



## Argentina Agonistes

Since December 2001, Argentina has experienced a tumultuous currency devaluation, sovereign debt default, and a freeze on bank accounts that followed a ten-year period in which the Argentine peso was tied one-to-one with the U.S. dollar. During this era, Argentina took steps to privatize state-owned enterprises and open itself to international trade—especially with Brazil, which became Argentina's largest trading partner through the Mercosur customs union. In the 1990s, foreign companies purchased numerous privatized enterprises and foreign investors acquired large holdings of private and sovereign debt from Argentina. For these foreign owners to repatriate interest and profits, Argentina would have to generate substantial export earnings.

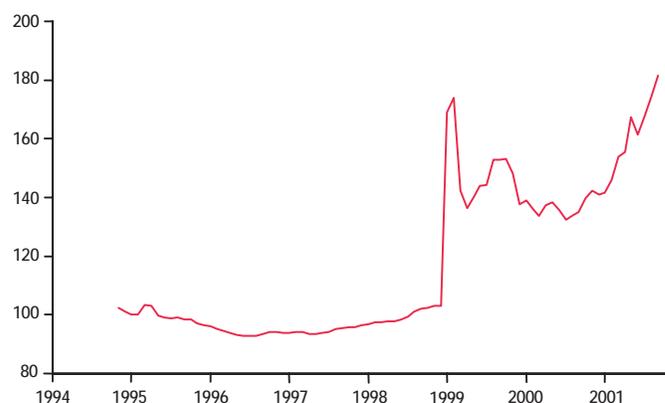
However, one big obstacle to Argentine exports was the appreciation of the dollar, and thus the peso, against other major currencies, starting in 1995. That is, prices in Argentina—combined with the one-to-one exchange rate with the dollar—made Argentine goods relatively expensive to the rest of the world. Argentina and Brazil were at least in the same boat during the mid-1990s when Brazil was also pegging to the U.S. dollar. In contrast to the European Union, however, the Mercosur customs union did not impose exchange-rate commitments between the member countries, and Brazil unilaterally devalued the real in January 1999. Depreciation of the nominal exchange rate would have been the most direct way for Argentina also to reduce the high real exchange value of the peso. With the exchange-rate straitjacket in place, however, the only way market forces could reduce the real exchange value of the peso was for prices in Argentina to fall relative to prices in the United States. But it was not easy for prices in Argentina to ebb below those in the United States, given the U.S. productivity boom which held down U.S. inflation and elevated real rates of return.

With the fixed exchange rate, nominal interest rates in Argentina could not fall below those in the United States,

although they could be higher due to default risk. This interest-rate floor meant that any fall in prices in Argentina relative to the United States implied correspondingly higher real borrowing costs in Argentina's domestic credit markets. Between November 1994 and September 2001, for example, the price level in Argentina fell 16.2 percent relative to the price level in the United States. The resulting high real borrowing costs hindered any economic recovery that would have reduced Argentina's unemployment rate from double-digit levels. Nevertheless, the accompanying chart shows that not even this painful decrease in relative prices between Argentina and the United States was sufficient to prevent substantial appreciation of the real exchange value of the peso relative to the Brazilian real following Brazil's devaluation in January 1999. This evolution of the Argentine economy—one step forward and two steps backward—satisfied no constituency: not domestic borrowers, labor unions, exporters, or foreign creditors. In such circumstances, domestic politics generally holds the trump card, whereupon default and devaluation became the inevitable outcome.

—Michael J. Dueker

Real Exchange Rate Index Between Argentina and Brazil



NOTE: 1995 index = 100; higher values indicate that Argentine exports are more expensive.

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## ***Conventions used in this publication:***

1. Charts and tables contain data that were current through January 2002. 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.

