The voice of business at the OECD

Autumn 2005

BIAC Economic Review

The Global Economy in Brief

No pickup in growth

Looking ahead to 2006, OECD business sees it as likely that the economic upswing in the OECD countries will continue throughout next year, but without significant additional momentum. Based on the BIAC Member Survey Autumn 2005[1], we expect a 2.7% real GDP growth for 2006, following a 2.5% rate for 2005, with the major impulses for growth next year coming from the North American economies. The strong U.S. and Canadian economies should continue to grow at around the same pace as this year, or about 3.6% and 3% respectively. Australia and some smaller EU countries (e.g. Belgium, Finland, Netherlands) will give North America a helping hand by performing significantly better in 2006 than this year. In contrast, growth in the major EU economies will remain subdued despite a modest acceleration. Japan will likely continue to grow with a similar pace as this year (2.0% in 2006 vs. 2.2% in 2005). However, the largest push for global growth next year will come from outside the OECD area. China will continue to be the main driver of the world economy with a GDP of 9.5% this year and about 9% in 2006, according to the IMF.

Not much in there for jobs

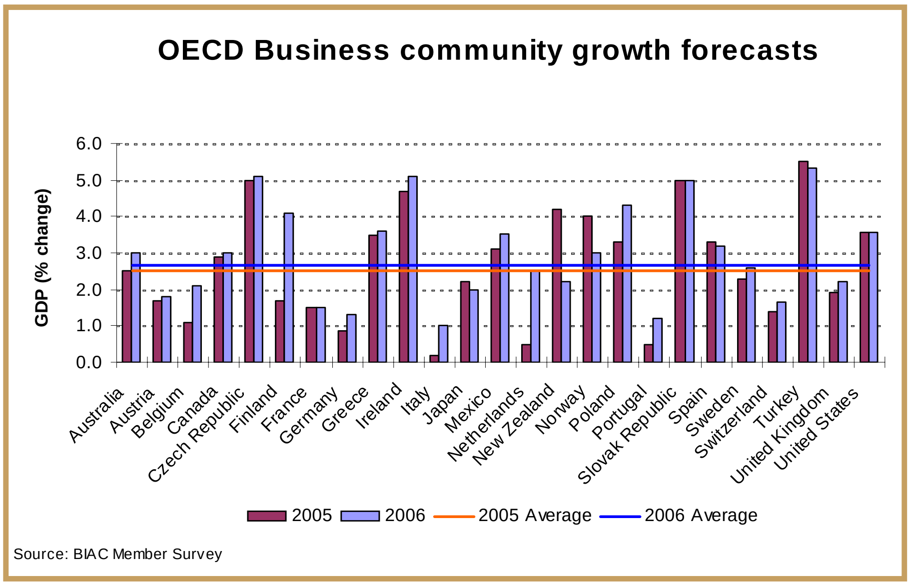
BIAC expects the average unemployment rate to fall only slightly from 6.3% in 2005 to 6.1% in 2006. Despite minor labour market improvements, the larger EU countries continue to fail in substantially reducing high unemployment, whereas some of their smaller neighbours (e.g. Greece, Netherlands, and Norway) are making inroads in this effort. Continued robust growth in the United States will cut the jobless rate there to below 5% next year, and in Japan the unemployment rate is expect to fall slightly to 4%. Only in New Zealand, Ireland and Portugal will unemployment rates probably increase. High labour costs are perceived by BIAC members as the main barrier for job creation. Social security reforms that pare down non-wage labour cost and cautious wage setting should rank high on OECD countries' reform agendas.

Inflation under control

Inflation seems to remain manageable in most OECD countries. In the Eurozone, there is currently little evidence for rising inflationary tension now that energy prices have fallen after their strong surge in September and given the relatively moderate demand growth projected for 2006 (1.8% according to IMF). BIAC survey participants from eight Eurozone countries, including all larger economies, expect project consumer price increases to slow down somewhat in 2006. Inflationary pressure in the United States seems more pronounced. However, BIAC does not expect inflation in 2006 to exceed the 3% projected for this year. Business expects further short-term interest rate increases by the Federal Reserve Bank, which should help contain price pressures. In Japan, the decline in consumer prices has almost stopped, and a very slight 2006 increase of consumer prices seems likely.

Risks ahead

BIAC members flagged high and possibly rising oil prices as by far the most important risk for global growth in the coming months (see page 7). Many experts are also concerned over uncertainties related to the economic recovery of specific trading partners. Various BIAC members see the risk that economic performance in the United States, EU, and/or China may fall short of the robust growth rates currently expected. Negative economic effects stemming from exchange rates complete the top three of the risk factor ranking. Last spring, a possible further weakening of the US dollar was seen as the major outstanding risk by BIAC members. Since then, the dollar has regained some strength vis-à-vis the euro. However, strong imbalances in current accounts persist, with the United States accumulating huge trade deficits while others, in particular Japan, some emerging Asian countries, and oil producers in the Middle East, continue to achieve high surpluses. Thus, the risk of abrupt and disruptive changes in exchange rates is still out there.



