



## Have Regional Trade Blocs Diverted U.S. Exports?

Recent decades have seen a significant increase in the number of regional trade blocs, which lower barriers on trade between member countries. All else equal, because goods from another member country are given preferential treatment, a country joining a trade bloc should reduce its levels of imports from non-members, an effect called *trade diversion*. Because many of the United States' trading partners formed trade blocs during the 1990s, there is concern that these blocs will lead to a diversion of U.S. exports from important markets.

Three of the largest of these blocs were: the Association of South East Asian Nations Free Trade Area (AFTA), which began implementation of a free trade area in 1993; the Andean Community, which began implementation of a free trade area for Bolivia, Colombia, Ecuador, Peru, and Venezuela in 1993; and Mercosur, formed by Argentina, Brazil, Paraguay, and Uruguay, which came into effect in 1995. Note that the blocs' starting dates indicate when member countries began, rather than completed, the process of integration—processes that continue to this day.

The table summarizes the differences in real dollar-valued U.S. exports to these blocs between the year before they began and 1997. The year 1997 is the most recent for which data are available from the *World Trade Flows* data set, which reconciles many discrepancies in the bilateral trade statistics found in other data sources. As indicated in the first column, by 1997, the United States was exporting more to each of the blocs, suggesting that trade diversion did not occur. This does not tell the complete story, however, because U.S. exports could have risen simply through increases in the sizes of the countries' economies. It is useful, then, to compare the changes in exports to the change

in some measure that combines the Gross Domestic Products (GDPs) of the United States and the members of the bloc. One such measure is provided by the gravity model of trade, which holds that, all else constant, the volume of imports or exports should be proportional to the product of the trading partners' GDPs. If the percentage change in real exports differs substantially from the growth in the product of the real GDPs, the trade bloc may have had a significant effect on the level of trade.

The second column in the table provides the percentage changes in the products of real U.S. GDP and the real dollar value of the combined GDPs of the countries in each of the trade blocs. Comparing these numbers to the previous column suggests: AFTA has not had much of an effect on U.S. exports; the formation of the Andean Community might have led to a decrease in U.S. exports; and Mercosur might have led to an increase in U.S. exports. These numbers are by no means conclusive, but they do suggest that these regional trade blocs have not always led U.S. exports to be diverted. This might be because there is more going on with these agreements than simply the formation of a trade bloc. They also tend to be part of a general liberalization of the economies of the member countries, thus opening up more opportunities for trade with non-members like the United States.

—Howard J. Wall

**Regional Trade Blocs and U.S. Exports**

|                         | % Change in<br>U.S. Exports | % Change in<br>Product of GDPs |
|-------------------------|-----------------------------|--------------------------------|
| AFTA<br>1992-97         | 62.1                        | 60.3                           |
| Andean Comm.<br>1992-97 | 24.7                        | 65.0                           |
| Mercosur<br>1994-97     | 50.6                        | 38.8                           |

Source: *World Trade Flows*, 1980-1997 and the World Bank.

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## *Conventions used in this publication:*

1. Charts and tables contain data that were current through January 2001. Unless otherwise indicated, data are quarterly.
2. The *percent change* refers to the percent change from the same period in the previous year. For example, the percent change in  $x$  between month  $t-12$  and the current month  $t$  is:  $[(x_t / x_{t-12}) - 1] \times 100$ .
3. All data with significant seasonal patterns are seasonally adjusted.

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**Real Gross Domestic Product**

Percent change

|                | 98.1  | 98.2 | 98.3  | 98.4  | 99.1  | 99.2 | 99.3 | 99.4 | 00.1 | 00.2 | 00.3 | 00.4 |
|----------------|-------|------|-------|-------|-------|------|------|------|------|------|------|------|
| Canada         | 4.26  | 3.27 | 2.55  | 3.19  | 3.74  | 4.30 | 5.19 | 4.92 | 5.08 | 5.40 | 4.97 | .    |
| Euro Area      | 3.66  | 2.77 | 2.58  | 2.00  | 1.90  | 2.14 | 2.57 | 3.29 | 3.46 | 3.72 | 3.43 | .    |
| France         | 3.26  | 3.50 | 3.33  | 2.88  | 2.67  | 2.59 | 3.01 | 3.45 | 3.41 | 3.39 | 3.09 | .    |
| Germany        | 3.02  | 1.74 | 1.62  | 0.94  | 0.63  | 1.01 | 1.61 | 2.44 | 2.48 | 3.71 | 3.40 | .    |
| Italy          | 2.79  | 1.46 | 1.47  | 0.45  | 1.21  | 1.03 | 1.26 | 2.20 | 2.96 | 2.76 | 2.54 | .    |
| Japan          | -2.60 | 0.69 | -0.85 | -1.41 | -0.38 | 1.02 | 2.07 | 0.44 | 2.38 | 1.06 | 1.38 | .    |
| United Kingdom | 3.18  | 2.98 | 2.40  | 2.02  | 1.70  | 1.72 | 2.53 | 3.20 | 3.20 | 3.53 | 2.96 | .    |
| United States  | 4.85  | 4.10 | 3.91  | 4.61  | 3.87  | 3.75 | 4.31 | 4.96 | 5.29 | 6.10 | 5.21 | 3.49 |

**Nominal Gross Domestic Product**

Percent change

|                | 98.1  | 98.2 | 98.3  | 98.4  | 99.1  | 99.2  | 99.3 | 99.4  | 00.1 | 00.2  | 00.3  | 00.4 |
|----------------|-------|------|-------|-------|-------|-------|------|-------|------|-------|-------|------|
| Canada         | 3.91  | 3.12 | 1.68  | 2.22  | 3.56  | 5.35  | 7.79 | 8.15  | 9.03 | 9.21  | 8.56  | .    |
| Euro Area      | 3.99  | 3.80 | 4.28  | 3.94  | 4.41  | 4.19  | 4.26 | 4.37  | 4.48 | 4.69  | 4.52  | .    |
| France         | 4.30  | 4.38 | 4.09  | 3.32  | 3.10  | 2.95  | 3.30 | 3.82  | 4.13 | 3.79  | 3.78  | .    |
| Germany        | 3.84  | 3.05 | 2.97  | 2.10  | 2.02  | 1.99  | 2.41 | 2.84  | 2.27 | 3.13  | 2.97  | .    |
| Italy          | 5.94  | 4.25 | 3.95  | 2.86  | 3.05  | 2.47  | 2.59 | 3.58  | 4.38 | 4.77  | 4.64  | .    |
| Japan          | -1.75 | 0.36 | -1.27 | -1.87 | -1.28 | -0.19 | 0.39 | -1.36 | 0.84 | -0.74 | -0.28 | .    |
| United Kingdom | 6.03  | 6.29 | 5.87  | 4.81  | 3.86  | 4.19  | 4.70 | 5.70  | 5.73 | 5.02  | 4.62  | .    |
| United States  | 6.28  | 5.34 | 5.22  | 5.85  | 5.44  | 5.38  | 5.80 | 6.52  | 7.12 | 8.21  | 7.48  | 5.91 |

**Consumer Price Index**

Percent change

|                | 98.1 | 98.2 | 98.3  | 98.4 | 99.1  | 99.2  | 99.3 | 99.4  | 00.1  | 00.2  | 00.3  | 00.4 |
|----------------|------|------|-------|------|-------|-------|------|-------|-------|-------|-------|------|
| Canada         | 1.06 | 0.99 | 0.84  | 1.08 | 0.82  | 1.60  | 2.15 | 2.37  | 2.66  | 2.45  | 2.72  | .    |
| Euro Area      | 1.11 | 1.38 | 1.06  | 0.78 | 0.90  | 0.98  | 1.15 | 1.56  | 2.05  | 2.02  | 2.49  | .    |
| France         | 0.86 | 1.07 | 0.72  | 0.37 | 0.27  | 0.36  | 0.52 | 1.00  | 1.51  | 1.49  | 1.89  | .    |
| Germany        | 1.23 | 1.41 | 0.66  | 0.41 | 0.28  | 0.50  | 0.63 | 0.93  | 1.80  | 1.63  | 2.05  | 2.31 |
| Italy          | 2.03 | 2.07 | 2.04  | 1.69 | 1.19  | 1.46  | 1.71 | 2.07  | 2.58  | 2.51  | 2.63  | 2.66 |
| Japan          | 1.97 | 0.34 | -0.19 | 0.51 | -0.10 | -0.26 | 0.01 | -0.99 | -0.66 | -0.71 | -0.68 | .    |
| United Kingdom | 3.42 | 4.03 | 3.32  | 2.92 | 2.22  | 1.42  | 1.16 | 1.45  | 2.31  | 3.14  | 3.19  | .    |
| United States  | 1.50 | 1.62 | 1.62  | 1.55 | 1.73  | 2.09  | 2.26 | 2.56  | 3.21  | 3.31  | 3.47  | 3.44 |

**Employment Growth**

Percent change

|                | 98.1 | 98.2  | 98.3  | 98.4  | 99.1  | 99.2  | 99.3  | 99.4  | 00.1  | 00.2  | 00.3  | 00.4 |
|----------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Canada         | 2.78 | 2.71  | 2.42  | 2.68  | 2.92  | 2.84  | 2.66  | 2.73  | 2.99  | 2.78  | 2.39  | 2.29 |
| Euro Area      | 1.40 | 1.78  | 1.86  | 2.00  | 1.94  | 1.57  | 1.74  | 1.79  | 1.84  | 2.04  | 1.97  | .    |
| France         | 1.68 | 2.07  | 2.19  | 1.99  | 2.37  | 2.28  | 2.44  | 2.85  | 3.11  | 3.27  | 3.43  | .    |
| Germany        | 0.38 | 0.80  | 1.09  | 1.43  | 1.43  | 0.73  | 1.07  | 1.08  | 1.42  | 1.96  | 1.45  | .    |
| Italy          | 0.97 | 0.71  | 1.25  | 1.45  | 1.23  | 0.91  | 0.95  | 0.76  | 1.01  | 1.33  | 1.65  | .    |
| Japan          | 0.05 | -0.74 | -0.94 | -0.95 | -1.23 | -1.09 | -0.66 | -0.22 | -0.46 | -0.38 | -0.37 | .    |
| United Kingdom | 3.09 | 2.12  | 2.55  | 1.74  | 1.03  | 1.18  | 1.08  | 1.35  | 1.17  | 1.05  | 0.57  | .    |
| United States  | 1.76 | 1.48  | 1.25  | 1.37  | 1.65  | 1.48  | 1.55  | 1.49  | 1.59  | 1.49  | 1.06  | 0.99 |

**Unemployment Rate**

Percent

|                | 98.1  | 98.2  | 98.3  | 98.4  | 99.1  | 99.2  | 99.3  | 99.4  | 00.1  | 00.2  | 00.3 | 00.4 |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|
| Canada         | 8.61  | 8.30  | 8.20  | 8.05  | 7.91  | 7.83  | 7.56  | 6.95  | 6.80  | 6.66  | 6.89 | .    |
| Euro Area      | 11.20 | 11.00 | 10.80 | 10.60 | 10.30 | 10.10 | 9.90  | 9.60  | 9.40  | 9.10  | 9.00 | .    |
| France         | 11.94 | 11.82 | 11.80 | 11.78 | 11.68 | 11.51 | 11.16 | 10.65 | 10.17 | 9.61  | 9.39 | .    |
| Germany        | 9.86  | 9.58  | 9.21  | 8.96  | 8.85  | 8.74  | 8.76  | 8.68  | 8.48  | 8.39  | 8.30 | .    |
| Italy          | 11.77 | 11.92 | 11.92 | 11.77 | 11.60 | 11.42 | 11.25 | 11.12 | 10.98 | 10.62 | .    | .    |
| Japan          | 3.69  | 4.08  | 4.24  | 4.41  | 4.64  | 4.73  | 4.72  | 4.62  | 4.82  | 4.70  | 4.64 | .    |
| United Kingdom | 6.41  | 6.33  | 6.32  | 6.27  | 6.26  | 6.08  | 5.95  | 5.95  | 5.82  | 5.54  | 5.42 | .    |
| United States  | 4.65  | 4.43  | 4.52  | 4.43  | 4.28  | 4.27  | 4.22  | 4.10  | 4.05  | 4.00  | 4.02 | 3.98 |

**Reserve Money Growth**

Percent change

|                | 98.1 | 98.2 | 98.3 | 98.4 | 99.1 | 99.2 | 99.3 | 99.4  | 00.1  | 00.2 | 00.3 | 00.4  |
|----------------|------|------|------|------|------|------|------|-------|-------|------|------|-------|
| Canada         | 2.37 | 3.90 | 4.58 | 6.87 | 9.54 | 7.99 | 8.76 | 25.24 | 7.05  | 4.81 | 1.48 | .     |
| Euro Area      | .    | .    | .    | .    | .    | .    | .    | .     | .     | .    | .    | .     |
| Japan          | 8.83 | 9.25 | 9.08 | 3.99 | 6.16 | 6.36 | 7.30 | 14.91 | 10.89 | 6.32 | 3.92 | -1.15 |
| United Kingdom | 6.78 | 5.89 | 5.88 | 5.07 | 5.26 | 6.79 | 7.58 | 9.54  | 9.89  | 7.86 | 7.52 | .     |
| United States  | 6.02 | 5.93 | 6.36 | 6.90 | 7.65 | 8.75 | 9.09 | 12.87 | 10.57 | 7.35 | 5.56 | 0.61  |

**Narrow Money Growth**

Percent change

|                | 98.1  | 98.2  | 98.3  | 98.4  | 99.1  | 99.2  | 99.3  | 99.4  | 00.1  | 00.2  | 00.3  | 00.4  |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Canada         | 11.87 | 12.75 | 12.65 | 9.54  | 5.79  | 1.69  | 1.44  | 3.64  | 10.53 | 16.07 | 18.18 | 17.33 |
| Euro Area      | 9.48  | 10.24 | 9.01  | 10.66 | 12.14 | 11.86 | 12.89 | 10.94 | 10.55 | 7.48  | 6.82  | .     |
| Japan          | 8.80  | 7.75  | 8.20  | 6.72  | 8.48  | 11.85 | 12.92 | 11.78 | 10.38 | 8.67  | 5.00  | .     |
| United Kingdom | 6.48  | 5.41  | 5.78  | 5.93  | 6.11  | 6.86  | 6.96  | 7.86  | 7.27  | 7.15  | 7.40  | .     |
| United States  | 9.39  | 11.08 | 11.87 | 14.20 | 14.48 | 13.54 | 12.20 | 9.38  | 8.29  | 7.57  | 7.68  | 7.92  |

**Broad Money Growth**

Percent change

|                | 98.1  | 98.2  | 98.3 | 98.4 | 99.1 | 99.2 | 99.3 | 99.4 | 00.1 | 00.2 | 00.3 | 00.4 |
|----------------|-------|-------|------|------|------|------|------|------|------|------|------|------|
| Canada         | -1.09 | -0.82 | 0.59 | 1.29 | 1.87 | 2.45 | 2.81 | 3.75 | 4.91 | 6.16 | 6.46 | 6.03 |
| Euro Area      | 4.93  | 5.00  | 4.71 | 4.69 | 5.64 | 5.75 | 6.64 | 7.46 | 7.65 | 7.19 | 7.08 | .    |
| Japan          | 4.61  | 3.96  | 4.38 | 4.33 | 4.12 | 4.33 | 3.28 | 2.63 | 1.88 | 1.88 | 1.96 | .    |
| United Kingdom | 4.37  | 3.82  | 8.99 | 8.46 | 6.54 | 5.43 | 3.11 | 3.93 | 5.34 | 6.82 | 9.26 | .    |
| United States  | 6.36  | 7.07  | 7.26 | 8.44 | 8.42 | 8.06 | 7.64 | 6.23 | 5.90 | 5.99 | 5.82 | 6.09 |

**Short-Term Interest Rates**

Percent

|                | 98.1 | 98.2 | 98.3 | 98.4 | 99.1 | 99.2 | 99.3 | 99.4 | 00.1 | 00.2 | 00.3 | 00.4 |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Canada         | 4.81 | 4.96 | 5.25 | 5.13 | 5.00 | 4.70 | 4.82 | 5.04 | 5.28 | 5.76 | 5.86 | .    |
| Euro Area      | 4.12 | 3.80 | 3.88 | 3.52 | 3.09 | 2.64 | 2.70 | 3.43 | 3.54 | 4.26 | 4.74 | 5.02 |
| Japan          | 0.95 | 0.62 | 0.67 | 0.62 | 0.49 | 0.11 | 0.09 | 0.29 | 0.11 | 0.08 | 0.27 | 0.54 |
| United Kingdom | 7.47 | 7.49 | 7.58 | 6.79 | 5.50 | 5.20 | 5.19 | 5.89 | 6.12 | 6.19 | 6.12 | 5.99 |
| United States  | 5.55 | 5.59 | 5.53 | 5.20 | 4.90 | 4.98 | 5.38 | 6.06 | 6.03 | 6.57 | 6.63 | 6.59 |

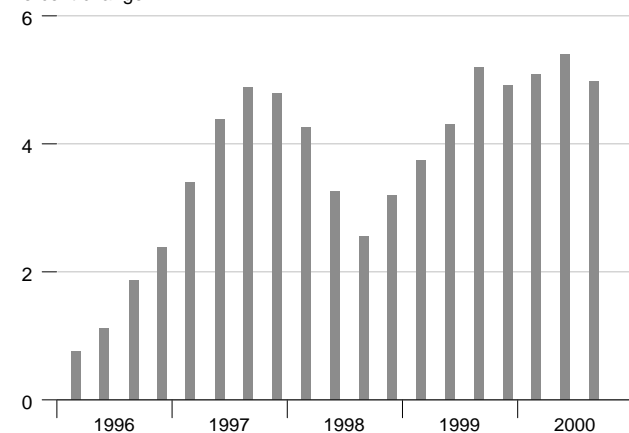
**Long-Term Interest Rates**

Percent

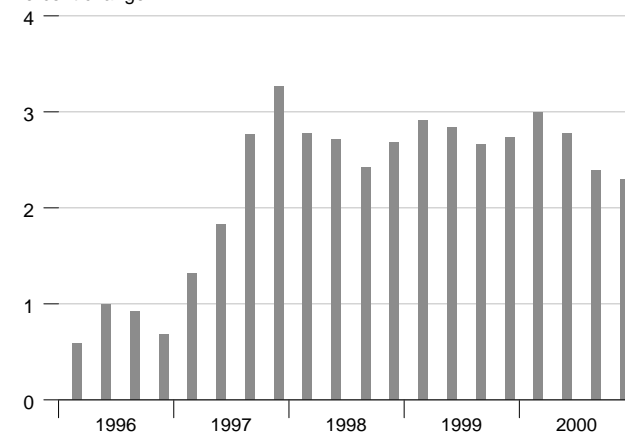
|                | 98.1 | 98.2 | 98.3 | 98.4 | 99.1 | 99.2 | 99.3 | 99.4 | 00.1 | 00.2 | 00.3 | 00.4 |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Canada         | 5.61 | 5.49 | 5.50 | 5.21 | 5.24 | 5.49 | 5.78 | 6.21 | 6.20 | 5.96 | 5.81 | 5.72 |
| Euro Area      | 5.12 | 4.99 | 4.56 | 4.15 | 3.99 | 4.26 | 5.05 | 5.32 | 5.62 | 5.43 | 5.44 | .    |
| France         | 5.14 | 5.04 | 4.64 | 4.45 | 4.31 | 4.55 | 5.20 | 5.71 | 5.93 | 5.90 | 5.99 | 5.75 |
| Germany        | 5.00 | 4.90 | 4.40 | 4.03 | 3.87 | 4.10 | 4.87 | 5.17 | 5.43 | 5.27 | 5.25 | 5.08 |
| Italy          | 5.34 | 5.14 | 4.76 | 4.32 | 4.09 | 4.36 | 5.14 | 5.42 | 5.72 | 5.58 | 5.60 | 5.48 |
| Japan          | 1.65 | 1.36 | 1.13 | 1.02 | 1.83 | 1.39 | 1.79 | 1.78 | 1.79 | 1.71 | 1.79 | 1.74 |
| United Kingdom | 6.02 | 5.78 | 5.47 | 4.80 | 4.47 | 4.89 | 5.45 | 5.50 | 5.60 | 5.30 | 5.28 | 5.05 |
| United States  | 5.94 | 5.92 | 5.58 | 5.32 | 5.60 | 6.04 | 6.34 | 6.55 | 6.54 | 6.29 | 6.06 | 5.85 |

