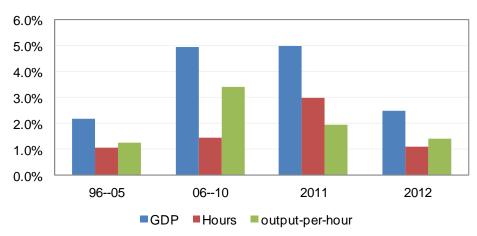


Productivity, Employment, and Growth in the World's Economies

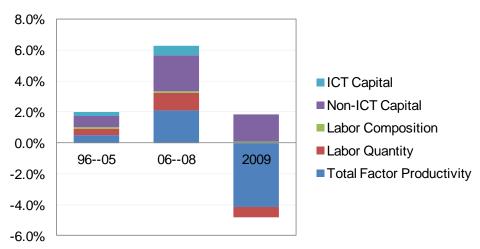
Findings and Graphs for 22 Economies *Total Economy Database*™, January 2012

Argentina: a bettering case spoiled again?

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

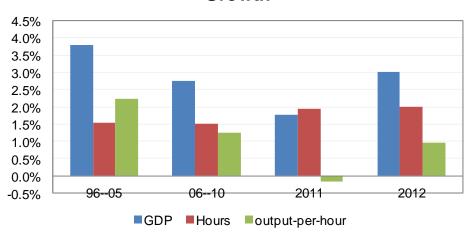


- After a severe depression in 2001/02, real GDP grew around 8.5% annually between 2003-2007, with an acceleration in labor productivity growth
- Acceleration in GDP growth during 2006-2008 resulted from a combination of both higher capital investment growth, higher employment growth, and most significantly higher TFP growth
- Outstanding TFP performance during 2006-2008 suggests improved efficiency in the economy and provides a solid base for sustainable long-term growth
- The 2008/09 global crisis set the fast output growth in check. The subsequent recovery, however, saw higher output and productivity growth in 2010/11
- In 2012, output growth is expected to be half of what it was in 2011, while growth in total hours worked and labor productivity will slow to the 96-05 average

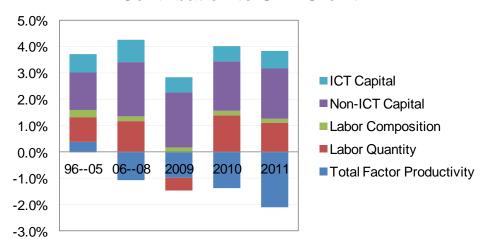


Australia: was 2011 an unfortunate hiccup?

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

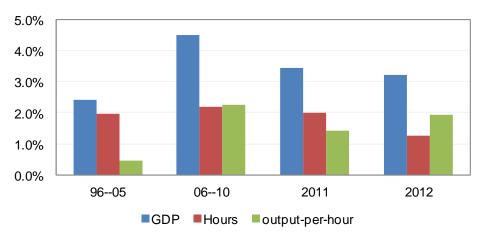


- Output grew slower than total hours in 2011, leading to a decline in productivity growth
- Capital investment growth relatively stable since 2006 with minimal impact from the recession
- Total factor productivity growth has been historically low and turned negative before the recession. Total factor productivity continued to decline in recent years and is remains a drag on growth in 2011
- Output growth is projected to rebound in 2012, bringing productivity back to 1.0 percent, 0.2 percentage points lower than the average productivity growth in 2006-2010
- Improving total factor productivity will be key in both offsetting potential declines in commodity prices and exports to China in the short term as well as ensuring sustainable growth in the long term

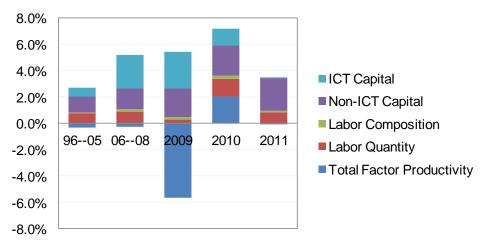


Brazil: can the recent growth miracle be sustained?

