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The OECD Medium-Term
Reference Scenario:
Economic Outlook No.74

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by
Peter Downes, Aaron Drew and Patrice Ollivaud

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ABSTRACT/RÉSUMÉ

THE OECD MEDIUM-TERM REFERENCE SCENARIO: *ECONOMIC OUTLOOK No.74*

This working paper describes a medium-term reference scenario for the OECD based on the short-term projections described in *OECD Economic Outlook No.74*. OECD-wide real GDP is projected to expand at 2¾ per cent *per annum* between 2006 and 2009 and the area-wide rate of unemployment to fall below 6 per cent at the end of the period, while inflation rises only slightly. Despite a fairly robust recovery, fiscal balances remain in significant deficit for the area as a whole; there is little overall improvement in current external imbalances between regions.

JEL Classification: C5

Keywords: Forecasts, OECD, International.

LE SCENARIO DE REFERENCE DE L'OCDE A MOYEN TERME: *PERSPECTIVES ECONOMIQUES No.74*

Ce document de travail décrit un scénario de référence à moyen terme pour les pays de l'OCDE se basant pour le court terme sur les prévisions des *Perspectives Économiques de l'OCDE No.74*. La croissance du PIB réel de l'OCDE est projetée à 2¾ pour cent par an entre 2006 et 2009 et le taux de chômage de la zone décroîtrait sous le seuil de 6 pour cent en 2009, alors que l'inflation augmenterait seulement légèrement. Malgré une reprise plutôt robuste, les soldes budgétaires continueraient d'être fortement déficitaires pour l'ensemble de la zone. Il y aurait peu d'amélioration en général des déséquilibres actuels des balances courantes entre les régions.

Classification JEL : C5

Mots Clefs : Prévisions, OCDE, international.

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THE OECD MEDIUM-TERM REFERENCE SCENARIO: *ECONOMIC OUTLOOK* No.74

by

Peter Downes, Aaron Drew and Patrice Ollivaud¹

1. As part of the OECD's regular assessment of world economic trends, medium-term projections are routinely prepared as an extension of the short-term forecasts published in the *OECD Economic Outlook*.² This working paper reports on a medium-term reference scenario for the OECD developed on the basis of the short-term projections described in *Economic Outlook No.74*, extending these projections to the end of 2009. The reference scenario is not a forecast but is constructed to provide a consistent basis for sensitivity analysis around the *Economic Outlook* projections, and to provide insights into the potential development or unwinding of imbalances in the world economy. The key assumptions and principles used in its construction are as set out in Box 1 below. In particular, in extending the projections beyond the short term, a view is taken which abstracts from future cyclical developments; specifically, GDP growth is assumed to be driven mainly by developments in supply. Growth in output for any country beyond 2005 is therefore assumed to be a combination of growth in potential output and a contribution from the closing of the output gap, which is assumed to fully close by 2009. A summary of the projections for key variables by country are reported in Tables 1 to 3 which follow, while Tables 4 and 5 report key aggregates for the total OECD and the euro zone.

2. Estimates of potential growth for each country are based on the methodology set out in detail in Giorno *et al* (1995) and Richardson *et al* (2000), with trend estimates of the various components of potential being extended over the projection period in consultation with the economists on the individual country desks.³ For the current assessment, the key demographic and economic components underlying growth in potential output are summarised in Table 3. Calculated on this basis, potential output growth for the OECD as a whole is expected to slow to below 2½ per cent *per annum* over the period until 2009, falling more substantially for some countries and regions (most notably in Europe) in the later years. For many countries, this slowing reflects the effect of a decrease in trend growth of the labour force due to demographic factors, which is partly offset by a small increase in trend labour productivity growth.

3. Since most OECD economies are forecast to be operating well below output potential in 2005, the assumed closing of output gaps over the medium term implies that growth in subsequent years exceeds estimated potential. OECD-wide real GDP is projected to expand at 2¾ per cent *per annum* over the period. The area-wide rate of unemployment drops to slightly below 6 per cent, while inflation rises slightly from 2005 levels as output gaps close. Despite this fairly robust recovery, fiscal balances remain in

1. The authors are members of the Macroeconomic Analysis and Systems Management Division of the Economics Department of the OECD. They would like to thank Frank Sedillot and Christophe André for assistance in generating the scenarios and Pete Richardson, Jorgen Elmeskov, Mike Feiner and the individual desk economists for valuable feedback and comments.