Source: BIAC Member Survey

[1] see BIAC survey information on page 8

Perspectives for Selected Economies in Key Regions

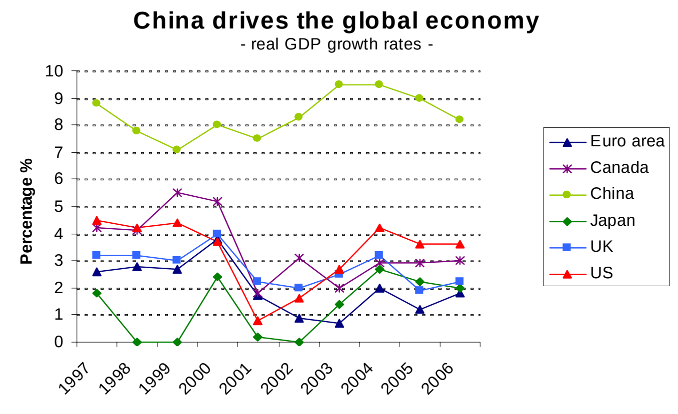
North America

US economy strong despite shocks

The US economy has been coping well with several shocks - hurricanes, higher energy prices, rising interest rates. BIAC survey participants from the United States foresee a real GDP plus of 3.6% for this year and the next. Near term, uncertainty and risk are high as extensive damage to Gulf oil and natural gas supply is being repaired. Medium to longer-term concerns include rising fiscal and trade deficits, already accounting for nearly 10% of nominal GDP, which will require considerable foreign borrowing and may become a source of global instability.

Consumer spending has expanded by 3.4% this year. With the household debt high compared to net worth, the economy remains vulnerable to further shocks, especially if they negatively impact income and employment. Business investment in equipment and software rose an impressive 12% through the first half of 2005 and slowed to about 7.5% in the second half. Productivity gains, which have risen by 2.5% so far this year, will underpin growth and help mitigate external shocks. Between 6% and 7% capital spending growth is expected next year. Industrial output continues to expand and capacity utilization is gradually tightening above 80%.

Monetary policy will continue to tighten as additional inflation impulses flow from the energy sector, which is just about the only source of inflation. Longer-term interest rates are beginning to move higher and will slow the housing boom. Therefore, continued (post-Katrina) employment gains will be the key to sustaining the US' economic expansion.



Source: IMF (97-04, China 05-06), BIAC Member Survey (05-06)

Canada operates at full capacity

Strong domestic demand is expected to continue to support growth for the remainder of this year and into 2006. Consumer spending is expected to remain healthy thanks to solid job gains and rising disposable income. Solid gains are expected in business investment, reflecting high rates of capacity utilization in a number of sectors, buoyant profit levels and lower prices for imported machinery and equipment. While the past appreciation of the Canadian dollar is dampening export growth and stimulating imports, its effects appear to be waning and the trade outlook is becoming more positive.

The Canadian Chamber of Commerce forecasts a real GDP growth of 2.9% in 2005 and 3.0% in 2006. The risks for Canada's outlook relate primarily to the future evolution of oil and non-energy commodity prices as well competitive pressures from China and other newly industrialized economies.

With the Canadian economy operating at capacity, and monetary policy still stimulative, the Bank of Canada, which increased its key policy rate in September and October, will watch developments closely and is expected to lift interest rates further this year and in the first half of 2006. Government finances remain in very good shape. For the total government sector, Canada was the only G7 country to record a surplus in the most recent fiscal year and is the only one expected to do so in 2005 and 2006.

Non- OECD area highlight

No real slowdown of the Chinese economy

It is no surprise that economist foresee China continuing to grow at a high speed. Real GDP rose by 9% in the first half of the year, and the IMF expects a 9.5% rate for end 2005. Investment is the driving force of the country's rapid expansion, with exports contributing strongly to growth. Shipments abroad rose by over 30% in the first six months of 2005 while imports increased by only 14%. Attempts by the central government to contain investment have not prevented the increasing emergence of overcapacities in the steel, cement, and durable consumer goods sectors. The risks of an overheating of the economy are increasing. The insignificant depreciation of the Renminbi has not reduced uncertainties whether a soft landing of the Chinese economy can be achieved. In 2006, the economy is not expected to cool down as it should grow by about 9% (IMF data).