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

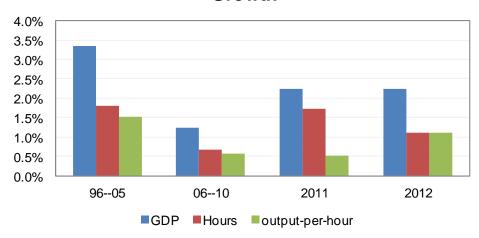


- Historically weak in terms of productivity, Brazil strengthened its productivity performance in recent years through wide-ranging reforms in product and labor markets
- Recent GDP growth strongly driven by investment in capital, especially ICT capital. But the underperformance of TFP highlights the inefficiency in utilizing resources in production processes
- Growth in output and productivity was briefly interrupted by global recession, but the subsequent recovery was strong. After a 5.7 percent decline in 2009, TFP growth jumped to 2 percent, the highest rate since 1996
- Output growth abated to 3.4 percent in 2011 and is projected to level off in 2012
- Growth in total hours worked is projected to slow in 2012, bringing labor productivity growth close to its 2006-2010 average
- To boost productivity growth, pursuing the structural reforms in capital and labor markets already started is key

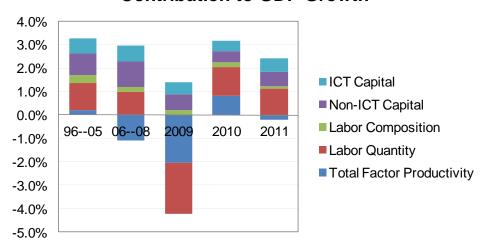


Canada: A return to pre-2005 productivity growth?

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

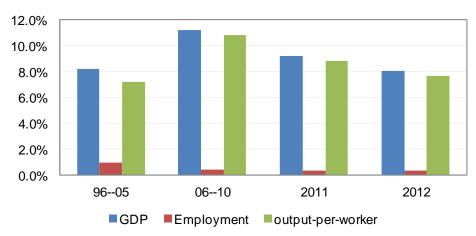


- Compared with 1996-2005, average growth in GDP, total hours worked and labor productivity all declined by around 60% in 2006-2010
- TFP growth performance has been lackluster historically and continued to show weakness in 2011.
- Output growth in 2012 is projected to be the same as 2011 (2.2 percent), growth in total hours worked will slow from 1.7 percent in 2011 to 1.1 percent in 2012, leading to a productivity growth of 1.1 percent in 2012 (0.5 percent in 2011)
- A recovery of output growth in Canada needs to be jointly bolstered by growth in labor and capital investment as well as a greater strength in the efficiency by which these resources are being utilized

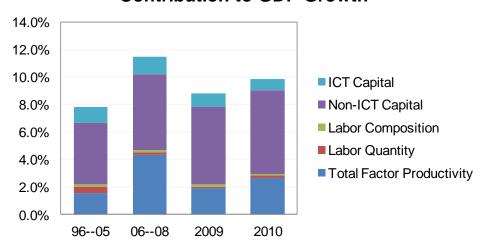


China: can growth continue without stronger TFP growth?

GDP, Employment and Labor Productivity Growth



Contribution to GDP Growth

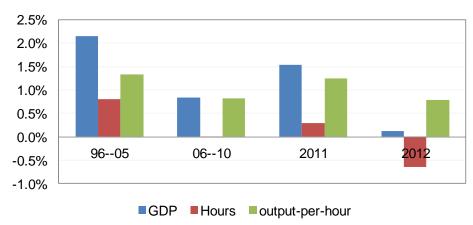


- The double digit output growth in the past decade almost entirely stemmed from labor productivity growth
- As the economy matures, easy gains from catching up to leaders gradually fade. As a result, productivity and output growth will begin to diminish
- Majority of output growth is contributed by non-ICT capital
- Total factor productivity growth accelerated from 2000, slowed down during the 2008/09 global crisis, recovered slightly in 2010 but still remained below the average rate in 2006-2008
- The revival of TFP growth in the future will depend more on innovation and technology advancement, which is vital to sustainable economic growth in the long run