2. These projections are regularly referred to and described in Chapter I "General assessment of the macroeconomic situation" of the *OECD Economic Outlook*.

3. Cotis *et al* (2003) provides a succinct review of the issues involved in estimating potential output and the uses of the estimates from a policy perspective.

significant deficit for the area as a whole. This reflects only moderate reductions in the existing large deficits for the major European economies and the United States, and a further widening for Japan.

4. Potential output for the United States is projected to grow at a little over 3 per cent over the medium term, with higher growth in labour productivity than in the recent past being offset by declining growth in the working age population and the labour force. With output at around potential for much of the period, inflation continues at a low rate, and unemployment remains at around 5 per cent. The fiscal balance remains in substantial deficit despite some consolidation of taxation revenues, and on unchanged policy assumptions, is projected to be $-4\frac{1}{4}$ per cent of GDP in 2009.⁴ The persistent deficits generate a significant deterioration in the public debt position with general government gross financial liabilities rising to 77 per cent of GDP by 2009 – the same level as for the euro area.

5. Within the euro area, potential output growth averages $1\frac{3}{4}$ per cent *per annum* beyond 2005. This is much lower than in the United States, reflecting lower growth in both the working age population and trend labour productivity. However, the euro area is initially at a lower point in the cycle, with a negative output gap of 2 per cent of GDP in 2005, and with a significant contribution from the closure of the gap, GDP grows by around $2\frac{1}{2}$ per cent *per annum* over the four years to 2009. Unemployment falls by 1 percentage point to around $7\frac{1}{2}$ per cent, but inflation remains fairly subdued.

6. Despite fairly robust growth over the period, the fiscal deficit for the euro area as a whole only falls to 2 per cent of GDP in 2009. The general government deficit is, on present policy settings, projected to remain almost 4 per cent of GDP for Italy, with rising public debt interest payments broadly offsetting the cyclical contribution from the closing of the gap.⁵ In spite of some consolidation as a result of continued cyclical recovery, significant deficits also persist for France and Germany and, to a lesser extent, Greece and Ireland. With the exception of the United Kingdom, which also remains in significant deficit, the fiscal positions of other European Union member countries move towards balance or in some cases remain in significant surplus.

7. Potential output growth in Japan is projected to slow over the medium term, given declines in the working-age population and relatively slow growth in the capital stock and trend labour productivity. To close the output gap from 2005 levels, GDP grows at $1\frac{1}{2}$ per cent *per annum* and the unemployment rate falls to around 4 per cent. However in the absence of a strong recovery, inflation is projected to remain at or around zero and interest rates are projected to remain low.⁶ As a result, the public debt interest burden remains proportionally much lower than in other countries experiencing high levels of public debt. Even with this benefit, large structural fiscal deficits of up to 7 per cent of GDP are projected to persist, in part reflecting the ongoing fiscal costs associated with population ageing. As a result, public debt continues to accumulate at an unsustainable rate.

8. Given the recovery in GDP growth in the OECD area, growth in world trade is projected to grow at around $7\frac{1}{2}$ per cent per annum (around the historical average of the 1990s). In the absence of major

4. Fiscal revenues as a percentage of GDP rise by about 1 per cent between 2005 and 2009, reflecting a higher proportion of households being subject to the alternative minimum tax. On the spending side the assumption is made that real federal purchases grow at around 2 per cent per year between 2006 and 2009 as opposed to the assumption mandated by law, used by the Congressional Budget Office, of zero per cent growth. By comparison, the average growth rate of real federal purchases over 1975-2002 was 2.1 per cent.