**Real GDP Growth**

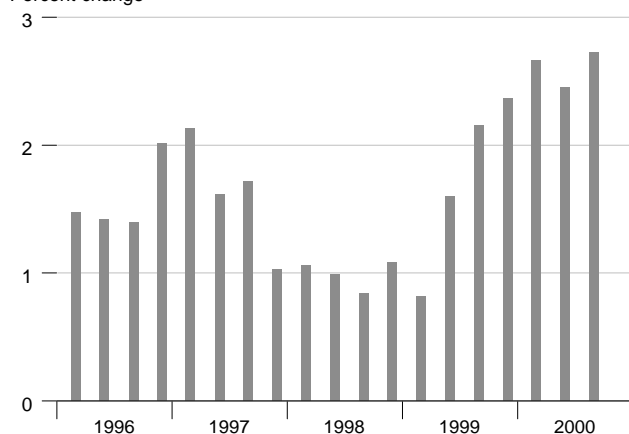
Percent change

**Employment Growth**

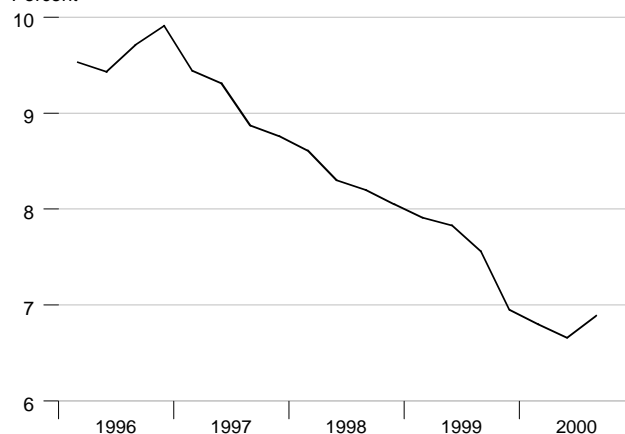
Percent change

**Consumer Price Index**

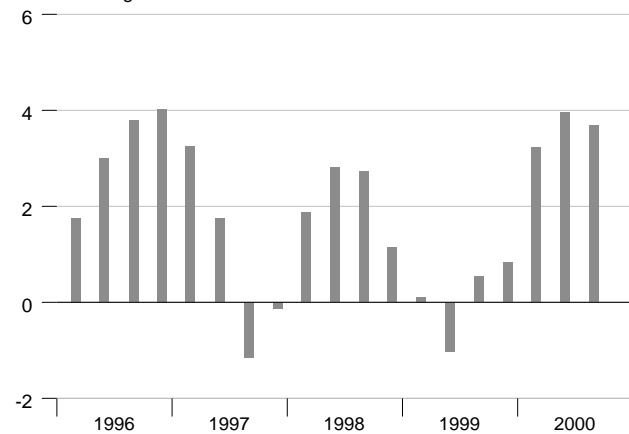
Percent change

**Unemployment Rate**

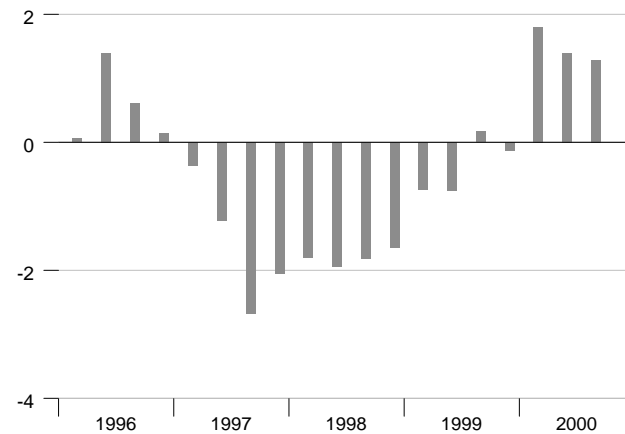
Percent

**Hourly Earnings**

Percent change

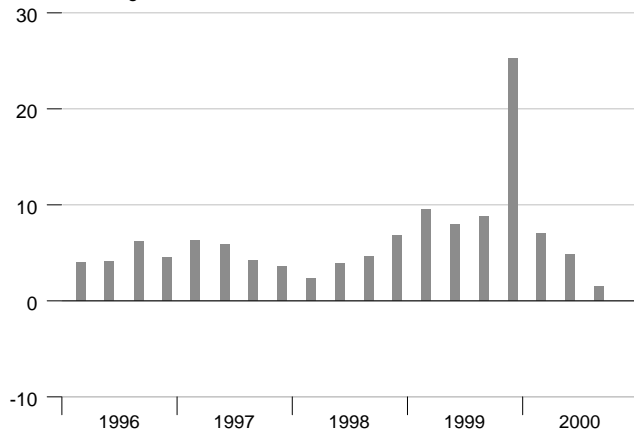
**Current Account Balance**

Percent of GDP



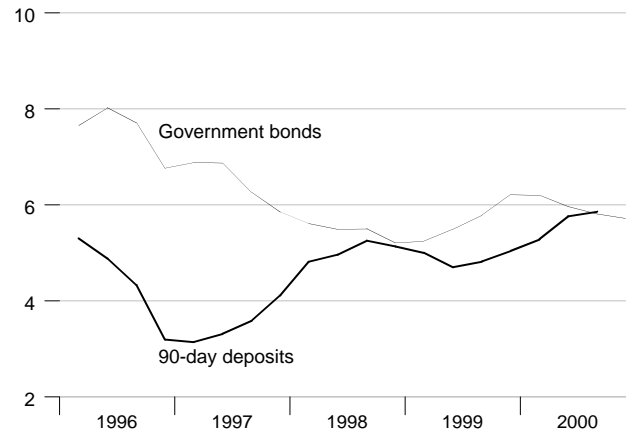
### Reserve Money Growth

Percent change



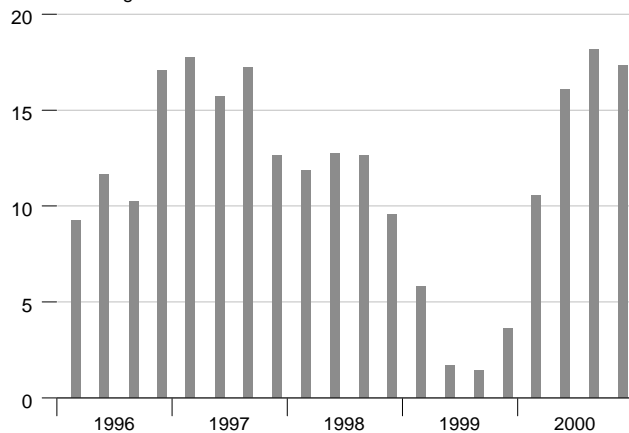
### Interest Rates

Percent



### M1 Growth

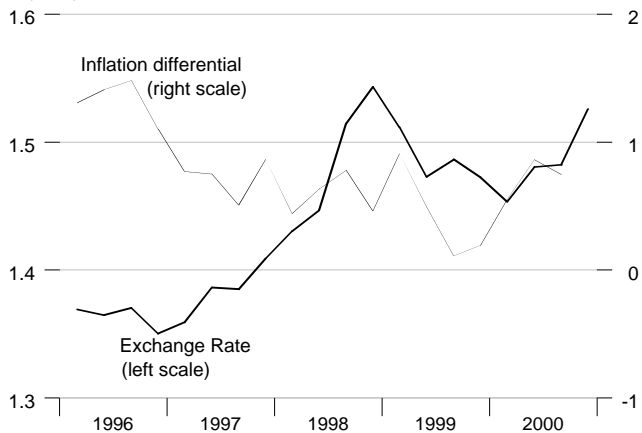
Percent change



### Exchange Rate and Inflation Differential

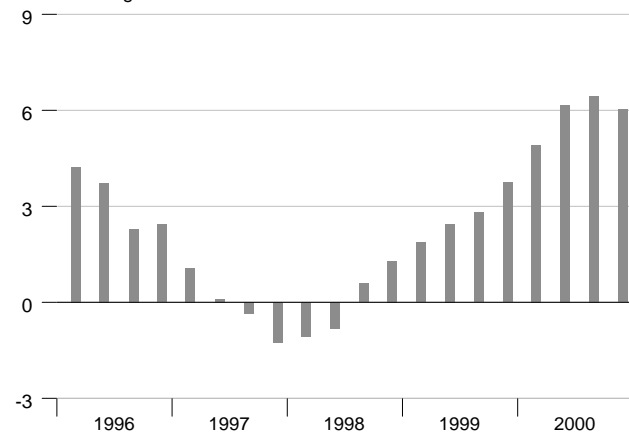
C\$/US\$

Percent



### M2 Growth

Percent change



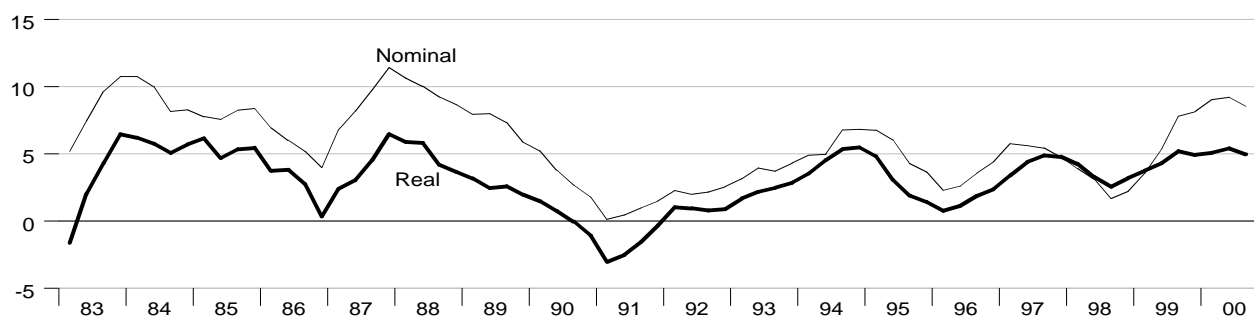
### Real Effective Exchange Rate

Index 1995 = 100

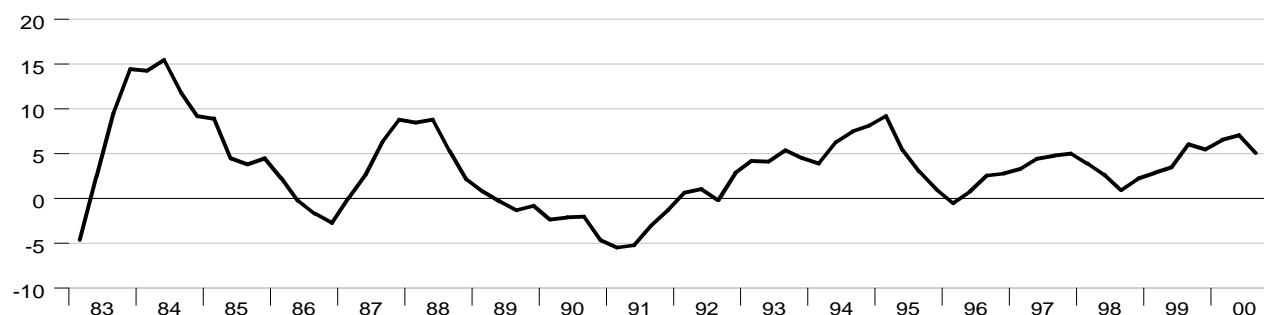


**GDP Growth**

Percent change

**Industrial Production**

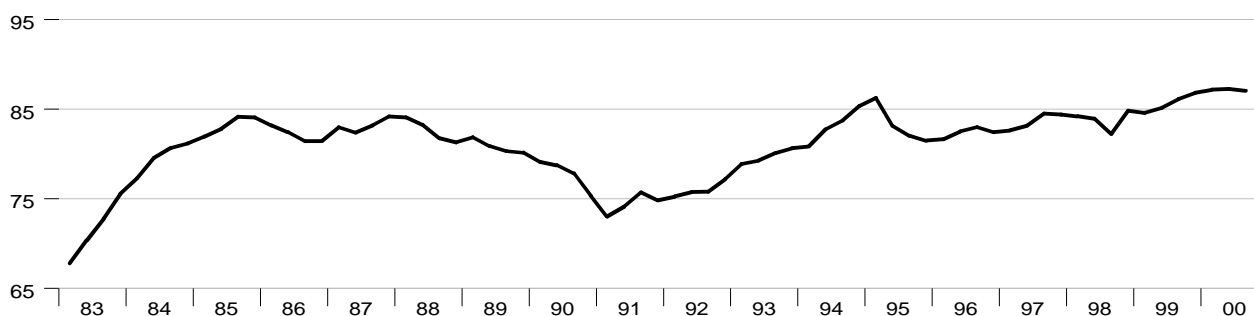
Percent change

**Retail Sales**

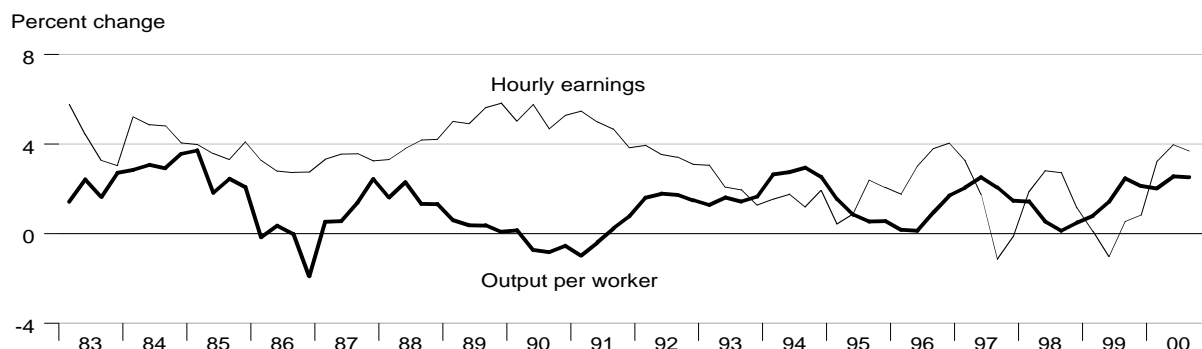
Percent change

**Capacity Utilization**

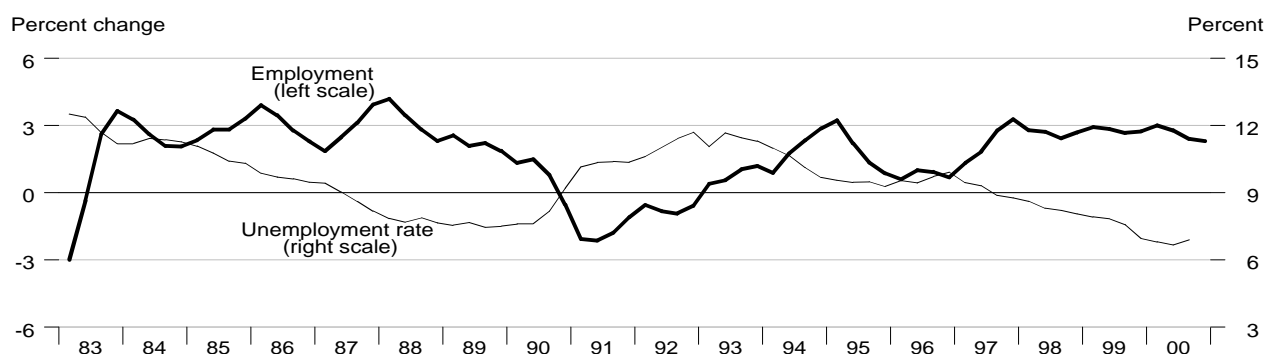
Percent



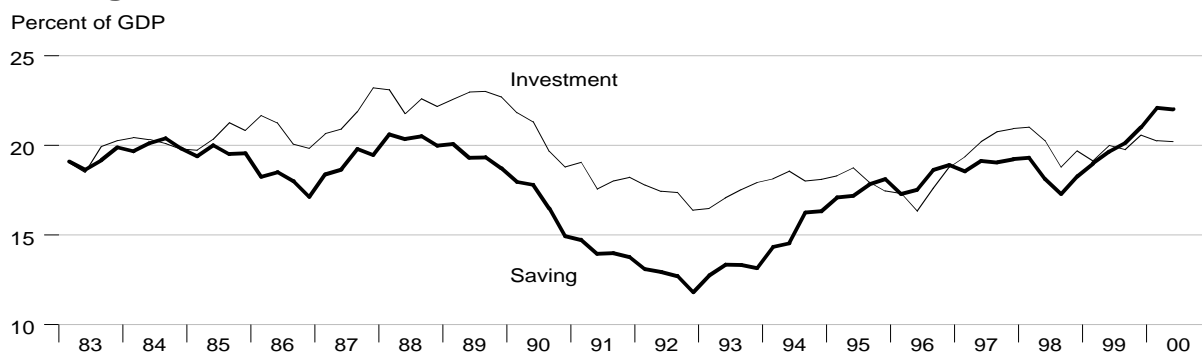
## Hourly Earnings and Output per Worker



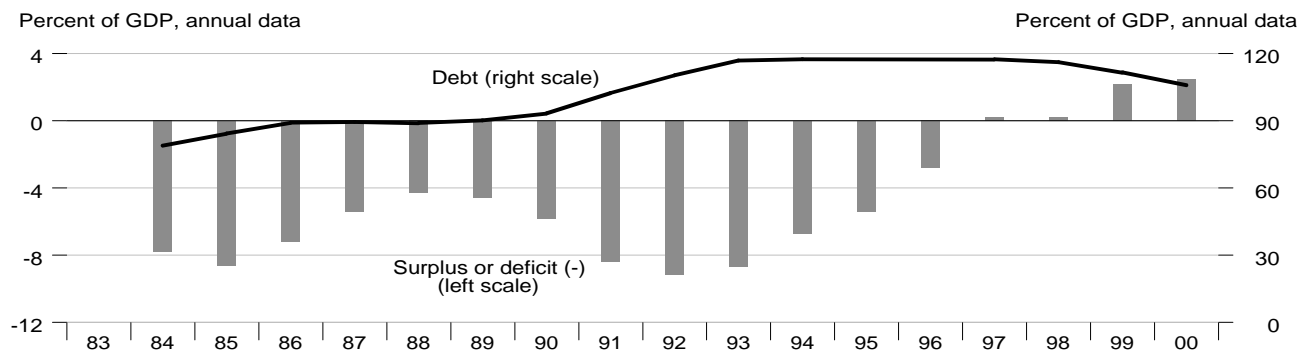
## Labor Force Indicators



## Saving and Investment



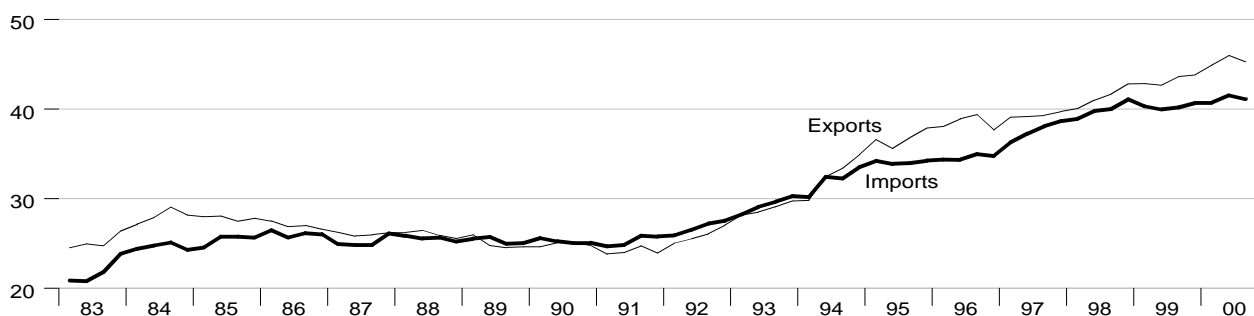
## Government Debt and Budget Surplus or Deficit (-)



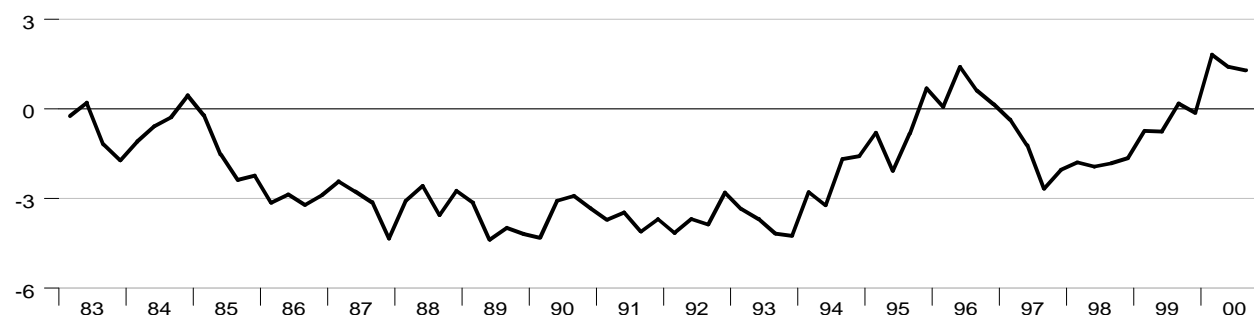


**International Trade - Goods and Services**

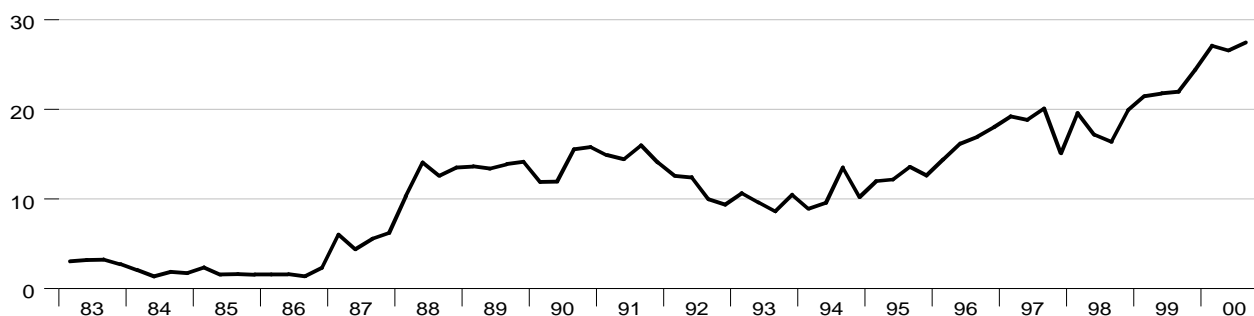
Percent of GDP

**Current Account Balance**

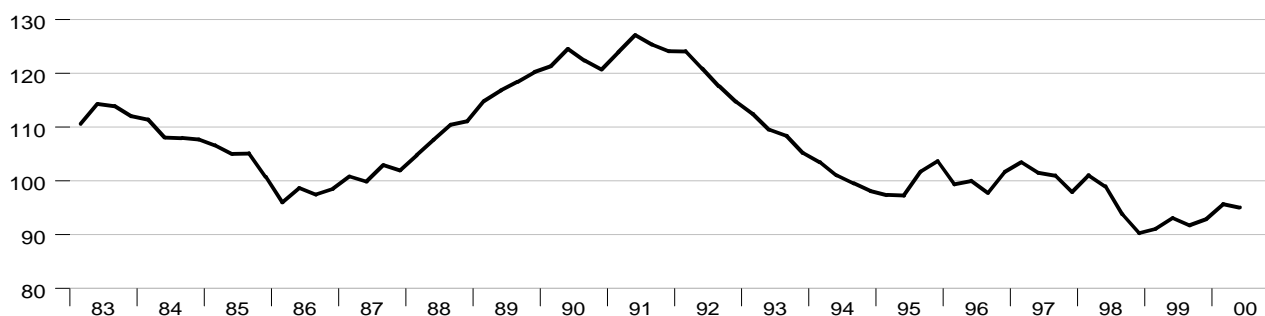
Percent of GDP

**Foreign Exchange Reserves**

Billions of US\$

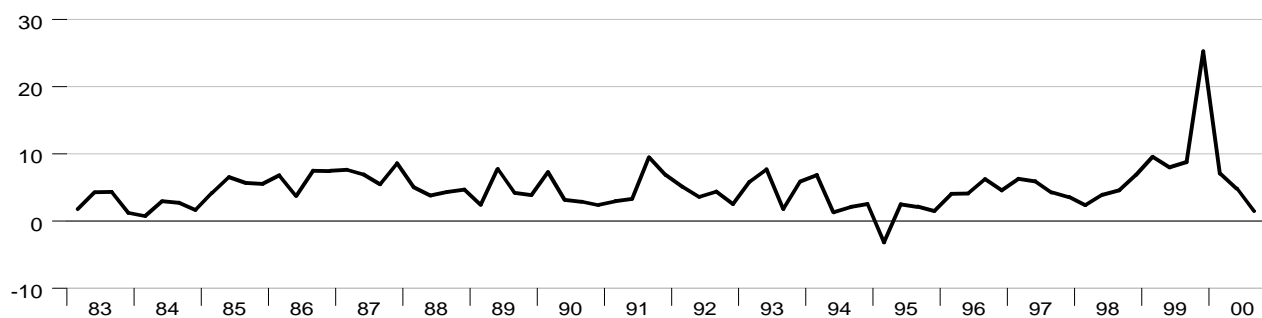
**Real Effective Exchange Rate**

Index 1995 = 100

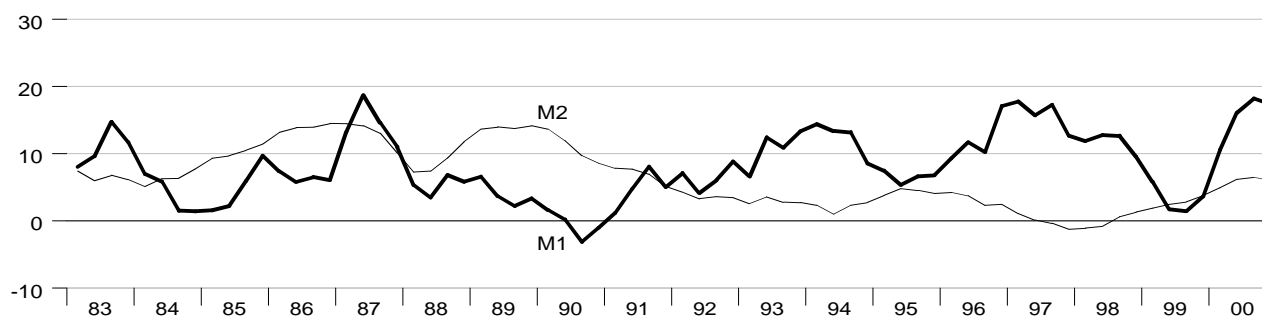


**Reserve Money Growth**

Percent change

**Monetary Aggregates**

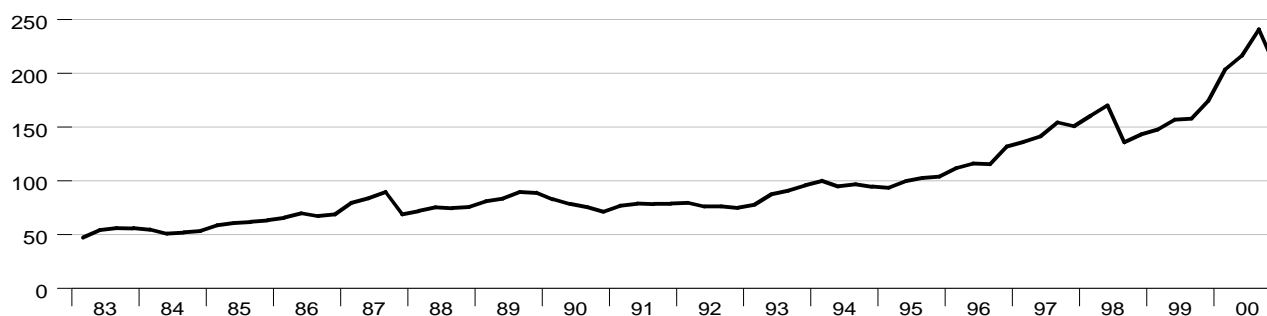
Percent change

**Interest Rates**

Percent

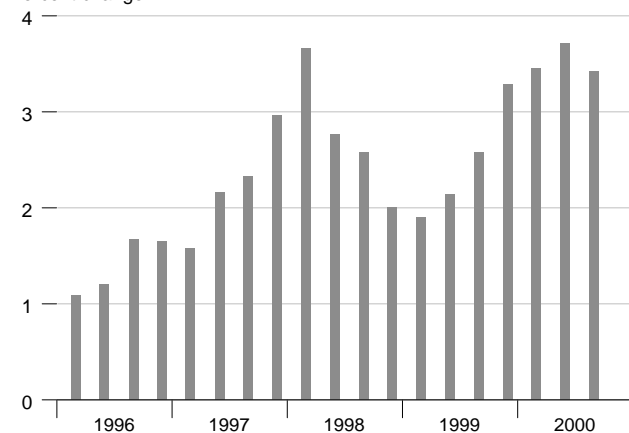
**Stock Exchange Index - Toronto Stock Exchange**

1995 = 100



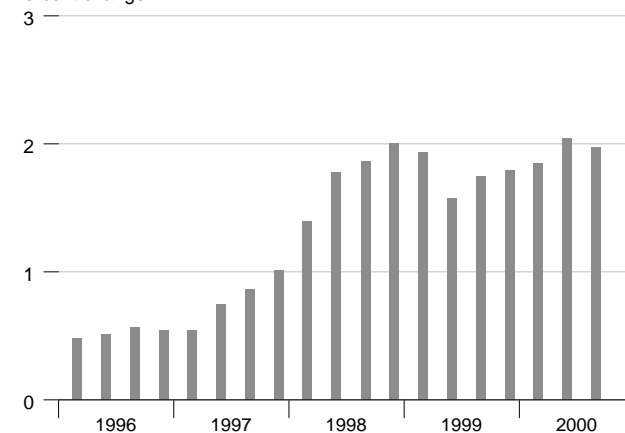
### Real GDP Growth

Percent change



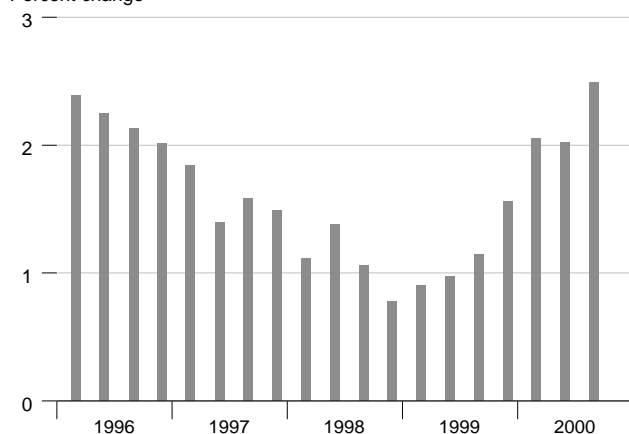
### Employment Growth

Percent change



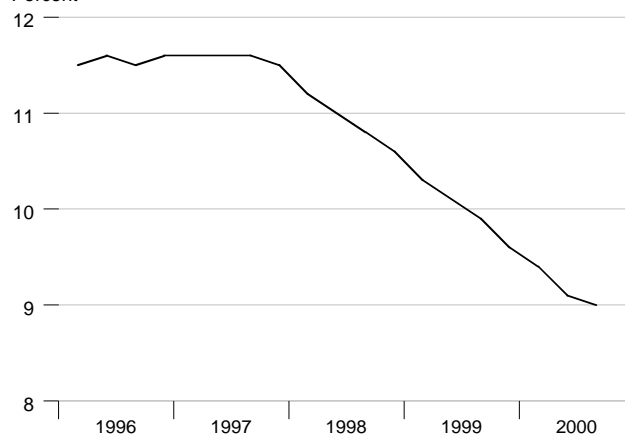
### Consumer Price Index

Percent change



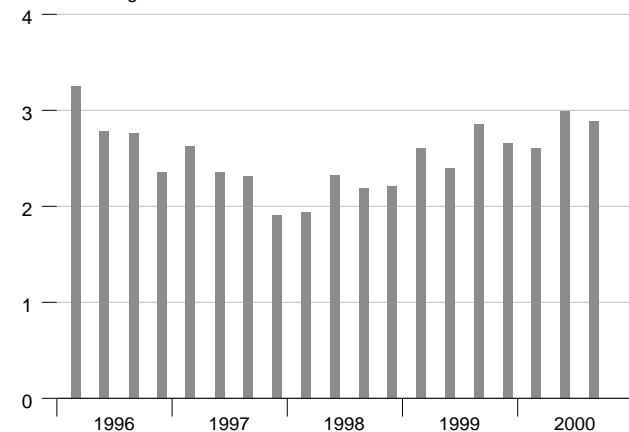
### Unemployment Rate

Percent



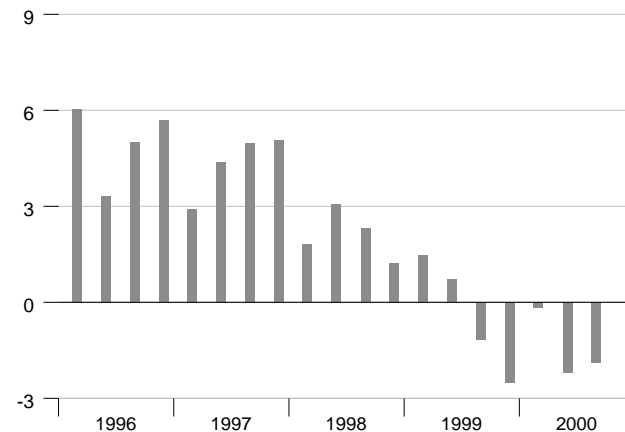
### Hourly Earnings

Percent Change



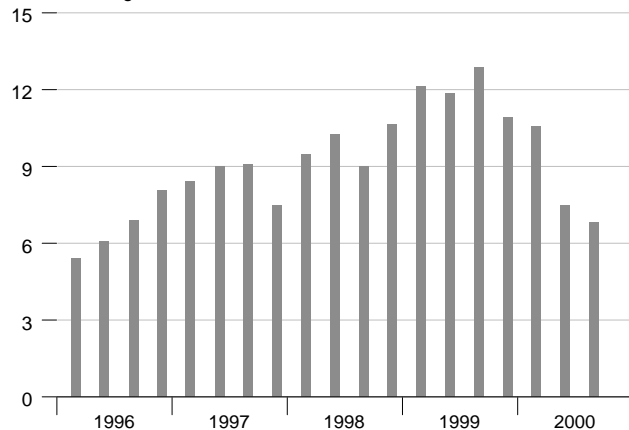
### Current Account Balance

Percent of GDP



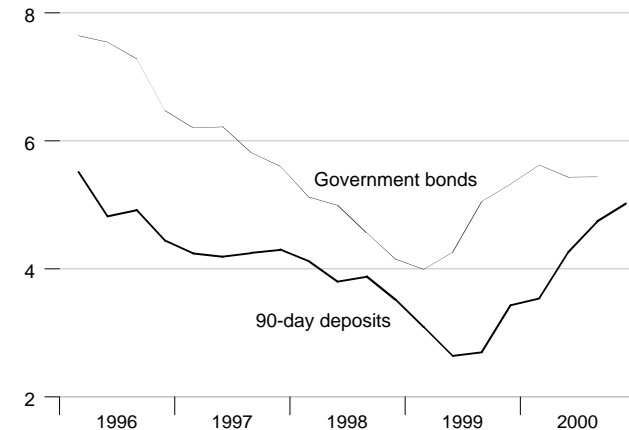
## M1 Growth

Percent change



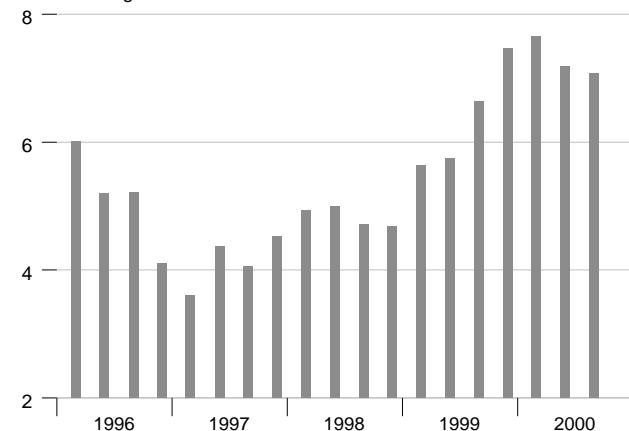
## Interest Rates

Percent



## M3 Growth

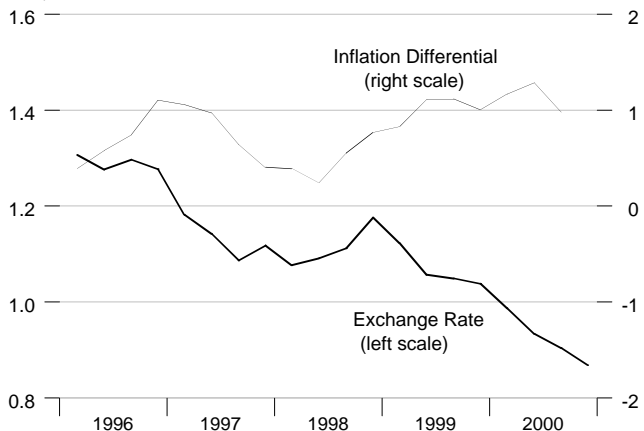
Percent change



## Exchange Rate and Inflation Differential

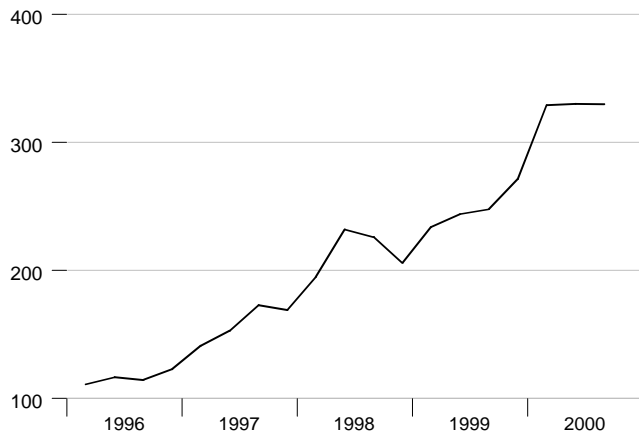
US\$/Euro

Percent



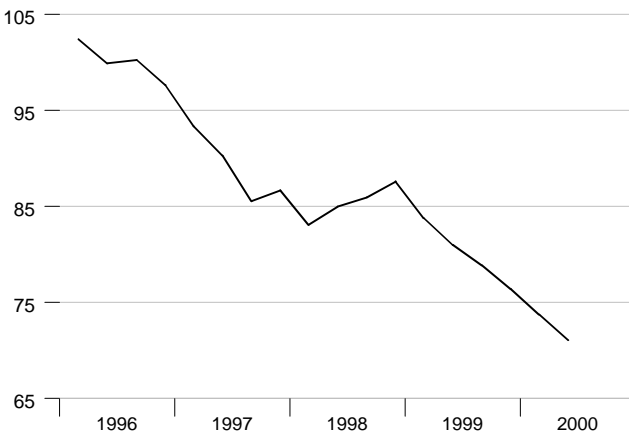
## Stock Exchange Index - Dow Jones EURO STOXX <sup>SM</sup>

