

Time to Exit?

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Roadmap

- The changing nature of the recovery
- Risks at the current juncture
- Implications for policy exit

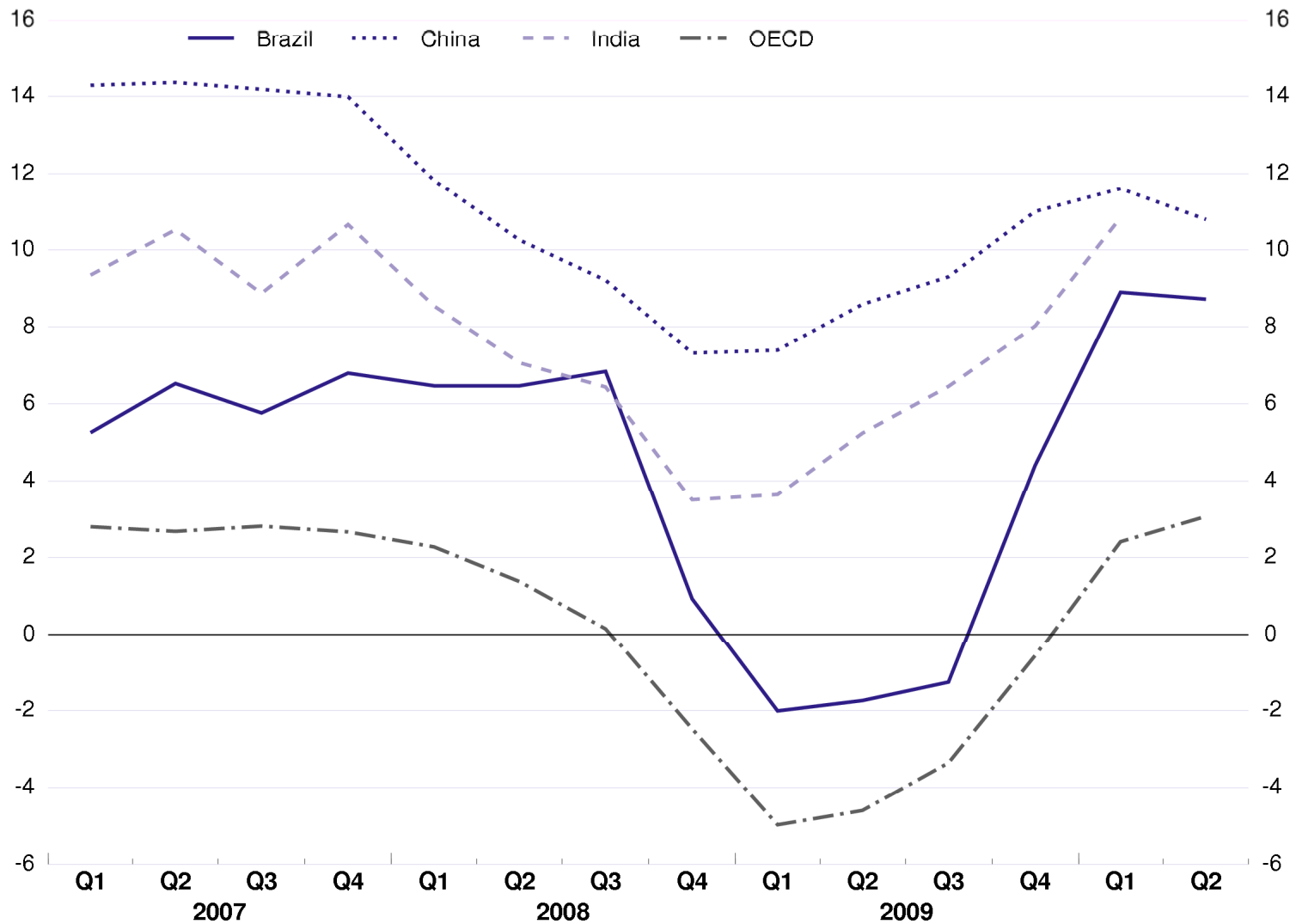
The changing nature of the recovery

Recovery initially driven by

- Non-OECD demand
- Fiscal stimulus
- Inventory cycle

Non-OECD demand has been buoyant

Year-on-year growth in GDP, in per cent



Source: OECD, System of National Accounts database; and OECD Economic Outlook 87 database.