We welcome your comments addressed to:

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**Real Gross Domestic Product**

Percent change

	98.4	99.1	99.2	99.3	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3
Canada	4.20	4.73	5.05	5.38	5.09	5.03	4.78	4.42	3.51	2.43	2.11	0.79
Euro Area	1.95	1.97	2.19	2.77	3.64	3.62	3.88	3.19	2.79	2.47	1.64	1.35
France	2.84	2.76	2.56	2.93	3.73	3.67	3.62	3.42	3.21	2.89	2.24	2.00
Germany	0.57	0.72	0.97	2.04	3.04	2.95	4.34	3.18	2.48	1.84	0.65	0.38
Italy	0.73	0.93	1.25	1.43	2.83	3.41	3.09	2.64	2.54	2.52	2.10	1.87
Japan	-1.33	-1.23	1.27	2.06	0.58	3.63	2.32	0.72	2.33	1.35	-0.64	-0.46
United Kingdom	2.57	1.81	1.64	2.30	2.75	3.11	3.36	2.98	2.72	2.98	2.65	2.23
United States	4.77	4.02	3.89	4.02	4.41	4.23	5.22	4.38	2.81	2.55	1.22	0.54

**Nominal Gross Domestic Product**

Percent change

	98.4	99.1	99.2	99.3	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3
Canada	3.08	3.94	5.81	8.02	8.13	9.02	8.90	8.16	7.11	6.22	4.02	0.92
Euro Area	3.85	4.38	4.25	4.42	4.67	4.77	5.03	4.70	4.37	4.53	4.11	3.39
France	3.45	3.16	2.87	3.31	4.05	4.46	4.22	4.22	4.35	3.95	4.01	3.83
Germany	1.63	1.60	1.63	2.32	3.11	2.64	3.61	2.93	2.15	2.74	2.03	0.99
Italy	3.22	3.56	2.86	2.70	3.90	5.00	5.48	5.47	4.96	5.12	4.92	4.27
Japan	-1.76	-2.15	0.09	0.42	-1.26	1.68	0.14	-1.02	0.31	-0.54	-2.14	-1.82
United Kingdom	5.41	4.69	4.55	4.79	5.24	5.11	5.21	4.77	4.23	5.12	5.02	4.67
United States	5.97	5.39	5.34	5.45	5.99	6.33	7.60	6.88	5.31	4.89	3.50	2.89

**Consumer Price Index**

Percent change

	99.1	99.2	99.3	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3	01.4
Canada	0.83	1.60	2.15	2.35	2.69	2.45	2.71	3.07	2.79	3.59	2.69	.
Euro Area	0.92	1.05	1.16	1.55	2.16	2.00	2.49	2.67	2.57	3.20	2.72	2.24
France	0.28	0.36	0.51	1.00	1.52	1.49	1.88	1.89	1.29	2.03	1.79	1.43
Germany	0.28	0.48	0.63	0.95	1.80	1.61	2.05	2.31	2.52	3.16	2.46	.
Italy	1.19	1.46	1.71	2.08	2.58	2.51	2.62	2.66	2.90	3.06	2.80	2.40
Japan	-0.12	-0.24	0.00	-1.00	-0.62	-0.66	-0.63	-0.77	-0.45	-0.72	-0.77	.
United Kingdom	2.22	1.42	1.17	1.44	2.31	3.14	3.19	3.06	2.55	1.92	1.80	.
United States	1.66	2.03	2.33	2.62	3.27	3.31	3.47	3.44	3.41	3.44	2.72	1.84

**Employment Growth**

Percent change

	99.1	99.2	99.3	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3	01.4
Canada	2.88	2.84	2.70	2.73	3.02	2.76	2.34	2.30	1.64	1.48	1.11	0.47
Euro Area	1.96	1.72	1.82	1.96	2.09	2.35	2.18	2.05	1.66	1.08	.	.
France	2.26	2.21	2.36	2.94	3.22	3.57	3.78	3.80	3.70	3.05	2.40	.
Germany	1.60	0.93	1.25	1.28	1.71	2.17	1.47	1.18	0.60	0.16	0.05	.
Italy	1.01	0.79	0.75	0.70	0.75	1.00	1.66	2.52	2.97	.	.	.
Japan	-1.23	-1.09	-0.66	-0.22	-0.46	-0.38	-0.37	0.22	0.43	-0.42	-0.82	.
United Kingdom	1.36	1.67	1.94	2.24	1.50	1.51	0.94	1.17	1.11	0.87	0.58	.
United States	1.64	1.50	1.54	1.50	1.58	1.51	1.05	1.01	0.60	-0.02	-0.11	-0.99