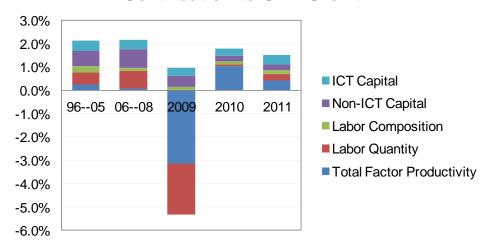


Euro Area: contraction reigns as productivity growth slows

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

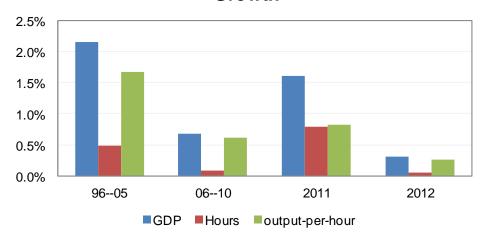


- Productivity growth in the Euro Area has continued to weak for most of the first decade of the 21st century. The TFP trend has been close to zero for most years, pointing to a weakening capacity for innovation and a failure to strengthen competitiveness across the European Union
- Total working hours were stagnant in 2010 and rose only 0.3 percent in 2011. Productivity growth weakened from 1.8 percent in 2010 to 1.2 percent in 2011, although it was the highest among the major advanced economies.
- The already weak output growth of 2010 at 1.8 percent continued to decline into 2011, dropping to 1.5 percent. Growth received a bigger hit than expected in the second half of 2011, especially during the final quarter when the sovereign debt and bank crisis began to take its toll.
- Productivity growth will continue to slow to 0.8
 percent in 2012, the same rate as that of the
 United States. However,, in contrast to the Euro
 Area, the U.S. will gain ground with stronger labor
 performance in 2012 (a 1 percent rise in total
 hours in the United States versus a -0.7 percent
 contraction in hours in the Euro Area)

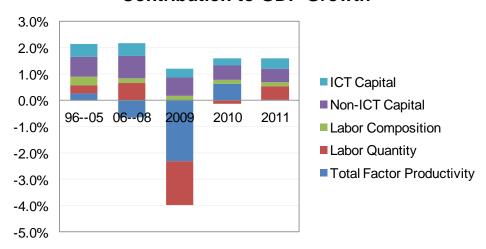


France: challenge to improve TFP growth under austerity

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

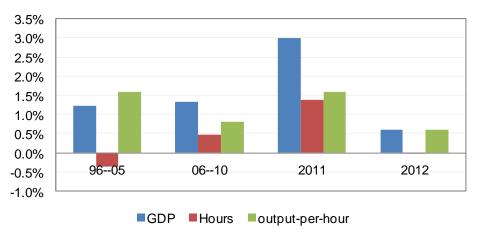


- Labor productivity growth slowed from 1.7 percent in 1996-2005 to 0.6 percent in 2006-2010.
- Growth in total hours worked improved to 0.8 percent in 2011, together with an estimated GDP growth of 1.6 percent and labor productivity growth of 0.8 percent.
- TFP growth was negative most of the years in the past decade, dropping as low as -2.3 percent in 2009 during the recession.
- TFP rebounded to 0.6 percent in 2010 before it stagnated in 2011. Improving efficiency under a an austerity environment and impending budget cuts will be a formidable challenge
- Due to exposure in the ongoing debt crisis in Europe, 2012 growth in GDP, total hours worked and labor productivity is projected to slow down significantly to 0.3 percent, 0.1 percent, and 0.3 percent respectively

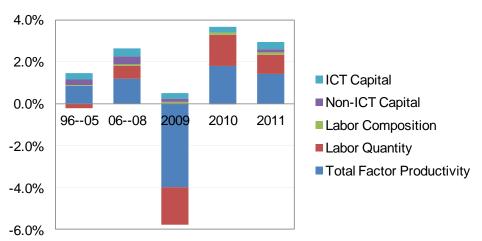


Germany: a rapid erosion of the 2011 advantage?