The changing nature of the recovery

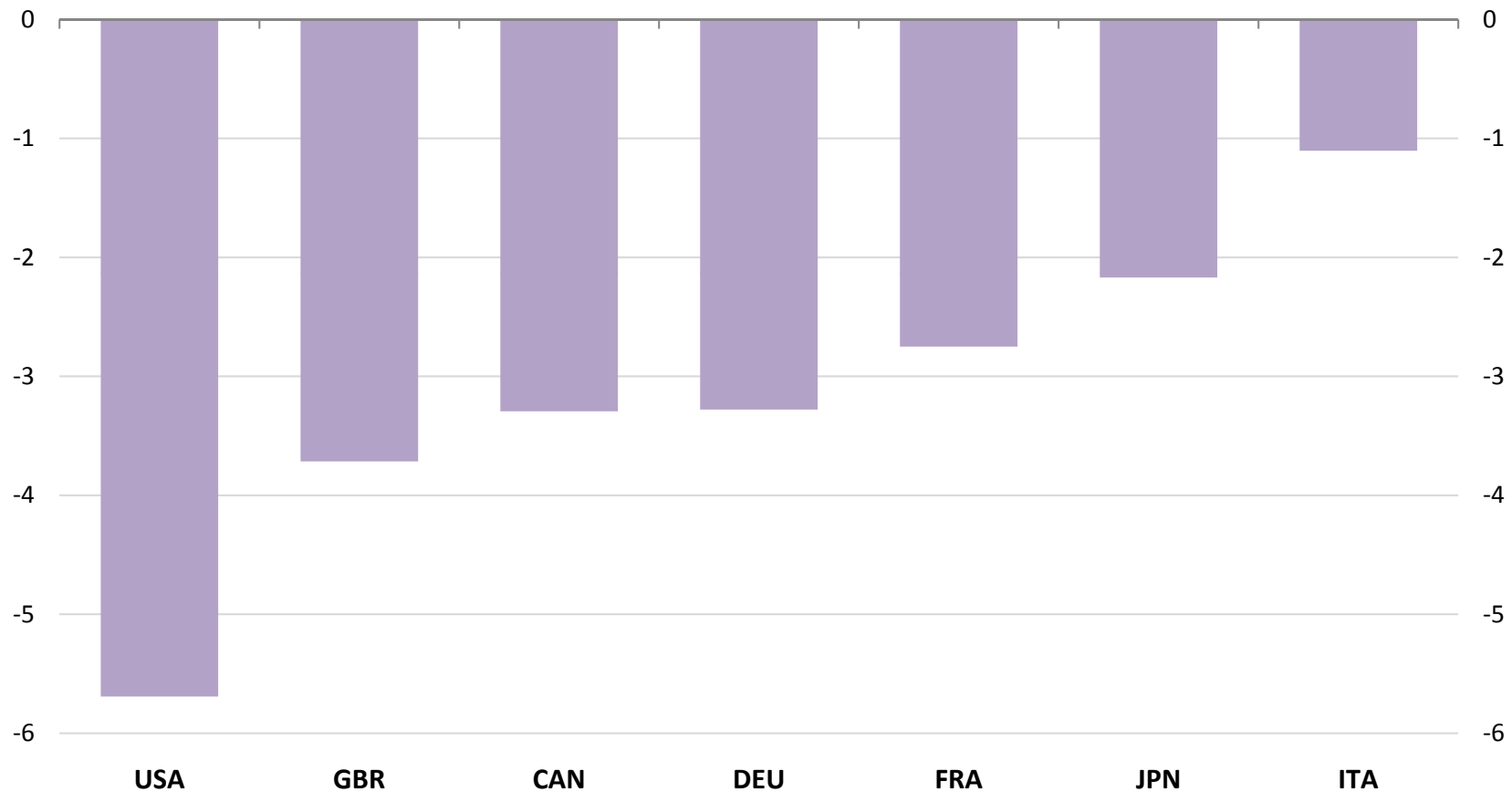
Initial drivers of recovery

Recovery initially driven by

- Non-OECD demand
- Fiscal stimulus
- Inventory cycle

Public finances have provided considerable stimulus

Change in underlying government balance 2007-2010, in per cent of potential GDP



Source: OECD Economic Outlook 87 database.