**Unemployment Rate**

Percent

	99.1	99.2	99.3	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3	01.4
Canada	7.90	7.86	7.52	6.97	6.80	6.68	6.92	6.87	6.96	7.00	7.14	.
Euro Area	10.30	10.10	9.80	9.50	9.30	9.00	8.80	8.60	8.50	8.50	8.40	.
France	11.65	11.43	11.00	10.57	10.17	9.78	9.45	9.17	8.97	8.92	8.98	.
Germany	8.75	8.68	8.57	8.38	8.12	7.96	7.84	7.72	7.75	7.82	7.89	.
Italy	11.58	11.47	11.24	11.11	10.96	10.62	10.30	9.99	9.68	9.53	9.43	.
Japan	4.62	4.72	4.72	4.67	4.80	4.68	4.65	4.80	4.75	4.86	5.09	.
United Kingdom	6.27	6.10	5.97	5.96	5.84	5.56	5.44	5.33	5.14	5.04	5.16	.
United States	4.27	4.26	4.25	4.10	4.02	4.00	4.06	3.97	4.19	4.47	4.84	5.61

**Reserve Money Growth**

Percent change

	99.1	99.2	99.3	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3	01.4
Canada	9.62	8.02	9.05	25.02	7.08	4.86	1.71	-7.92	3.13	6.90	7.26	.
Japan	6.21	6.45	7.33	14.81	10.89	6.41	4.00	-1.35	1.18	7.54	13.79	17.84
United Kingdom	5.24	6.86	7.65	9.43	9.71	8.06	7.60	6.60	6.84	6.90	6.90	.
United States	7.65	8.75	9.09	12.87	10.57	7.36	5.56	0.64	1.97	4.25	7.59	8.50

**Narrow Money Growth**

Percent change

	99.1	99.2	99.3	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3	01.4
Canada	5.83	1.68	1.54	3.30	9.86	15.43	17.57	17.77	13.40	11.55	8.13	.
Euro Area	12.58	12.17	13.07	11.41	10.61	7.48	6.56	5.03	1.63	4.21	5.06	.
Japan	8.68	11.65	12.96	12.06	10.61	8.49	5.10	3.87	5.01	7.83	11.05	.
United Kingdom	6.10	6.74	7.00	7.95	7.27	7.05	7.61	7.03	8.72	10.17	9.69	.
United States	14.47	13.56	12.23	9.48	8.37	7.80	7.97	8.14	10.84	14.47	16.87	20.40

**Broad Money Growth**

Percent change

	99.1	99.2	99.3	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3	01.4
Canada	1.77	2.33	2.75	3.68	5.62	7.15	7.45	7.10	5.74	5.19	4.31	.
Euro Area	4.66	4.75	5.28	5.76	6.95	5.63	5.31	4.25	3.81	5.56	6.70	.
Japan	4.12	4.31	3.32	2.68	1.90	1.87	1.98	2.13	2.47	2.92	3.19	.
United Kingdom	6.60	5.57	3.22	4.00	5.28	6.86	9.03	8.40	8.19	7.50	7.80	.
United States	8.43	8.00	7.64	6.31	6.00	6.14	6.04	6.12	7.12	8.02	9.38	10.25