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

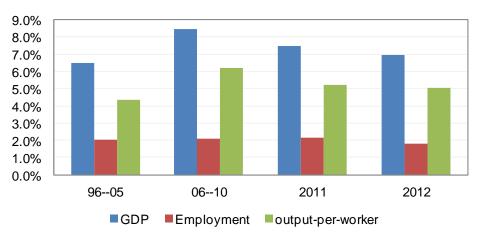


- Germany was one of the best performers among major advanced economies in 2011, with GDP, total hours worked and labor productivity growing at 3 percent, 1.4 percent and 1.6 percent respectively.
- Unlike most European countries, TFP growth explained most of the GDP growth in 1996-2008.
- The recession in 2008/09 briefly disrupted TFP growth, which persisted its solid performance in 2010 and 2011
- Against the backdrop of the European debt crisis, in 2012 the economy is projected to see a slower output growth at 0.6 percent. Total hours worked will remain unchanged and labor productivity growth will drop to 0.6 percent, lower than the average growth in 2006-2010
- Germany's ability to sustain TFP growth in an environment characterized by government budget cuts and austerity will be key in determining both its short and long term growth

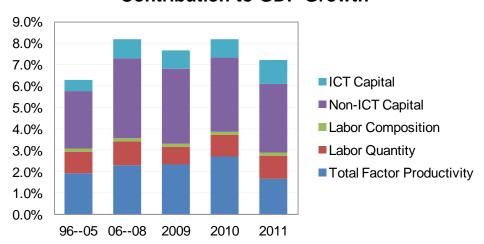


India: strengthen potential for growth through TFP

GDP, Employment and Labor Productivity Growth



Contribution to GDP Growth

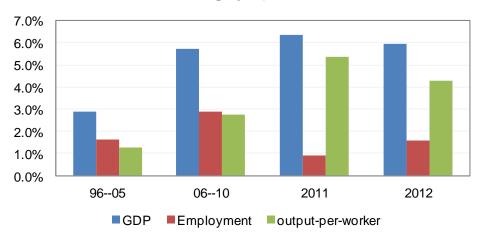


- India's labor productivity growth has picked up from an average of 4.4 percent in 1996-2005 to 6.2 percent in 2006-2010. Its improved performance comes largely from India's comparatively greater potential to create new and more productive industries and firms
- As in China, non-ICT capital is a main contributor to GDP growth
- While growth in TFP fell behind that of China in 2006-2008, it overtook that of China since 2009, showing higher potential for sustainable growth in the long term
- Productivity growth in India rose more slowly than in China, at 5.2 percent in 2011, down from 6.3 percent in 2010. But India still sees job growth 7 times faster than China (2.2 percent in India versus 0.3 percent in China in 2011)
- Productivity growth will stabilize at 5.1 percent in 2012 as the moderate slowdown in output and employment offset each other.

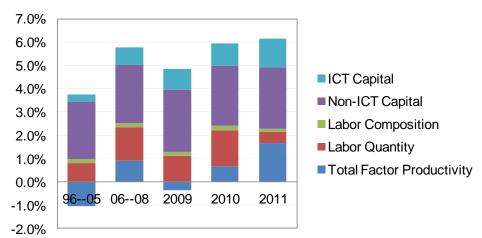


Indonesia: a new "economic miracle" on the way?

GDP, Employment and Labor Productivity Growth



Contribution to GDP Growth

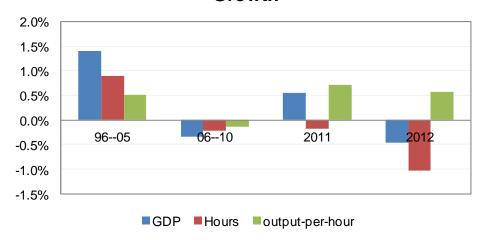


- Indonesia's economy continued to growth rapidly despite a weak global economic environment in 2011 due in part to its domestic spending and investment
- Historically, output growth was mainly driven by capital investment and growth in labor
- TFP growth turned from -1 percent in 1996-2005 to 1 percent in 2006-2008, showing the improved efficiency in the economy
- TFP growth dipped into negative territory briefly in 2009 before picking up since 2010
- TFP growth is estimated to be 1.7 percent in 2011, the best performance since 2000, indicating strong potential for continued economic boom
- Labor productivity growth in 2012 is projected to be lower than that of 2011 as a result of slower growth in output and faster growth in employment