Europe

Slight recovery of the German economy

The German upswing will continue to be moderate in 2006, with exports as the main driving force. Companies' export expectations are optimistic, and incoming orders from abroad have picked up significantly, as euro depreciation has improved the price competitiveness of German exporters.

Also domestic demand is gradually accelerating. Strong foreign impulses are increasingly boosting investment activities. In view of more favourable conditions of depreciation, the investment schemes of German companies are likely to be extended. Yet current investment dynamics are less strong than in former economic upswings. The trend in investing abroad and in reducing the value-added ratio persists. High energy prices are driving up company costs while reducing consumers' purchasing power. The poor labour market situation also consolidates consumer reticence. The increase of VAT in 2007 is likely to trigger advanced purchases in the next year. Another ray of hope for the domestic economy is the 2006 football World Cup, which should provide a slight boost in private consumption.

Unemployment will remain high in 2006. Thus, the chances for a speedy, broad-based upswing in the domestic economy are also fading. Overall, the Federation of German Industries (BDI) expects economic growth of 1.5 %. Yet this figure is only achievable if oil prices do not play havoc with calculations. The new government coalition has to undertake much needed structural reforms. At the top of the list are the consolidation of public finances, the labour market and the social security systems.

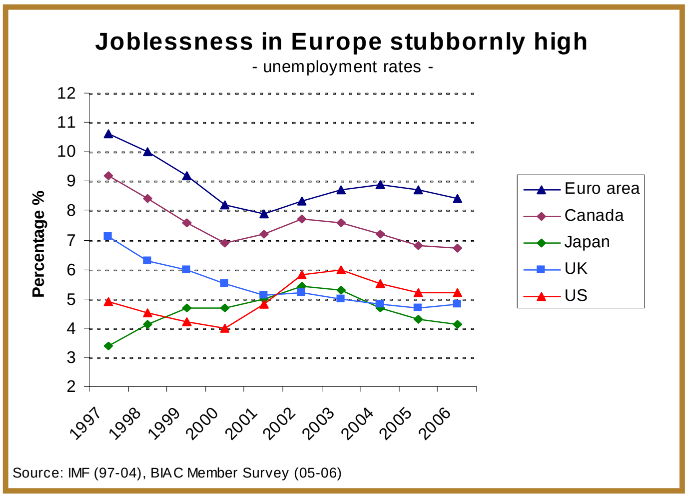
Italy is the taillight among OECD economies

The Italian economy has recently shown some signs of recovery thanks to a better-than-expected performance in domestic demand and a strong rebound in exports. The recovery is expected to continue in 2006. However, the loss of competitiveness suffered in recent years makes the upswing vulnerable, and the high level of oil prices represents a further risk for the economy.

Confindustria expects Italian GDP to increase by 1.0% in 2006 after 0.2% this year. This would mean that the Italian economy will be the taillight among the OECD countries for both years. Despite this low growth dynamic and thanks to reforms introduced in recent years, employment will continue to increase by 0.8%. As in recent years, job creation will mostly be limited to the services sector. Labour cost is expected to rise by about 3% both in 2005 and in 2006. Productivity growth will remain flat, and unit labour cost is expected to continue to increase notably in 2005 and 2006, with serious consequences for the competitiveness of Italian firms. In order to provide for a steeper economic growth path, the Italian government must continue with structural reforms in order to improve businesses' competitiveness in the medium and long term.

Below-trend growth in the UK

Recent data have provided little evidence of any strengthening of economic activity in the UK after a marked slowdown since mid-2004. Nonetheless, the economy is expected to pick up a little into and over the course of 2006, but this will be dependent on slightly firmer growth across household consumption, investment and exports. The Confederation of British Industries (CBI) sees real GDP growth at 1.9% this year and 2.2% in 2006, both of which are below-trend and noticeably down from 3.2% in 2004. Given the feed-through from higher oil prices, inflation is expected to remain above its 2% target until early next year, before edging back down.



There is some uncertainty about the exact strength of household consumption going forwards in light of hits to disposable income from higher petrol prices and utility bills, added to the significant cooling in the housing market. However, despite recent signs of some softening in the labour market, employment will remain high and earnings growth should stay reasonable, which will support consumer spending. Meanwhile, business investment growth has been very disappointing and looks set to remain weak by the standard of past cyclical recoveries. UK export growth should strengthen next year, but this will be fairly reliant on a pickup in the Eurozone economy.

Asia

Japan continues on growth path

Thanks to firm domestic demand and improved exports, the Japanese economy (14.1 % of OECD GDP) has managed to recover from a temporary standstill. Business climate indices show that large manufacturers' business sentiment has improved over the past months. Overall, Keidanren expects a 2.2% growth of GDP in 2005 to be followed by 2% in 2006.