1995 = 100



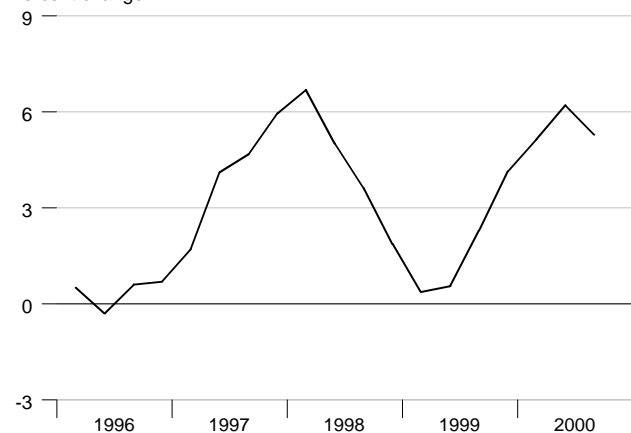
## Real Effective Exchange Rate

Index 1995 = 100



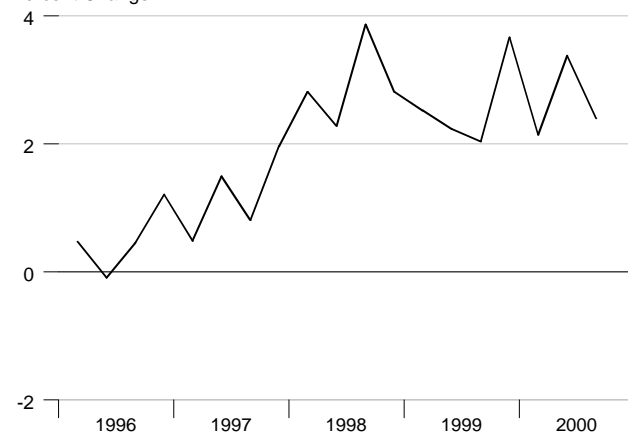
## Industrial Production

Percent change



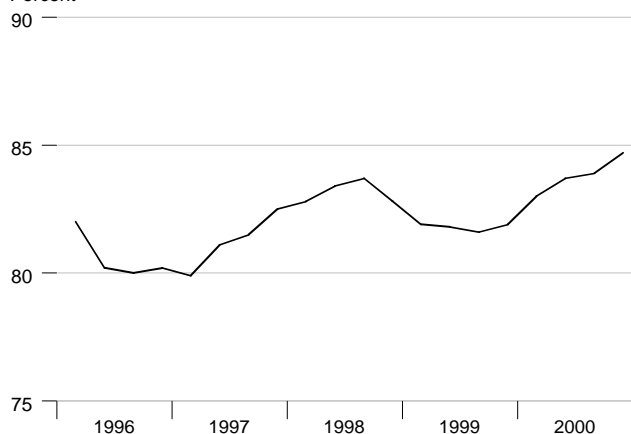
## Retail Sales

Percent Change



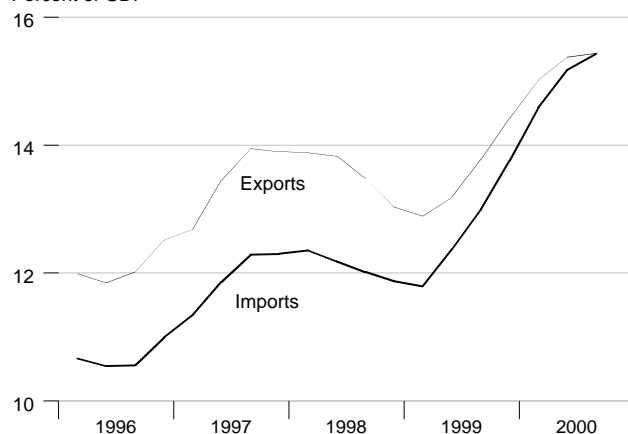
## Capacity Utilization

Percent



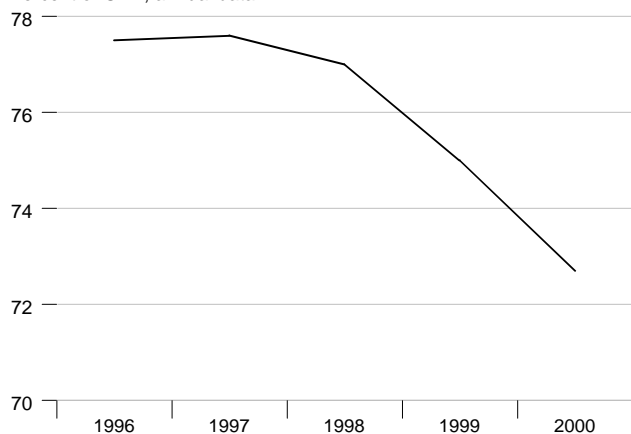
## International Trade - Goods

Percent of GDP



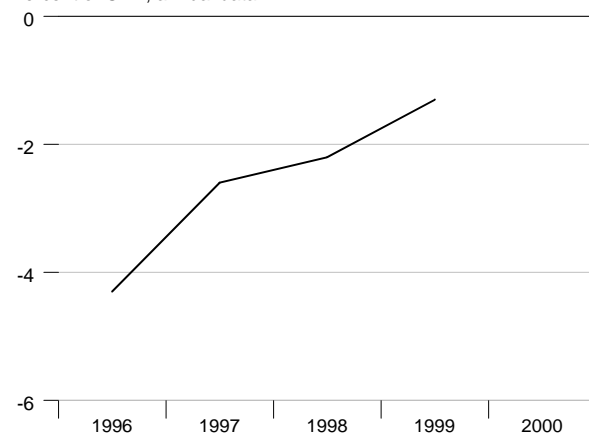
## Government Debt

Percent of GDP, annual data



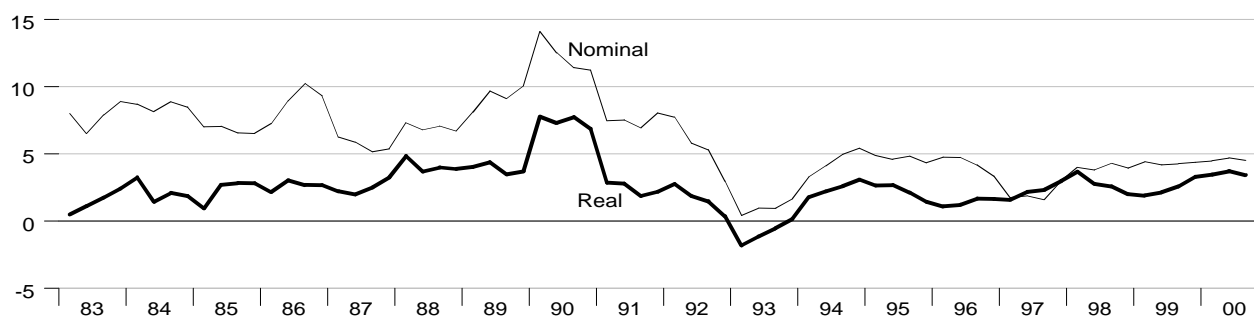
## Budget Surplus or Deficit (-)

Percent of GDP, annual data

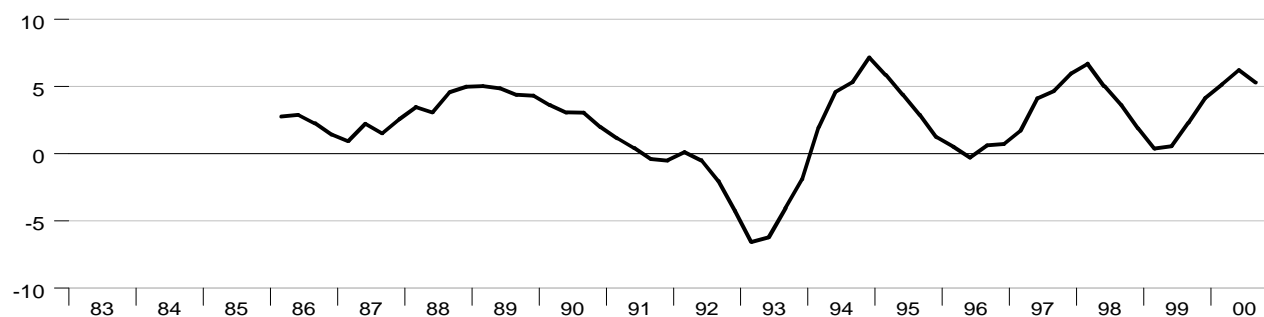


**GDP Growth**

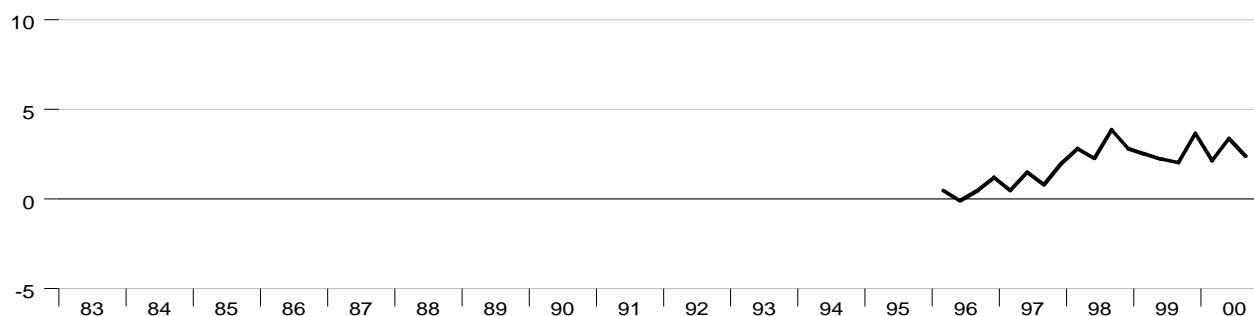
Percent change

**Industrial Production**

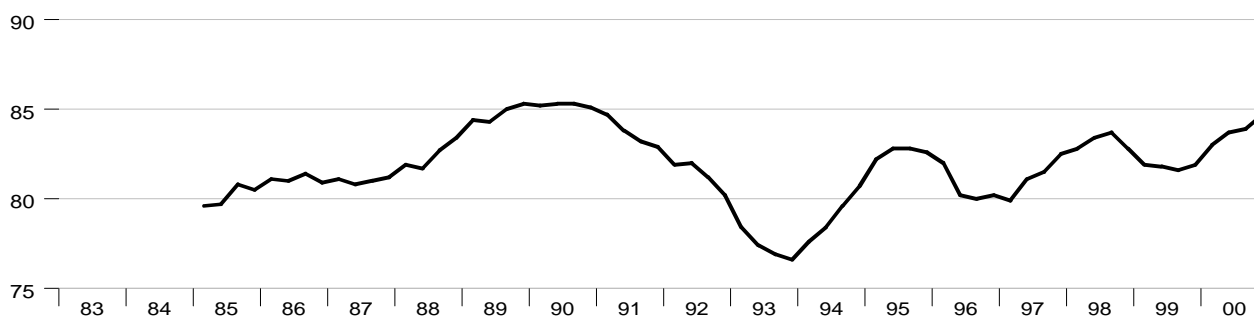
Percent change

**Retail Sales**

Percent change

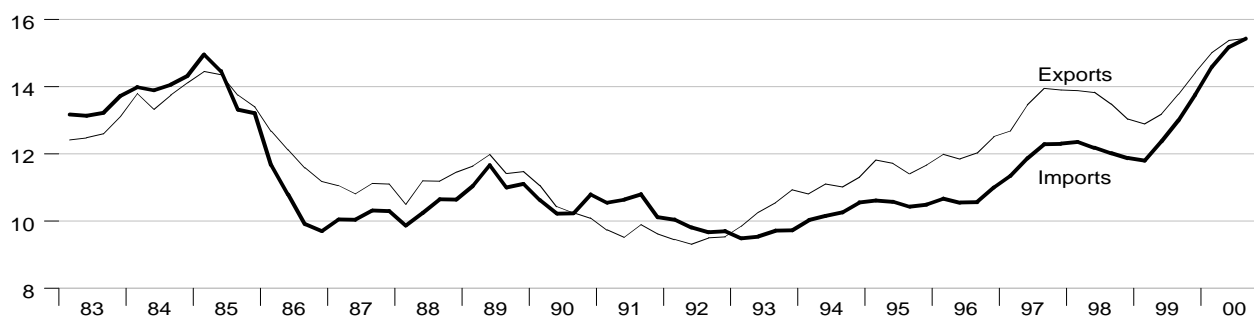
**Capacity Utilization**

Percent



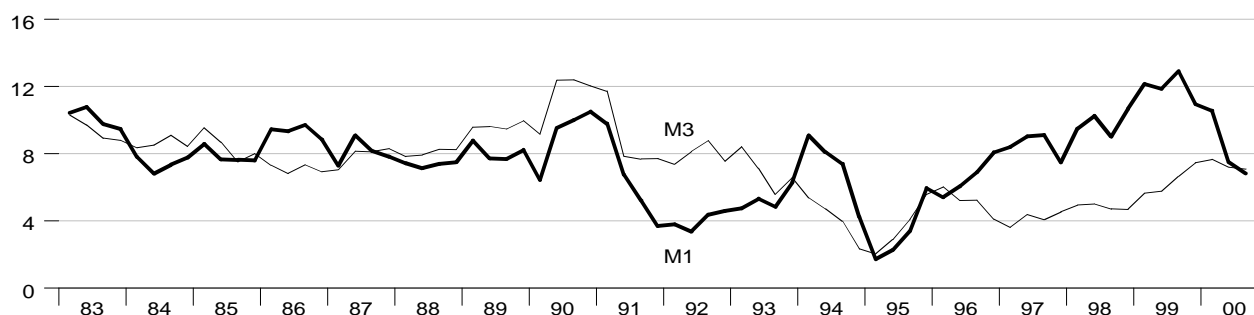
## International Trade - Goods

Percent of GDP



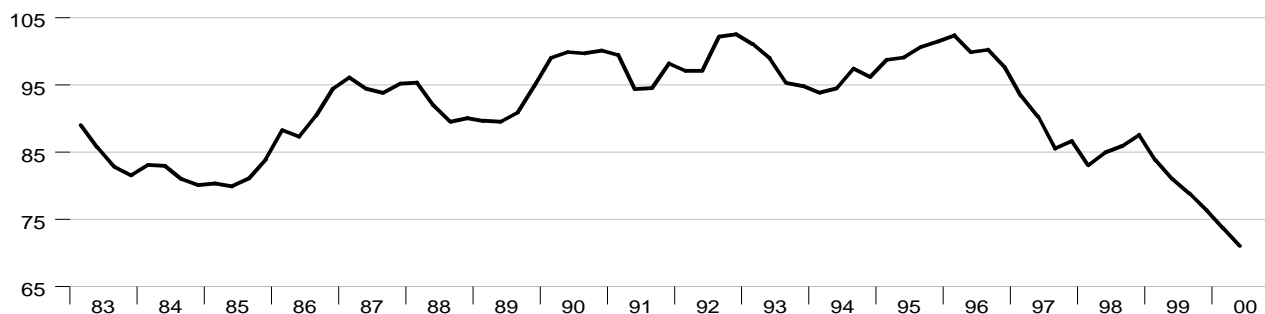
## Monetary Aggregates

Percent Change



## Real Effective Exchange Rate

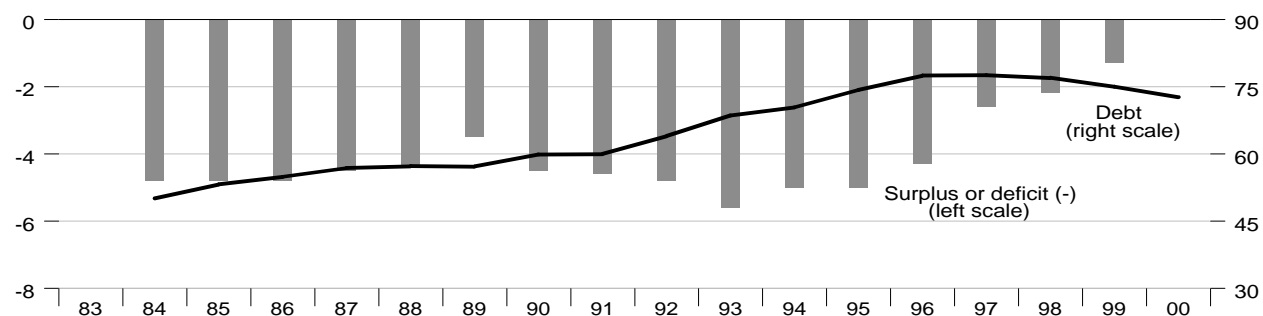
Index 1995 = 100



## Government Debt and Budget Surplus or Deficit (-)

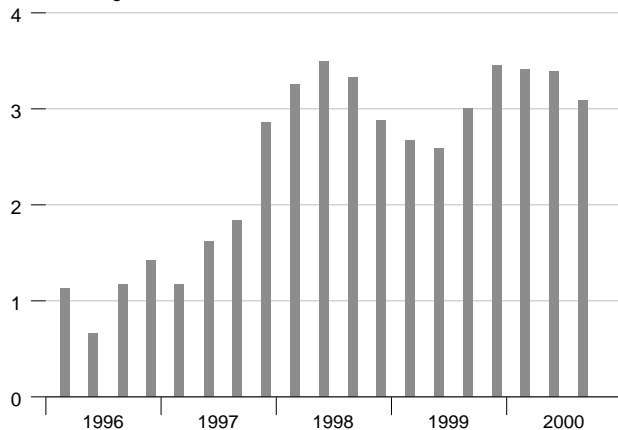
Percent of GDP, annual data

Percent of GDP, annual data



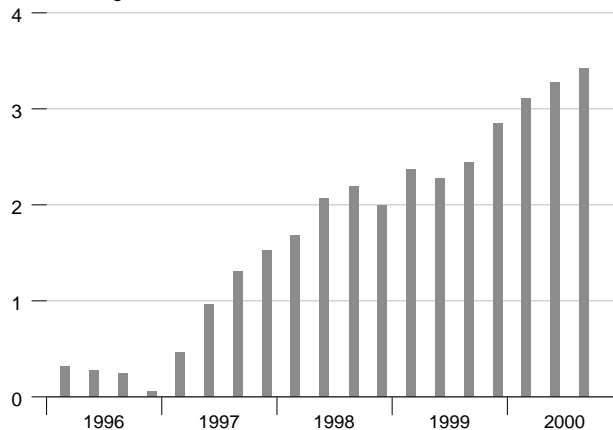
### Real GDP Growth

Percent change



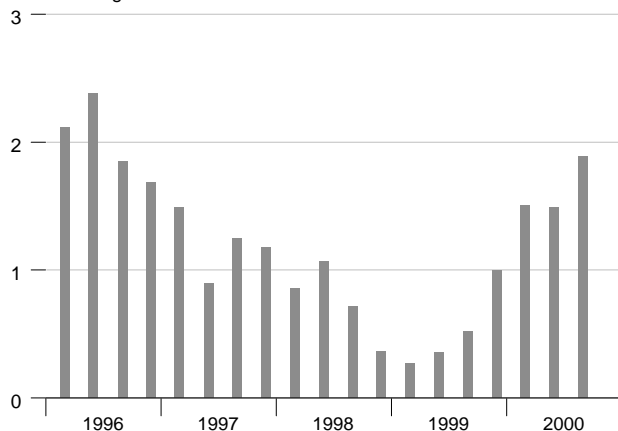
### Employment Growth

Percent change



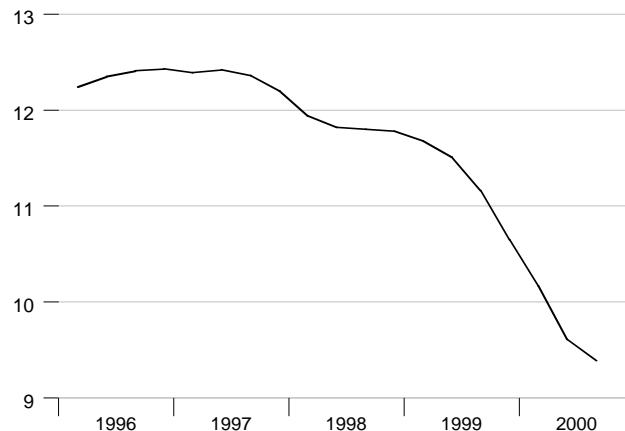
### Consumer Price Index

Percent change



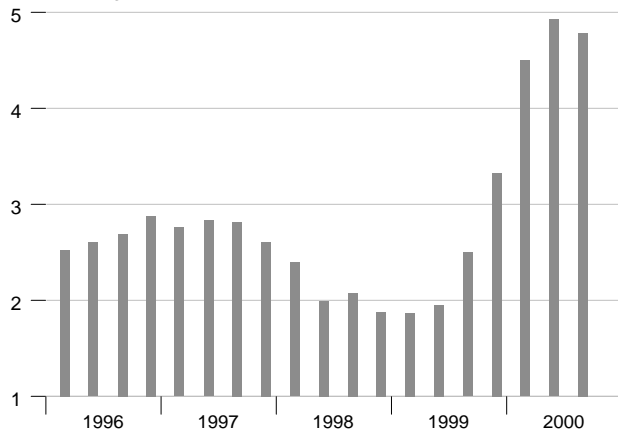
### Unemployment Rate

Percent



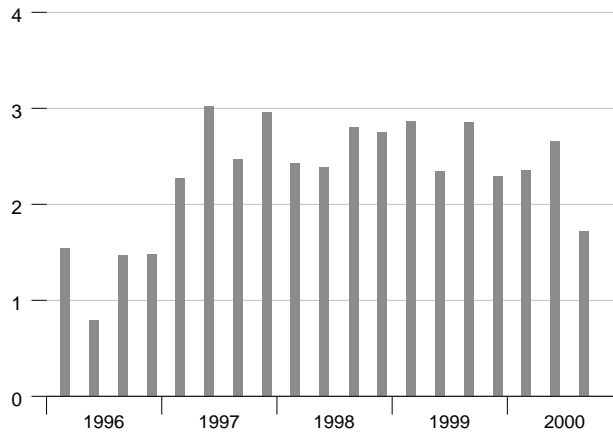
### Hourly Earnings

Percent change



### Current Account Balance

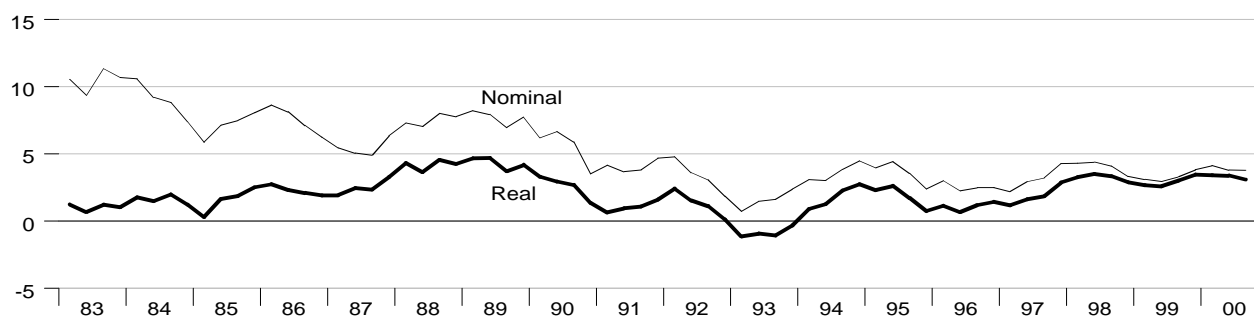
Percent of GDP



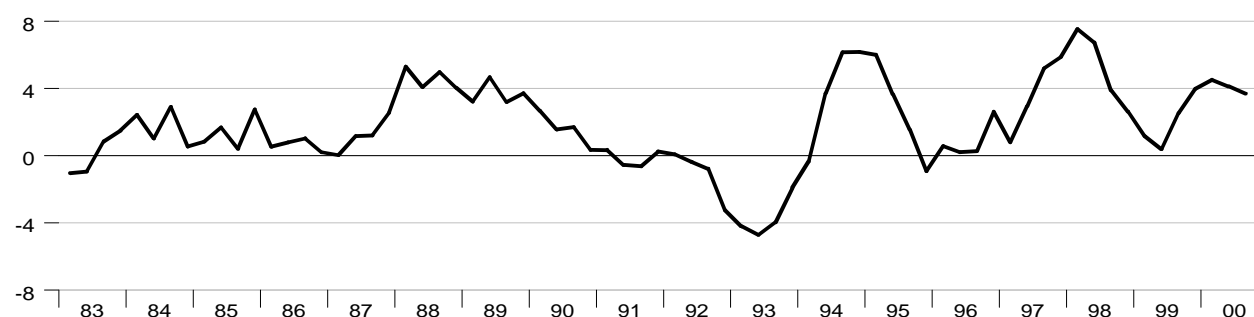


**GDP Growth**

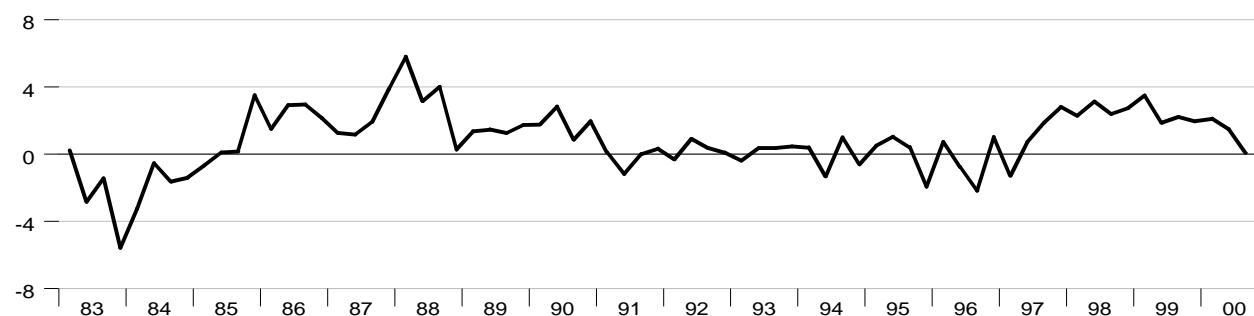
Percent change

**Industrial Production**

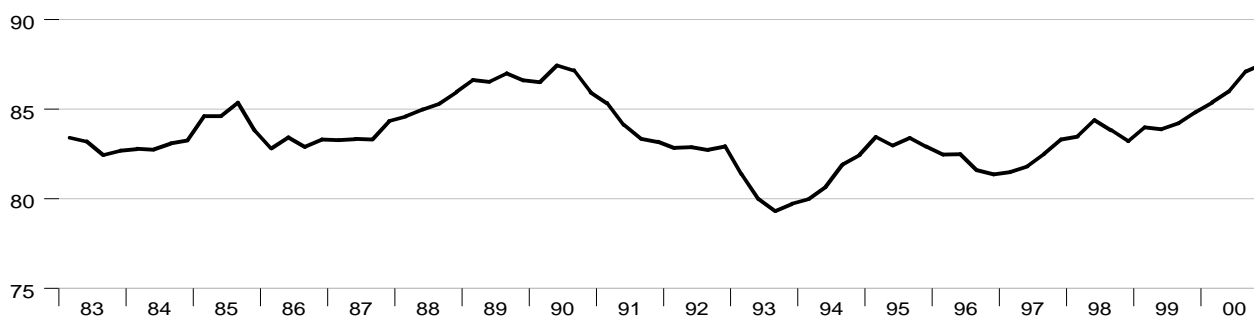
Percent change

**Retail Sales**

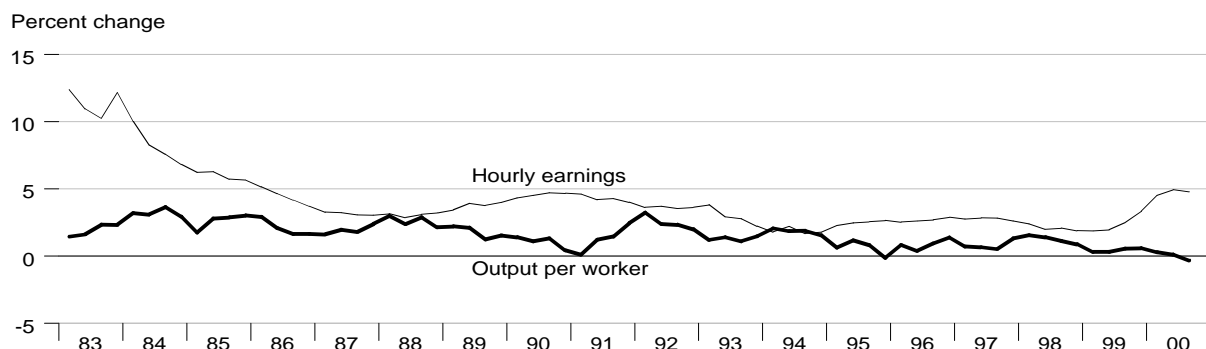
Percent change

**Capacity Utilization**

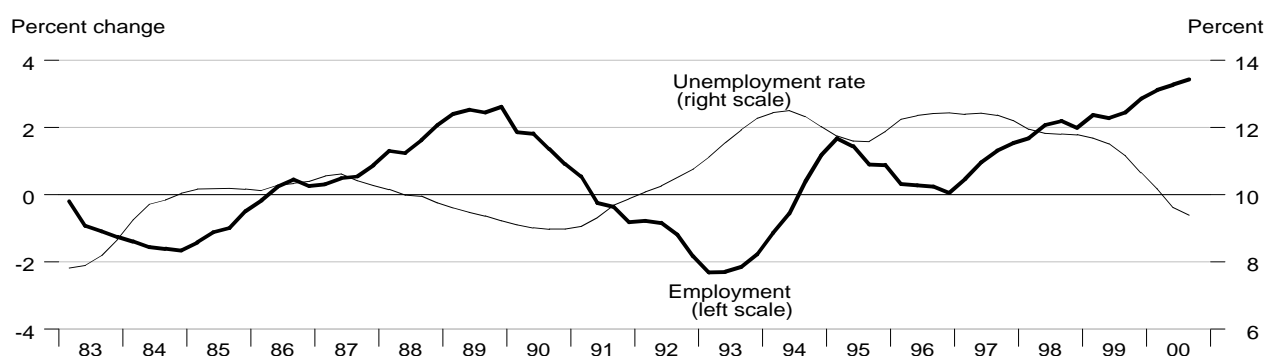
Percent



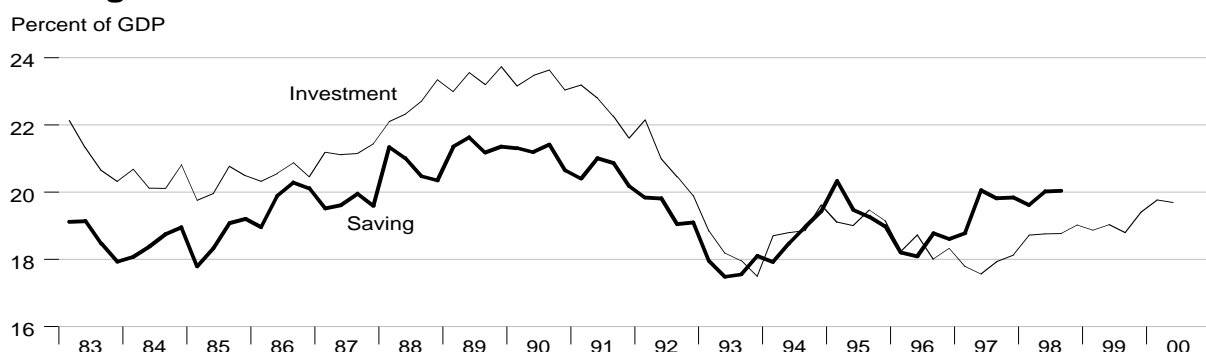
## Hourly Earnings and Output per Worker