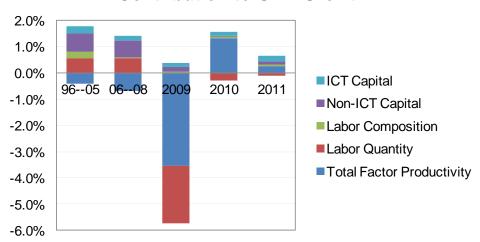


Italy: low productivity is underlying growth weakness

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

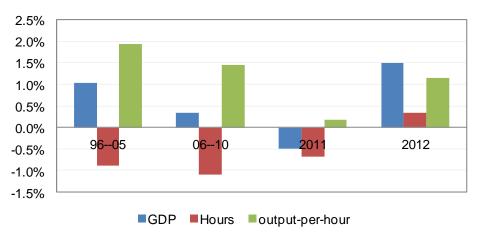


- Italy has seen slow productivity growth for most of the past decade, and even saw negative numbers for the second half, as the country was hit hard by the 2008/09 global crisis and was plagued by the European debt crisis since the latter half of 2011. On average, TFP growth was negative from 1996 to 2009.
- Productivity saw some recovery in 2011 but at the cost of ongoing declines in labor hours, signaling the potential for productivity gains from restructuring.
- Since 2010, TFP has begun to increase and is estimated to have continued doing in 2011 as austerity measures squeeze out less productive activities.
- The economy is projected to contract by 0.5 percent in 2012, which in combination with a decline in total hours of 1 percent, leads to a growth in labor productivity at 0.6 percent

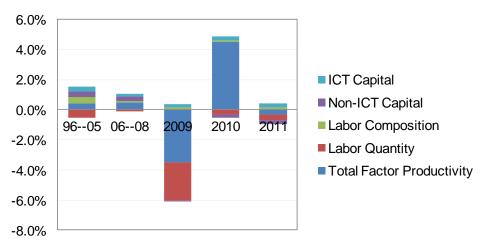


Japan: productivity recovery in sight after a disastrous year

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

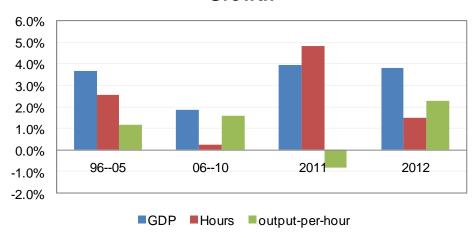


- Labor productivity growth in Japan performance weakly in 2011, as the country was plagued by the tsunami and its aftermath, adding to its structural weaknesses. A meager gain of 0.2 percent in labor productivity resulted from a contraction of 0.5 percent in output and even worse performance in labor input (with total hours worked falling 0.7 percent)
- The very compressed growth decomposition confirms how structurally weak the economy has been for most of the previous decade.
- Following the 2008/09 recession, total factor productivity (TFP) growth has played a significant role in output growth in 2009 and 2010. TFP lost ground in 2011 with marginally negative growth
- Prospects in 2012 are brighter as labor productivity is expected to grow close to 1.5 percent, with both output growth (1.2 percent) and labor input growth (0.3 percent) returning to positive territory

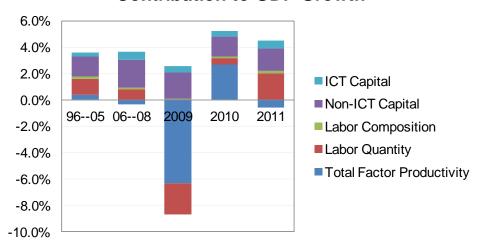


Mexico: capital and labor still playing a larger role than TFP

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

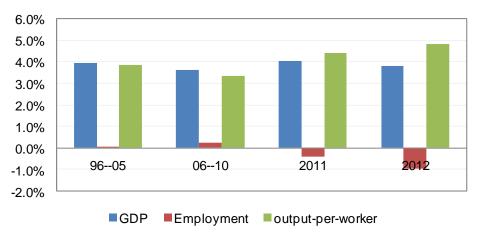


- In the past year, labor productivity declined by about 1 percent as employment growth outpaced output growth.
- However, this slowdown masks notable performance of output (well exceeding the 2006-2010 average) and extraordinary recovery in labor input growth of nearly 5 percent, according to the latest OECD estimates Indeed, the surprising increase in labor input bolstered output growth despite a slight contraction in total factor productivity growth
- Output growth has been largely driven by non-ICT capital growth during the previous decade, with very little total factor productivity growth.
- In 2012 output growth will maintain its impressive pace of nearly 4 percent as non-ICT capital investment continues to contribute a significant portion of output growth. However, employment growth is expected to level off significantly to 1.5 percent.

