

# Competitiveness and growth in the Euro area

Munich Economic Summit - Relaunching Europe

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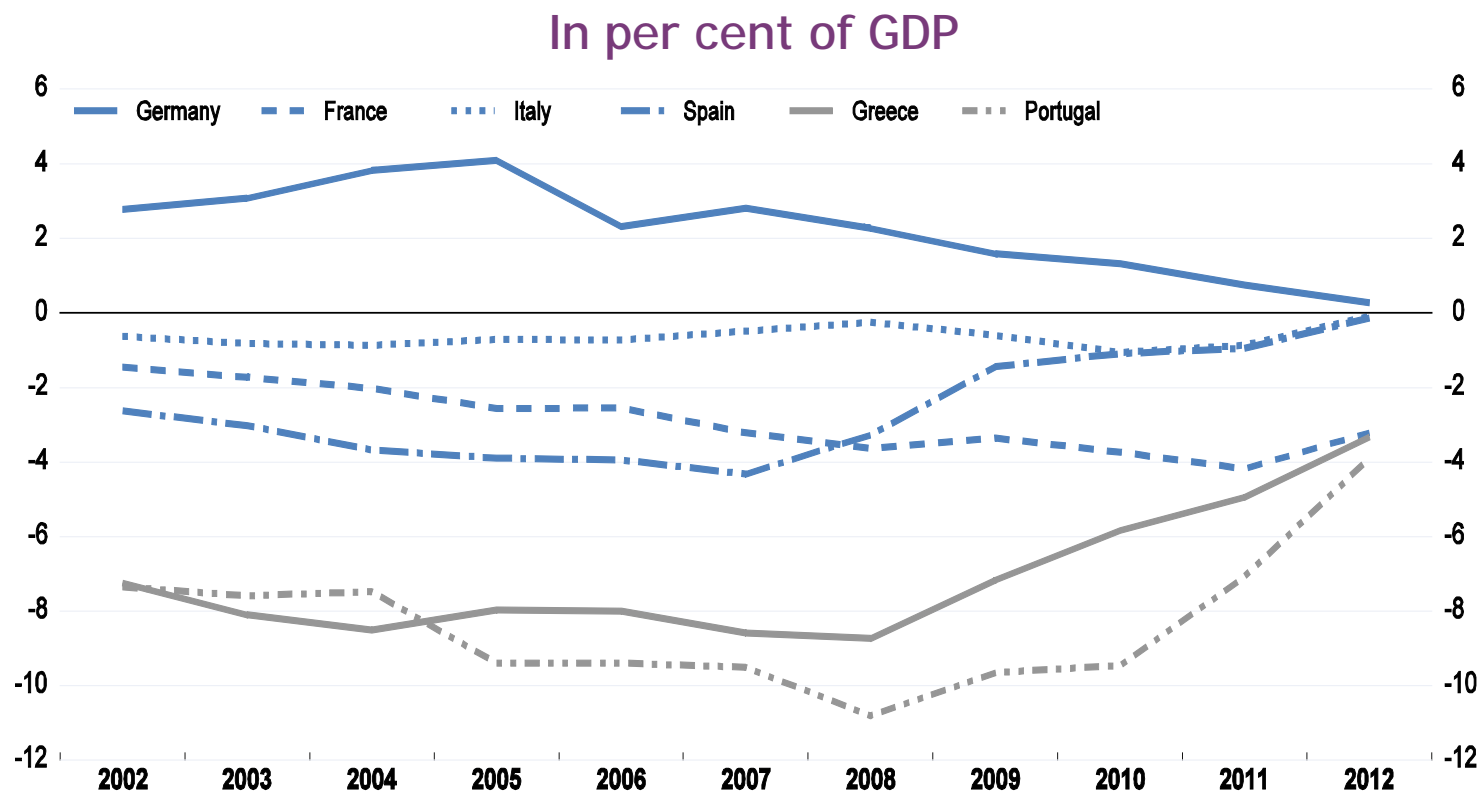
Deputy Secretary-General and Chief Economist of the OECD

Munich, 17 May 2013

# Summary

- Adjustment is taking place, but it may be temporary, and with high costs
- Competitiveness problems go back in time
- Growth and productivity going forward