Capital investment continues to increase, although it is expected to be modest in 2006. The employment and income environment will continue to recover as the performance of the corporate sector improves.

Consumer prices have almost stopped declining, and the Bank of Japan may end the quantitative easing policy in favour of a zero interest rate policy some time in 2006. A change in the Bank of Japan's policy would further enhance the chances for a broader economic recovery. The prospects for reform have improved following the government coalition's landslide victory in the September elections.

Following the restructuring of the private corporate sector, Japan has managed to recover from more than a decade of long sluggish economic development. Reforms in the public sector have to follow. The Japanese economy still faces a number of risks. These include the long term problem of the fiscal deficit. As an immediate issue, a higher oil price is a risk, but a possible slow-down in the US and Chinese economies would have an even stronger impact on the Japanese economy.

BIAC Member Survey Point by Point

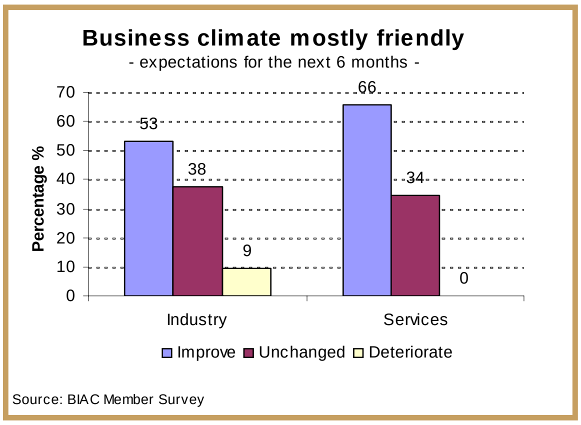
Climate better for services

The business climate in OECD countries is expected to remain mostly friendly, although previously strong optimism about the climate in the coming months has somewhat waned. This suggests that overall economic activity is less likely to speed up significantly, in particular for industry, where economists are less optimistic than half a year or one year ago. In spring, 71% of the economists expected the business climate for industry to improve over summer and 76% were optimistic for services. In autumn the share of optimists has dropped to 53% and 66% respectively.

The generally more positive outlook for service sectors reflects the continued structural shift from industry toward service-dominated economies in most OECD countries. In particular, survey participants in Ireland, Sweden, Spain and the UK are more positive about the climate in services sectors than in industry. The difference is striking in Ireland, where industry is suffering its first output drop in 23 years while services continue to grow strongly.

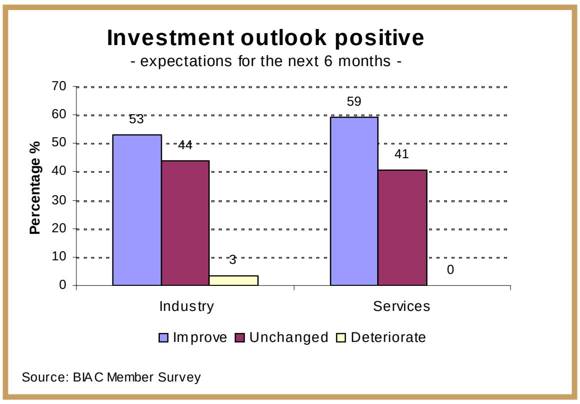
Profitability unlikely to rise much further

Corporate profitability has improved much over the past twelve months. While the outlook for profitability remains positive, another significant surge in profits has become less likely. Only about one-third of the BIAC survey participants expect profits to increase in the coming months, while about half of experts believe that profits will remain unchanged. This scenario is similar for the service sector and for industry. The Canadian Chamber of Commerce and Keidanren in Japan are the most optimistic with regard to the possibility of profit increases in their countries, while in the UK and in France profits are likely to decline. This is because costs (energy costs in particular) have increased while companies' pricing power remains constrained. Profits are also expected to decline for Austrian industry.



Cautious optimism about investment

The majority of BIAC members believe that corporate investment trends will improve over the next half a year. Solid profits have allowed companies to improve their balance sheets, financing conditions are good in most countries, and demand continues to grow. However, optimism about future investment trends has somewhat declined over the past year.



Canadian businesses are expected to take advantage of favourable financing conditions and buoyant profits to invest substantially in the coming months. In Greece, investment is expected to accelerate due to several factors including the 2004 business incentives law, tax and labour market reforms, and a new framework for Public-Private Partnerships. Further countries where BIAC members expect improved investment trends for both industry and services are Austria, Australia, Germany, Italy, Japan, the Netherlands, Poland, Turkey and the United States. In the UK, the investment outlook for industry is clouded while investment trends in the services sector will likely remained unchanged.