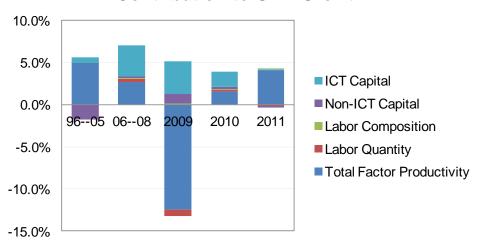


Russian Federation: commodity cycle explains part of TFP growth

GDP, Employment and Labor Productivity Growth



Contribution to GDP Growth

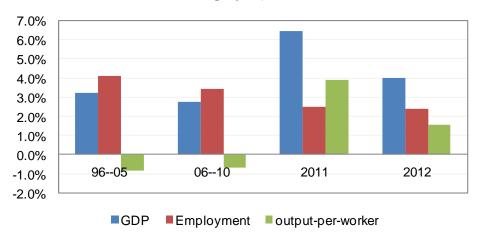


- In 2011, output grew at the impressive rate of 4 percent, exceeding both 1996-2005 and 2006-2010 averages. However, labor input growth remained disappointing as employment fell by nearly half a percent.
- As a result, labor productivity grew even faster than the prior five years (4.4 percent in 2011 compared to 3.2 percent in 2006-2010)
- Total factor productivity growth has been an important contributor to growth in the Russian Federation, but the commodity cycle may have partly responsible for higher returns beyond investment.
- The importance of ICT capital as a factor accounting for output growth has increased since 2006. In contrast, the performance of labor input to growth is mostly negative.
- Trends are expected to continue in 2012, with employment contracting further (1 percent) and output growth slightly slowing to 3.8 percent

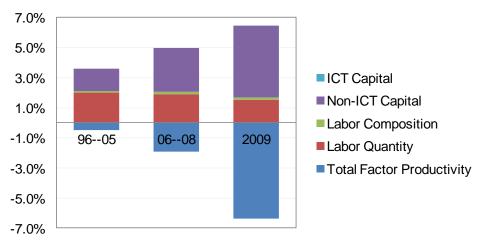


Saudi Arabia: investment replaced labor as growth source

GDP, Employment and Labor Productivity Growth



Contribution to GDP Growth

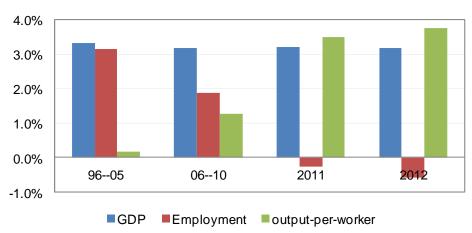


- Until recently, output growth emerged largely from growth in the labor force, in many cases faster than output growth, leading to negative labor productivity growth for most of the past decade.
- In 2011 however, labor productivity recovered in a major way, growing faster than the labor force, hinting at potential improvements in inefficiencies in the labor market. As a result, GDP growth exceeded 6 percent.
- Since 2006, the marked rise in capital growth, likely the result of increasing investment in the oil sector, continued to bolster output growth.
- On the other hand, total factor productivity growth had become an increasingly substantial drag on growth, indicating operational inefficiencies in imperfect labor and capital markets
- In 2012, labor productivity is expected to slow down significantly, bringing output growth close rto (but still faster than) its 2006-2010 growth, while labor force growth remains nearly unchanged