5. See Box 1 and the main text for specific details of the underlying fiscal assumptions.

6. Assessing the relationship between the output gap and inflation is particularly difficult in the current Japanese deflationary environment. The judgement taken over the medium-term horizon is that the change in the output gap also has some effect on inflation, *i.e.* that the higher growth required to close the output gap balances the deflationary pressures arising from the output gap itself.

cyclical developments in the individual countries, and given broadly unchanged real exchange rates, there is little overall adjustment in the current external imbalances between regions, with the US current account deficit remaining at around 5 per cent of GDP (a counterpart to the continuing high level of the budget deficit in combination with some further recovery in private investment). For the euro area, the current account remains in surplus at around 1½ per cent of GDP; while Japan remains in a position of large surplus, at around 4 per cent of GDP.

9. For the OECD as a whole, the current account balance remains in deficit of 1½ per cent of GDP over the medium term. Similarly, there is a substantial fiscal deficit of over 3 per cent of GDP for the area as a whole, and government gross financial liabilities increase to 90 per cent of GDP by 2009, with the United States and Japan accounting for most of the increase.

Box 1. Assumptions underlying the medium-term reference scenario

The medium-term reference scenario is conditional on the following assumptions for the period beyond the short-term projection horizon:

- Gaps between actual and potential output are eliminated by 2009 in all OECD countries.
- Unemployment returns to its structural rate (the NAIRU) in all OECD countries by 2009.¹
- Commodity prices and most exchange rates remain broadly unchanged in real terms.
- Monetary policies are directed at keeping inflation in line with medium-term objectives.
- Fiscal policies are assumed to remain broadly unchanged *i.e.* the cyclically-adjusted primary budget balance is held approximately unchanged from one year to the next,² or to follow medium-term programmes where these are well-defined parts of the institutional framework for fiscal policy.

The main purpose of the medium-term reference scenario is to provide a basis for comparisons with other scenarios based on alternative assumptions and to provide insights on the possible build-up or unwinding of specific imbalances and tensions in the world economy over the medium term. The reference scenario does not embody a specific view about the timing of future cyclical events.

1. The concept and measurement of structural unemployment rates are discussed in more detail in Chapter V, "Revised OECD measures of structural unemployment", *OECD Economic Outlook* 68, December 2000.
 2. This implicitly assumes that the authorities take measures to offset underlying changes in primary structural balances.