Employment may rise gradually

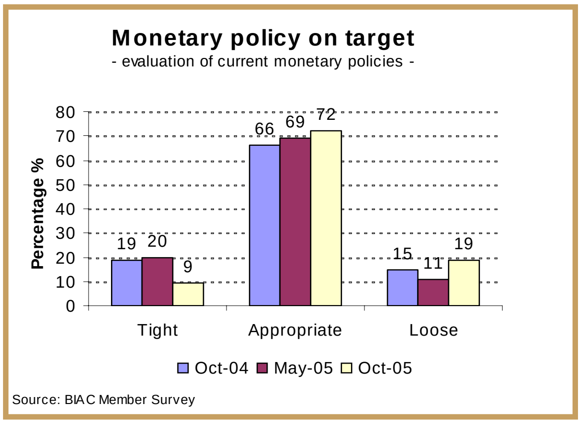
As we noted earlier, significant job creation will be the exception in OECD countries, with jobs more likely to be created in the service economy than in industry. Almost one third expects improved employment trends while only a fifth foresees net job losses. In spring 2005, the situation was almost exactly the opposite.

In New Zealand the labour market continues to perform at very high levels, and additional jobs are very likely to be created. Employment expansion will also continue in Poland and the Czech Republic. Companies have beefed up their plans for job creation in Canada to mitigate capacity constraints. In France and Sweden, experts expect gradual net job creation but mainly because of employment subsidies. In the Netherlands, jobs may gradually increase following the expected recovery of production growth while in Greece the prolongation of shop opening hours is believed to have a positive impact on jobs in the service sector.

Labour costs are a major drag on hiring

According to the majority of economists surveyed, high labour costs are the main obstacle for more job creation. They are particularly felt to be a problem in Belgium, Germany, Norway, Poland, Spain, Norway, Switzerland, Turkey and the United States.

Inflexibility of labour markets was also cited by many members as a major factor in discouraging firms in OECD countries from additional job creation. A key example of this is in Sweden, where the Confederation of Swedish Enterprises believes that the existing Swedish employment protection and high firing costs are the biggest impediment to hiring new personnel in smaller companies.



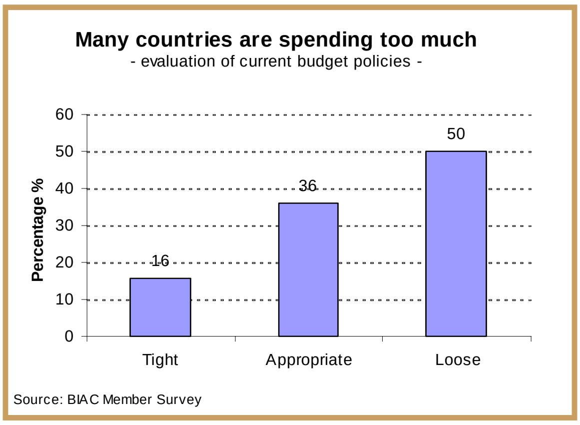
Insufficient demand for products and services was mentioned by economists from ten countries (Canada, Czech Republic, Germany, Italy, Japan, Mexico, Netherlands, Portugal, Slovak Republic, US) as the most important limiting factor for more jobs. Insufficient or inadequate labour supply, in particular a mismatch between the qualifications required by employers and those offered by workers is cited by BIAC survey participants as the key problem in Ireland, Japan, Switzerland, and the UK.

Monetary policies right

Over 70% of BIAC members regard current monetary policies in their country or currency area as "appropriate". Nineteen percent believe that central banks' monetary reins are "loose" and only 9% assess them as "tight".

BIAC members from eight Eurozone countries are confident with the European Central Bank's interest rate policy, while members from Ireland and Spain believe that short-term interest rates are low compared to domestic inflationary pressures. Also the BIAC members from Canada, Finland and the Czech Republic regard the monetary policy in their countries as "loose".

CBI is confident with the policy applied by the Bank of England but believes that the Bank faces a difficult period ahead as trends in economic growth and inflation are pulling somewhat apart from one another. Inflation in New Zealand is hovering close to the upper 3% ceiling of the Reserve Bank's target range. However, Business New Zealand regards the central bank's current monetary policy as appropriate. The Confederation of Norwegian Enterprises regards Norwegian monetary policy also as appropriate but voiced some concern over the possibility that short-term interest rates might rise further in the nearer future and cause the currency to rise compared to the euro. The two US participants in the BIAC survey are divided on whether the Fed's interest rate policy is appropriate or loose. The only countries where BIAC members believe that monetary policies are "tight" in view of economic growth and the inflationary pressure are the Slovak Republic and Turkey.