# Intra-euro area trade imbalances have narrowed

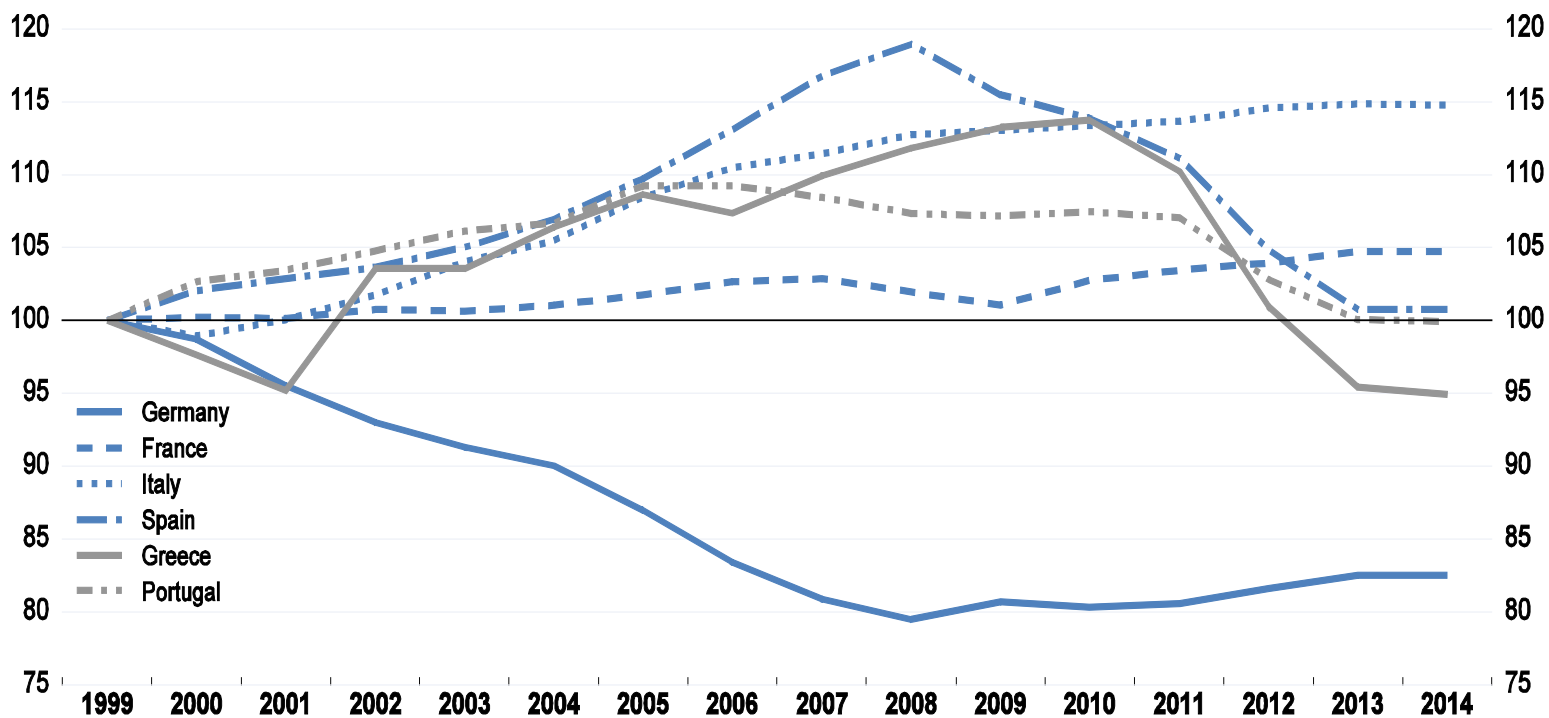


*Note:* Export data are recorded at their free-on-board (FOB) value and imports are recorded at their cost, insurance and freight (CIF) value. The data for 2012 refer to the first three quarters of 2012.

*Source:* IMF Dots database; OECD STEP 93 database; and OECD calculations.