The changing nature of the recovery

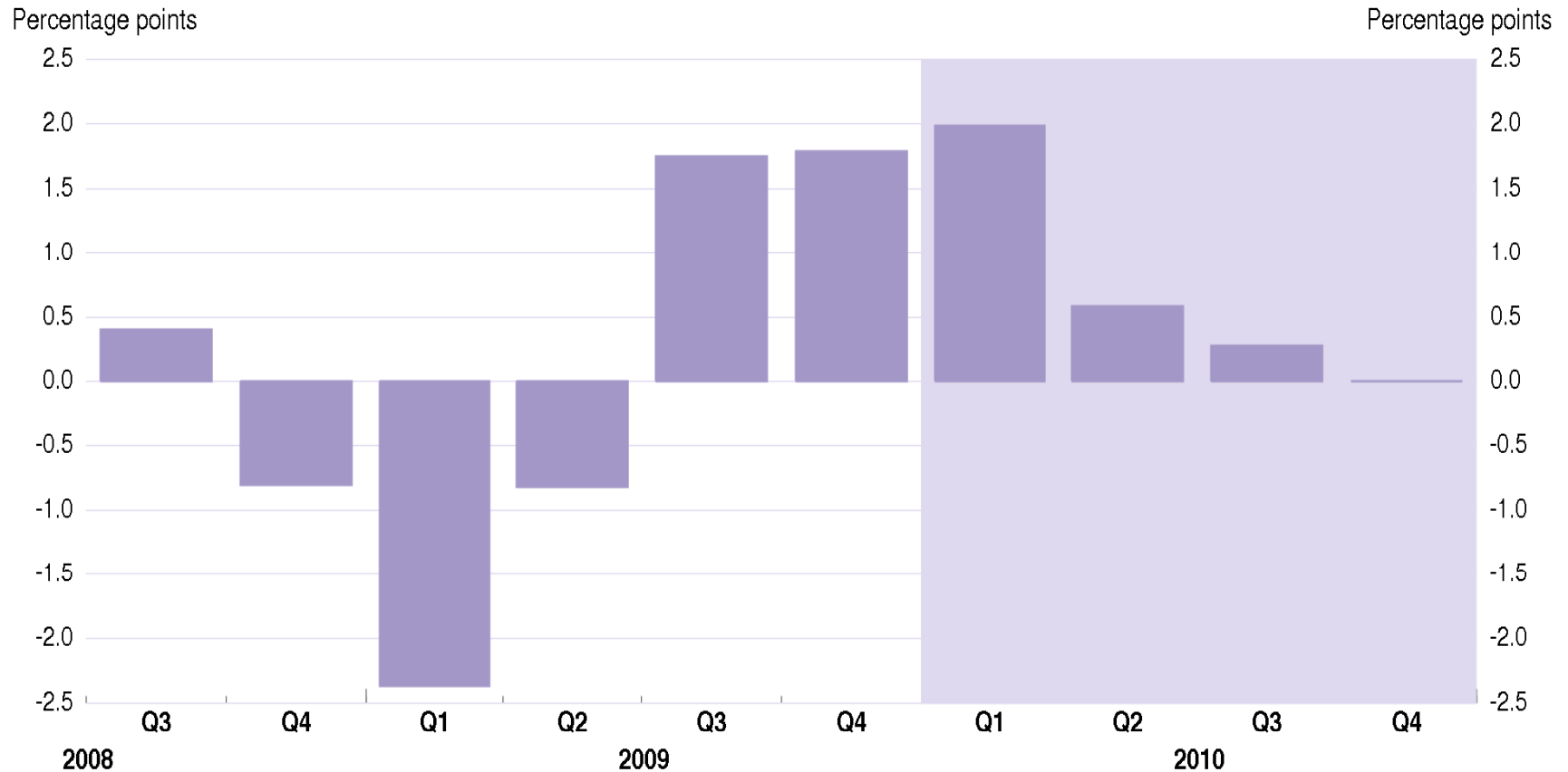
Initial drivers of recovery

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Inventories provided a temporary boost to growth

Contribution to quarterly real OECD GDP growth at annualised rates



Source: OECD Economic Outlook 87 database.