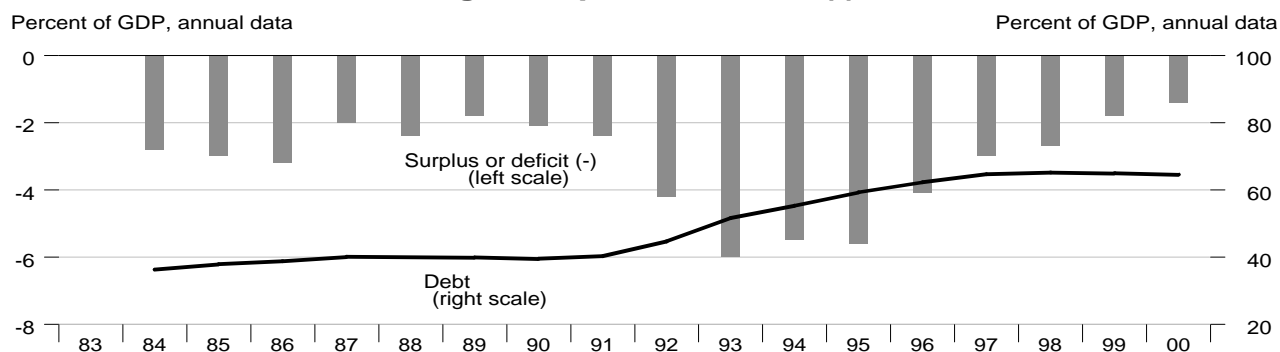
## Labor Force Indicators



## Saving and Investment

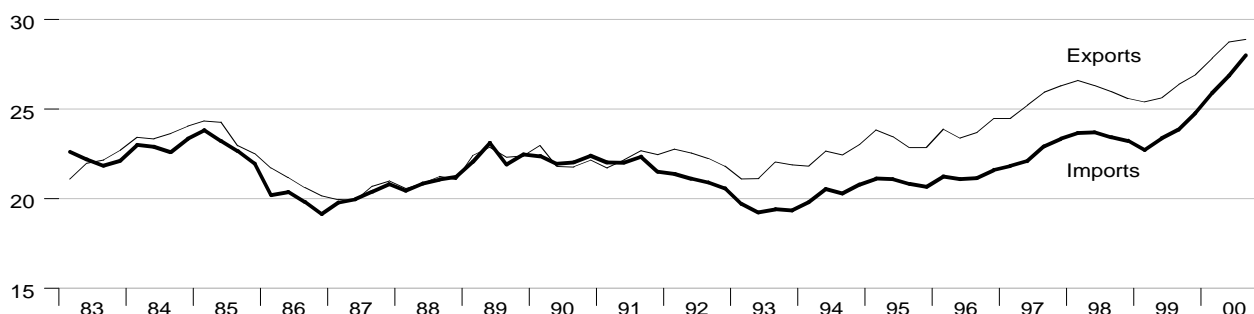


## Government Debt and Budget Surplus or Deficit (-)

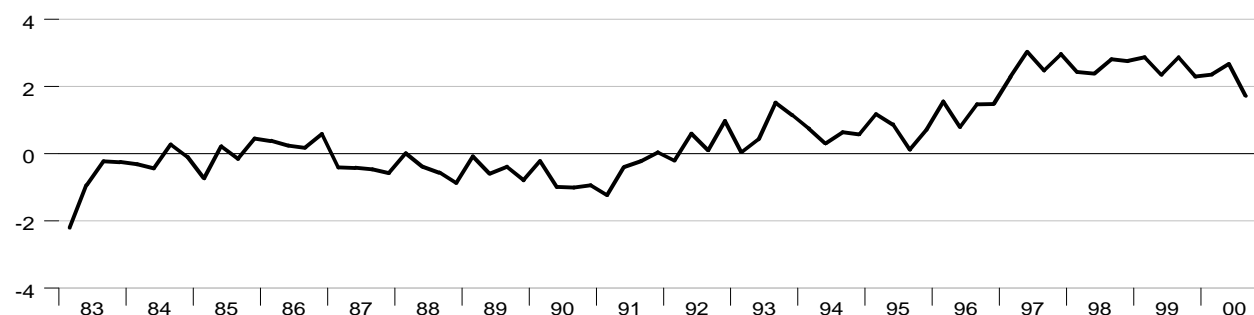


**International Trade - Goods and Services**

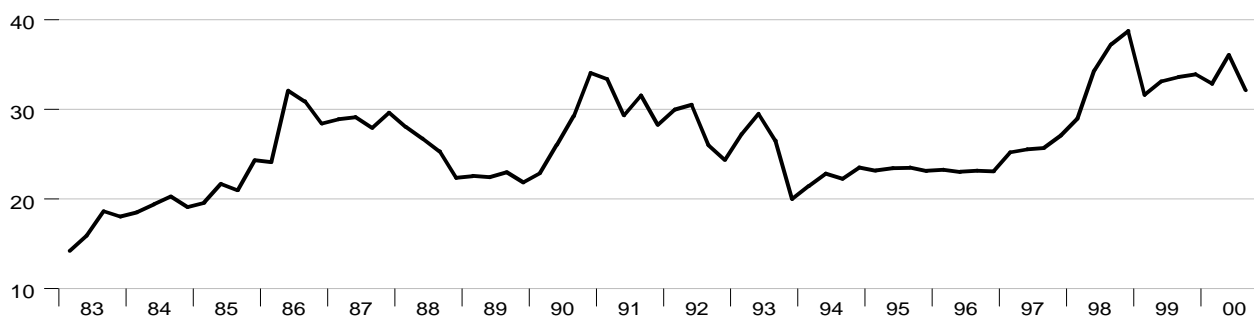
Percent of GDP

**Current Account Balance**

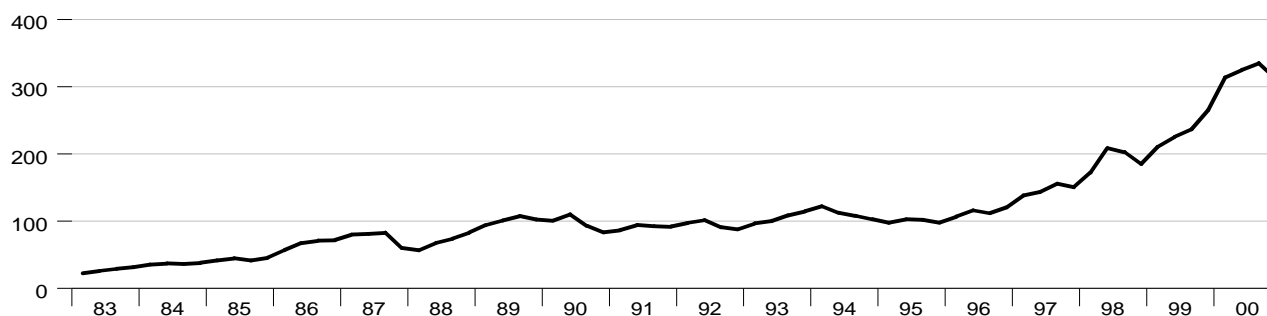
Percent of GDP

**Foreign Exchange Reserves**

Billions of US\$

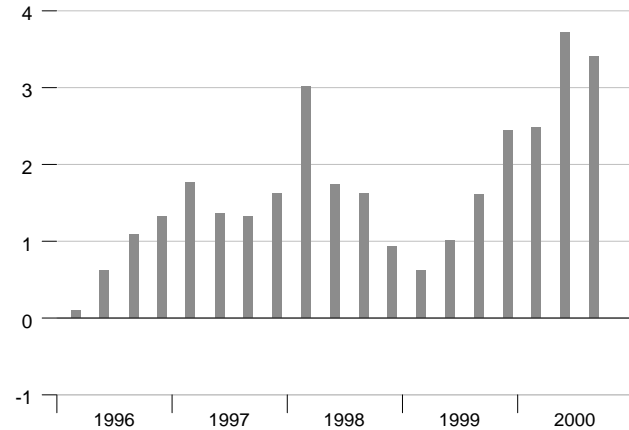
**Stock Exchange Index - SBF 250**

1995 = 100



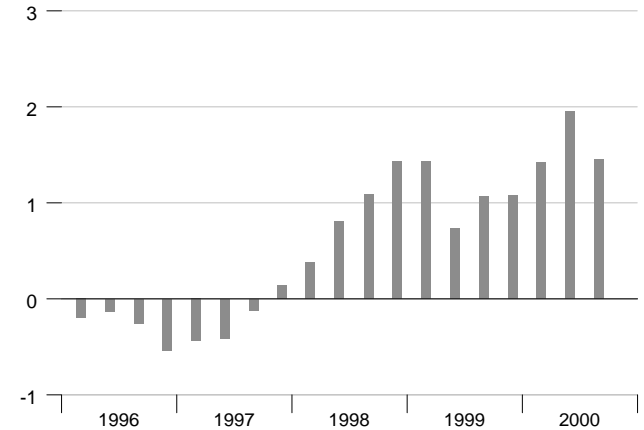
### Real GDP Growth

Percent change



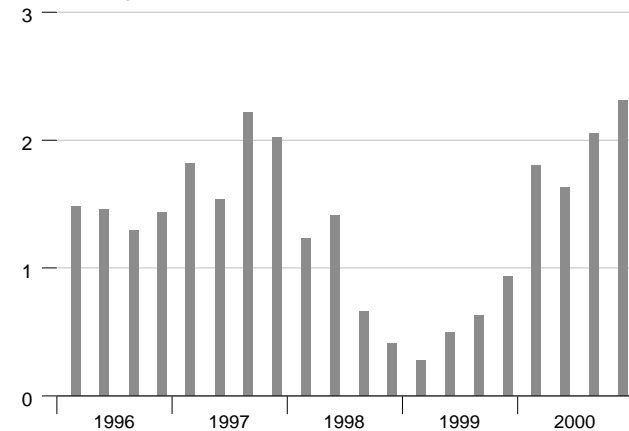
### Employment Growth

Percent change



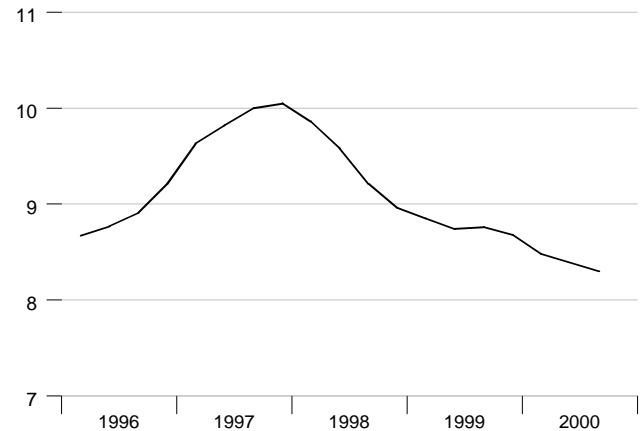
### Consumer Price Index

Percent change



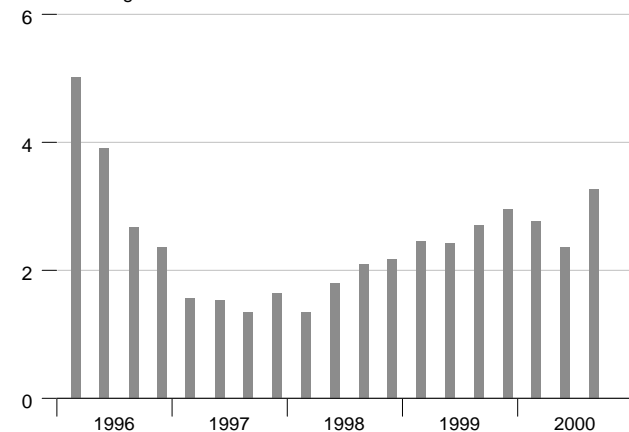
### Unemployment Rate

Percent



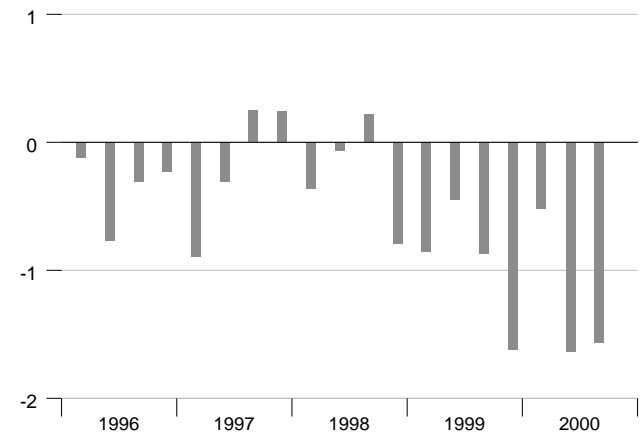
### Hourly Earnings

Percent change



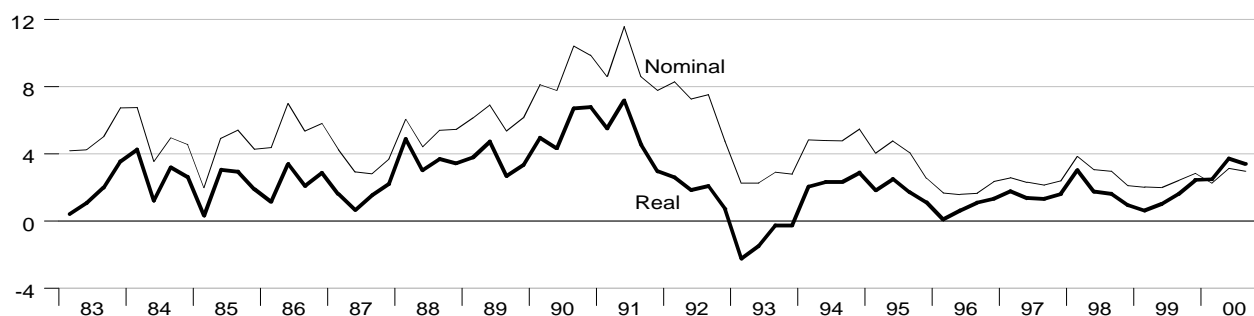
### Current Account Balance

Percent of GDP

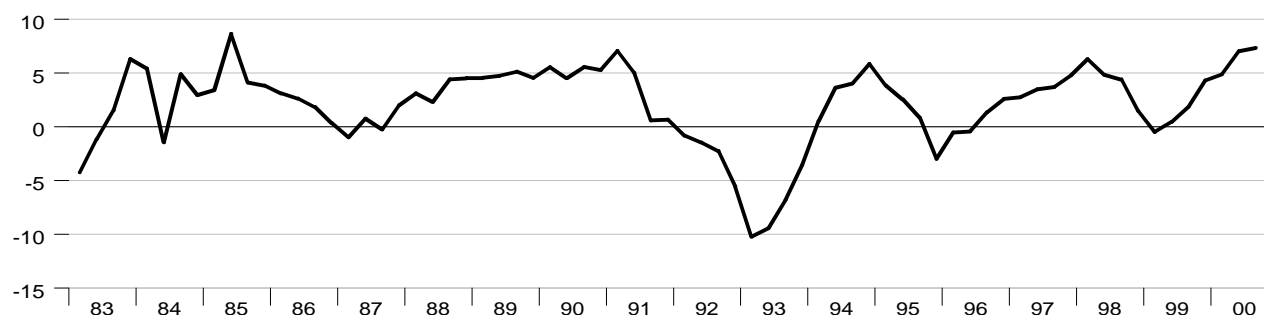


**GDP Growth**

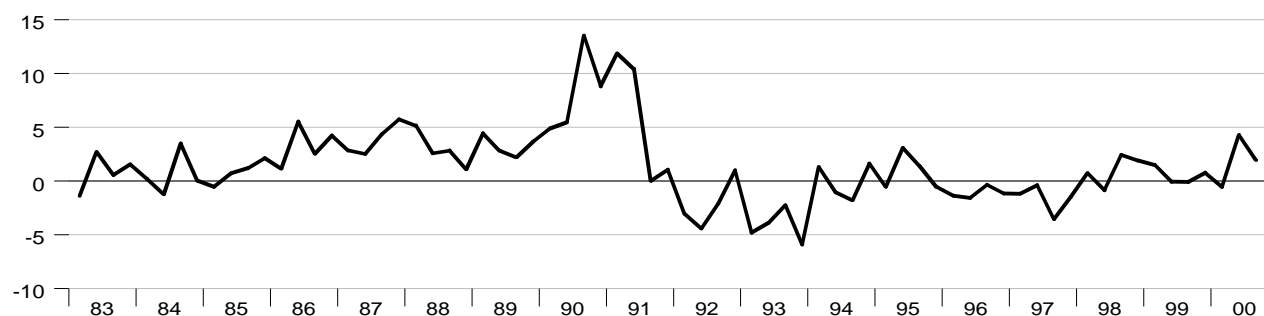
Percent change

**Industrial Production**

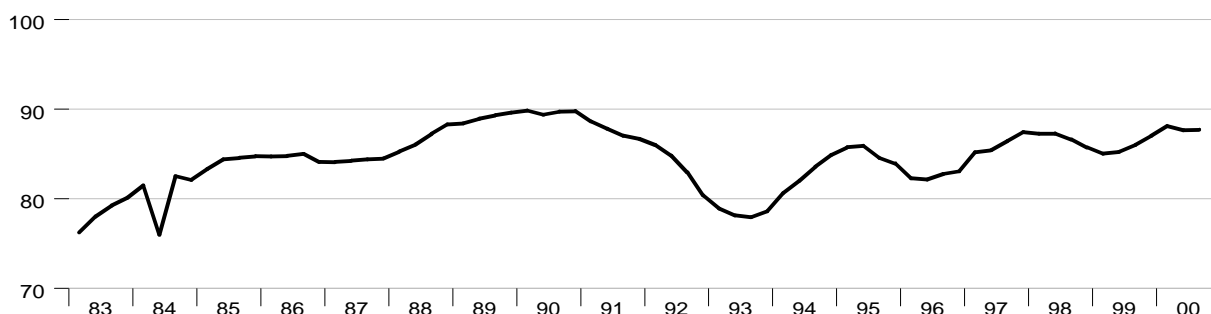
Percent change

**Retail Sales**

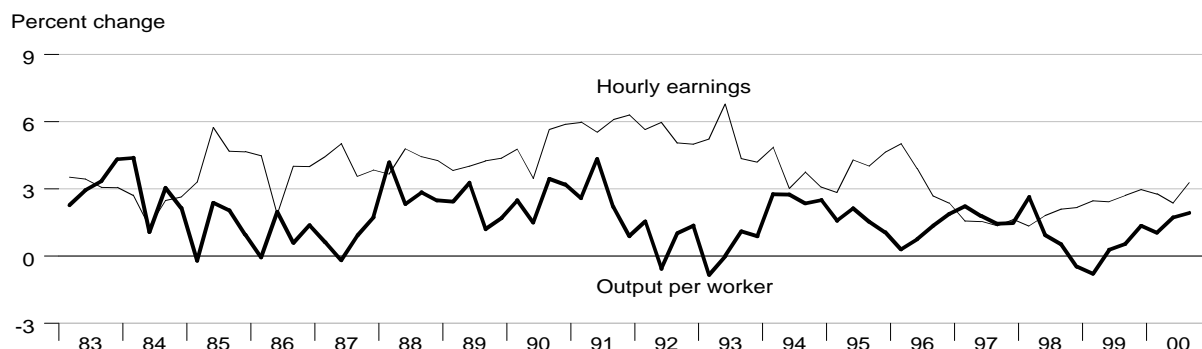
Percent change

**Capacity Utilization**

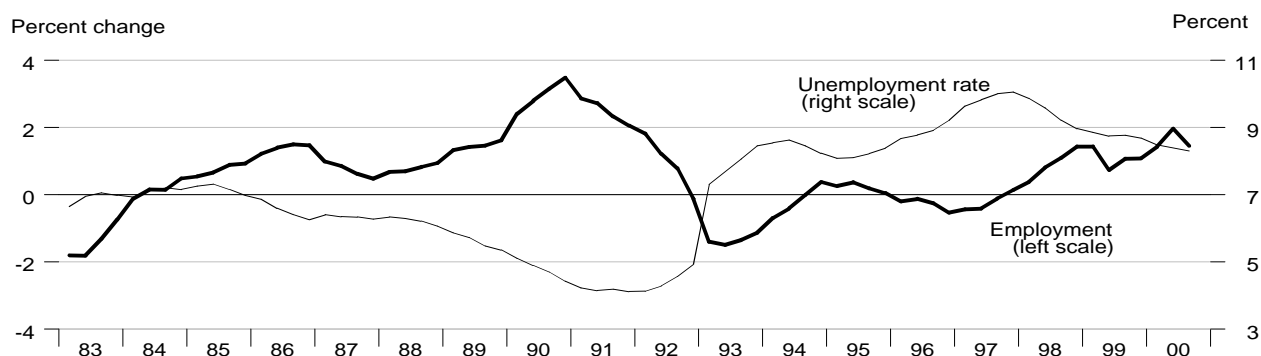
Percent



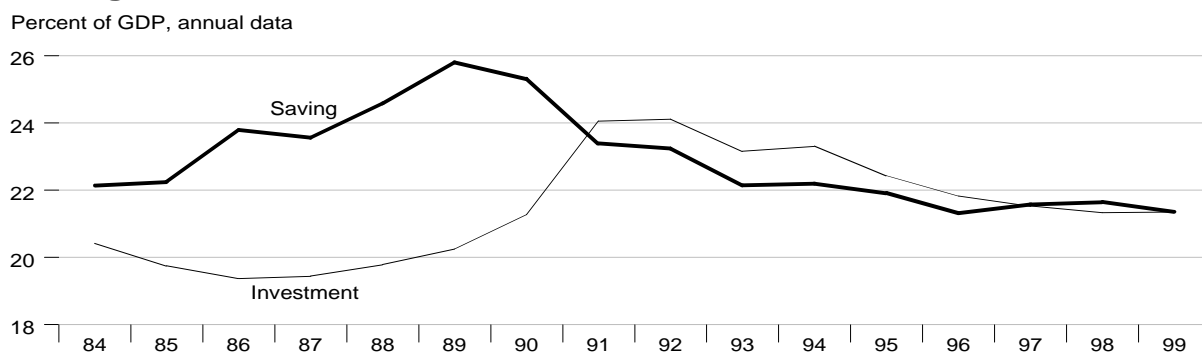
## Hourly Earnings and Output per Worker



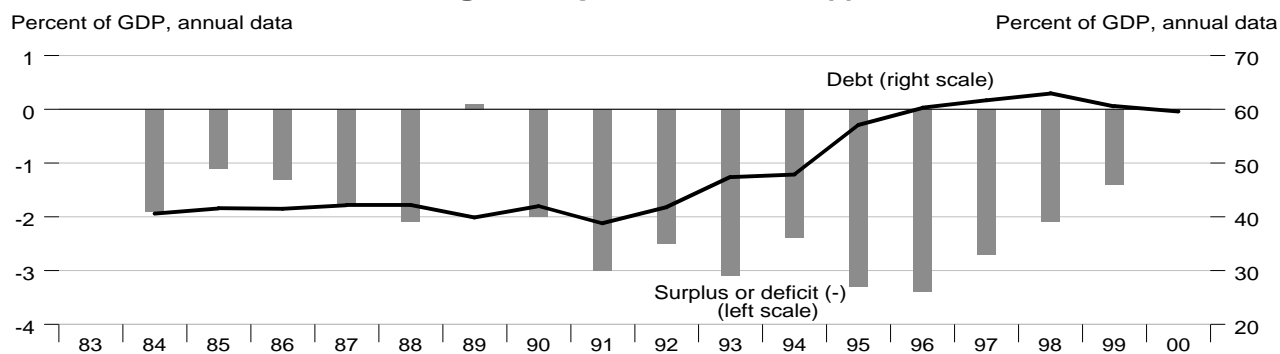
## Labor Force Indicators



## Saving and Investment

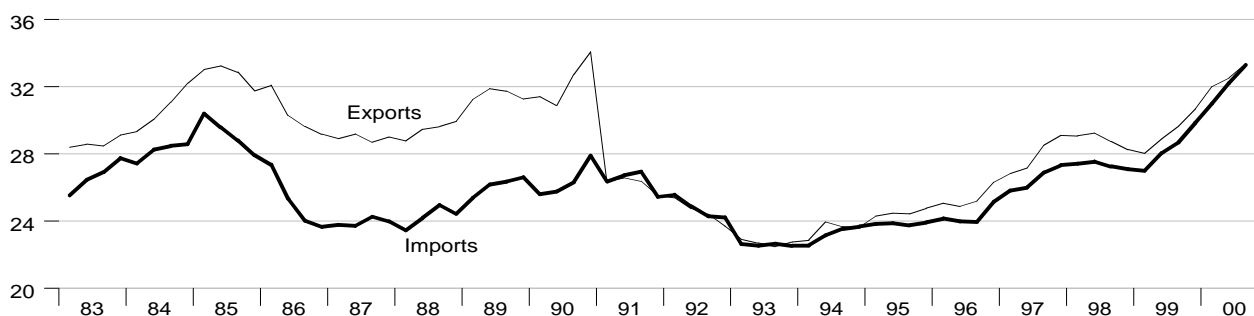


## Government Debt and Budget Surplus or Deficit (-)



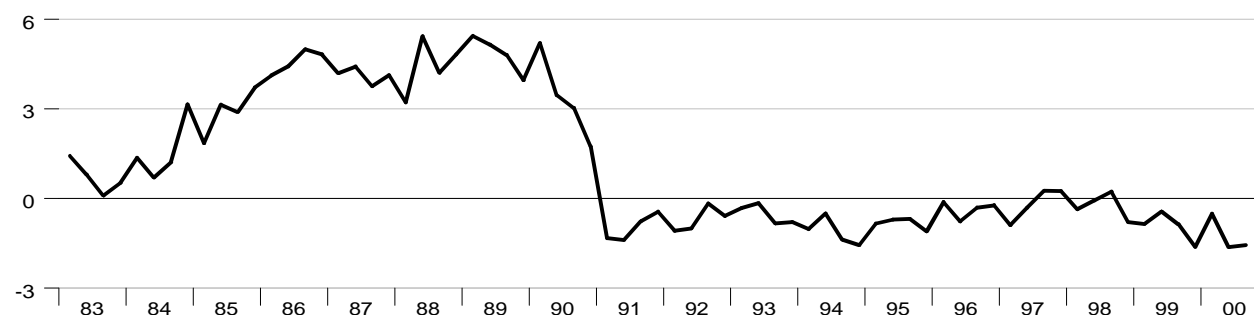
## International Trade - Goods and Services