# Relative unit labour costs are adjusting in the euro area

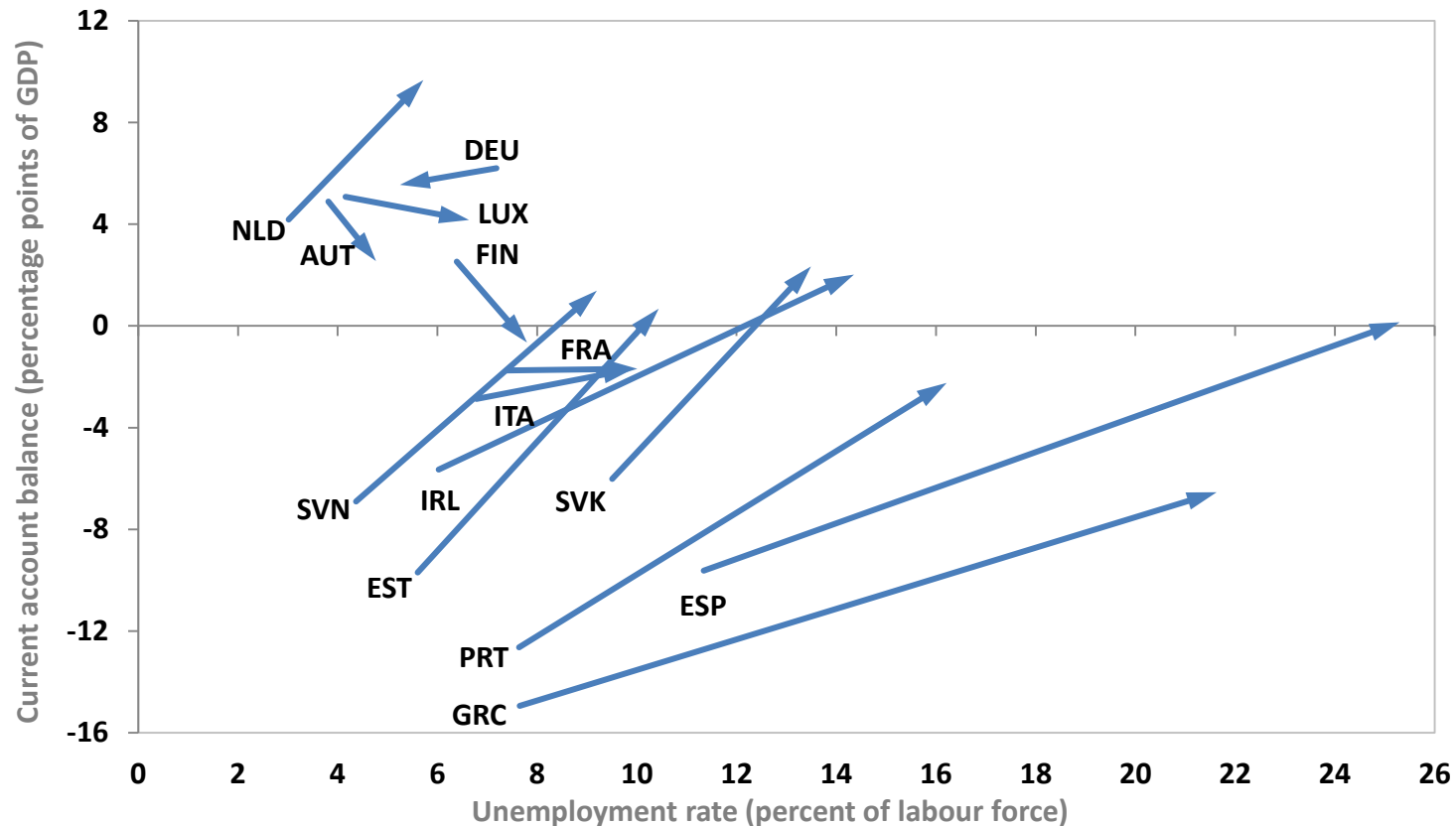
2005 = 100



*Note:* The figures shown are for whole economy unit labour costs relative to unit labour costs in the rest of the euro area.