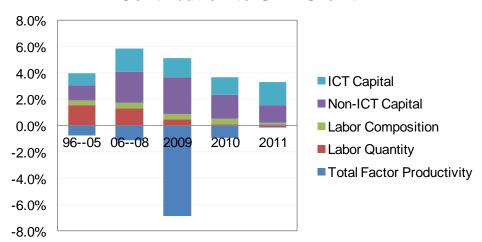


South Africa: structural changes raise productivity but hamper jobs

GDP, Employment and Labor Productivity Growth



Contribution to GDP Growth

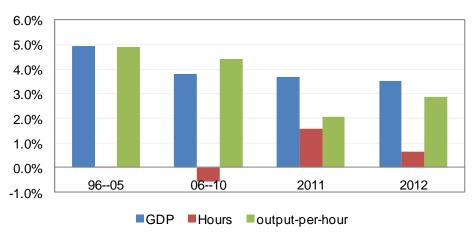


- Despite a declining labor force, output growth remained strong in 2011 due to an even larger rise in labor productivity
- In earlier years labor growth was an important drag on productivity, with negative total factor productivity growth rates for most of the past decade.
- While total factor productivity contracted greatly during the recession, it has since begun to recover and is approaching positive territory. As this improvement in productive efficiency continues, output growth will begin to rely less on a growing labor force and begin shifting resources towards more capital-intensive processes
- Trends in productivity and demographics are expected to continue in 2012. As the labor force contracts further, output growth will continue its pace of about 3 percent while labor productivity growth inches higher (nearing 4 percent), signaling possible structural changes in the economy

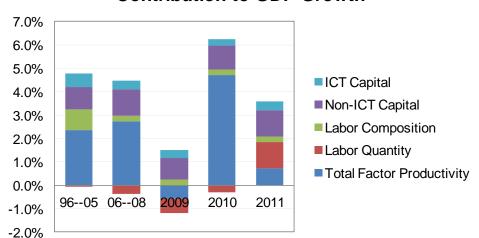


South Korea: a showcase of productivity gains through innovation

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

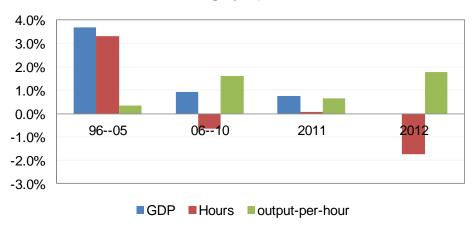


- Labor productivity growth nearly halved in 2011 as compared to 2006-2010, resulting largely from a notable rise in labor input growth
- Total factor productivity has been an important driver of growth for most of the past decade, even though it has not been supported by labor growth.
- Following the recession, TFP growth recovered strongly in 2010, bolstering the rebound in output growth while the labor market continued to decline.
- While total factor productivity growth moderated in 2011, total hours worked recovered strongly.
 Meanwhile, capital investment continued to grow at rates comparable to pre-crisis rates
- Total hours growth is expected to slow down in 2012. However, an improvement in labor productivity growth will bring output growth to 3.5 percent, slightly slower than 3.7 percent in 2011.

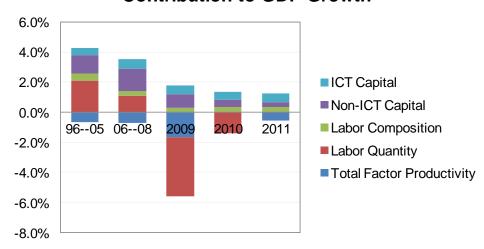


Spain: productivity gains in times of austerity and cuts

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

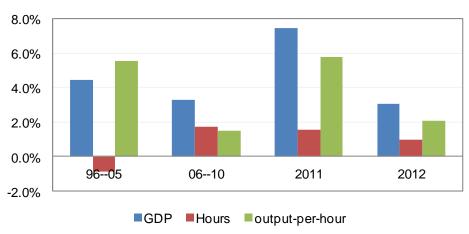


- After two years' decline, output grew at 0.7 percent in 2011. The recovery in total working hours (at a meager 0.1 percent) was weaker than output growth, resulting in a productivity growth at 0.7 percent
- The labor-driven growth performance of the late 1990s and early 2000s lost its shine in the second half of the past decade, as productivity appeared too weak. The total factor productivity growth has been negative since 1996 and has not shown any sign of recovery, suggesting the urgent need for a structural reform of the economy.
- Following the immediate pains of the crisis, the current austerity policies will lead to a stagnation in output growth. Output is projected to be stagnant this year.
- Productivity will improve significantly to 1.8
 percent as the many cuts squeeze out
 unproductive firms and economic activity in the
 economy. The growth contributions remain
 extremely contracted for the coming year, 2012.