Percent of GDP



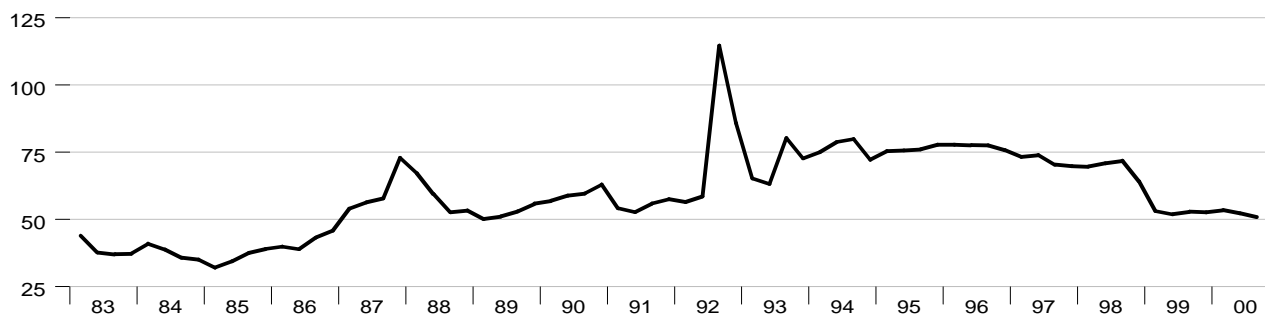
## Current Account Balance

Percent of GDP



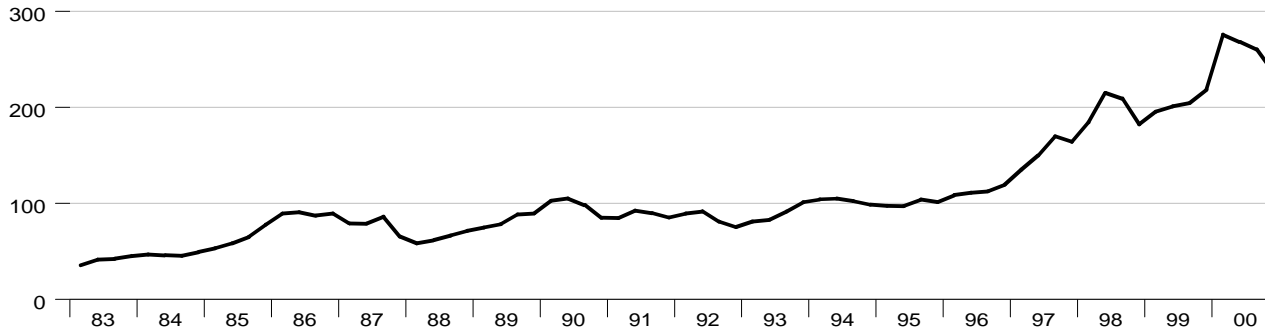
## Foreign Exchange Reserves

Billion of US\$



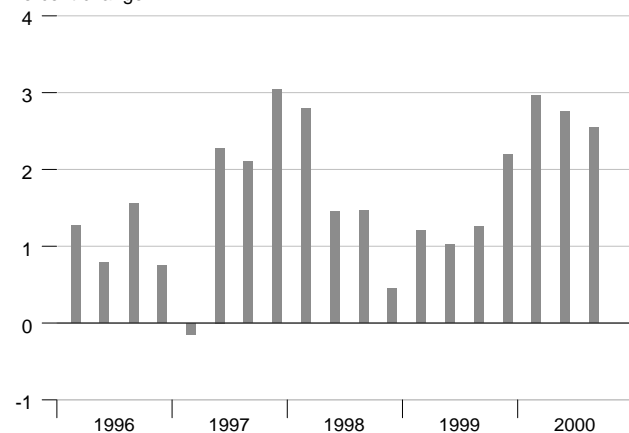
## Stock Exchange Index - CDAX

1995 = 100



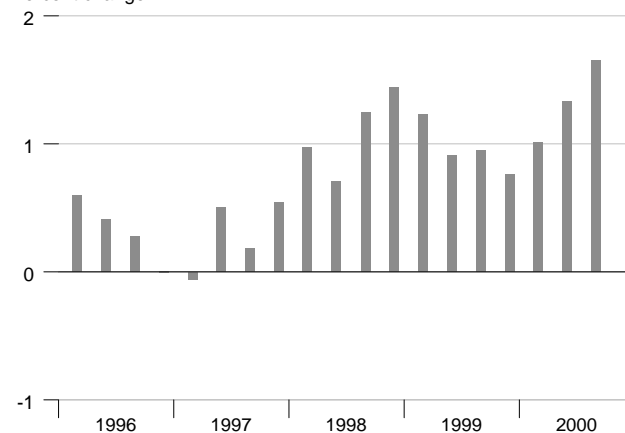
### Real GDP Growth

Percent change



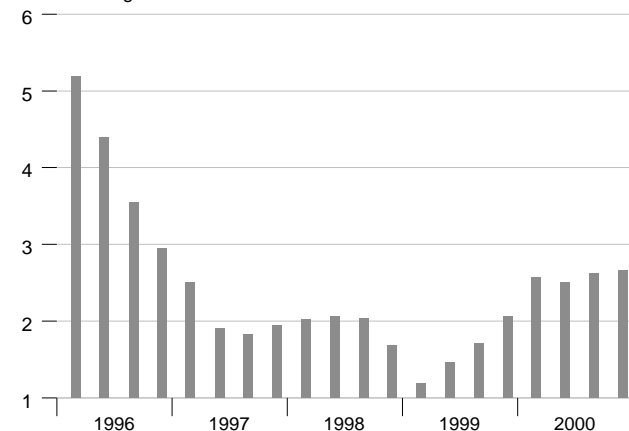
### Employment Growth

Percent change



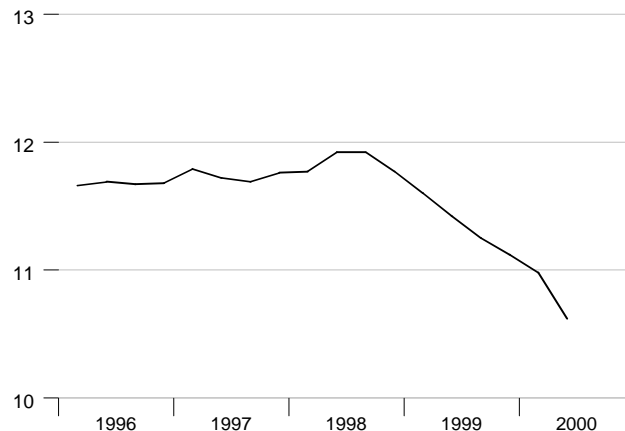
### Consumer Price Index

Percent change



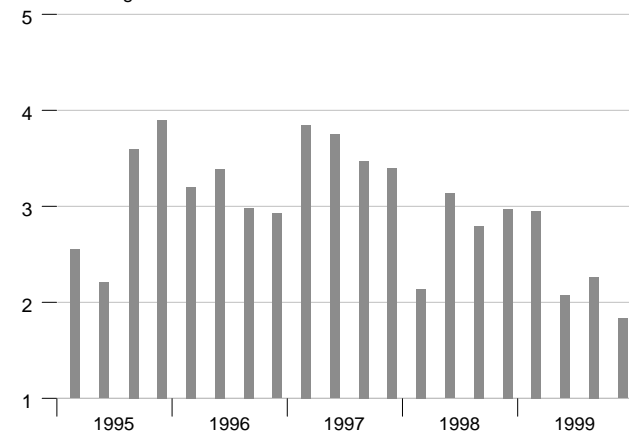
### Unemployment Rate

Percent



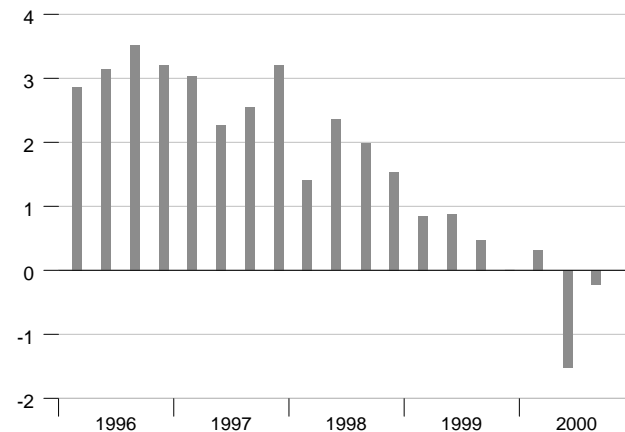
### Hourly Earnings

Percent change



### Current Account Balance

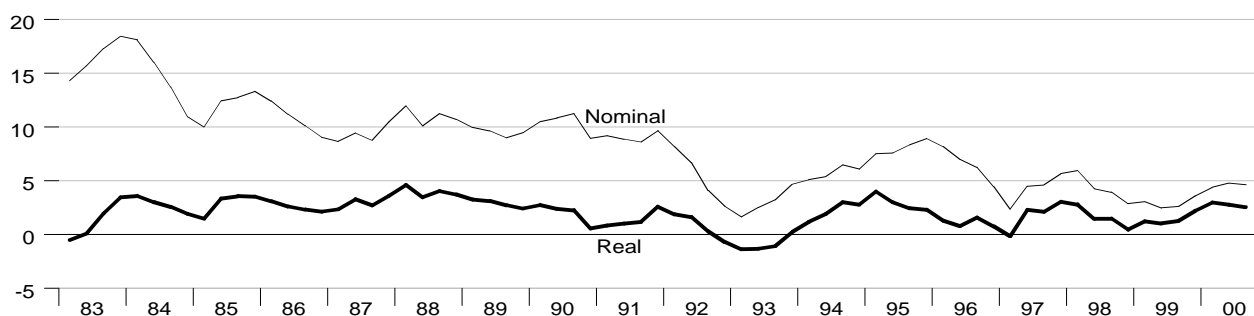
Percent of GDP



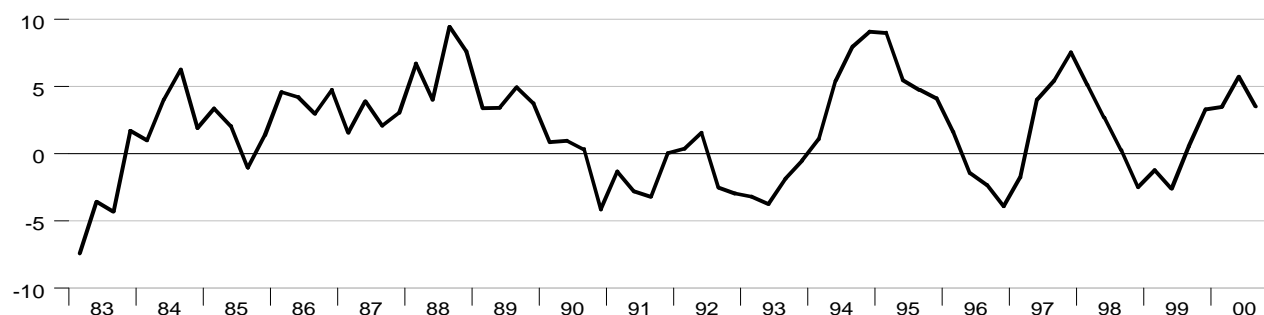


**GDP Growth**

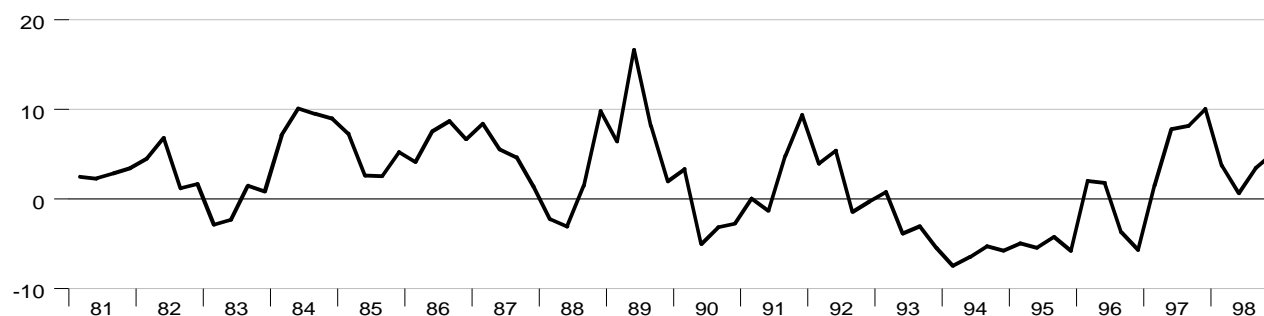
Percent change

**Industrial Production**

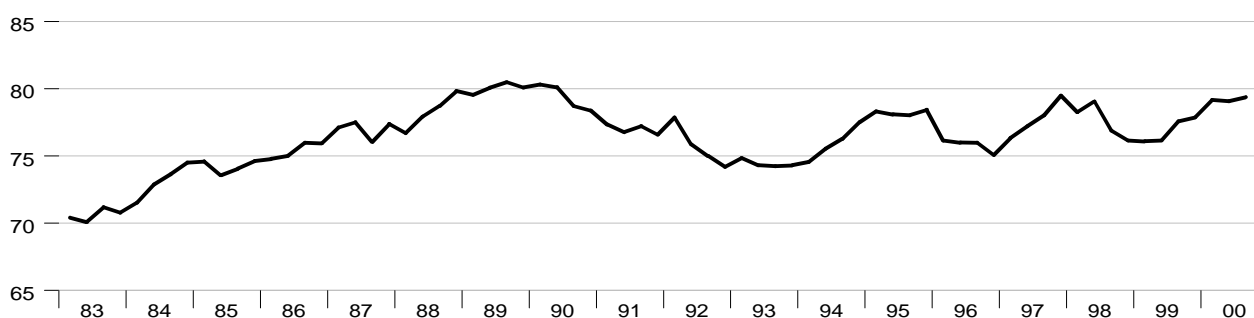
Percent change

**Retail Sales**

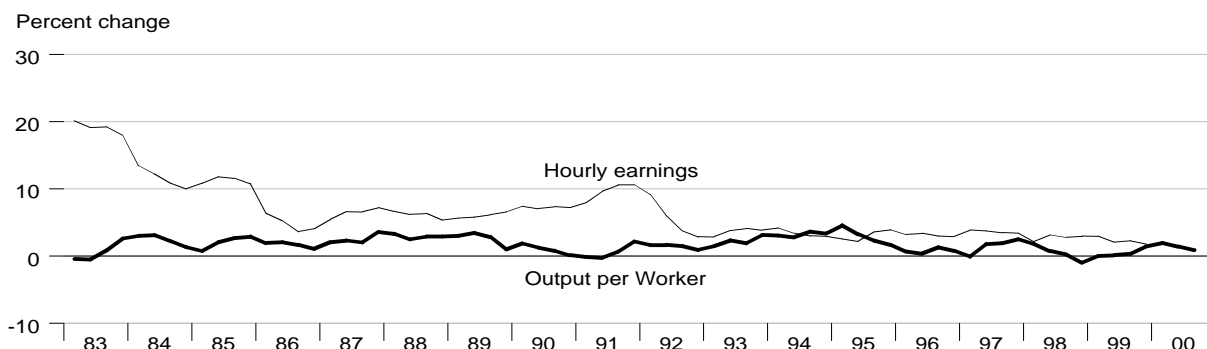
Percent change

**Capacity Utilization**

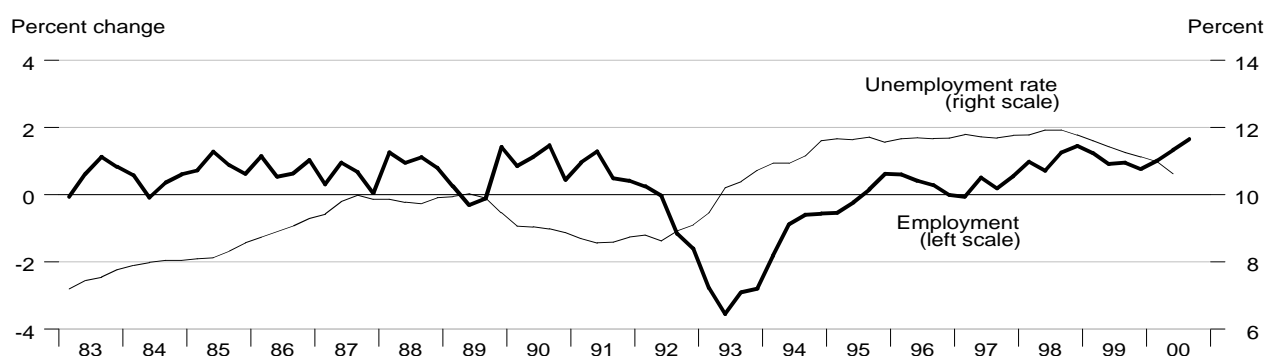
Percent



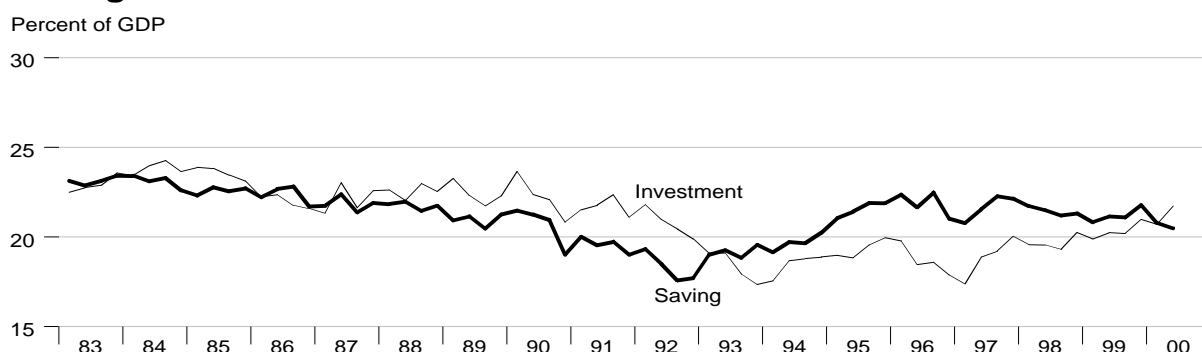
## Hourly Earnings and Output per Worker



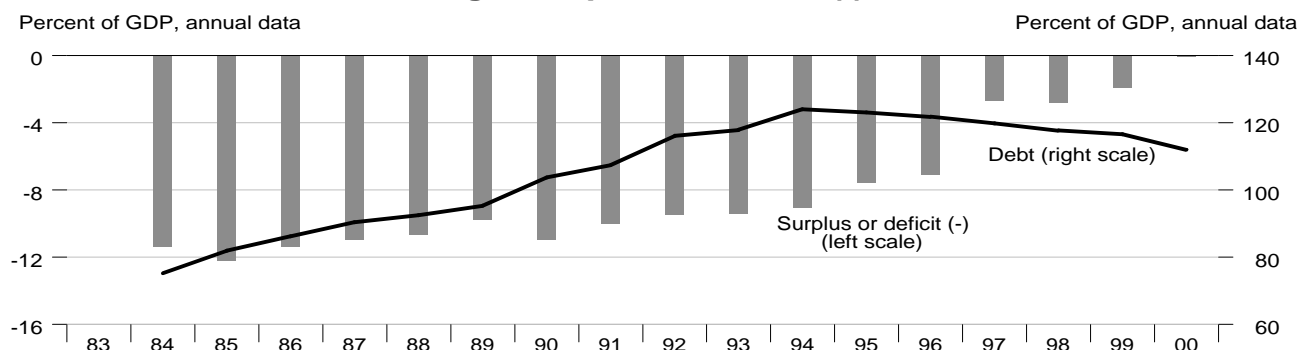
## Labor Force Indicators



## Saving and Investment

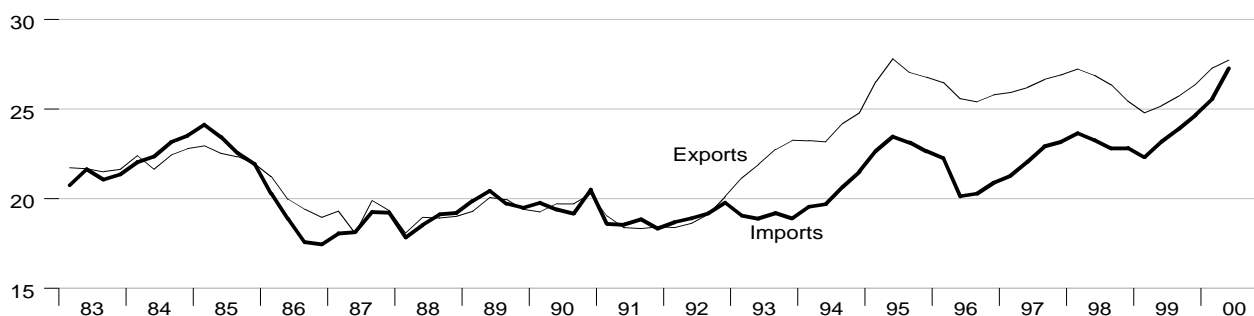


## Government Debt and Budget Surplus or Deficit (-)

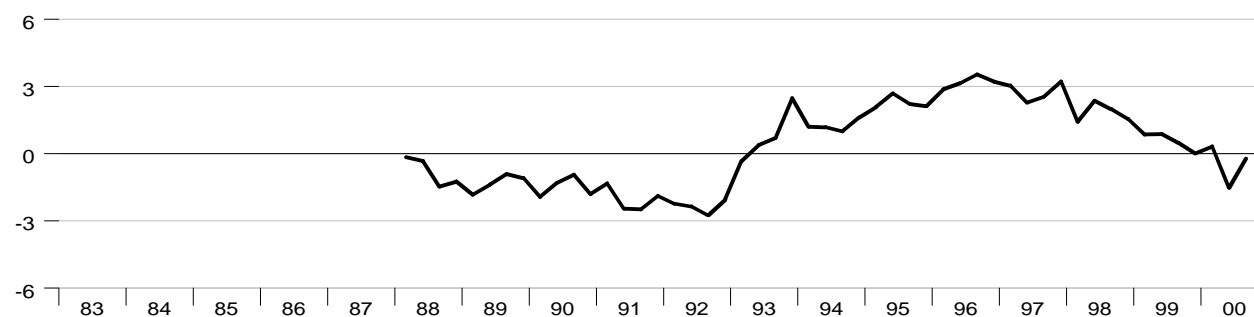


**International Trade - Goods and Services**

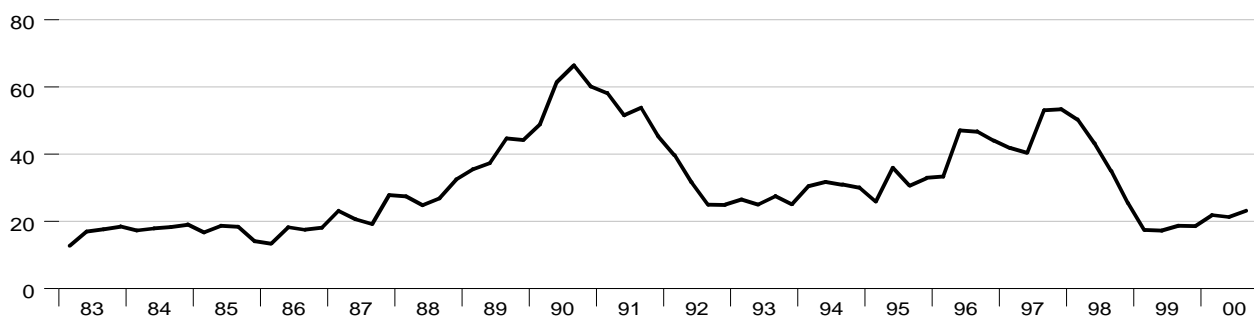
Percent of GDP

**Current Account Balance**

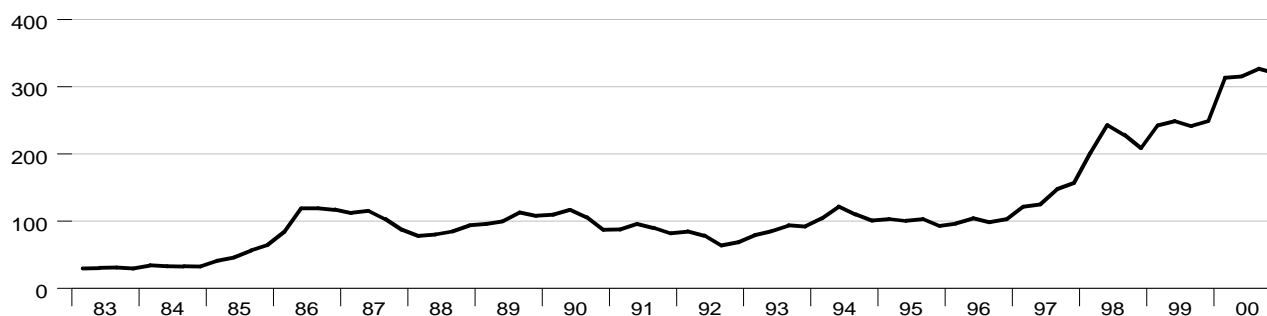
Percent of GDP

**Foreign Exchange Reserves**

Billions of US\$

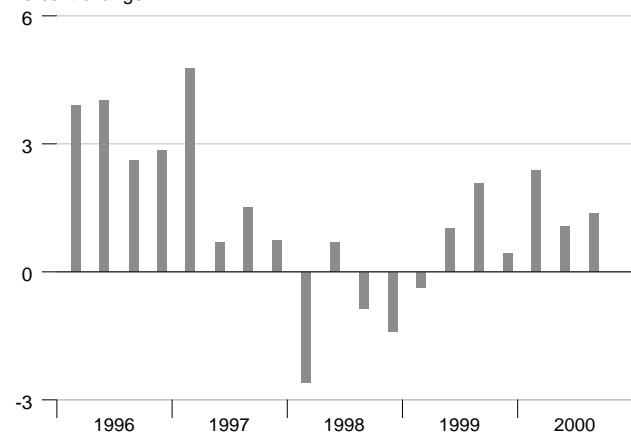
**Stock Exchange Index - Milan Stock Exchange**

1995 = 100



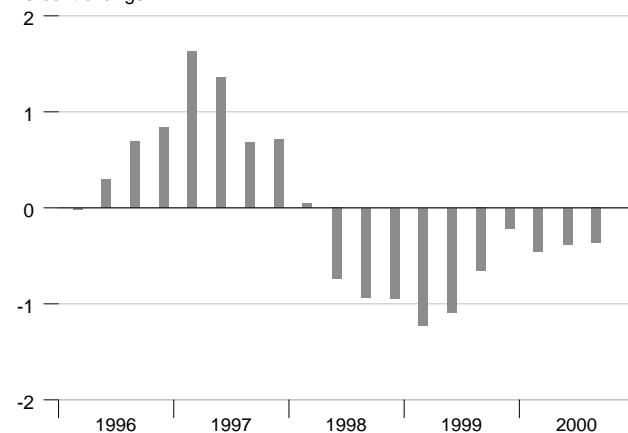
### Real GDP Growth

Percent change



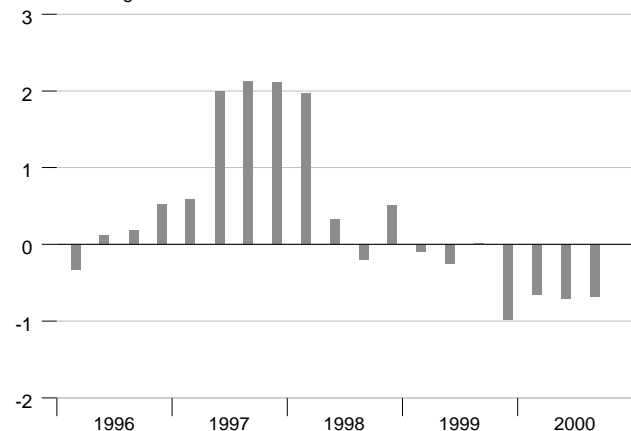
### Employment Growth

Percent change



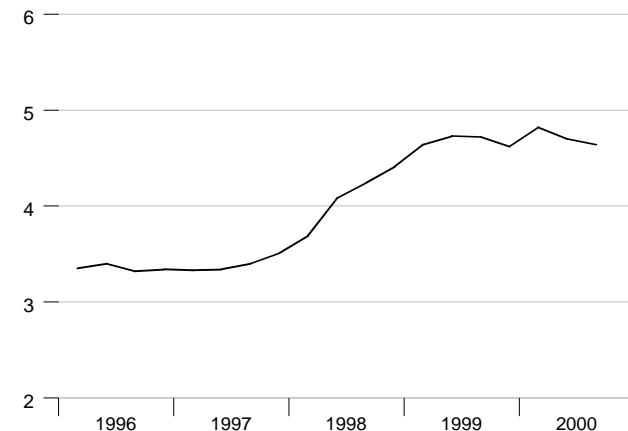
### Consumer Price Index

Percent change



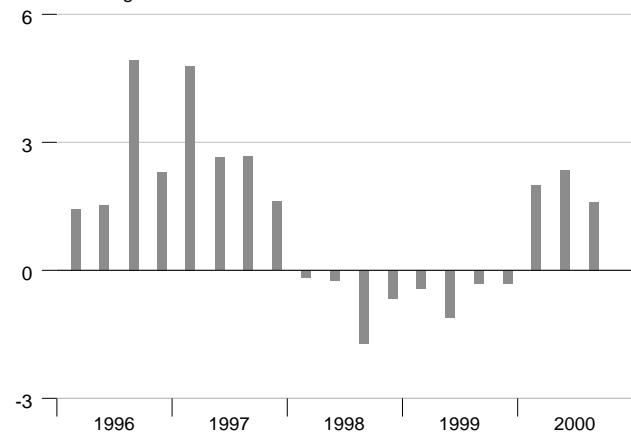
### Unemployment Rate

Percent



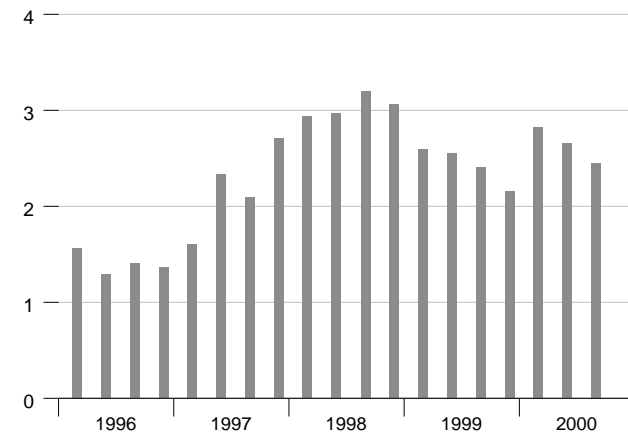
### Monthly Earnings

Percent change

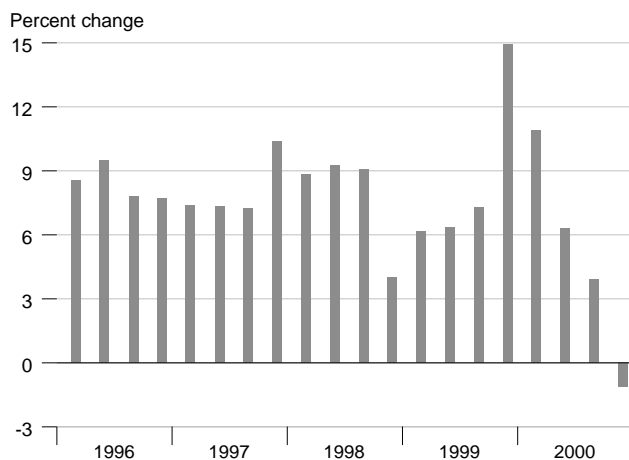


### Current Account Balance

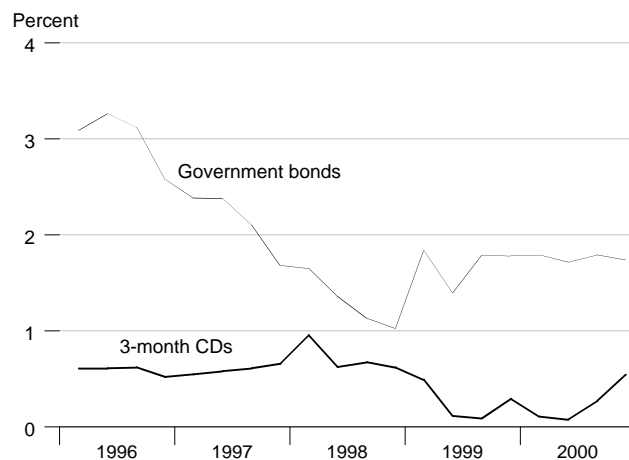
Percent of GDP



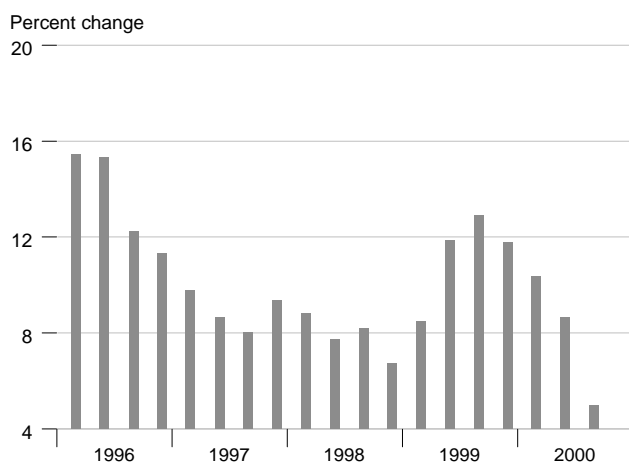
### Adjusted Monetary Base Growth



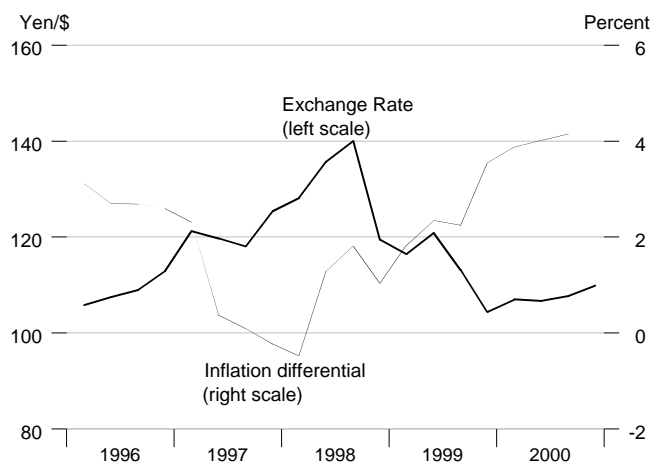
## Interest Rates



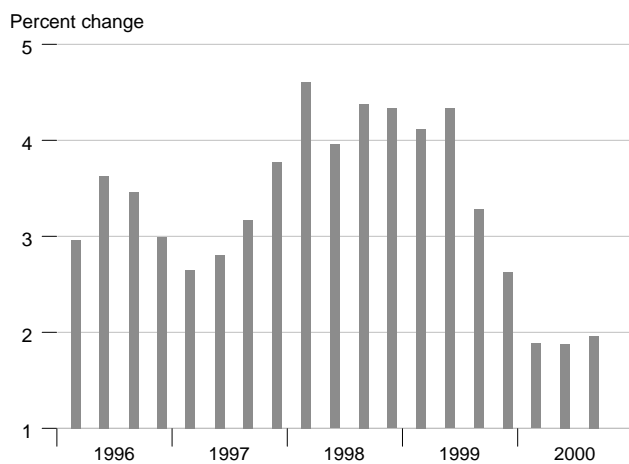
## M1 Growth



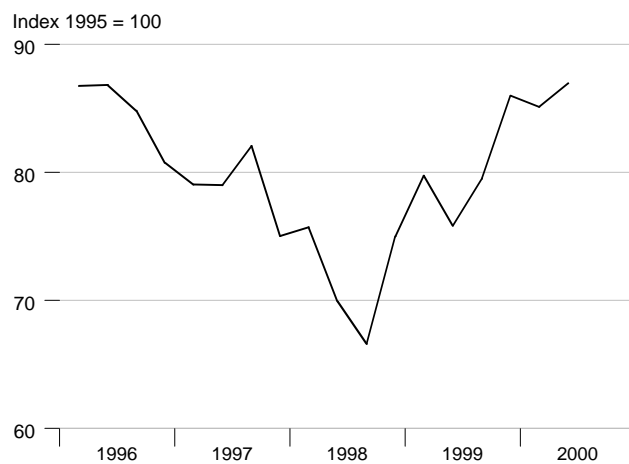
### Exchange Rate and Inflation Differential