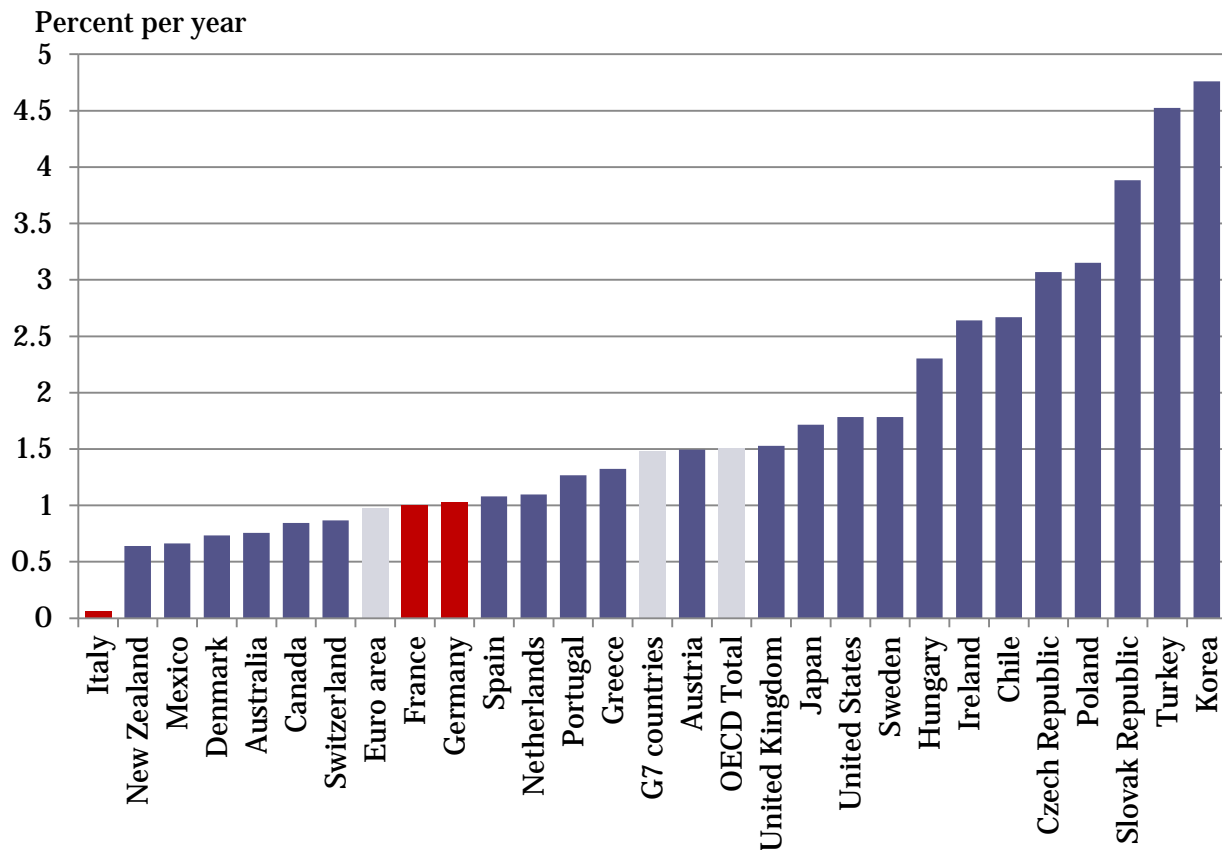
# Putting these together - genuine progress?

Unemployment rate and current account balance, 2008 to 2013



Source: OECD Economic Outlook 91 database.