Several countries cut taxes

BIAC survey participants from eight countries (Belgium, Czech Republic, Finland, France, Greece, Mexico, Netherlands, Poland, and Turkey) expect corporate tax rates to fall in the near future. In the Netherlands for instance, the corporate tax rate decreased from 34.5% to 31.5% in 2005. A further tax cut to 29.6% will become effective in 2006. In the Czech Republic, corporate tax rates will be cut to 24% in 2006, and in Greece the 2005 cut of tax rates on profits from 35% to 32% will be followed by further cuts in 2006 (29%) and 2007 (25%). The Polish government has pledged to reduce its 19% tax rate further.

In Turkey, two out of three BIAC members there expect that a planned reform will lead to tax cuts. In Austria, no further cuts are expected but business will continue to benefit from a significant reduction (from 34% to 25%) that became effective in 2005. Only in two countries - UK and Norway - are BIAC members clearly looking at tax increases. In Germany, the consolidation of public finances will be given priority in 2006. Arrangements for tax reductions have not been made. Most German survey participants do not expect fundamental reforms of company taxation before 2008.

Concern over budget policies

BIAC members in 13 countries[2] find that their governments are spending too much money. Survey participants from the United States for instance see no effective spending restraint in place at all. The Canadian spending qualifies as "loose" as federal government spending rose by 15% in the fiscal year 2004-05 and is projected to increase by 5% annually over the next four years. In Switzerland, the government is trying to eliminate the structural budget deficit by 2007 through expenditures cuts. Swiss survey participants' views are divided over whether government plans are sufficient or whether stronger cuts are needed. CBI is concerned about the UK government increasing its share in the economy and resulting higher taxes and higher budget deficits in relation to GDP.

BIAC members from the Eurozone countries France and Italy are dealing with their

[2] Austria, Canada, France, Germany, Greece, Italy, Poland, Portugal, Spain, Sweden, Switzerland, UK, USA

governments' repeated failure in 2005 and 2006 to meet the criterion of the European Stability and Growth Pact that public deficits should not exceed 3% of GDP. Confindustria does not see any serious attempt by the Italian government to pare down the structural fiscal deficit prior to the General elections in 2006. Germany will exceed the 3% threshold this year for the fourth consecutive time in a row. BDI regards a credible strategy to consolidate public households as a key task of the new government while another German survey participant appraises the current budget policy as appropriate given the country's low-growth background. BIAC members in the EU countries Greece, Poland, Portugal, and Sweden believe their governments should place a higher priority on budget consolidation.

Business associations in four OECD countries - Holland, Turkey, Czech Republic and Austria - regard their governments' budget policies as tight. The Dutch government has applied a consolidation course that will reduce the deficit to about 1.2% this year. For next year, though, a change to a slightly expansionary policy is expected. The Australian Chamber of Commerce argues that the Australian 2004-05 budget surplus should partially be used for tax cuts.

Strong call for structural reforms

BIAC survey participants are unanimous in their request for structural reforms from their governments. Although OECD countries face different structural reform challenges, there are six key reform areas that are of great importance to many countries.

Social reforms top the wish list

Social security is top of the reform list. BIAC survey participants from Austria, Belgium, Czech Republic, Germany, Japan, Turkey, and the United States see necessary changes related to social security as the most important reform issues at hand. For BIAC members from another 17 countries, social security ranks either as the number one or number two priority on their reform agenda. The most urgently needed reforms in the area of social security relate to healthcare and pensions. Reforms of pension policies are needed to address the demographic problems being faced in most OECD member countries. Pension systems must be made sustainable by structuring them in a manner that encourages longer working lives.

Reforms of public healthcare must improve the cost management, effectiveness of the system and innovation in order to reduce costs and increase productivity through a healthy population.

Budgetary reforms needed

Tax reforms are also high on international business' reform agenda. For BIAC members from Norway, Poland, Sweden, and Turkey tax reforms are a top priority, and survey participants from another six countries (Australia, Germany, Japan, Netherlands, Spain, New Zealand, United States) rank them as their second or third agenda item. BIAC urges governments from OECD countries to undertake much-needed reforms that reduce overly high corporate tax burdens, eliminate double taxation, simplify complex tax administration systems, ensure that markets function without distortion, and encourage international business transactions.

Perhaps as important as - and closely linked to - tax reforms are reforms of countries' budget and fiscal policies. As noted above, many BIAC members are concerned over how their governments' spend taxpayers' money. BIAC members from Germany, Japan, UK, and the United States regard changes in their countries' budget policies as the top reform issues and for several others the issue ranks number two or three. OECD governments should limit public expenditures to the essential basic levels and aim at eliminating deficit spending in the medium-term. A solid budget policy is the foundation for a growth-oriented economic policy. Only the efficient use of tax payers' money can provide for sustainable tax reductions.