Table 1. Medium-term reference scenario summary

Per cent

	Real GDP	Inflation rate ^a		Unemployment		Current balance ^c		Long-term	
	growth			rate ^b				interest rate	
	2006-2009	2005	2009	2005	2009	2005	2009	2005	2009
Australia	3.5	2.5	2.4	5.7	5.5	-4.7	-4.2	6.1	6.4
Austria	2.4	1.1	1.3	5.2	4.7	-0.3	-0.3	4.7	6.1
Belgium	2.4	1.4	1.4	8.2	6.9	6.0	6.0	5.1	6.2
Canada	3.2	2.0	2.0	7.4	7.0	1.9	2.1	5.4	6.4
Czech Republic	3.0	1.4	1.5	7.3	6.9	-6.7	-6.2	2.2 ^d	5.1 ^d
Denmark	2.3	1.9	2.0	5.0	4.6	3.5	3.6	5.1	6.4
Finland	2.4	1.7	1.9	8.5	8.0	8.2	8.3	5.1	6.2
France	2.5	0.9	1.3	9.7	8.8	1.2	1.6	5.1	6.2
Germany	2.4	0.7	1.3	8.8	7.3	3.3	3.5	5.0	6.1
Greece	3.1	3.4	3.2	8.8	9.0	-5.9	-5.6	5.1	6.2
Hungary	3.9	4.5	3.0	5.2	4.5	-5.5	-5.4	7.6 ^d	6.5 ^d
Iceland	1.9	3.6	2.5	2.8	3.1	-4.4	-0.2	9.0	6.1
Ireland	4.0	3.0	2.3	5.0	5.1	0.5	0.7	5.1	6.1
Italy	1.7	2.0	2.0	8.8	8.0	-1.4	-1.3	5.2	6.3
Japan	1.5	-0.4	0.0	5.0	3.9	4.3	4.4	1.8	2.4
Korea	5.4	3.3	3.0	3.0	3.1	0.0	0.0	6.4	6.7
Mexico	4.4	3.1	3.2	2.8	2.2	-3.0	-4.0	8.1	8.1
Netherlands	2.4	1.0	1.3	5.2	3.5	2.9	2.6	4.9	6.0
New Zealand	3.1	2.3	2.3	5.1	5.4	-5.1	-5.0	6.4	6.4
Norway	1.7	2.3	2.5	4.5	3.5	12.3	12.4	6.0	7.3
Poland	4.0	1.4	2.0	18.5	15.0	-4.3	-4.0	6.8 ^d	5.6 ^d
Portugal	2.6	1.8	2.0	6.0	3.8	-3.7	-3.9	5.1	6.2
Slovak Republic	5.0	4.0	3.2	16.5	13.9	-4.0	-3.9	5.2	6.4
Spain	2.5	2.9	2.2	10.6	9.2	-4.3	-3.5	4.9	6.0
Sweden	2.1	2.0	2.0	4.4	4.5	4.9	4.9	5.6	6.5
Switzerland	1.4	0.2	0.8	3.6	2.6	9.2	10.0	3.1	3.8
Turkey	5.6	11.3	6.0	9.6	8.2	-3.3	-3.2	21.1	10.0
United Kingdom	2.4	2.3	2.0	4.8	5.1	-3.6	-3.9	5.2	6.0
United States	3.0	1.2	1.4	5.2	5.0	-5.1	-5.2	5.3	6.0
Euro area	2.3	1.4	1.6	8.7	7.6	0.9	1.1	4.9	6.1
European Union	2.3	1.6	1.7	7.9	7.0	0.2	0.3	5.1	6.1
Total of above OECD countries	2.7	1.3 ^e	1.4 ^e	6.7	5.9	-1.3	-1.3	4.9 ^e	5.6 ^e

Note: For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

a) Percentage change from the previous period in the private consumption deflator.

b) Per cent of labour force.

c) Per cent of nominal GDP.

d) Short-term interest rate.

e) Excluding Turkey.

Source: OECD.

Table 2. **Fiscal trends in the medium-term reference scenario**
As a percentage of nominal GDP

	Financial balances ^a		Net financial liabilities ^b		Gross financial liabilities ^c		Gross public debt (Maastricht definition) ^d	
	2005	2009	2005	2009	2005	2009	2005	2009
Australia	0.5	0.2	2	0	17	16	..	..
Austria	-1.8	-0.9	45	44	67	65	67	65
Belgium	-0.5	0.2	88	77	98	86	98	86
Canada	0.8	1.0	30	21	71	62	..	..
Czech Republic	-2.3	-2.0	..	..	..	..	..	..
Denmark	1.5	1.8	2	-5	48	41	40	32
Finland	2.0	1.5	-46	-45	51	52	40	41
France	-3.5	-2.6	47	52	74	79	66	71
Germany	-3.5	-2.5	56	59	68	71	66	69
Greece	-1.5	-1.5	..	..	98	83	98	83
Hungary	-3.3	-1.6	..	..	..	..	..	..
Iceland	0.8	0.3	22	19	39	35	..	..
Ireland	-1.3	-1.1	..	..	31	28	31	28
Italy	-3.9	-3.8	93	95	117	118	106	107
Japan	-6.9	-7.2	92	114	167	190	..	..
Korea	4.5	4.5	-43	-48	18	26	..	..
Netherlands	-1.8	-0.2	45	42	56	53	56	53
New Zealand	2.0	2.0	9	0	35	37	..	..
Norway	8.4	7.8	-99	-113	29	37	..	..
Poland	-4.8	-4.0	..	..	..	..	..	..
Portugal	-2.3	-1.4	..	..	60	56	60	56
Slovak Republic	-3.5	-2.7	..	..	..	..	..	..
Spain	0.3	0.3	32	25	59	52	47	40
Sweden	1.0	1.2	1	-7	58	50	51	48
United Kingdom	-3.2	-2.8	35	40	56	62	42	45
United States	-4.9	-4.2	52	60	68	77	..	..
Euro area	-2.7	-2.0	53	53	77	77	71	76
European Union	-2.7	-2.0	52	53	74	75	67	67
Total of above OECD countries	-3.7	-3.3	53	59	83	90	..	..