## M2 Growth

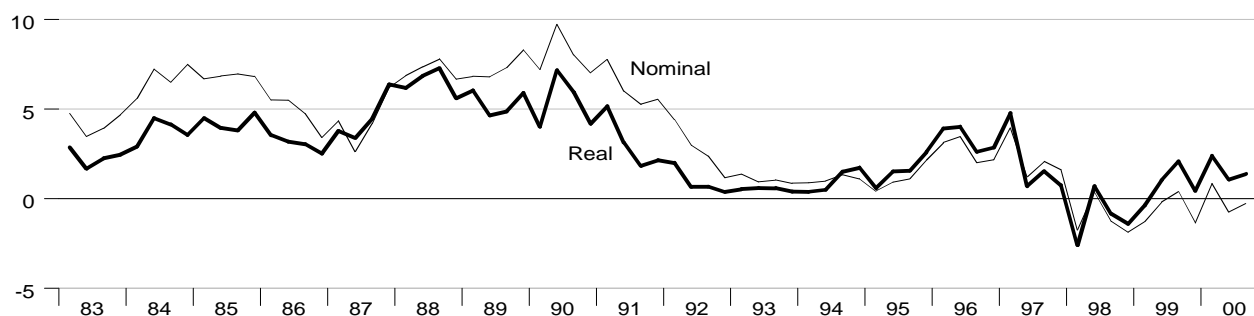


## Real Effective Exchange Rate

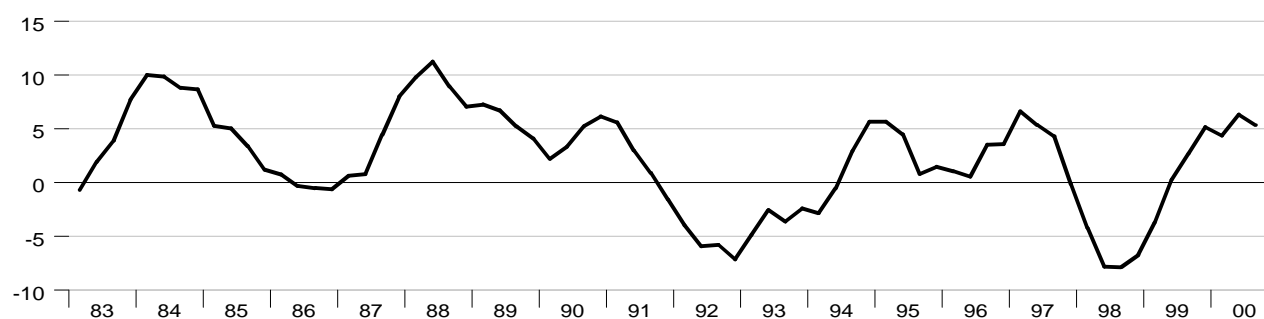


**GDP Growth**

Percent change

**Industrial Production**

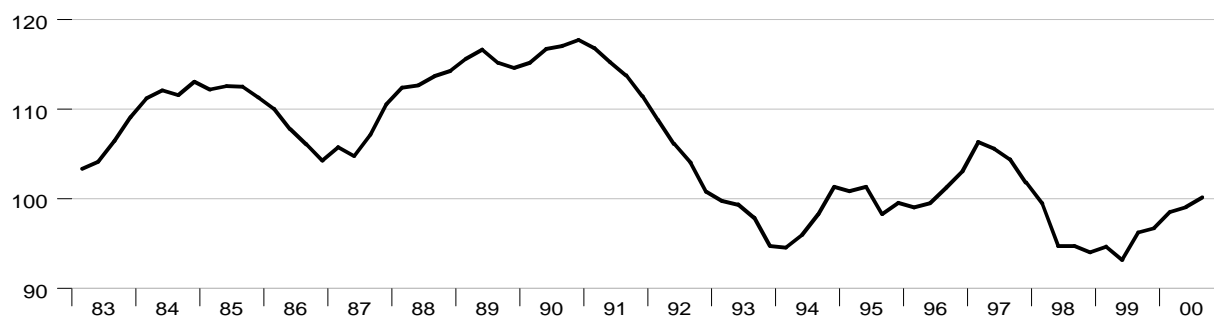
Percent change

**Retail Sales**

Percent change

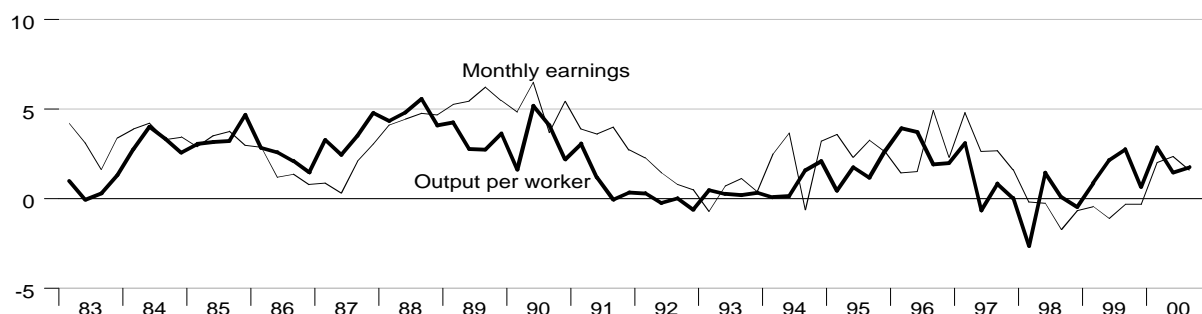
**Capacity Utilization**

1995 = 100



## Monthly Earnings and Output per Worker

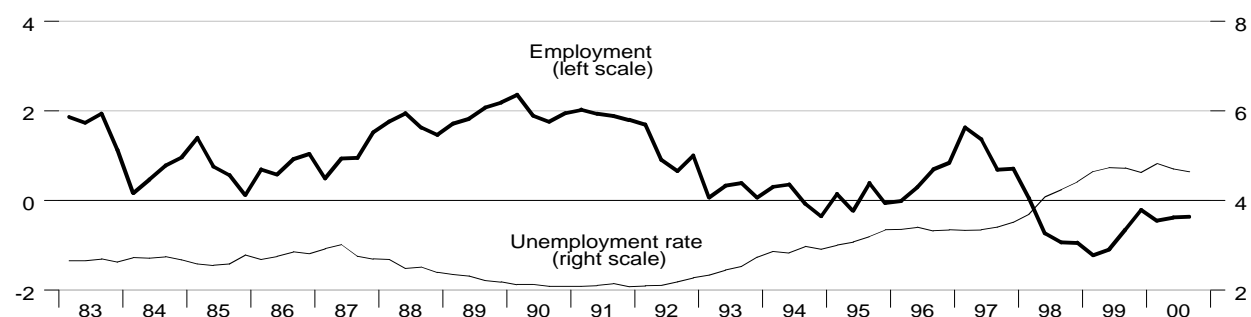
Percent change



## Labor Force Indicators

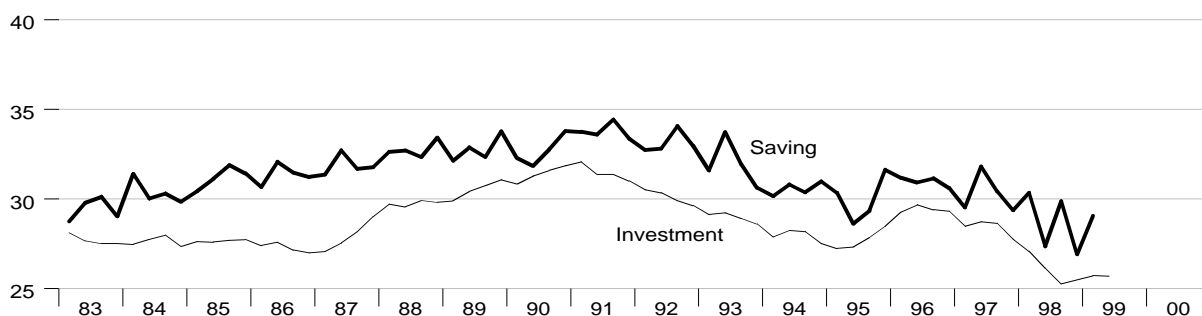
Percent change

Percent



## Saving and Investment

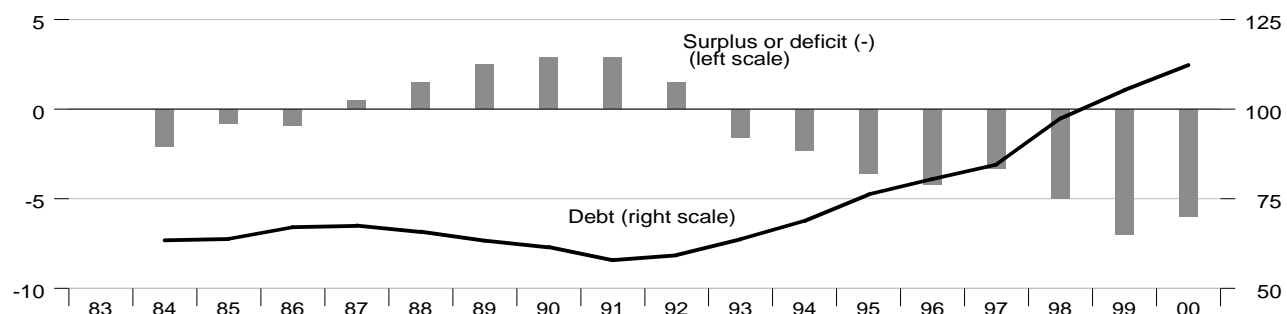
Percent of GDP



## Government Debt and Budget Surplus or Deficit (-)

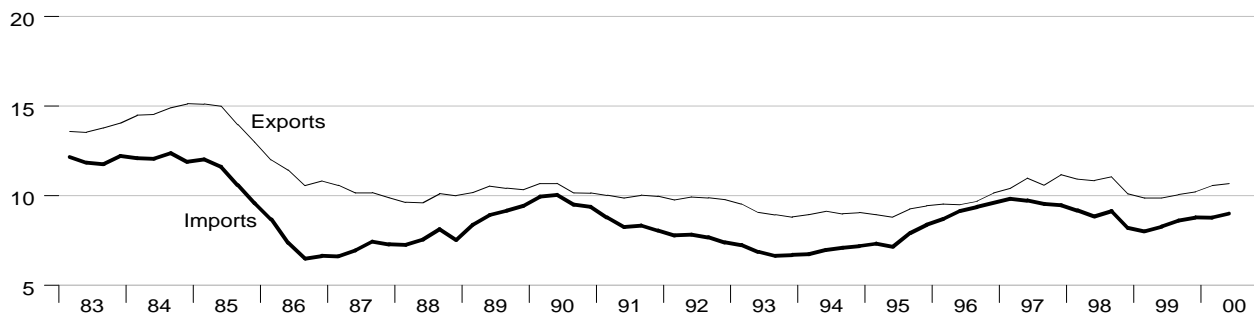
Percent of GDP, annual data

Percent of GDP, annual data

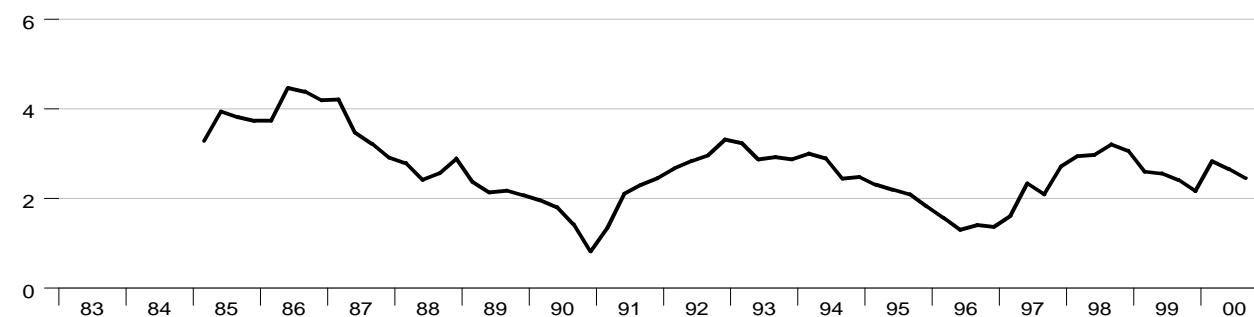


**International Trade - Goods and Services**

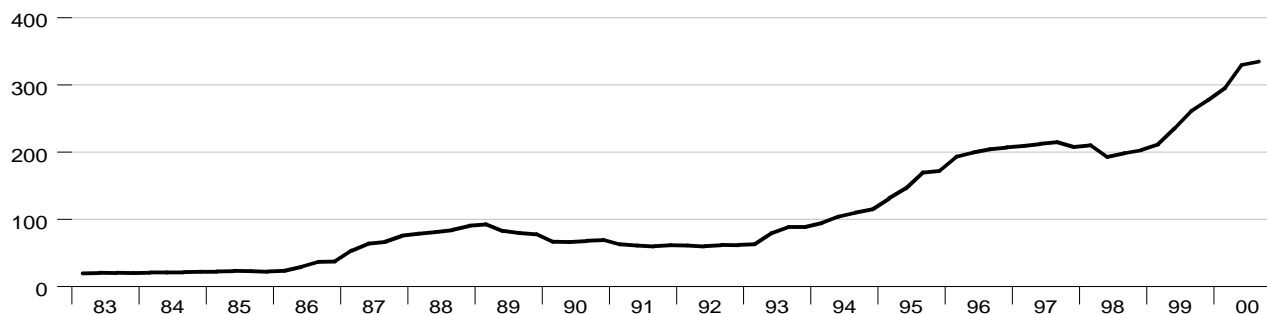
Percent of GDP

**Current Account Balance**

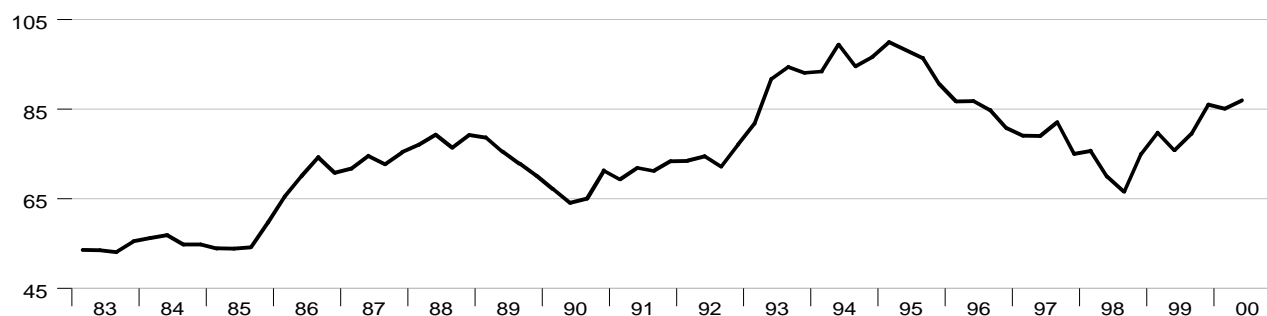
Percent of GDP

**Foreign Exchange Reserves**

Billions of US\$

**Real Effective Exchange Rate**

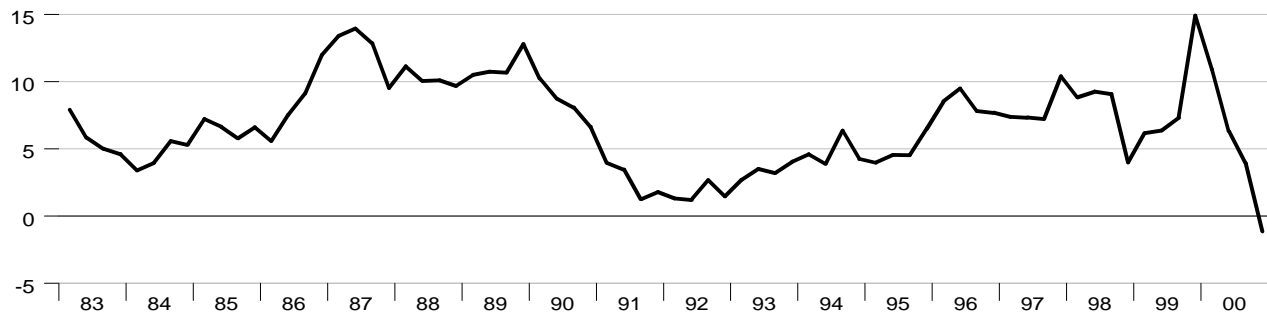
Index 1995 = 100



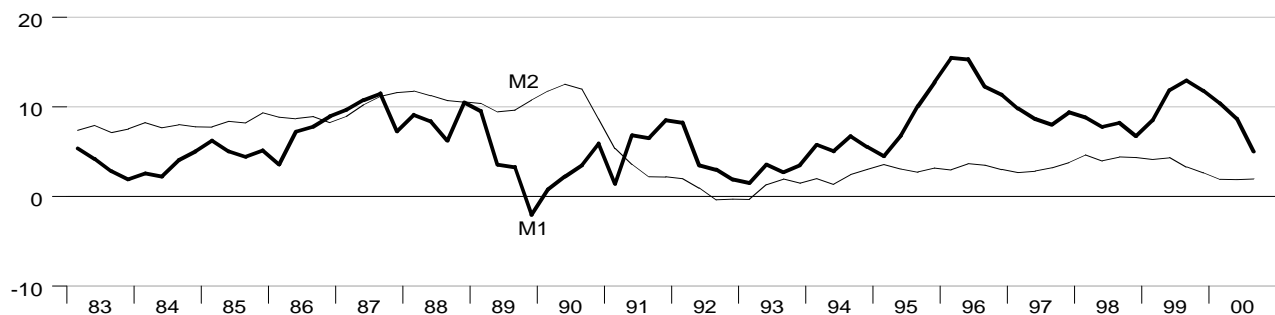


**Adjusted Monetary Base Growth**

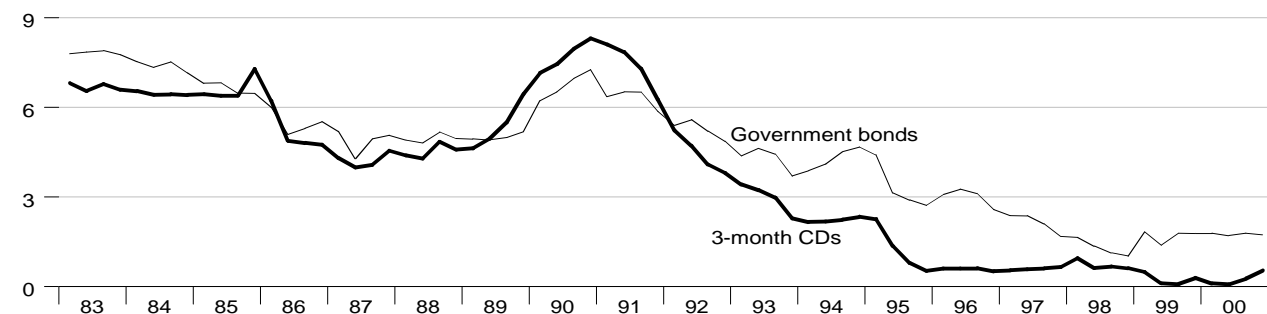
Percent change

**Monetary Aggregates**

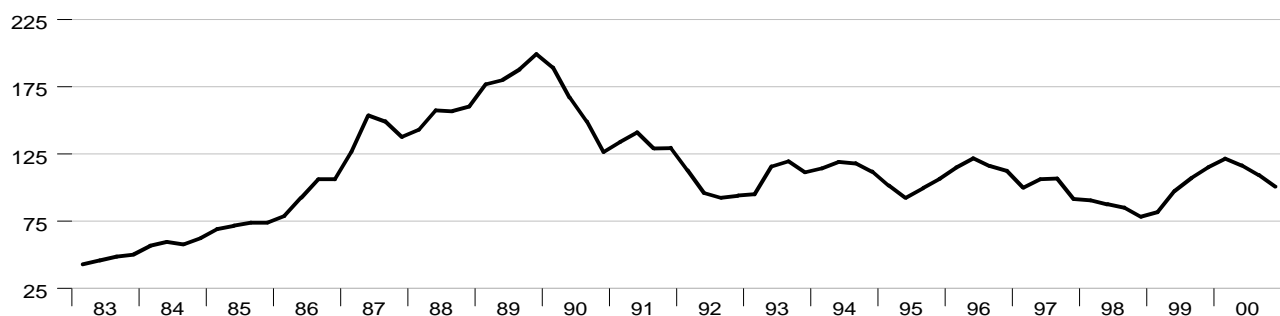
Percent change

**Interest Rates**

Percent

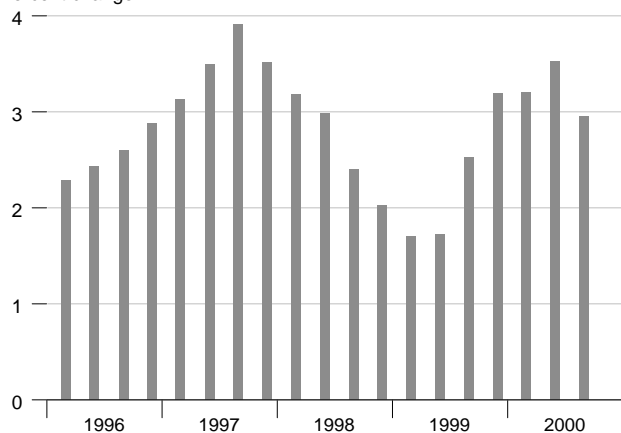
**Stock Exchange Index - Tokyo Stock Exchange**

1995 = 100

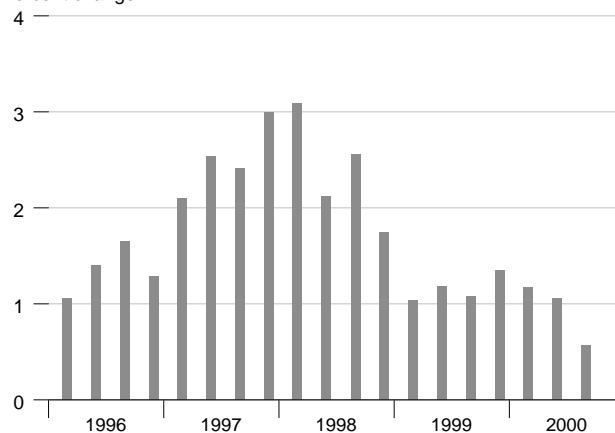


**Real GDP Growth**

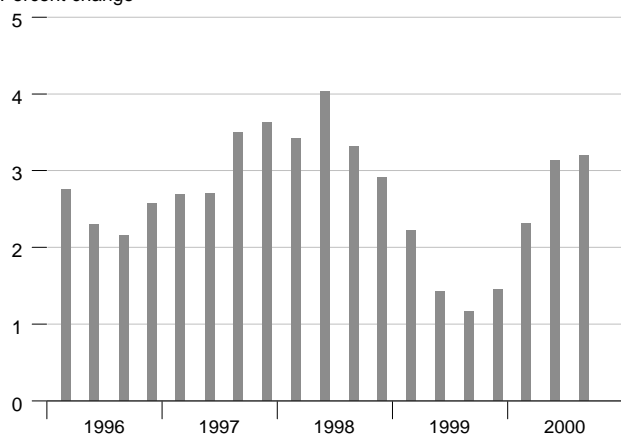
Percent change

**Employment Growth**

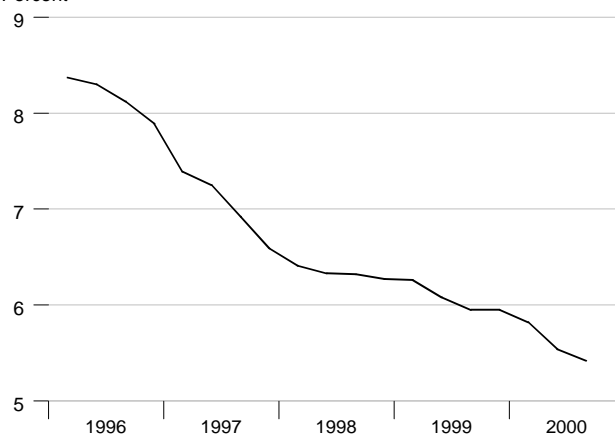
Percent change

**Consumer Price Index**

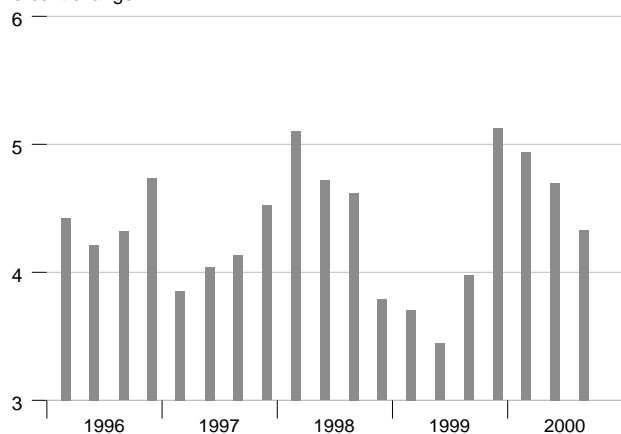
Percent change

**Unemployment Rate**

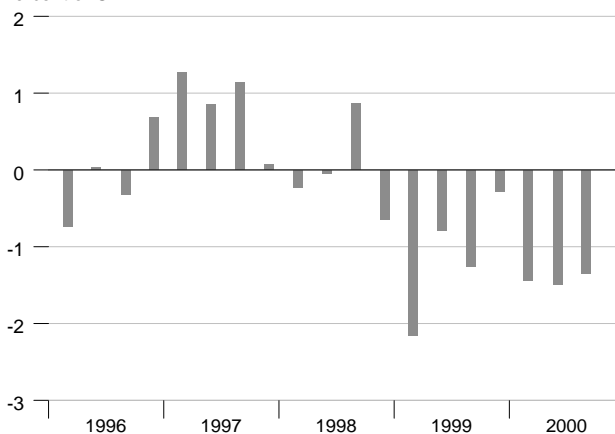
Percent

**Weekly Earnings**

Percent change

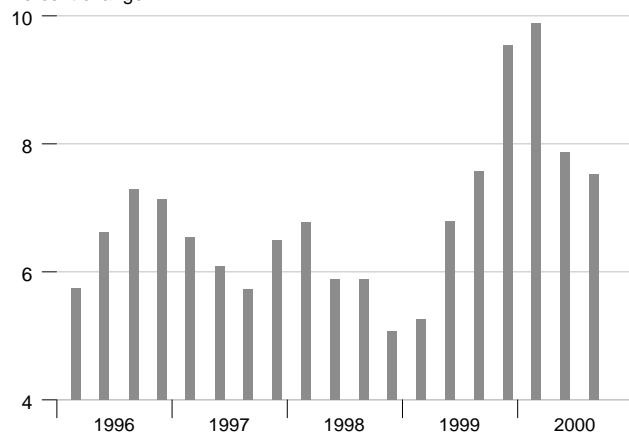
**Current Account Balance**

Percent of GDP



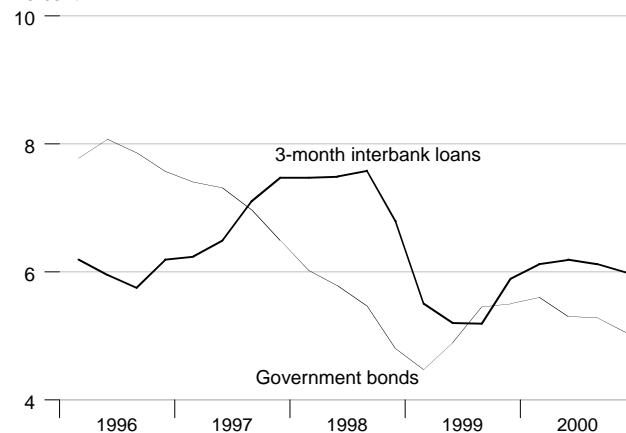
### M0 Growth

Percent change



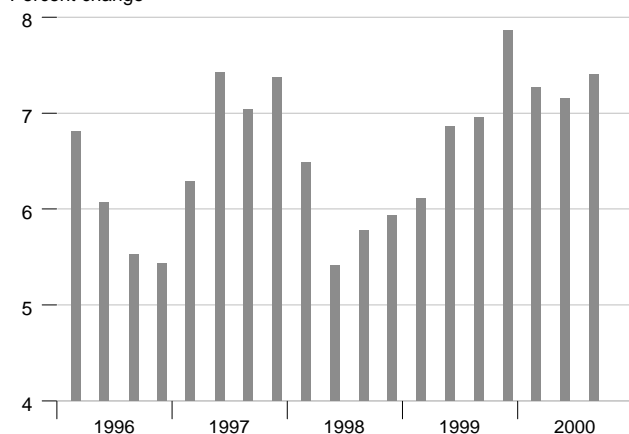
### Interest Rates

Percent



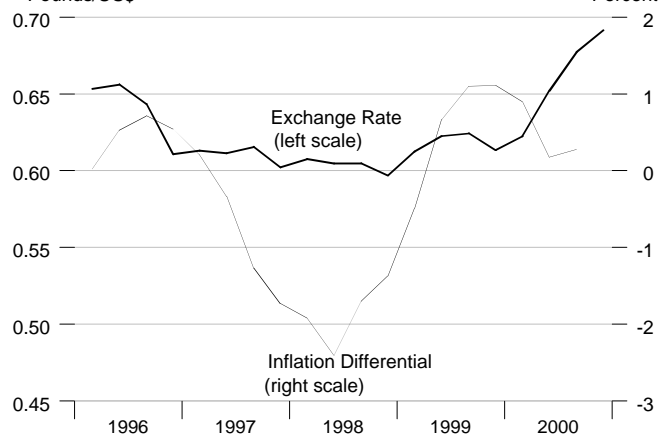
### M2 Growth

Percent change



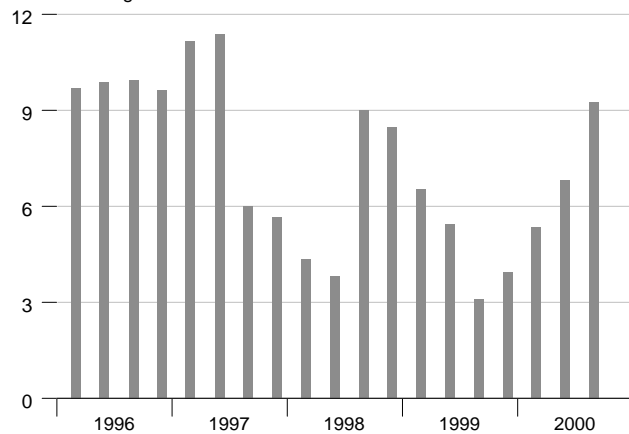
### Exchange Rate and Inflation Differential