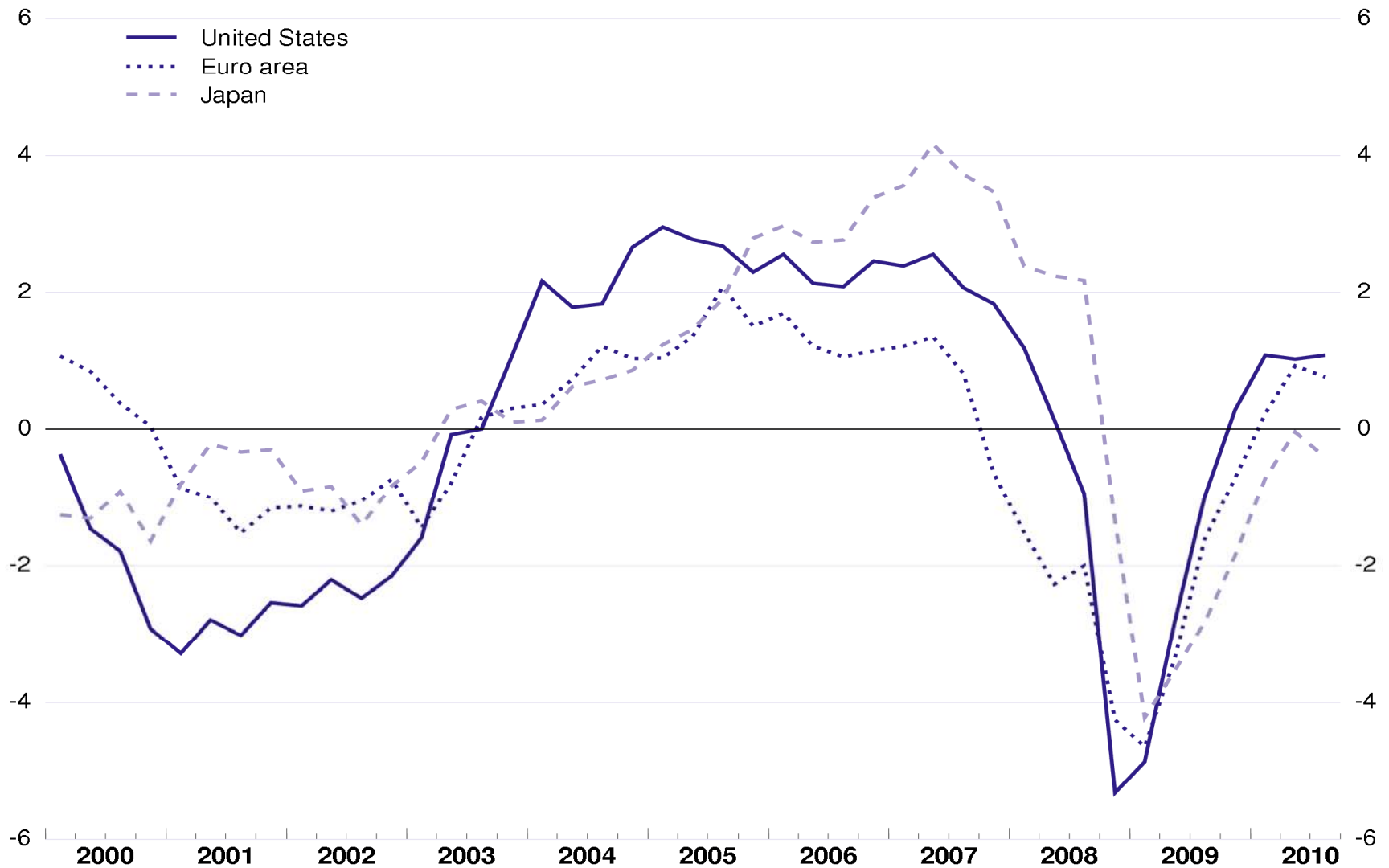
The changing nature of the recovery

Recovery increasingly reliant on

- Gradual normalisation of financial conditions
- Stabilisation of saving rates
- Continued investment recovery