**Short-Term Interest Rates**

Percent

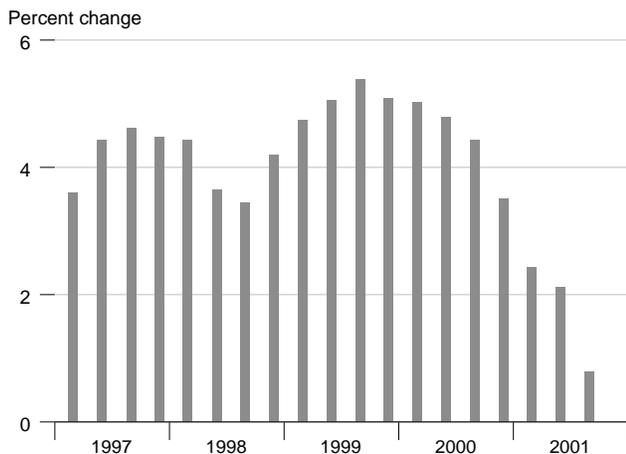
	99.1	99.2	99.3	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3	01.4
Canada	5.00	4.70	4.82	5.04	5.28	6.12	5.90	5.81	5.10	4.48	3.95	2.39
Euro Area	3.09	2.64	2.70	3.43	3.54	4.26	4.74	5.02	4.75	4.59	4.27	3.44
Japan	0.49	0.11	0.09	0.29	0.11	0.08	0.27	0.54	0.36	0.04	0.04	0.04
United Kingdom	5.50	5.20	5.19	5.89	6.12	6.19	6.12	5.99	5.63	5.23	4.92	4.09
United States	4.90	4.98	5.38	6.06	6.03	6.57	6.63	6.59	5.26	4.10	3.34	2.06

**Long-Term Interest Rates**

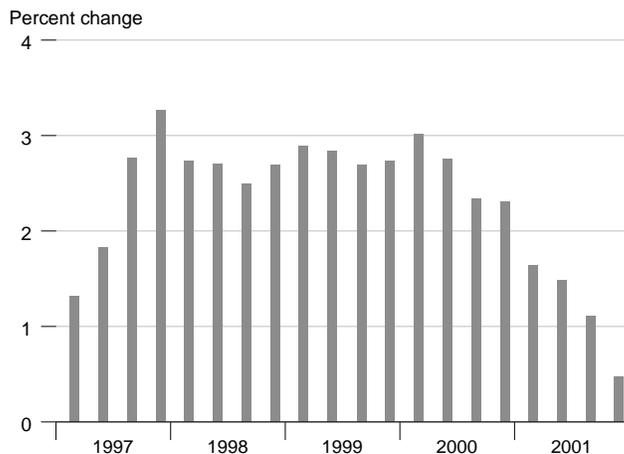
Percent

	99.1	99.2	99.3	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3	01.4
Canada	5.24	5.49	5.78	6.21	6.20	5.96	5.81	5.72	5.67	5.95	5.90	5.64
Euro Area	3.99	4.26	5.05	5.32	5.62	5.43	5.44	5.28	4.99	5.19	5.12	.
France	4.31	4.55	5.20	5.71	5.93	5.90	5.99	5.75	5.48	5.55	5.34	.
Germany	3.86	4.07	4.87	5.16	5.46	5.26	5.25	5.08	4.75	4.96	4.88	4.60
Italy	4.08	4.34	5.12	5.38	5.69	5.55	5.59	5.48	5.16	5.37	5.27	.
Japan	1.83	1.39	1.79	1.78	1.79	1.71	1.79	1.74	1.39	1.28	1.36	1.35
United Kingdom	4.47	4.89	5.45	5.50	5.60	5.30	5.28	5.05	4.81	5.09	5.04	4.78
United States	5.60	6.04	6.34	6.55	6.54	6.29	6.06	5.85	5.56	5.81	5.59	5.44