Note : For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

a) General government fiscal surplus (+) or deficit (-) as a percentage of GDP.

b) Includes all financial liabilities minus financial assets, as defined by the System of National Accounts (where data availability permits) and covers the general government sector, which is a consolidation of central government, state and local government and the social security sector.

c) Includes all financial liabilities, as defined by the System of National Accounts (where data availability permits) and covers the general government sector, which is a consolidation of central government, state and local government and the social security sector.

d) Debt ratios are based on debt figures for 2002, provided by Eurostat, and GDP figures from national authorities, projected forward in line with the OECD projections for GDP and general government financial liabilities.

Source: OECD.

Table 3. Growth in potential GDP and its components

Annual averages, percentage points

	Output gap	Potential GDP growth		Potential labour productivity growth (output per employee)		Potential employment growth		Components of potential employment ^a					
								Potential labour force participation rate		Working age population		Structural unemployment ^b	
		1997-2005	2006-2009	1997-2005	2006-2009	1997-2005	2006-2009	1997-2005	2006-2009	1997-2005	2006-2009	1997-2005	2006-2009
Australia	-0.7	3.6	3.3	1.9	2.0	1.7	1.3	0.1	0.0	1.4	1.3	0.2	0.0
Austria	-1.5	2.2	2.0	1.7	1.8	0.5	0.2	0.1	0.0	0.4	0.1	0.0	0.1
Belgium	-1.4	2.0	2.1	1.2	1.4	0.9	0.6	0.5	0.3	0.2	0.3	0.1	0.0
Canada	-0.3	3.3	3.1	1.6	2.0	1.7	1.0	0.3	0.1	1.2	1.0	0.2	0.0
Denmark	-0.4	2.3	2.2	2.0	2.2	0.3	0.0	-0.1	0.0	0.1	0.0	0.2	0.1
Finland	-0.3	2.8	2.3	2.2	2.5	0.6	-0.1	0.0	-0.4	0.3	0.2	0.3	0.1
France	-2.6	2.2	1.8	1.4	1.4	0.7	0.4	0.2	0.0	0.4	0.4	0.2	0.0
Germany	-2.9	1.6	1.6	1.2	1.5	0.3	0.2	0.5	0.4	-0.1	-0.2	0.0	0.0
Greece	1.3	3.2	3.5	2.8	3.0	0.3	0.4	0.3	0.2	0.0	0.1	0.0	0.2
Iceland	1.1	3.3	2.2	1.6	1.8	1.6	0.4	0.0	0.0	1.6	0.3	0.0	0.0
Ireland	1.3	6.7	4.4	3.6	3.0	3.0	1.3	0.6	0.4	1.7	0.9	0.7	0.1
Italy	-1.0	1.6	1.5	1.1	0.9	0.5	0.5	0.4	0.5	-0.1	-0.1	0.2	0.2
Japan	-1.0	1.4	1.3	1.3	1.4	0.0	-0.1	0.3	0.3	-0.2	-0.4	-0.1	0.0
Netherlands	-2.4	2.5	1.6	1.1	0.9	1.4	0.7	0.7	0.3	0.5	0.4	0.3	0.0
New Zealand	0.0	3.1	3.1	1.5	2.2	1.5	0.9	0.2	0.1	1.1	0.8	0.1	0.0
Norway	0.0	2.5	2.1	1.7	1.5	0.8	0.5	0.1	0.0	0.6	0.5	0.1	0.0
Spain	-0.1	2.8	2.5	1.0	0.8	1.8	1.7	1.0	1.0	0.6	0.2	0.2	0.4
Sweden	0.1	2.3	2.2	2.1	1.9	0.2	0.3	-0.4	-0.2	0.5	0.5	0.1	0.0
Switzerland	-1.4	1.2	1.0	0.6	0.7	0.6	0.3	0.0	0.0	0.6	0.3	0.0	0.0
United Kingdom	-0.4	2.6	2.3	1.9	1.9	0.7	0.4	0.1	0.0	0.5	0.3	0.2	0.0
United States	0.4	3.3	3.1	2.0	2.3	1.3	0.8	-0.1	-0.2	1.4	1.0	0.0	0.0
Euro area	-1.9	2.0	1.8	1.3	1.3	0.7	0.5	0.5	0.3	0.2	0.1	0.1	0.1
Total OECD	-0.6	2.5	2.4	1.6	1.8	0.9	0.5	0.2	0.1	0.7	0.4	0.1	0.0