Labour market reforms also key

Reforms to labour markets and the wage negotiating system are cited as essential for BIAC members from Australia, Finland, France, Germany, and Spain. In addition, they are among the first three issues on the reform wish list of BIAC members from Austria, Greece, New Zealand, Poland, and Sweden. Member results for BIAC's survey on the OECD Jobs Strategy Recommendations indicated that entrepreneurship, education, flexibility in labour contracts and policies that encourage activation were of the greatest importance in building domestic capacity for job creation.

Reforms to boost competition across sectors

OECD countries need to increase competition in various sectors and also privatize several publicly-run sectors of the economy as competition between private companies is the basis of effectively functioning market economies. Barriers to competition discourage firms from taking entrepreneurial risks, thus impeding innovation, economic growth and job creation.

Confindustria calls for a reform of professional services in Italy. AZZZ requests increased competition amongst energy suppliers and amongst wood suppliers in the Slovak Republic. In Switzerland, liberalisation of former public services such as the postal and energy sectors is a major policy request from business. Business New Zealand's number one reform priority is to reform the Resource Management Act (RMA) to encourage private investment in infrastructure. More privatization is also needed in Ireland and in Turkey, while in France competition should generally be increased in the goods market.

In addition, key reform areas that need to be addressed by policy makers in the OECD include efficiency-increasing reforms of governments and administration, reforms that substantially improve the quality of education and training, and red tape reduction.

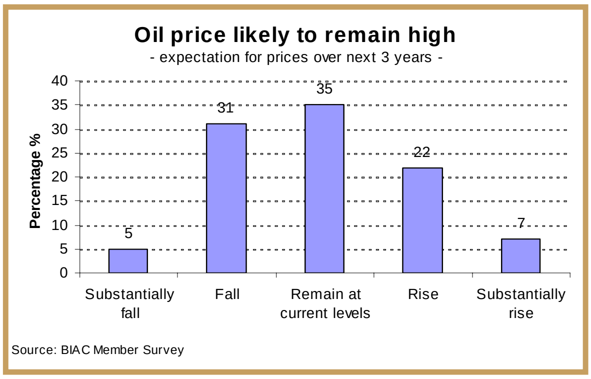
Focus Issue: Oil Prices and their Impact on the Global Economy

For BIAC members throughout the OECD countries, high and volatile oil prices remain the foremost risk for their economies in the next months. Experts from eleven countries[3] ranked this as the number one risk for their economies. Ninety percent of economists surveyed believe that high oil prices are already having a negative impact on their economies. Only the oil net-exporters Norway and Canada are benefiting from the high prices.

Oil remains expensive

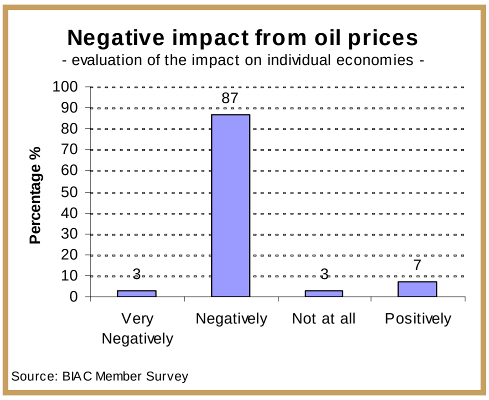
Crude oil prices have been on the rise since 2002. They hit a record high of about US$70 in the immediate aftermath of Hurricane Katrina, which slammed into the US Gulf Coast on August 29, reducing much of the region's oil-producing and refining capacity. Prices have settled since and are currently at about US$55.

Most BIAC members expect oil prices to remain high and do not count on a substantial rise or fall in the near and mid-term future (see graph). The forecasts of all but one BIAC expert for the average 2006 crude oil price is situated within a range of US$53 to US$62 a barrel. Asked for their price projection for late 2008, 35% said prices will be about the same as today, 31% projected a limited decline, and 22% foresee a limited surge.



Oil prices will not choke upswing

Almost all BIAC members believe high prices are a drag on economic growth. This is because soaring prices increase companies' cost and reduce consumers' purchasing power and real demand. Despite their negative impact on economic activity, high oil prices will not choke the global upswing. Several factors mitigate their possible negative effects on OECD economies.



First, the price surge was mainly caused by soaring demand rather than disruptions in the global oil supply. In this context, rising oil prices have even played a positive role in helping to prevent an overheating of economies, especially in China and the US. Second, OECD economies are less dependent on oil imports than they were during the oil crises in the 1970s.