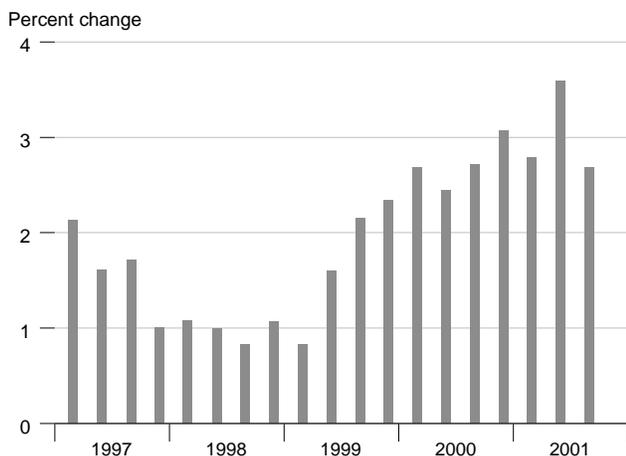
### Real GDP Growth



### Employment Growth



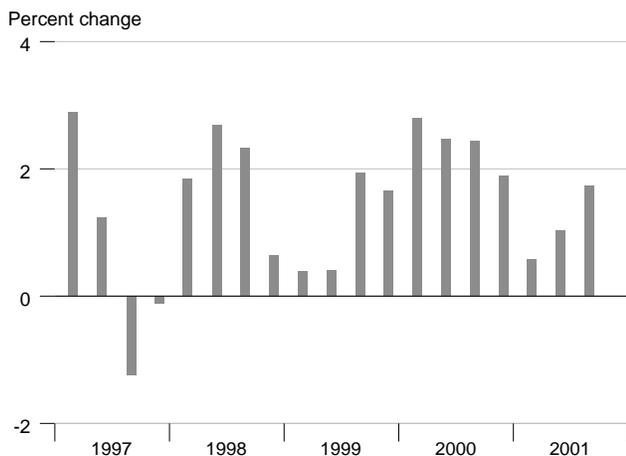
### Consumer Price Index



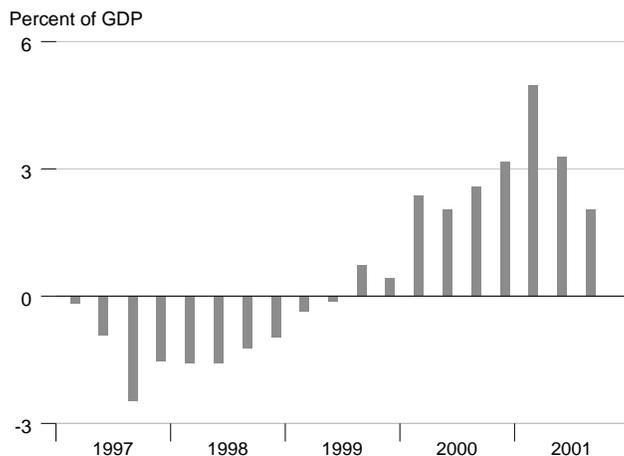
### Unemployment Rate



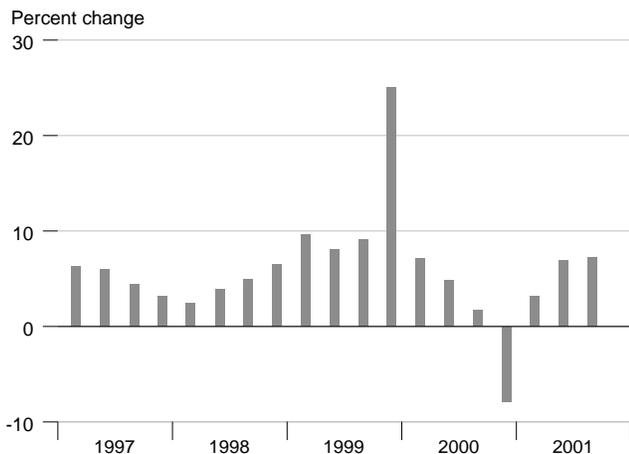