Pounds/US\$



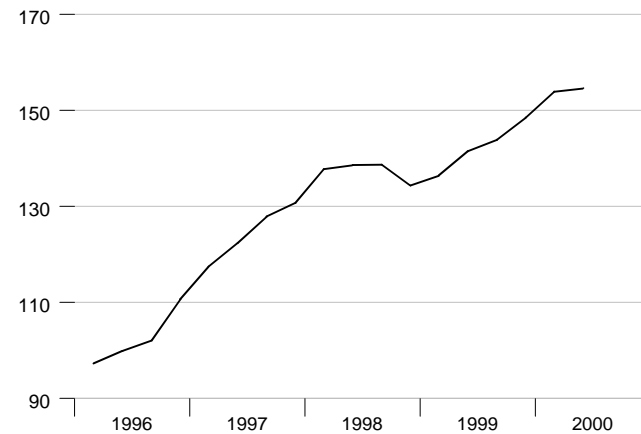
### M4 Growth

Percent change



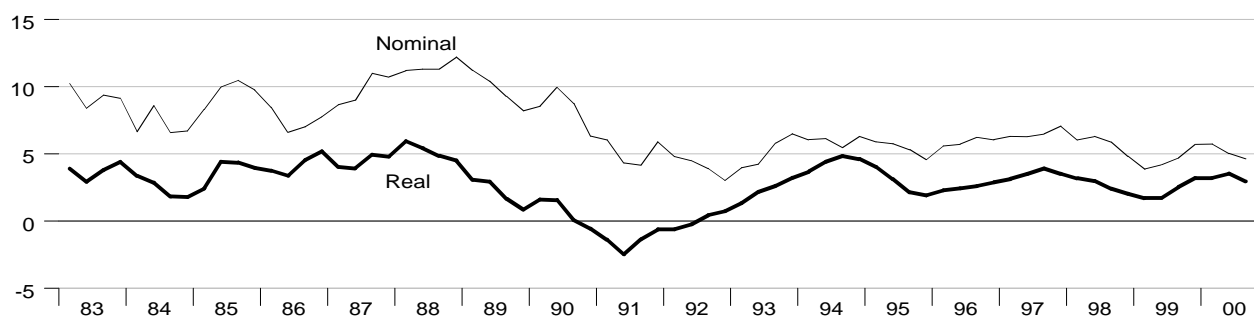
### Real Effective Exchange Rate

Index 1995 = 100

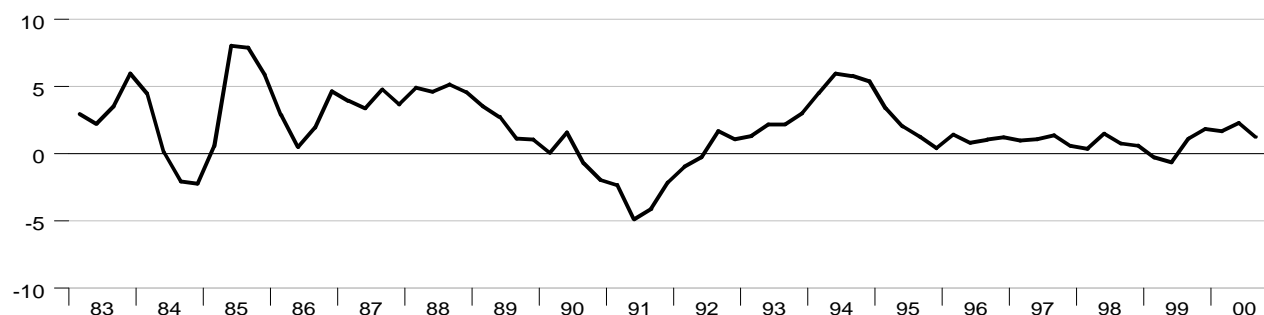


**GDP Growth**

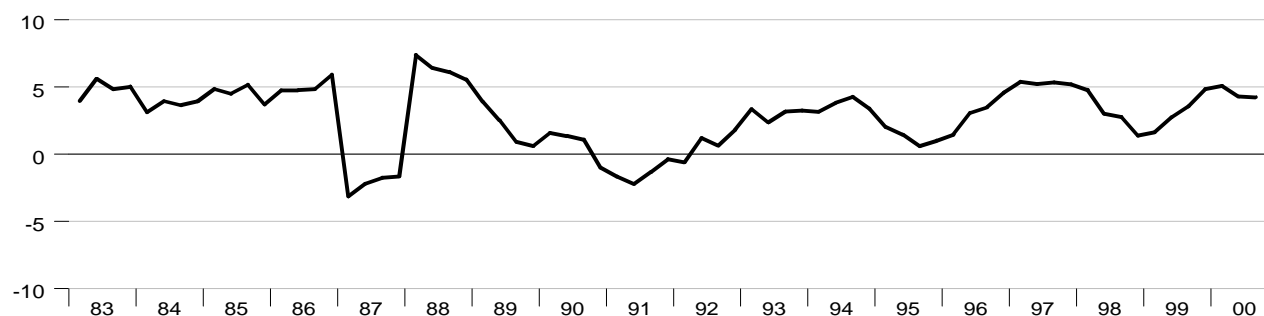
Percent change

**Industrial Production**

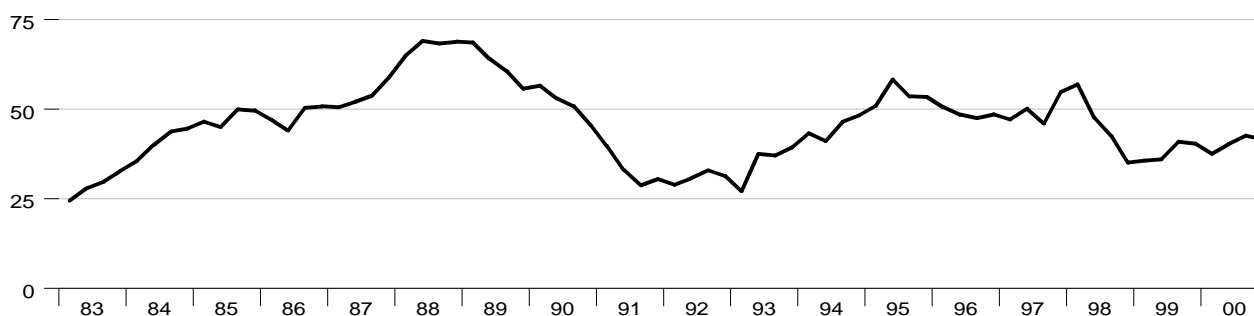
Percent change

**Retail Sales**

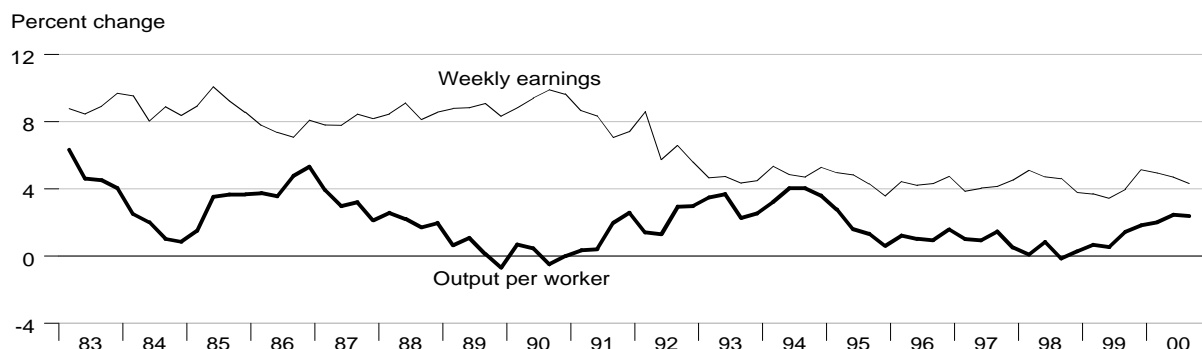
Percent change

**Firms Operating at Capacity**

Percent



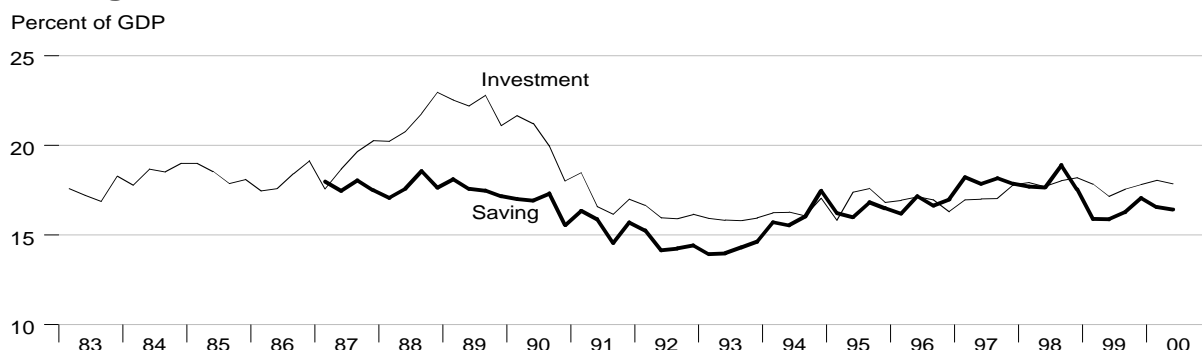
## Weekly Earnings and Output per Worker



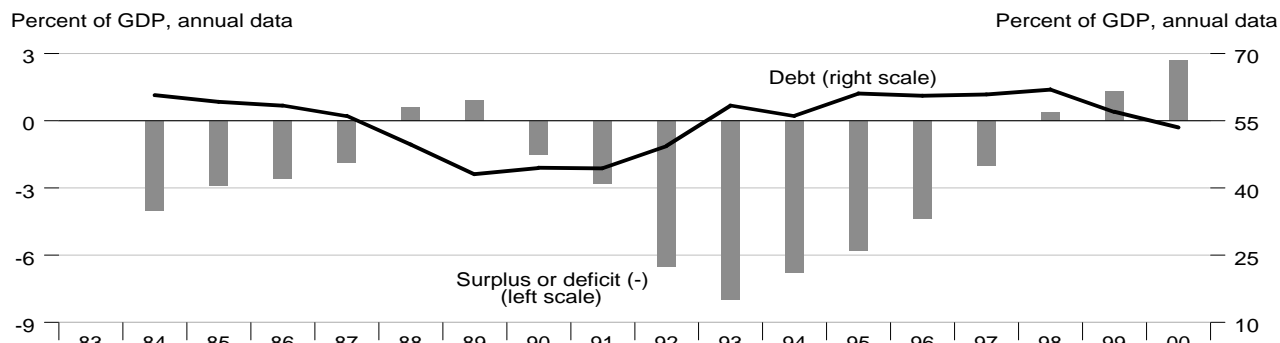
## Labor Force Indicators



## Saving and Investment

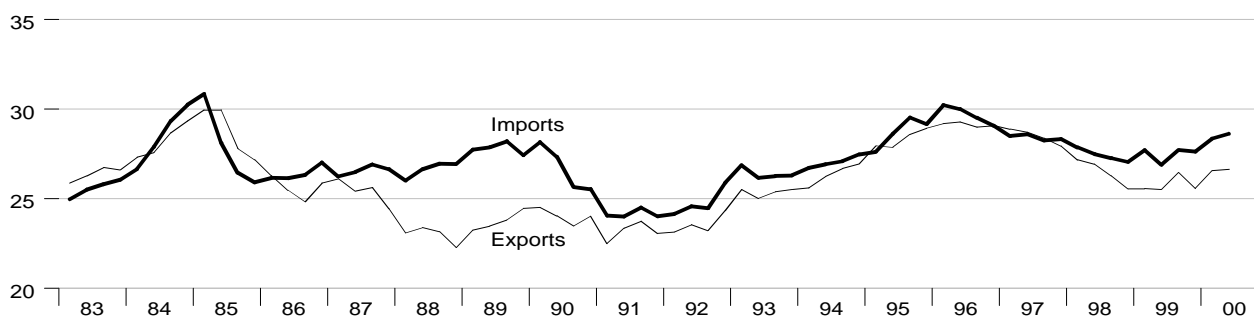


## Government Debt and Budget Surplus or Deficit (-)

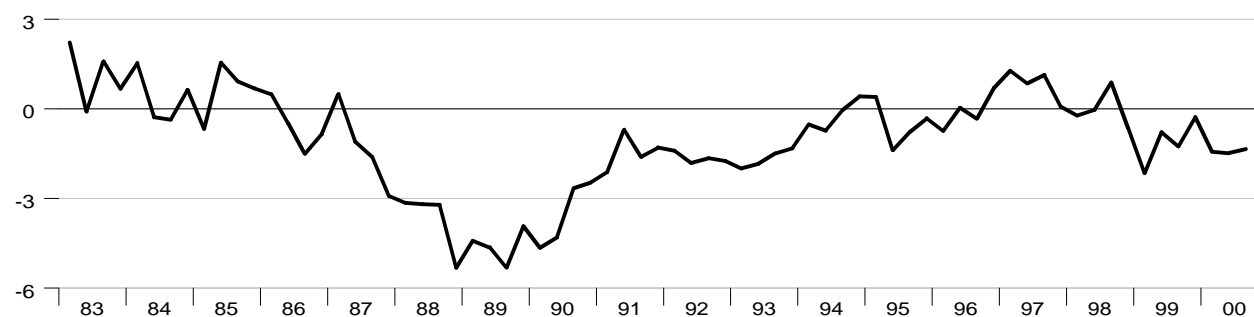


**International Trade - Goods and Services**

Percent of GDP

**Current Account Balance**

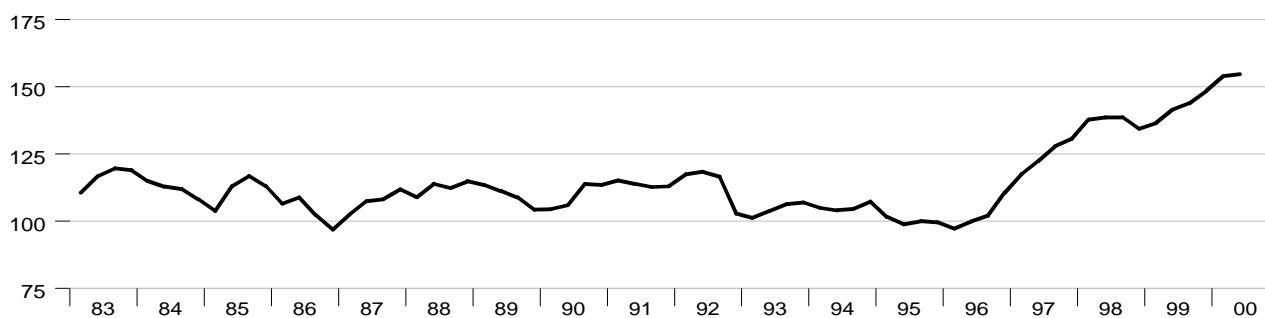
Percent of GDP

**Foreign Exchange Reserves**

Billions of US\$

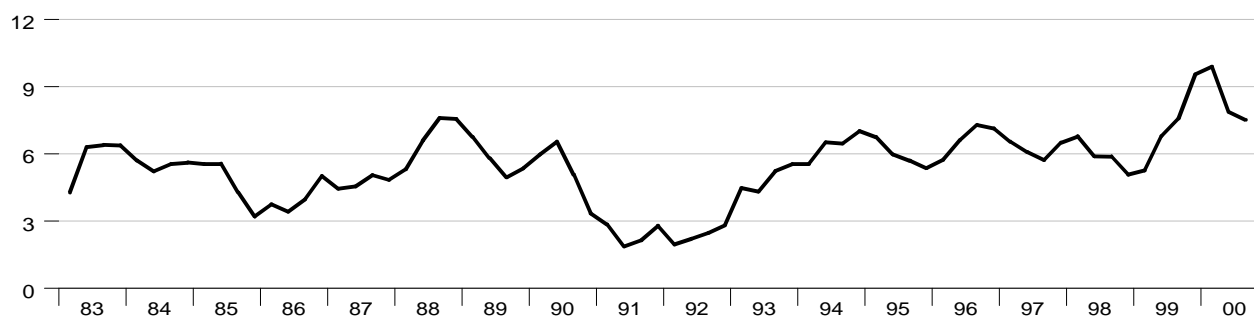
**Real Effective Exchange Rate**

Index 1995 = 100



**M0 Growth**

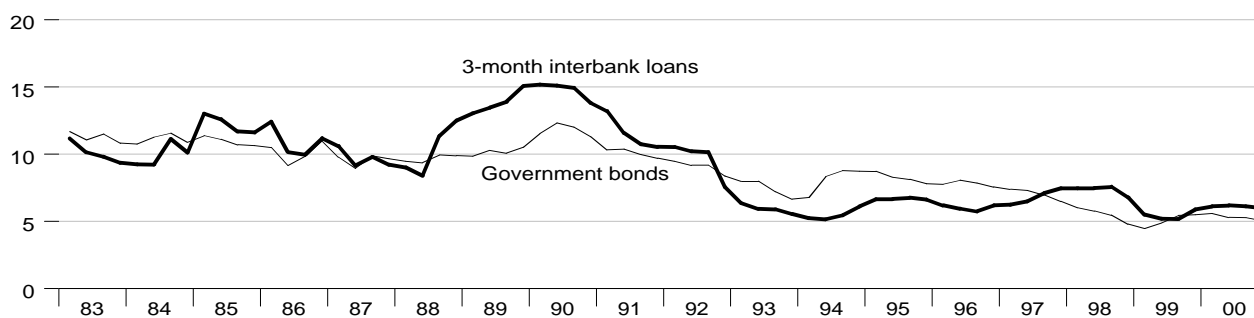
Percent change

**Monetary Aggregates**

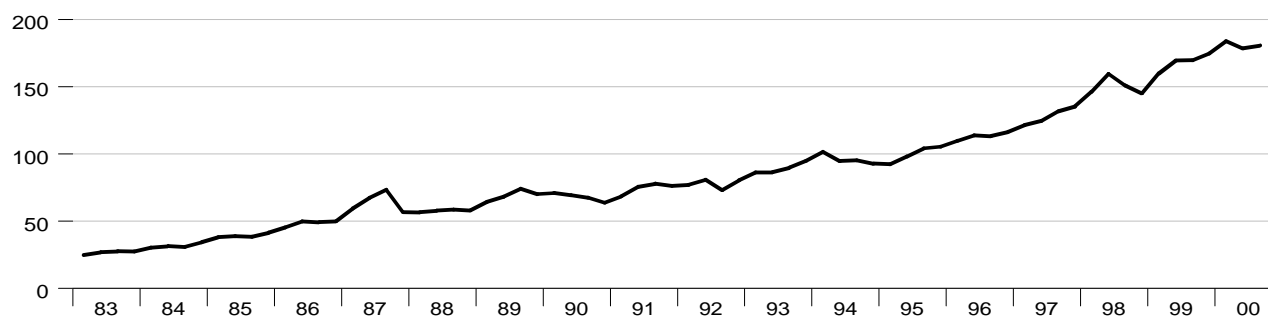
Percent change

**Interest Rates**

Percent

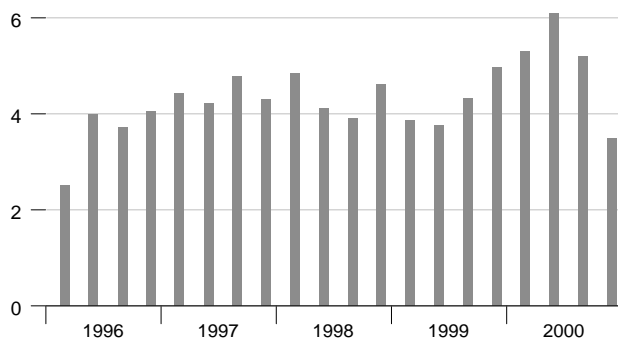
**Stock Exchange Index - Financial Times Stock Exchange**

1995 = 100



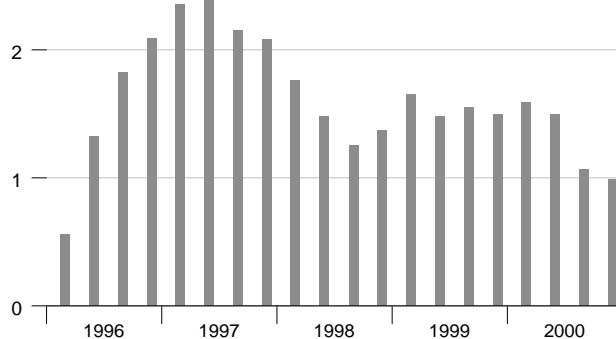
## Real GDP Growth

Percent change  
8



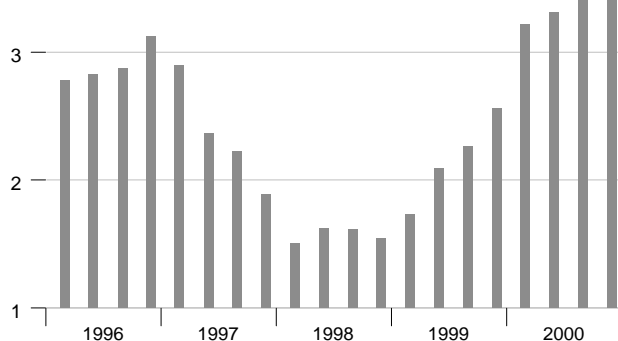
## Employment Growth

Percent change  
3



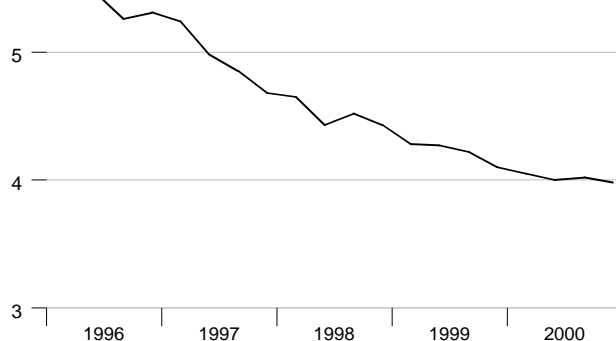
## Consumer Price Index

Percent change  
4



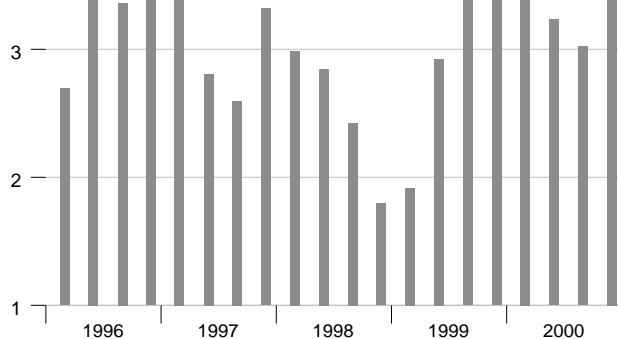
## Unemployment Rate

Percent  
6



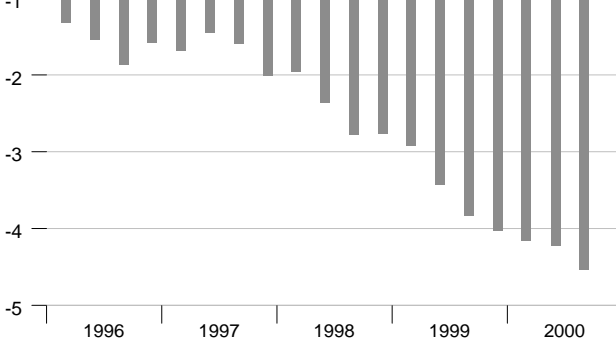
## Hourly Earnings

Percent change  
4



## Current Account Balance

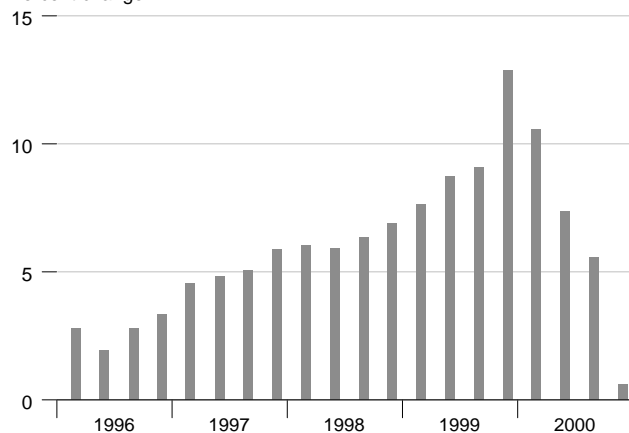
Percent of GDP  
0



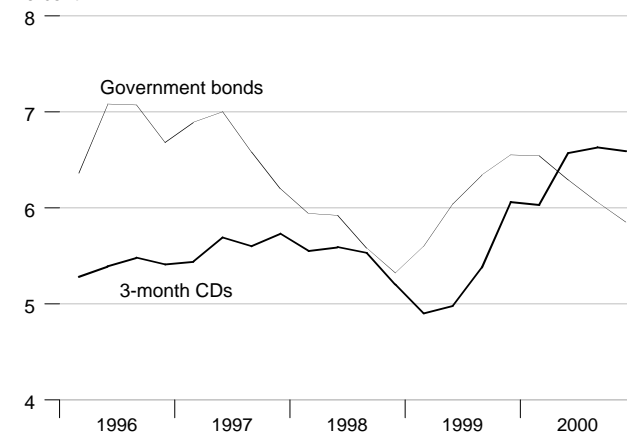


**Adjusted Monetary Base Growth**

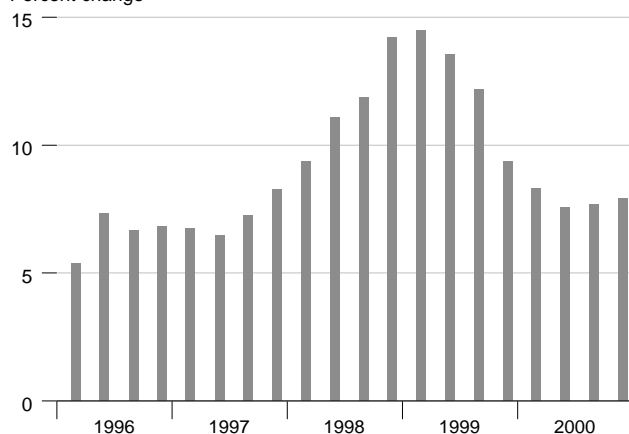
Percent change

**Interest Rates**

Percent

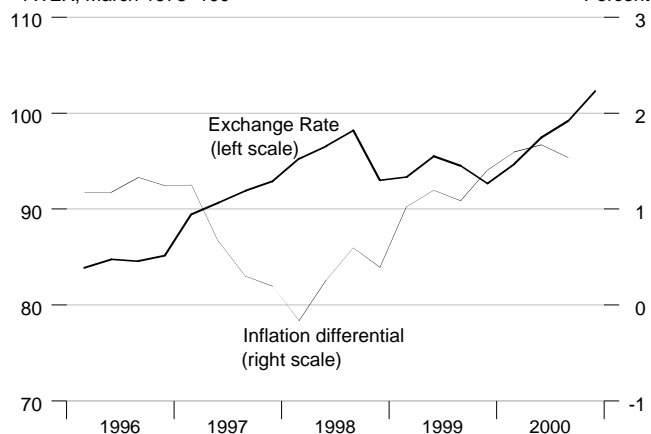
**MZM Growth**

Percent change

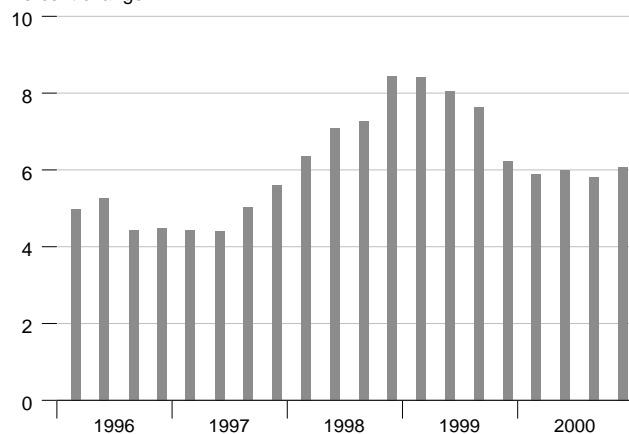
**Exchange Rate and Inflation Differential**