a) Percentage point contributions to potential employment growth.

b) Estimates of the structural rate of unemployment are based on the concepts and methods described in "Revised OECD measures of structural unemployment", *Economic Outlook*, No. 68, 2000.

Source: OECD.

Table 4 - Total OECD

Per cent

	Average		2002	2003	2004	2005	2006	2007	2008	2009
	1996-2002	2003-09								
Private consumption	2.9	2.5	2.2	2.2	2.5	2.7	2.7	2.6	2.6	2.5
Government consumption	2.3	1.9	3.2	2.5	2.0	1.9	1.8	1.8	1.8	1.8
Gross fixed capital formation	3.5	3.6	-1.6	2.3	4.4	4.4	4.2	3.5	3.3	3.2
Private investment	3.8	3.9	-2.3	2.6	5.1	4.8	4.4	3.8	3.5	3.4
Final domestic demand	2.9	2.7	1.6	2.3	2.8	2.9	2.8	2.7	2.6	2.5
* Stockbuilding	-0.1	0.1	0.3	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Total domestic demand	2.8	2.7	1.9	2.4	2.9	3.0	2.9	2.7	2.6	2.6
Exports of goods and services	5.6	6.7	1.7	2.0	7.3	8.3	7.5	7.3	7.3	7.3
Imports of goods and services	6.9	6.4	2.9	3.5	6.4	7.1	7.1	6.8	6.9	6.9
* Net exports	-0.1	0.0	-0.1	-0.3	0.1	0.1	0.0	0.0	0.0	0.0
GDP at market prices	2.7	2.7	1.8	2.0	3.0	3.1	2.9	2.8	2.6	2.6
Employment	1.0	1.0	0.3	0.5	0.9	1.4	1.2	1.0	0.9	0.9
Labour force	1.0	0.8	0.9	0.7	0.8	1.0	0.9	0.8	0.8	0.7
Unemployment rate ^(a)	6.7	6.5	6.9	7.1	7.0	6.7	6.4	6.2	6.1	5.9
Wage rate	4.4	2.9	2.4	2.5	2.8	2.8	3.0	3.1	3.1	3.2
Real wage rate	1.4	1.4	0.3	0.8	1.3	1.4	1.5	1.5	1.6	1.6
Deflators										
Private consumption	3.2	1.6	2.0	1.9	1.5	1.5	1.5	1.5	1.5	1.5
Total domestic demand	3.0	1.6	1.9	1.8	1.4	1.4	1.5	1.6	1.6	1.6
Exports of goods and services	1.2	1.1	-0.5	0.6	0.5	1.2	1.2	1.2	1.3	1.3
Imports of goods and services	1.4	1.1	-0.6	1.0	0.4	1.2	1.2	1.2	1.3	1.3
GDP	3.0	1.5	2.1	1.8	1.4	1.4	1.5	1.6	1.5	1.5
Short-term interest rate ^(b)	4.9	3.3	2.6	2.0	2.0	2.7	3.4	4.0	4.5	4.6
Long-term interest rate ^(b)	5.8	5.0	4.5	3.9	4.3	4.9	5.2	5.5	5.6	5.6
Trade and services balance (Billion \$)	-27.1	-261.7	-168.2	-249.4	-245.4	-240.0	-254.2	-265.8	-281.6	-295.5
Investment balance	6.6	-25.6	-4.2	-14.8	-17.1	-18.7	-21.9	-26.7	-34.9	-45.0
Transfers balance	-104.1	-136.7	-114.8	-134.5	-130.5	-133.7	-135.5	-137.0	-138.9	-146.5
Current balance	-138.4	-434.5	-288.0	-408.3	-405.2	-404.8	-421.8	-439.5	-465.3	-496.7

Note: For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

a) As a percentage of labour force.

b) Excluding Turkey.