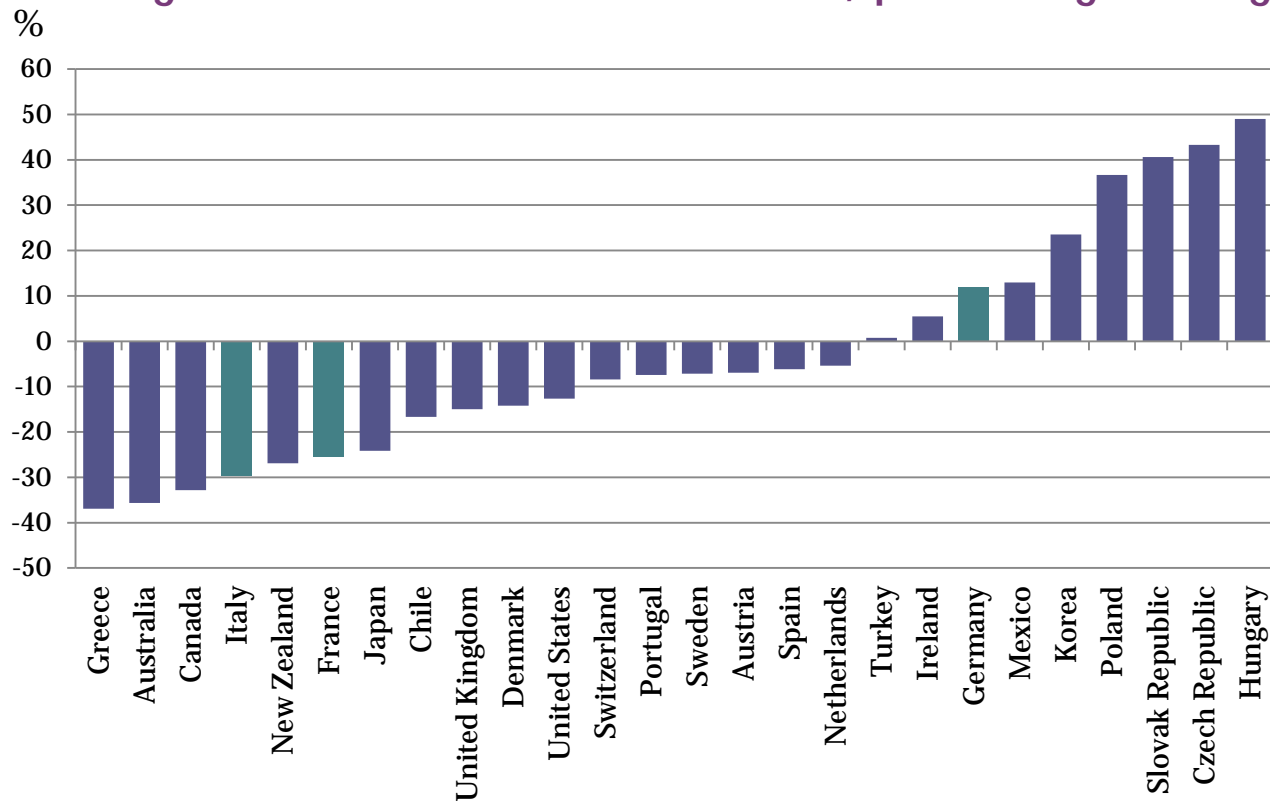
# Looking back. Average labour productivity growth in 2000-2011 (total economy)



Source: OECD Productivity Database.