Third, globalisation reduces the risk of "second-round-effects". In the 1970s, workers successfully requested compensation for their loss of purchasing power caused by skyrocketing oil prices. Strong wage increases amplified existing inflationary pressures and central banks reacted too late. This is unlikely to happen this time. Monetary authorities are nowadays determined to fight inflation early. The ECB for instance, has recently announced a tightening of its monetary policy. In addition, globalisation has increased competition. This limits labour unions' bargaining power and companies' ability to give in to workers' wage demands. Firms can not pass on higher cost to consumers anymore.

Fourth, the money spent on oil bills in the OECD is not fully lost, but will be recycled to some extent. This year, oil exporting countries could haul in $700 billion from selling oil to foreigners. The billions can either be spent - which would help OECD exporters - or saved. In the latter case, the money would to some extent help finance investment around the world.

What policy makers should do

Despite their more limited impact on today's global economy, high oil prices will continue to be felt by firms and consumers. The problem needs to be taken serious by policy makers. Central banks must continue to be mindful and suppress inflation before it becomes too costly to manage. Labour unions should be cautious and not request compensation for workers' temporary loss of purchasing power. OECD governments should seek to increase the resilience of their economies to high oil-prices by helping to improve energy efficiency, diversifying oil supplies, and by improving the market's functioning for both energy providers and consumers.

[3] Austria, Australia, Czech Republic, Finland, Japan, Germany, Greece, Italy, Netherlands, Spain, USA

BIAC Indicator Scorecard

Country	GDP (% change)		Inflation (% change)		Producer prices (% change)		Unemployment (%)	
	2005	2006	2005	2006	2005	2006	2005	2006
Australia	2.5	3.0	2.7	3.0	4.0	3.5	5.0	5.0
Austria	1.7	1.8	2.4	2.1	1.8	1.7	5.1	5.1
Belgium	1.1	2.1	2.9	2.1			8.1	8.0
Canada	2.9	3.0	2.5	2.5			6.8	6.7
Czech Republic	5.0	5.1	1.9	2.0	4.9	3.2	8.9	8.8
Finland	1.7	4.1	1.0	1.6	2.5	1.5	8.3	8.0
France	1.5	1.5	1.8	1.6			10.0	9.7
Germany	0.9	1.3	1.9	2.1	4.5	2.4	10.7	10.3
Greece	3.5	3.6	3.3	2.9	3.3	3.5	10.5	9.8
Ireland	4.7	5.1	2.4	2.7	-1.1	1.0	4.2	4.6
Italy	0.2	1.0	2.1	2.0			7.9	7.7
Japan	2.2	2.0	-0.2	0.2	1.1	0.1	4.3	4.1
Mexico	3.1	3.5	3.7	3.0	2.1		3.9	3.5
Netherlands	0.5	2.5	1.5	1.0			6.8	6.3
New Zealand	4.2	2.2	2.8	3.0	3.0		3.7	4.2
Norway	4.0	3.0	1.3	1.8			4.4	4.0
Poland	3.3	4.3	2.1	1.5	1.0	1.7	17.7	16.9
Portugal	0.5	1.2	2.3	3.0	4.5		7.4	7.7
Slovak Republic	5.0	5.0	5.0	3.5	3.0	2.0	16.0	15.0
Spain	3.3	3.2	3.4	3.2			10.0	9.6
Sweden	2.3	2.6	0.4	0.6	3.5	2.0	5.8	4.9
Switzerland	1.4	1.7	1.1	1.0	1.0	0.9	3.8	3.6
Turkey	5.5	5.3	8.3	5.8	7.4	6.0	9.9	9.7
United Kingdom	1.9	2.2	2.0	2.0	2.8	2.3	4.8	4.8
United States	3.6	3.6	3.0	2.9	6.4	5.8	5.1	4.8
AVERAGE	**2.5**	**2.7**	**2.2**	**2.1**	**3.4**	**2.7**	**6.3**	**6.1**

BIAC asks its members twice a year (spring and autumn) about the economic prospects in their countries. Thirty three economists from the major business organizations and international corporations in 25 OECD countries participated in the BIAC autumn 2005 survey. Their countries account for over 95% of GDP in the OECD.

BIAC Economic Review
© BIAC 2005

ECONOMIC POLICY MANAGER: Dirk Manske
EDITOR: Vanessa Vallée
PUBLISHER: Mark Primmer

Visit us online at: www.biac.org

The Editor,
BIAC Economic Review
13/15 chaussée de la Muette,
75016 Paris, France
Tel. +33 (0)1 42 30 09 60
Fax +33 (0)1 42 88 78 38
Email: biac@biac.org

BIAC was created in March 1962 as an independent organisation officially recognised by the OECD as being representative of the OECD business community. BIAC's members are the major industrial and employers' organisations in the 30 OECD countries. Over the course of 2005, more than 1500 business representatives were actively involved in the work of the OECD through BIAC.