Financial conditions have stabilised

OECD Financial Conditions Index¹



Note: A unit decline in the index implies a tightening in financial conditions sufficient to produce an average reduction in the level of GDP by 1/2 to 1% after four to six quarters. See details in Guichard et al. (2009).

Source: Datastream; and OECD calculations.

The changing nature of the recovery

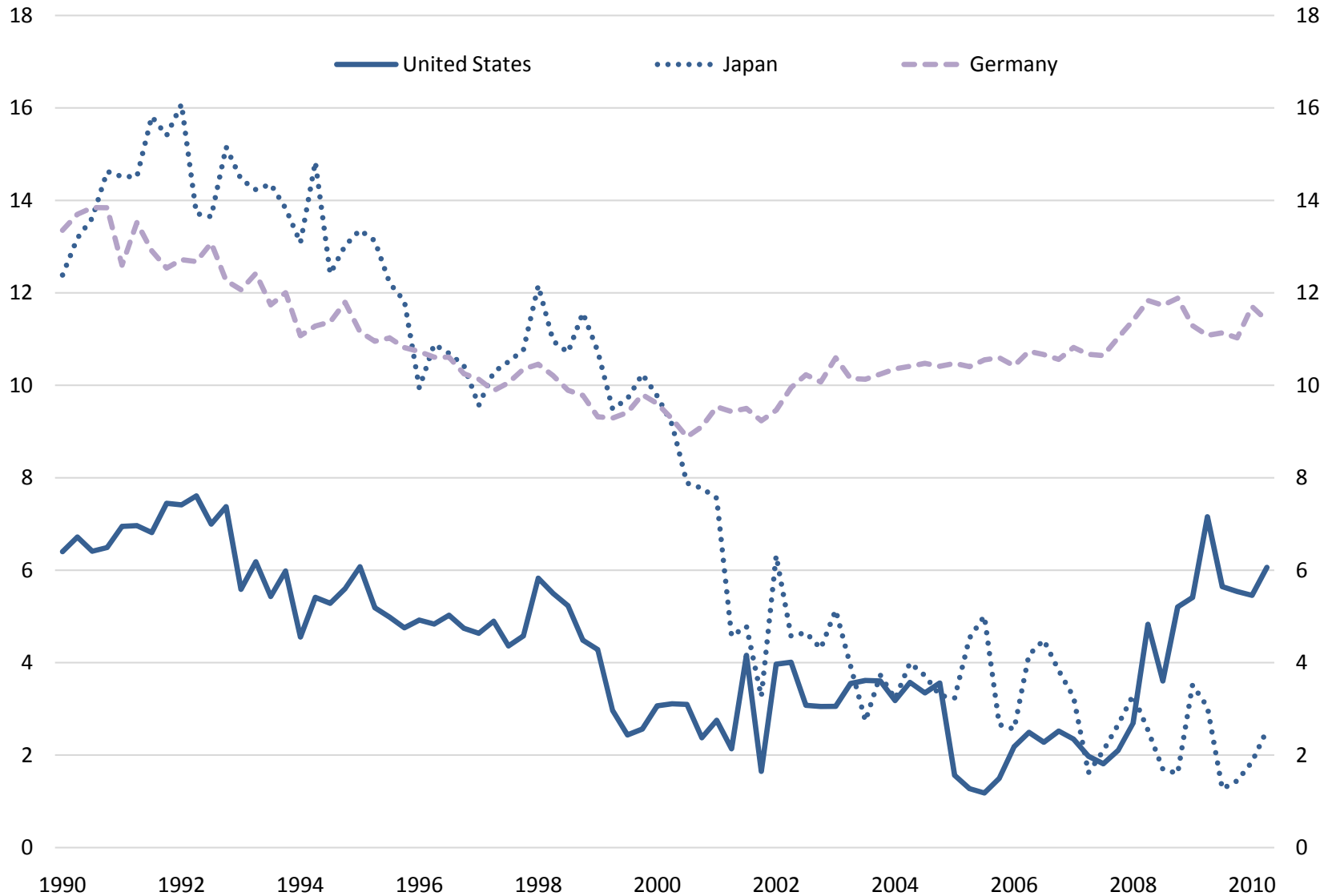
Recovery increasingly reliant on

- Gradual normalisation of financial conditions
- Stabilisation of saving rates
- Continued investment recovery