Source: OECD.

Table 5 - Euro area

Per cent

	Average		2002	2003	2004	2005	2006	2007	2008	2009
	1996-2002	2003-09								
Private consumption	2.2	2.1	0.6	1.4	1.7	2.4	2.4	2.4	2.2	2.1
Government consumption	1.9	1.2	2.8	1.5	1.0	1.0	1.3	1.2	1.2	1.2
Gross fixed capital formation	2.5	2.5	-2.4	-0.9	2.4	3.9	3.7	3.3	2.9	2.6
Private investment	2.6	2.6	-2.8	-1.4	2.5	4.2	3.9	3.4	3.0	2.7
Final domestic demand	2.2	2.0	0.4	1.0	1.7	2.4	2.4	2.3	2.2	2.1
* Stockbuilding	-0.1	0.1	0.0	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Total domestic demand	2.1	2.1	0.4	1.3	1.8	2.4	2.5	2.4	2.2	2.1
Exports of goods and services	6.4	4.9	1.6	-0.6	4.5	6.8	6.2	6.0	5.9	5.9
Imports of goods and services	6.1	5.3	0.2	1.4	4.7	6.9	6.3	6.1	6.0	6.0
* Net exports	0.2	0.0	0.5	-0.7	0.0	0.1	0.1	0.1	0.1	0.1
GDP at market prices	2.2	2.0	0.9	0.5	1.8	2.5	2.5	2.4	2.2	2.1
Employment	1.4	0.6	0.5	0.0	0.5	1.0	0.9	0.8	0.7	0.6
Labour force	1.0	0.5	0.9	0.5	0.6	0.8	0.5	0.4	0.4	0.4
Unemployment rate ^(a)	9.4	8.3	8.4	8.8	9.0	8.7	8.4	8.1	7.8	7.6
Wage rate	1.9	2.6	2.2	2.2	2.1	2.4	2.7	2.9	3.0	3.0
Real wage rate	0.1	0.9	-0.2	0.3	0.4	0.8	1.1	1.3	1.3	1.3
Deflators										
Private consumption	2.0	1.6	2.3	1.9	1.6	1.4	1.5	1.6	1.6	1.6
Total domestic demand	1.9	1.6	2.0	1.7	1.5	1.5	1.5	1.6	1.6	1.6
Exports of goods and services	1.1	0.8	-0.5	-0.7	0.3	1.5	1.1	1.1	1.1	1.1
Imports of goods and services	1.2	0.5	-1.8	-1.4	-0.4	1.2	1.0	1.1	1.1	1.1
GDP	1.8	1.7	2.4	1.9	1.7	1.6	1.6	1.6	1.6	1.6
Short-term interest rate ^(b)	4.0	3.4	3.3	2.3	2.1	2.2	3.1	4.1	5.0	5.1
Long-term interest rate ^(b)	5.4	5.2	4.9	4.1	4.4	4.9	5.3	5.6	5.9	6.1
Trade and services balance (Billion \$)	126.4	227.8	174.1	169.8	195.8	215.5	230.5	245.4	260.8	277.0
Investment balance	-29.6	-68.9	-48.6	-64.2	-61.6	-61.7	-66.2	-71.3	-76.6	-80.6
Transfers balance	-45.7	-58.7	-45.6	-52.2	-54.5	-56.7	-59.2	-60.4	-61.2	-66.7
Current balance	45.8	84.2	71.4	35.5	61.3	78.4	90.7	99.3	108.8	115.6

Note: For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

a) As a percentage of labour force.

b) Excluding Turkey.

Source: OECD.

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