# In part reflected in export performance

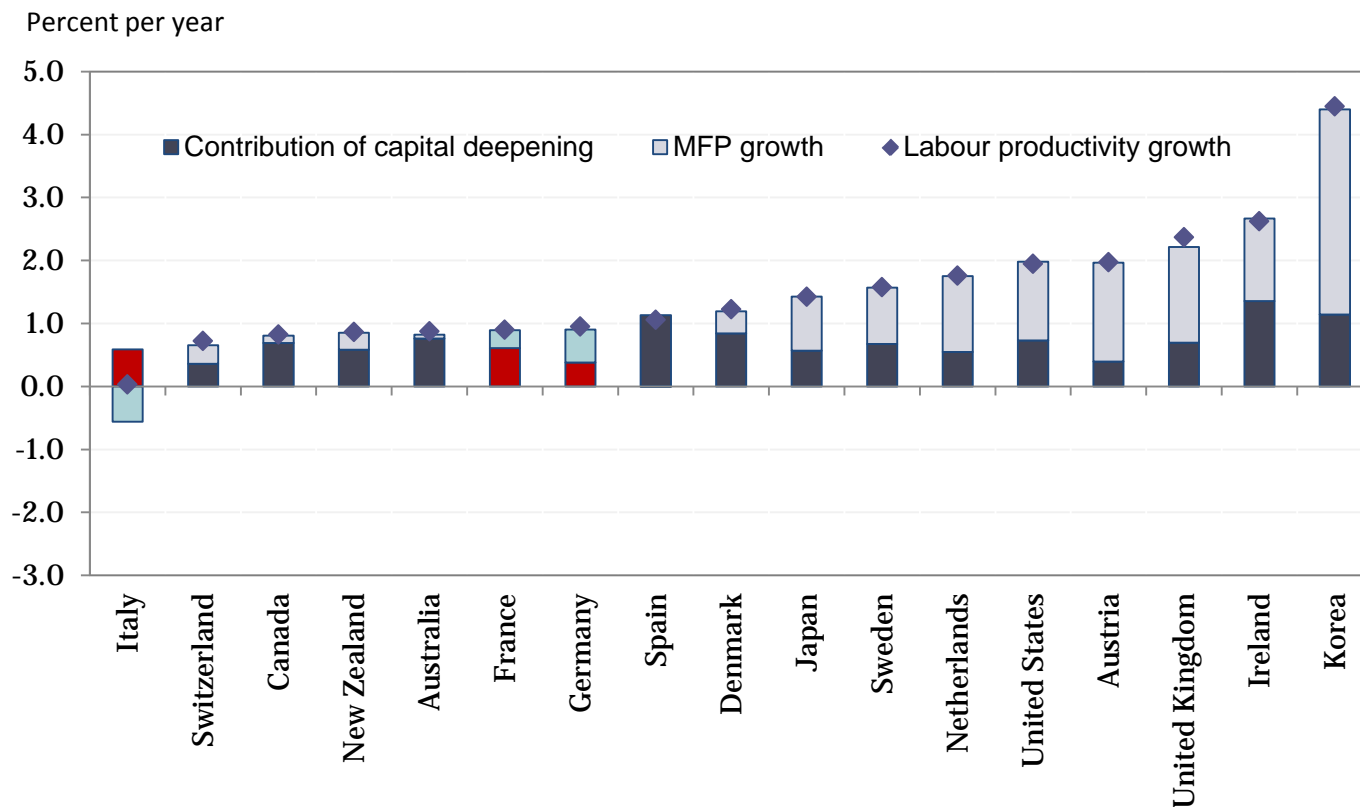
Cumulated gains or losses in market share, percentage change, 2000-2011



*Note:* Export performance measures the relative gain and losses of world market share of a given country. If a country's exports are growing faster (slower) than the weighted average demand from its partners, it is gaining (losing) market share.

*Source :* Economic Outlook 91 (May 2012) Database.