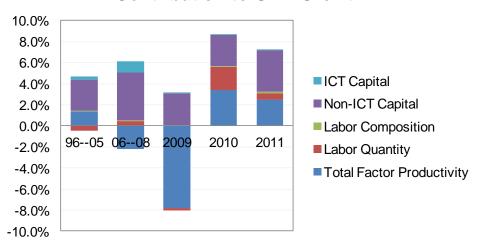


Turkey: extraordinary 2011 growth unlikely continued in 2012

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

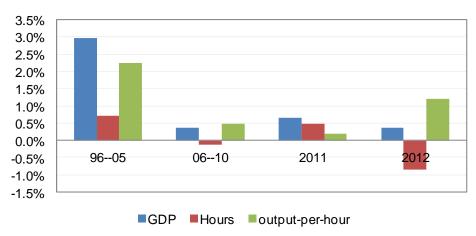


- Momentum for labor productivity growth strengthened in 2011 while total hours growth moderated.
- Meanwhile, non-ICT capital continues to be a major driver of output growth. However, the 2006-08 period suggested
- In addition, a sustained rebound in total factor productivity has helped bolster output growth in the last two years
- In 2012, we expect output growth to slow significantly as the momentum of labor productivity as well as labor input growth diminishes

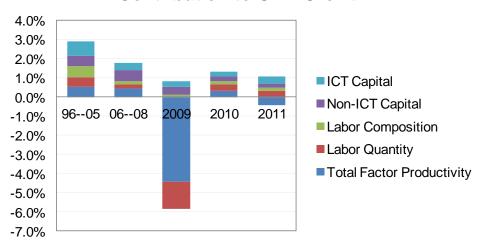


United Kingdom: Productivity Gains on Austerity?

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth

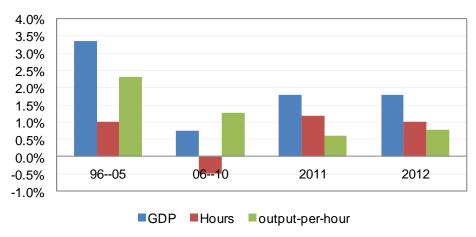


- Following a rebound in labor productivity in 2010, labor productivity was nearly flat, growing only 0.2 percent, while total hours growth remained constant at 0.5 percent
- As a result, output growth slowed to 0.7 percent in 2011
- In 2012, output growth is expected to slow further to 0.4 percent as the recession in Europe unfolds.
- However, the United Kingdom will still see a significant increase in labor productivity growth as austerity measures impact the labor market, resulting in a 0.8 percent decrease in total hours worked
- At the same time, austerity measures may force small and medium-sized enterprises to exit their industries, resulting in temporary productivity gains where surviving, more efficient firms remain

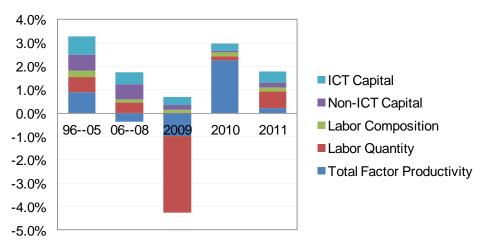


United States: a slow but gradual return to healthier growth?

GDP, Hours and Labor Productivity Growth



Contribution to GDP Growth



- Labor productivity in the U.S. continued to grow, although at a slower rate than in 2010, while momentum in output growth diminished significantly from 3 percent in 2010 to 1.8 percent in 2011
- While labor productivity growth slowed from 2.7 percent to 0.6 percent, a significant portion of this slowdown (0.9 percentage points) resulted from modest gains in total hours worked.
- The United States will see continued gradual improvement in the labor market, in the form of positive albeit slow total hours growth. As output growth is expected to grow at the same rate as in 2011, labor productivity growth will improve slightly depending on developments in the labor market
- A renewed slowdown in 2011 suggests that the TFP trend in the United States may continue downward and that the productivity effects from ICT applications, especially in the services sector of the U.S. economy, have begun to erode



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