TWEX, March 1973=100

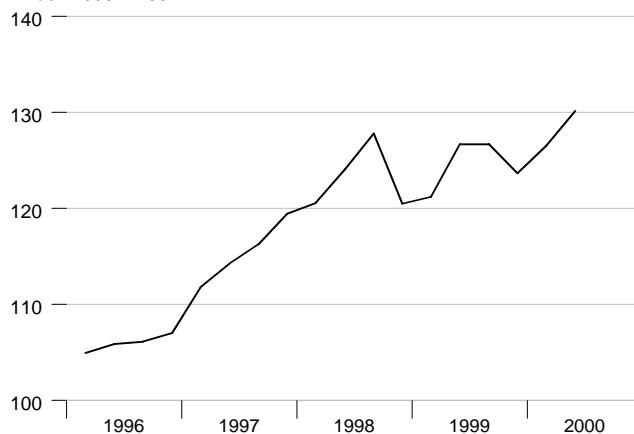
Percent

**M2 Growth**

Percent change

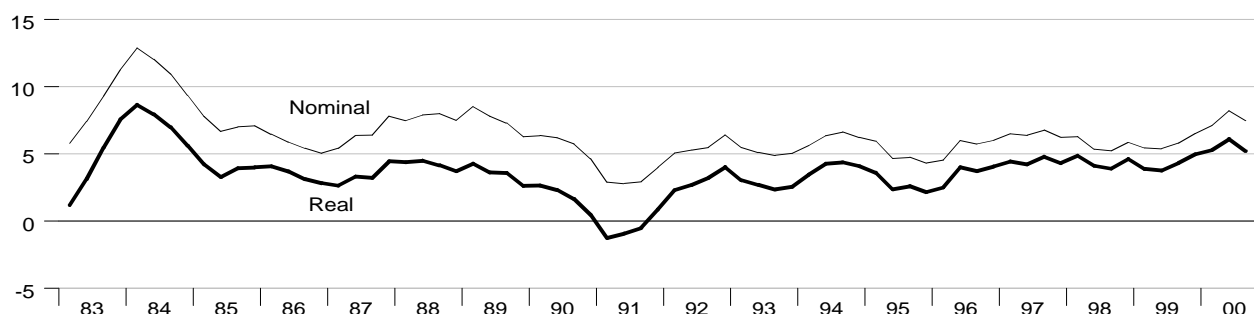
**Real Effective Exchange Rate**

Index 1995 = 100

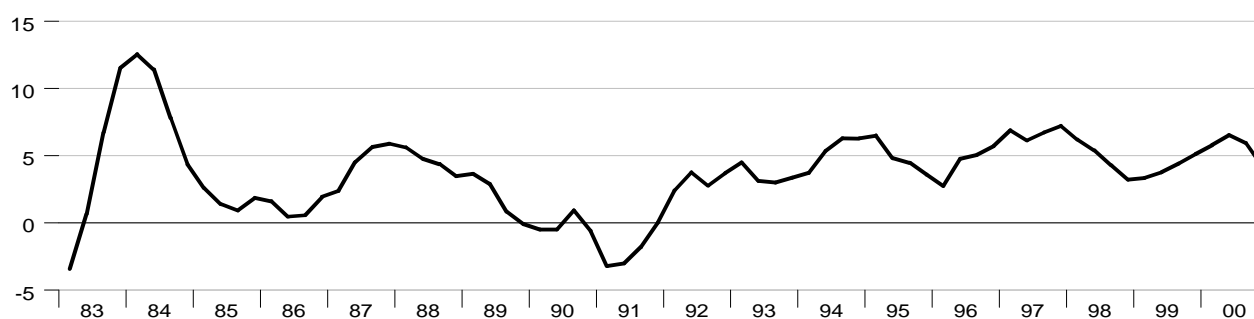


**GDP Growth**

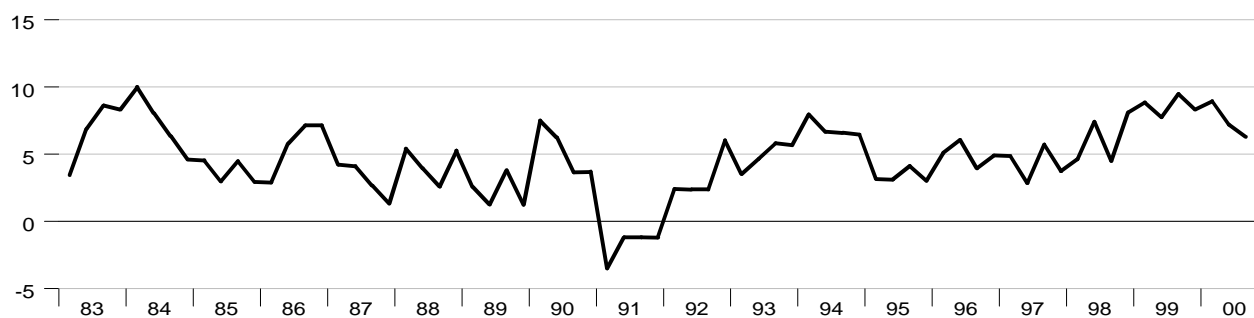
Percent change

**Industrial Production**

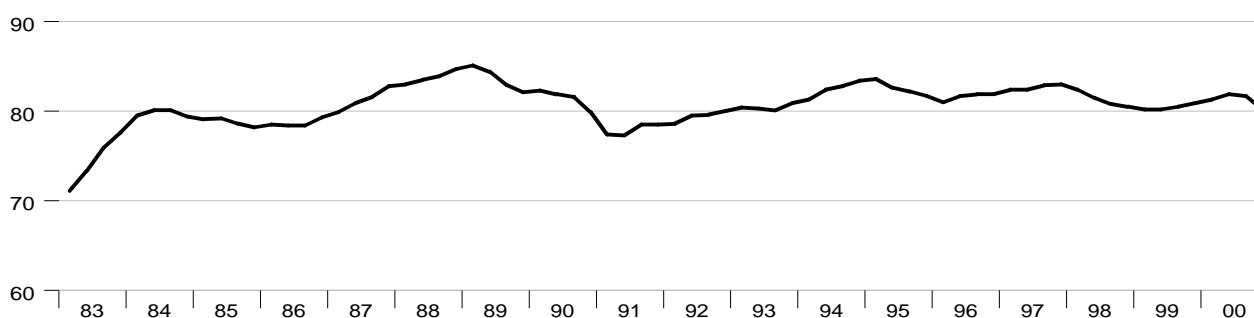
Percent change

**Retail Sales**

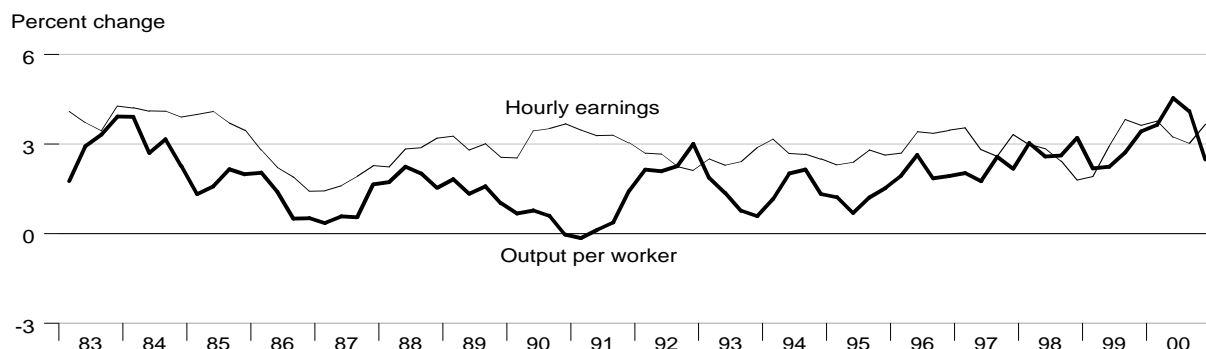
Percent change

**Capacity Utilization**

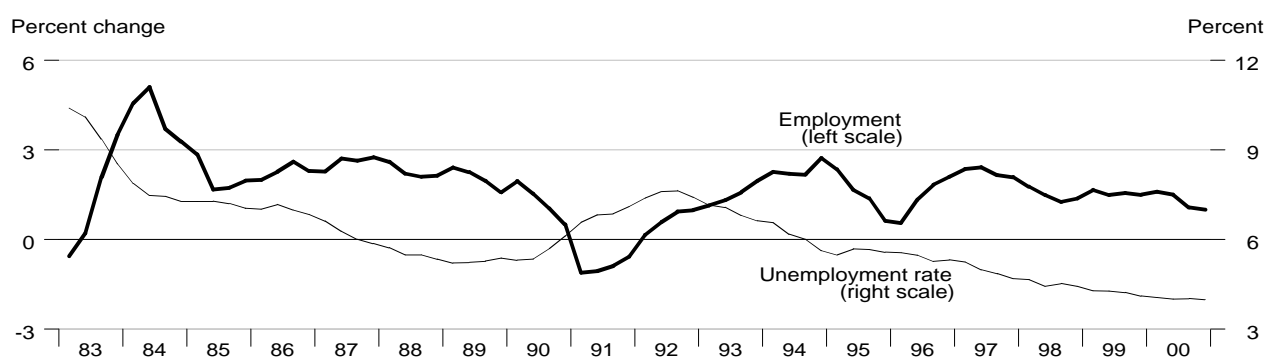
Percent



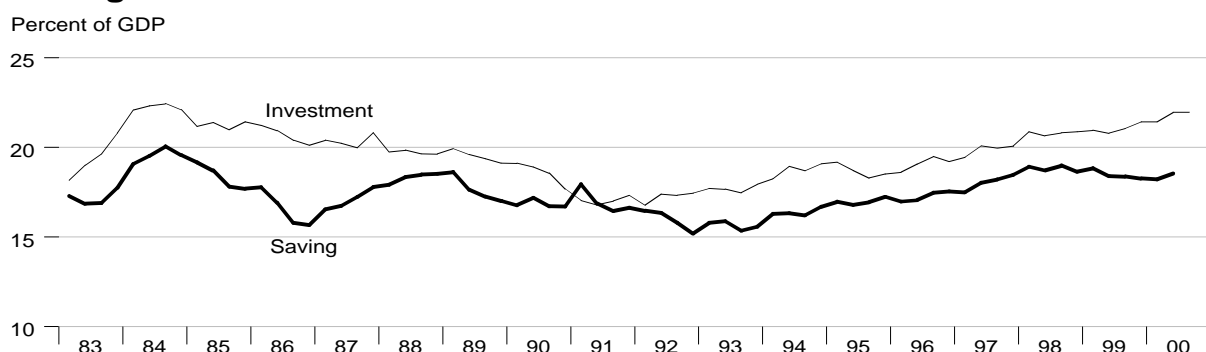
## Hourly Earnings and Output per Worker



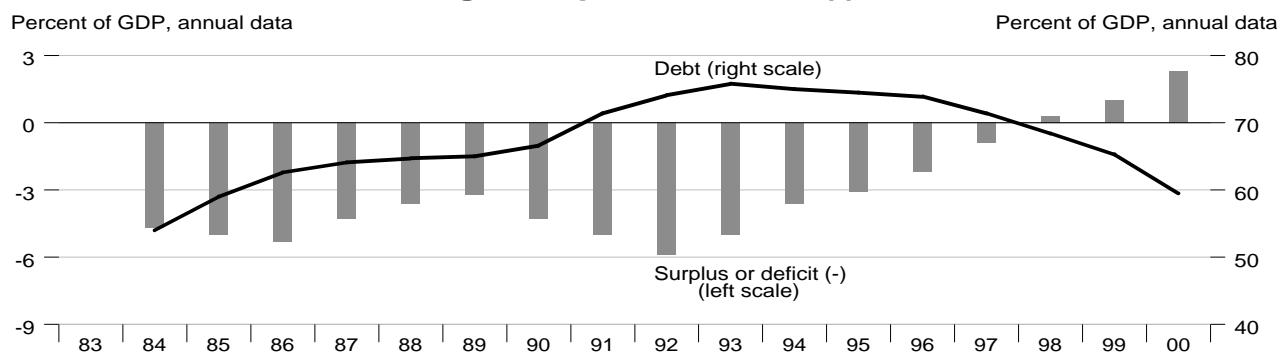
## Labor Force Indicators



## Saving and Investment

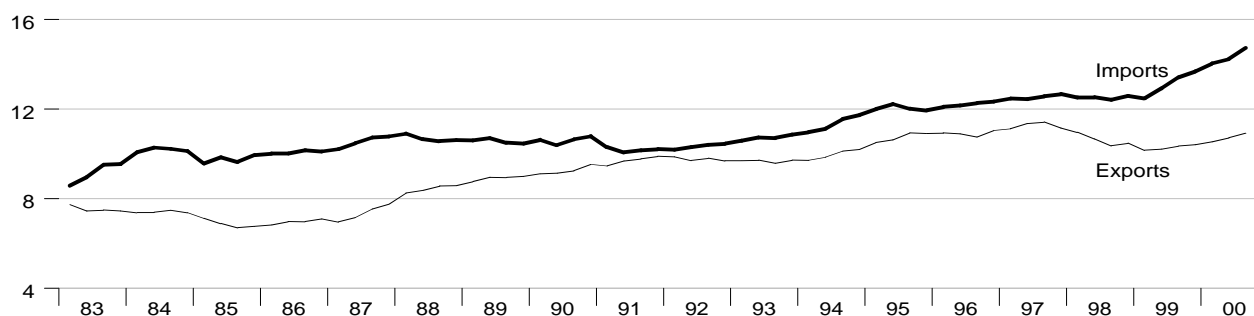


## Government Debt and Budget Surplus or Deficit (-)

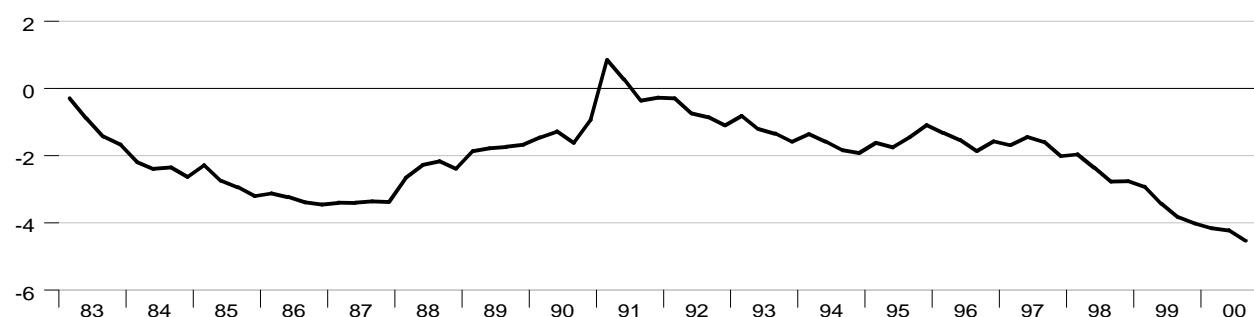


**International Trade - Goods and Services**

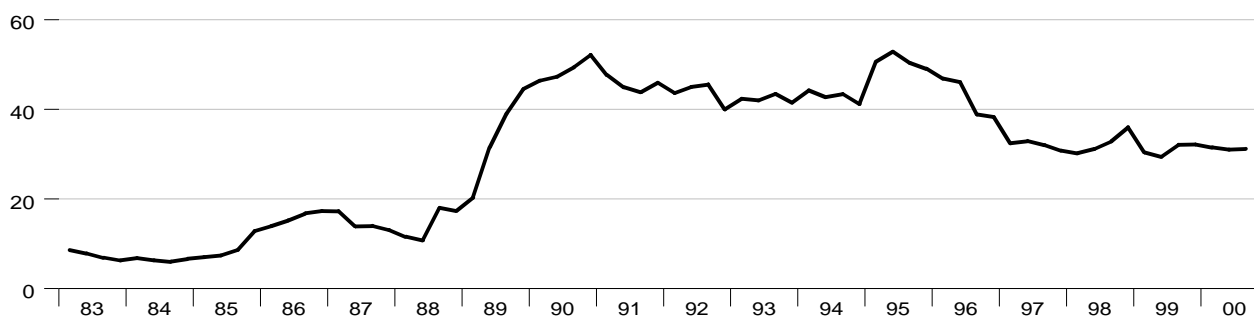
Percent of GDP

**Current Account Balance**

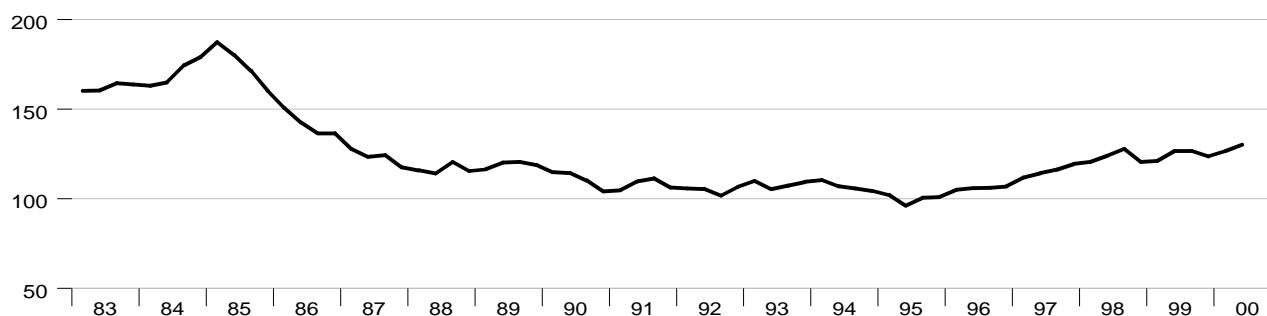
Percent of GDP

**Foreign Exchange Reserves**

Billions of US\$

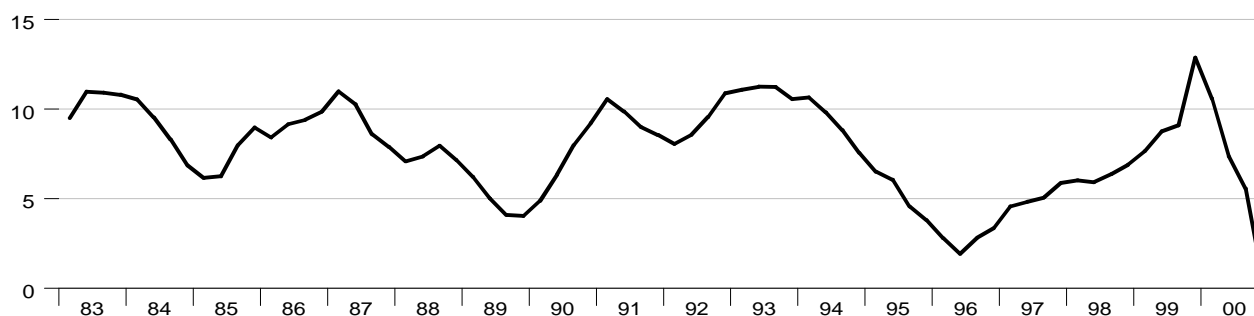
**Real Effective Exchange Rate**

Index 1995 = 100



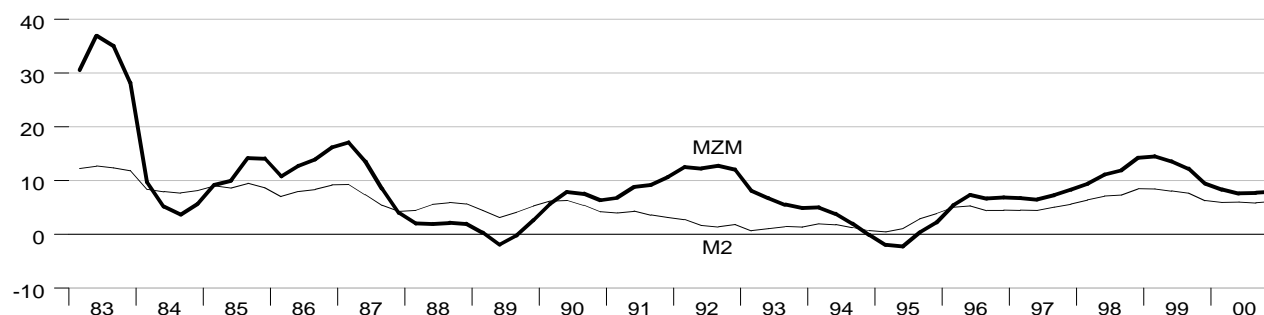
## Adjusted Monetary Base Growth

Percent change



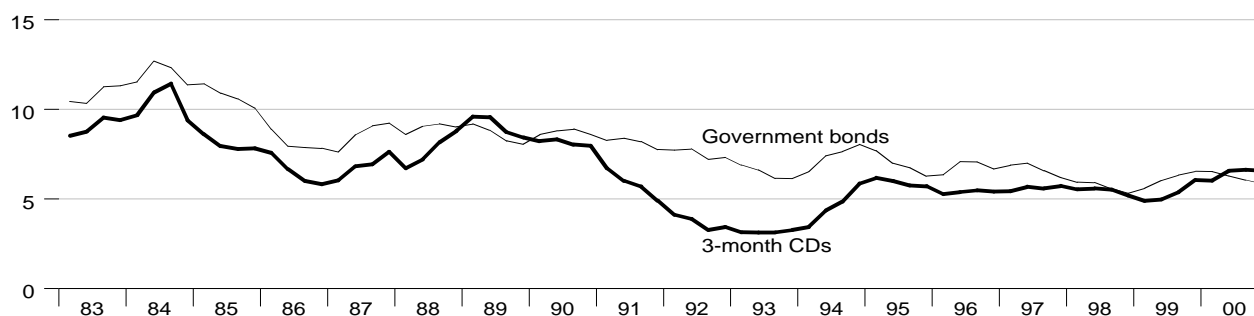
## Monetary Aggregates

Percent change



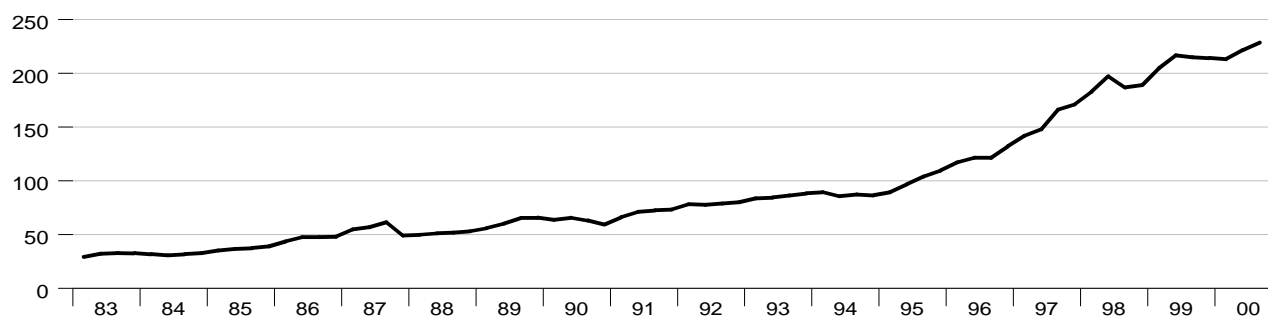
## Interest Rates

Percent



## Stock Exchange Index - New York Stock Exchange

1995 = 100



# Notes

**Euro-area Data** – The unit of account for most series is the euro.

Prior to December 1998, euro-area interest rates are calculated on the basis of national government yields weighted by GDP. Starting in 1999 short-term rates are euro interbank offered rates. Long-term rates are calculated on the basis of national government bond yields weighted by the nominal outstanding amounts of government bonds in each maturity band.

Inflation data for the euro area is based on the harmonized index of consumer prices. Data for individual countries in this publication continues to be based on national consumer price indexes.

The dollar/euro exchange rate used in the chart on page 12 is a synthetic rate prior to January 1999. This is constructed by calculating a weighted average of the exchange rates of the 10 euro-area countries against the dollar. The weights are based on 1997 GDP shares.

**German Data** – As a result of reunification, data for all of Germany are now incorporated in most of the statistical series. The starting periods for unified German data are listed below. Care should be exercised when interpreting the data around these break periods. Data for capacity utilization and hourly earnings remain for western Germany only.

Third quarter 1990: current account balance and international trade.  
First quarter 1991: CPI, GDP, industrial production, investment and saving.

First quarter 1992: employment and output per worker.

First quarter 1993: stock exchange index and unemployment rate.

First quarter 1994: retail sales.

**Capacity Utilization** covers the manufacturing sector for Canada, France, Japan, the United Kingdom, the United States, and the euro area; manufacturing excluding food, beverage and tobacco for Germany; and mining and manufacturing for Italy.

**Consumer Price Index** is for all items. The current index is based on goods and services consumed by all individuals for Canada and Italy; all households for France; households with a monthly income of less than 25,000 DM for Germany; all multi-person households excluding those mainly engaged in agriculture, forestry and fisheries for Japan; all households except pensioners dependent on state pension and high income households for the United Kingdom; and all urban households for the United States.

**Current Account Balance** is the sum of merchandise and service exports and income receipts on domestic assets abroad minus the sum of merchandise and service imports and income payments from foreign assets in the domestic economy plus net unilateral transfers.

**Earnings** are based on hourly earnings in manufacturing for Canada, France, Germany, the United States, and the euro area; hourly earnings in industry excluding construction for Italy; monthly earnings in manufacturing for Japan; and weekly earnings in manufacturing for the United Kingdom.

The **Real Effective Exchange Rate** uses normalized unit labor costs in manufacturing. The weighting scheme used to construct the rates, for all except the euro area, is based on disaggregated data for trade among 21 industrial countries in manufactured goods for 1989-91. For the euro area the weights relate to the trade of the euro area with the other countries. The weights reflect the relative importance of a country's trading partners in its direct bilateral trade relations and competition in third markets. Normalized unit labor costs in manufacturing are calculated by dividing an index of actual hourly compensation per worker by a five-year moving average index of output per man-hour.

**Employment** data refer to civilian employment for Canada, Germany, Japan, the United States, and the euro area; industrial employment for France; employed persons excluding conscripts for Italy; and total employment for the United Kingdom.

Fluctuations in the dollar value of Foreign **Exchange Reserves** occur as a result of changes in reserve holdings and/or changes in the dollar value of the currencies held.

**Government Surplus** is the difference between general government current receipts and total outlays. Total outlays consist of current expenditures and net capital expenditures. **Government Debt** incorporates all financial liabilities of the general government sector. The general government sector consolidates the accounts of the central, state, local and social security sectors.

The **Inflation Differential** is the difference between the U.S. inflation rate and the foreign inflation rate, as measured by the consumer price index. For the U.S. chart on page 41, the inflation differential is the difference between the U.S. inflation rate and a weighted average of the inflation rates in the 17 countries used in the major currency trade-weighted exchange index. For the euro-area chart on page 12, the inflation differential is the difference between the U.S. inflation rate and the euro-area inflation rate as measured by the harmonized consumer price index.

**Industrial Production** measures the change in the volume of output in the mining, manufacturing, oil, electricity, gas and water industries.

The **Short-Term Interest Rate** table on page 4 uses the relevant 3-month interest rate shown in the country pages.

The **Long-Term Interest Rate** table on page 4 uses the government bond rate. The government bond rate is a composite of yields on Federal government bonds with maturities of more than 10 years for Canada and the United States; long-term public and semi-public sector bonds for France; 7-15 year public sector bonds for Germany; 15-20 year government bonds through 1990, and 10-year government bonds starting in 1991 for Italy; 10-year government bonds for Japan, the United Kingdom, and the euro area.

**Investment** is gross fixed capital formation and changes in stocks (inventories) of the government and business sectors.

The **Reserve Money** table on page 4 refers to the adjusted monetary base for Japan and the United States; reserve money for Canada; and M0 for the United Kingdom. **Reserve Money** is currency in circulation, deposits of the deposit money banks, and demand deposits of other residents (with the exception of the central government) with the monetary authority.

## Adjusted Monetary Base

Japan – currency in circulation and current deposits at the Bank of Japan.  
United States – the sum of currency in circulation outside Federal Reserve Banks and the U.S. Treasury, deposits of depository financial institutions at Federal Reserve Banks, and an adjustment for the effects of changes in statutory reserve requirements on the quantity of base money held by depositories.

## M0

United Kingdom – notes and coins in circulation outside the Bank of England and bankers' operational deposits at the Bank of England.

## M1

Canada – currency in circulation and chartered bank net demand deposits.  
Japan – cash, currency in circulation and deposit money.  
Euro area – currency in circulation and overnight deposits.

## MZM

United States – currency in circulation, travelers' checks and total publicly-held checkable deposits minus cash items in the process of collection and Federal Reserve float, savings deposits, shares in retail money market mutual funds (funds with initial investments of less than \$50,000), net of retirement accounts and institutional money market mutual funds.

## M2

Canada – M1 plus all checkable notice deposits and personal term deposits.  
United Kingdom – currency in circulation and sterling retail deposits with the UK banks and building societies.  
United States – MZM less institutional money market mutual funds plus small denomination (less than \$100,000) time deposits.

## M2 + CDs

Japan – M1 plus private deposits, public deposits less demand deposits, and certificates of deposit.

## M3

Euro area – M1 plus deposits with a maturity up to 2 years, deposits redeemable at notice up to 3 months, repurchase agreements, money market funds and debt securities up to two years.

## M4

United Kingdom – M2 plus wholesale deposits with the UK banks and building societies.

**Output Per Worker** is the ratio of real GDP to employment.

**Retail Sales** are based on a volume index.

**Saving** is gross national saving which includes net national saving (receipts less disbursements of households, business and the government) and consumption of fixed capital.

The **Stock Market Index** refers to all share prices except for the United Kingdom, which excludes financial firms.

The trade-weighted exchange rate, **TWEX**, is the Board of Governors of the Federal Reserve System's major currency trade-weighted dollar exchange rate. This is a weighted average of the exchange value of the U.S. dollar relative to the major international currencies of 17 industrial countries.

The **Unemployment Rate** is the standardized unemployment rate. It is the percentage of the civilian labor force that is unemployed. The unemployed are all persons of working age who are without work, readily available for work and actively seeking work. The standardized rate may differ from the national unemployment rate calculations.

# Sources

Except as noted below, all data are from the *Organization for Economic Cooperation and Development (OECD)*. For more details on these data see: OECD, *Main Economic Indicators, Sources and Definitions 1997*, July 1997. This publication is available on the Internet at: <http://www.oecd.org/std/meta.htm>.

*Bank of Canada*

M1 and M2 (Canada)

*Bank of England*

M2 (U.K.)

*Banca D'Italia*

Long-term interest rate (Italy)

*Bank of Japan*

Adjusted monetary base (Japan), long-term interest rate (Japan), employment (Japan)

*Board of Governors of the Federal Reserve System*

Exchange rates, short and long-term interest rates (U.S.), M2 (U.S.), industrial production index (U.S.), capacity utilization (U.S.)

*Bundesanstalt Fur Arbeit*

Employment (Germany)

*Bureau of Economic Analysis (BEA), U.S. Department of Commerce*

Gross domestic product (U.S.), current account balance (U.S.), merchandise and service trade (U.S.)

*Bureau of Labor Statistics (BLS), U.S. Department of Labor*

Employment (U.S.), consumer price index (U.S.)

*Eurostat*

Current account balance (euro area), gross domestic product (euro area), retail sales (euro area)

*Federal Reserve Bank of St. Louis*

Inflation differential (U.S. and euro area), adjusted monetary base (U.S.), MZM (U.S.)

*Financial and Economic Research International*

Employment (euro area), merchandise trade (euro area)

*Haver Analytics*

Synthetic euro exchange rate

*Istituto Centrale di Statistica*

Employment (Italy)

*International Monetary Fund (IMF)*

Foreign exchange reserves, reserve money (Canada), merchandise and service trade (except U.S. and euro area), and real effective exchange rate. For more details on these data see: *IMF, International Financial Statistics*.

*Ministere du Travail et des Affaires Sociales*

Employment (France)

*Statistics Canada*

Employment (Canada)

*U.K. Office for National Statistics*

Employment (U.K.) and M0 (U.K.)