# Decomposition of productivity growth (2001-2010) TFP matters

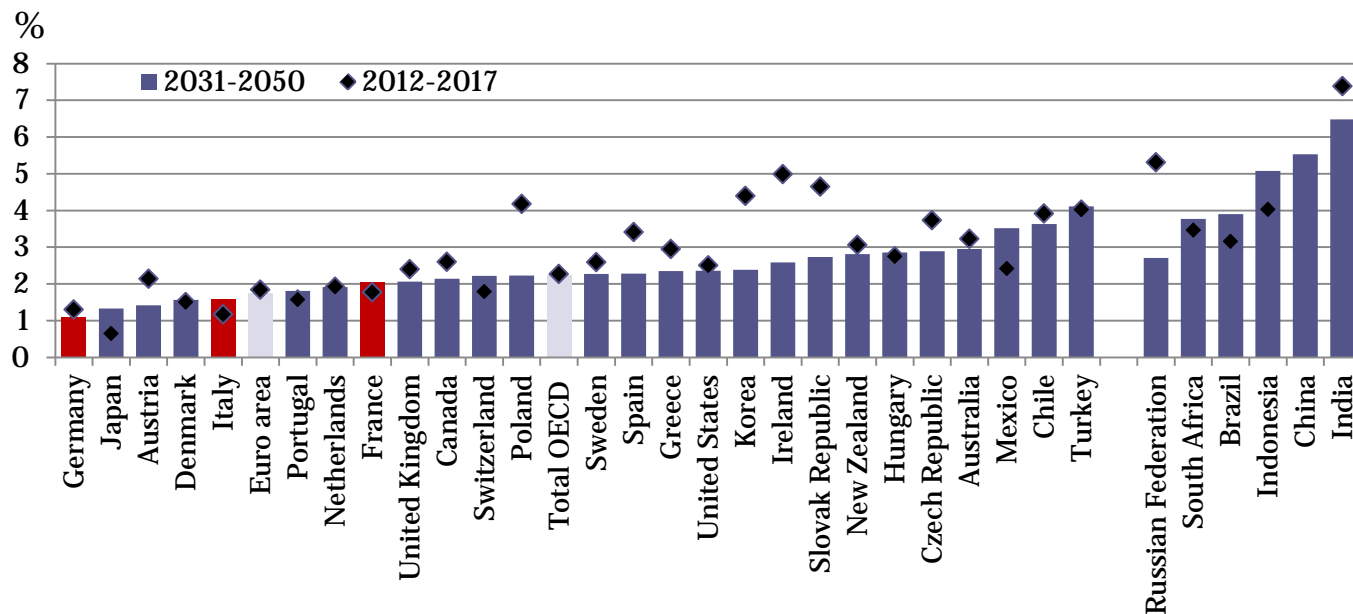


Source: OECD Productivity Database, October 2012.



# Looking forward. Long-term growth

Annual average of sub-periods, percentage change  
Long-term growth of real potential output

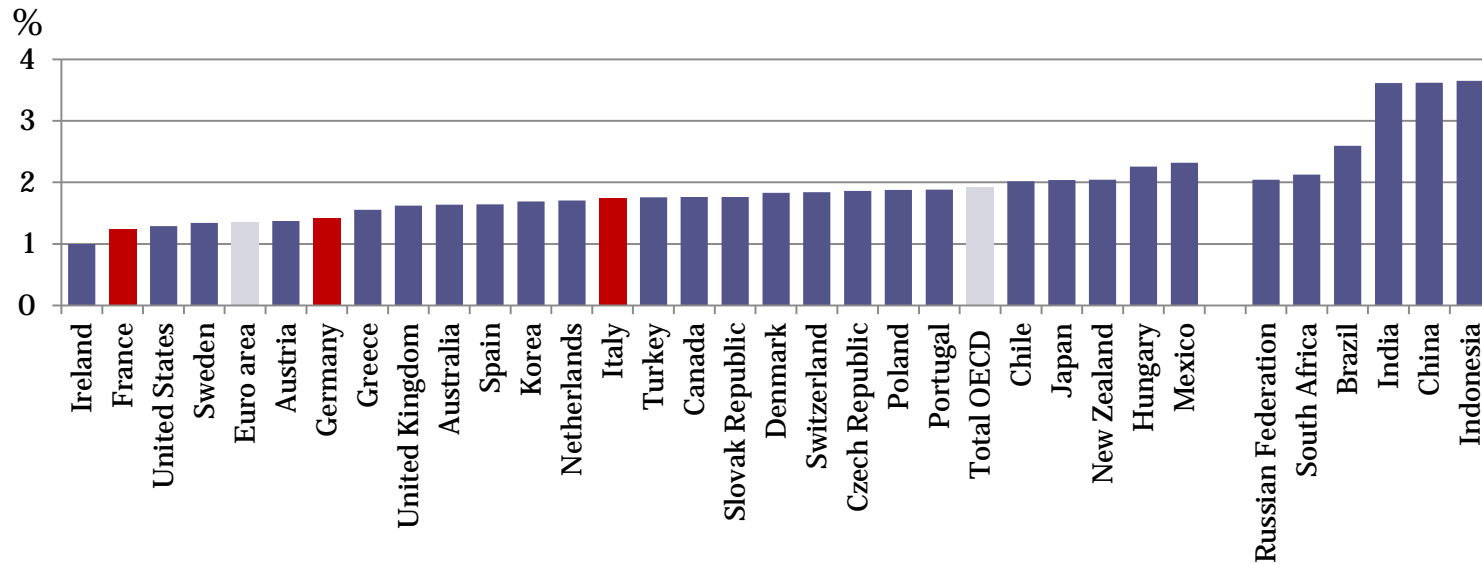


1. As a % of mainland potential GDP.

Source: OECD Economic Outlook 91 (May 2012) long-term database.