Saving rates have increase in the US and Europe

Household savings rate, in percent

Household savings rates



Source: OECD, Quarterly National Accounts database.

The changing nature of the recovery

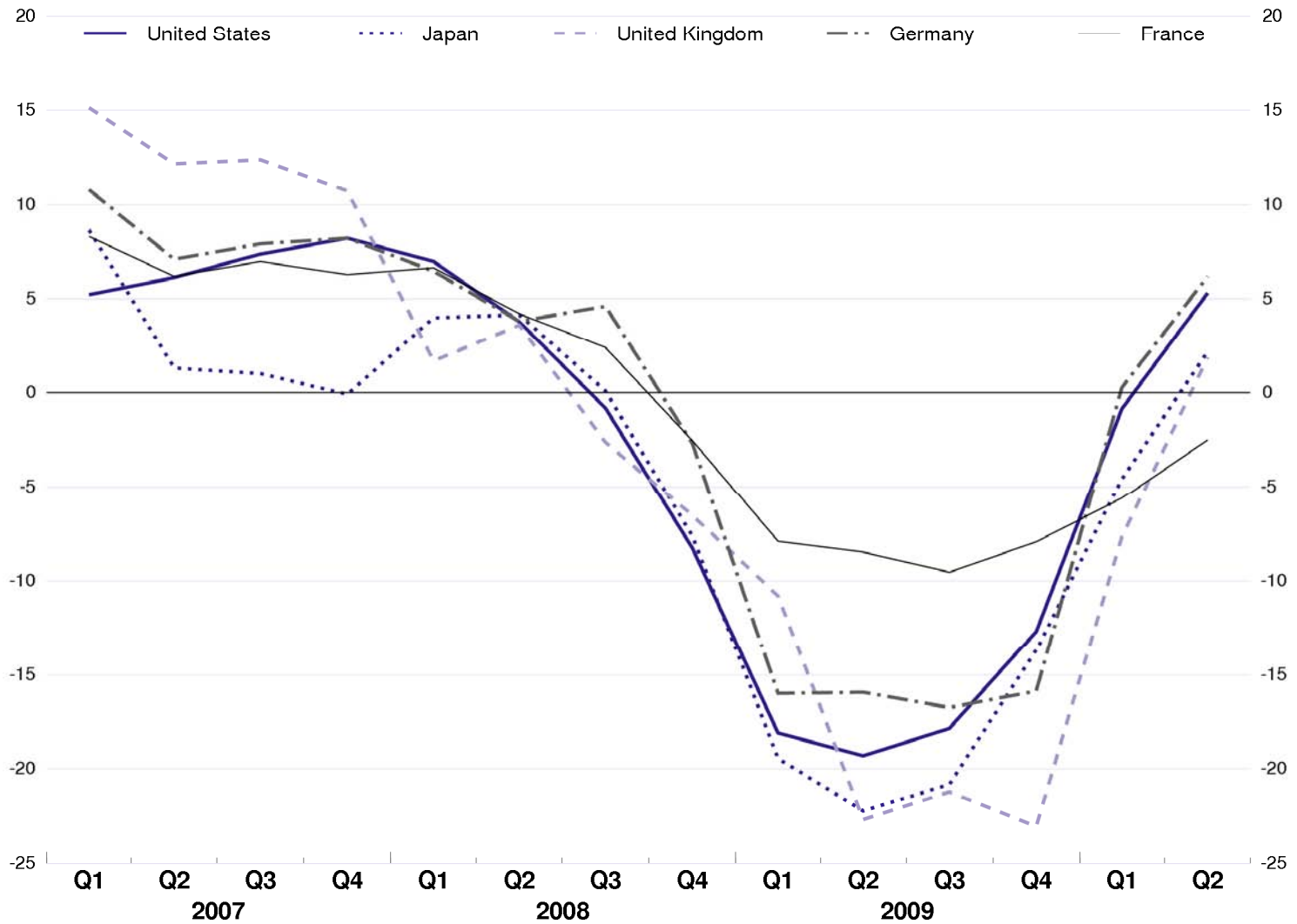
Recovery increasingly reliant on

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- Stabilisation of saving rates
- Continued investment recovery

Continued investment recovery

Year-on-year growth in private non-residential investment, in percent

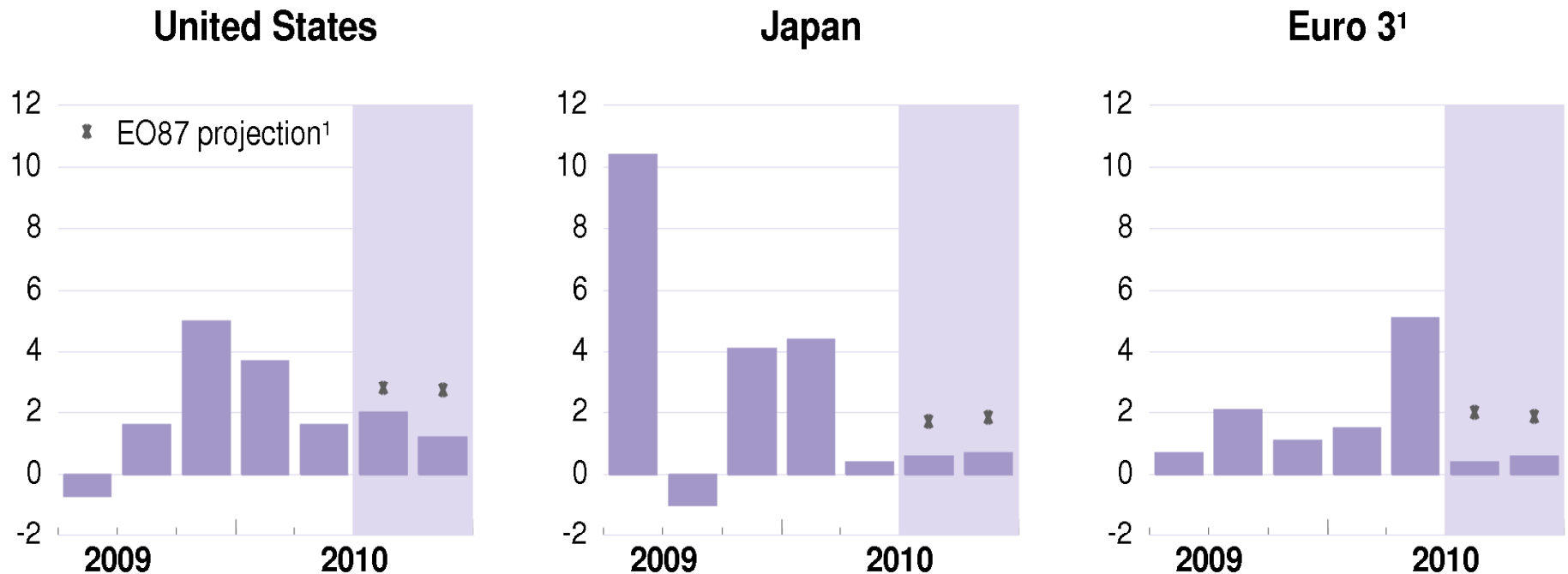
Non-residential investment



Source: OECD, Quarterly National Accounts database.

The pace of recovery could be slower than anticipated

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



1. Refers to OECD Economic Outlook No. 87 projections (published in May).

2. Weighted average average of the three largest countries in the euro area (Germany, France and Italy).

Source: OECD, System of National Accounts database; Datastream; Markit Economics Limited; OECD Economic Outlook 87 database; and OECD Indicator Model forecasts.