDP per capita above the OECD average in 1995 grew less than the OECD average in the period 1995-2005. In this group of regions, the typology marks a difference for in regions: 78% of IN regions with GDP per capita above the average in 1995 end up with a GDP per capita below the OECD average in 2005, the same was true for 66% of PR and PU regions (Table 10.8).

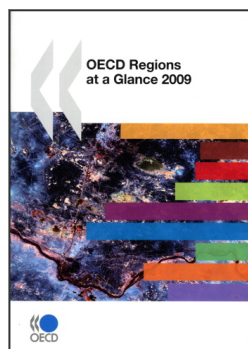
The top-performing regions in terms of growth of GDP per capita displayed similar rates in the period 1995-2005, regardless of regional typology (Figure 10.9).

10.9 Top regions by growth rate of regional GDP per capita 1995-2005 (left axis) and regional GDP per capita as a per cent of OECD GDP per capita in 2005 (right axis)¹

In 1995-2005, top performing regions had growth rates in GDP per capita of 4-8% per year.



1. Only TL3 regions are included, therefore Australia, Canada, Mexico and the United States are excluded. Turkey is excluded for lack of GDP data for comparable years. Italy and Poland, data for 2000-05.



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