# Potential labour productivity growth

Annual average of sub-periods, percentage change  
 Potential labour productivity growth - 2031 to 2050

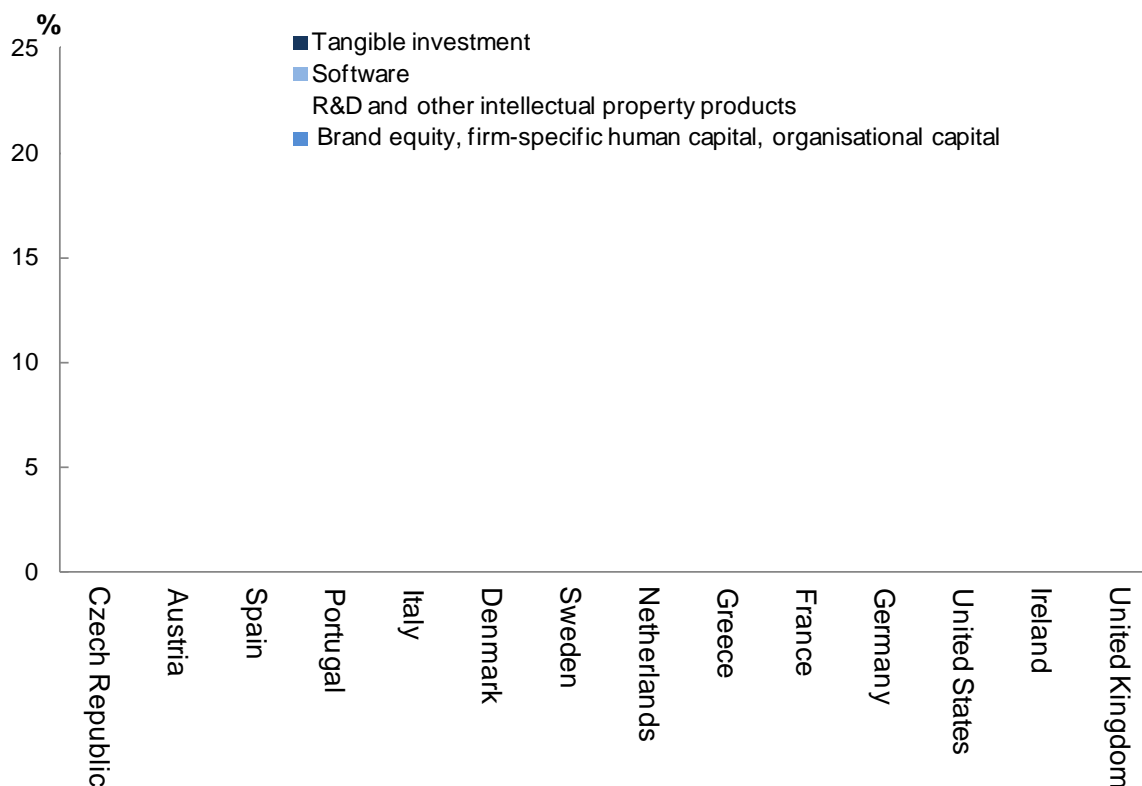


1. As a % of mainland potential GDP.

Source: OECD Economic Outlook 91 (May 2012) long-term database.

# New sources of growth? Investment in fixed and intangible assets, 2009

## In per cent of GDP



Source: Corrado, C., J. Haskel, C. Jona-Lasinio and M. Iommi (2012), "Intangible capital and growth in advanced economies : Measurement methods and comparative results", Imperial College Business School Discussion Papers, No. 2012/06

## Conclusions

- Adjustment initiated by crisis. But it may be largely temporary (cyclical not structural). Root causes must be addressed
- Competitiveness follows productivity. Which largely reflects TFP dynamics (hence several interconnected factors). Productivity growth must be restored
- Potential growth will decline. New sources of growth needed (Intangible assets). A new “knowledge based economy”?