### Hourly Earnings



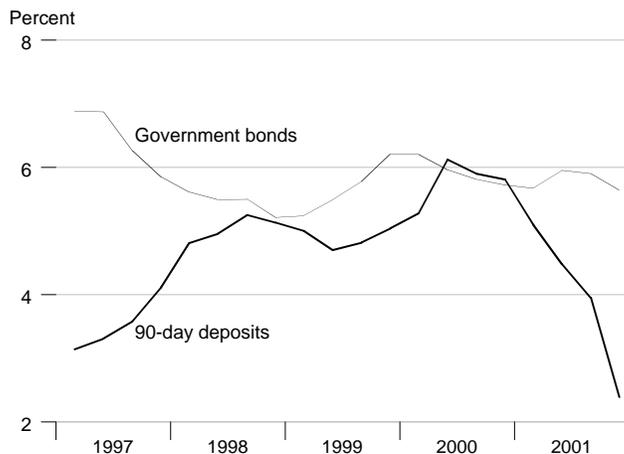
### Current Account Balance



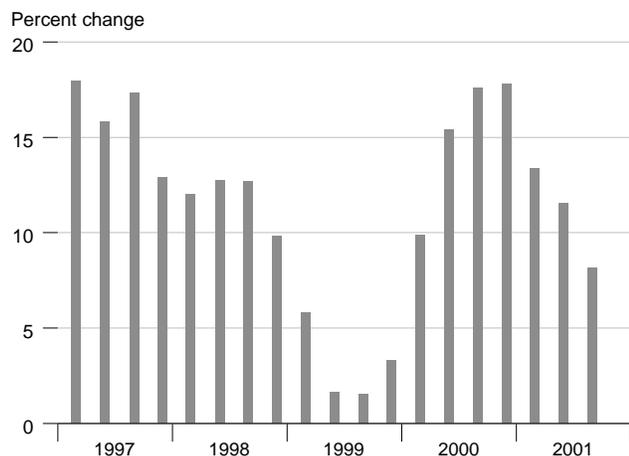
### Reserve Money Growth



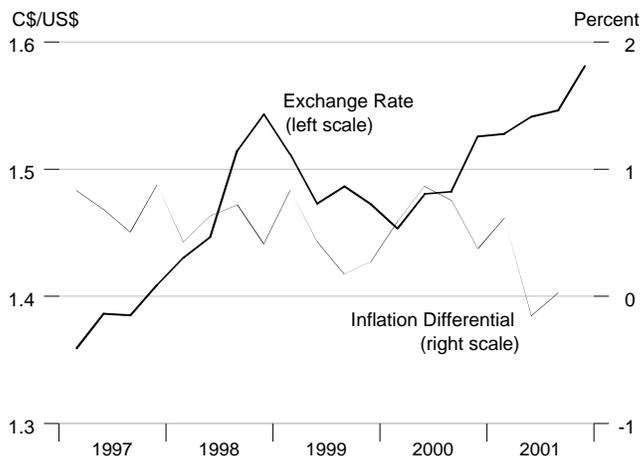
### Interest Rates



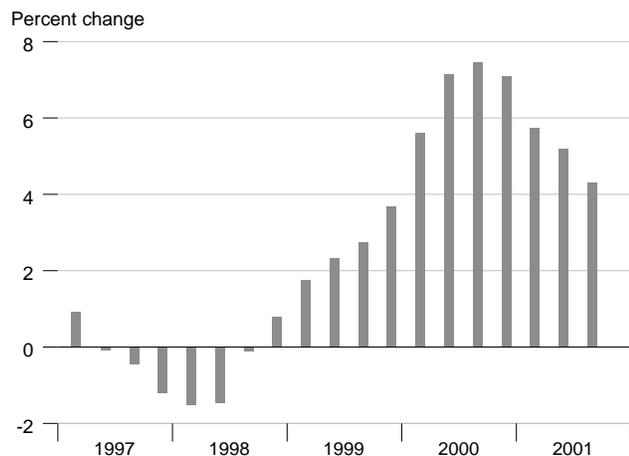
### M1 Growth



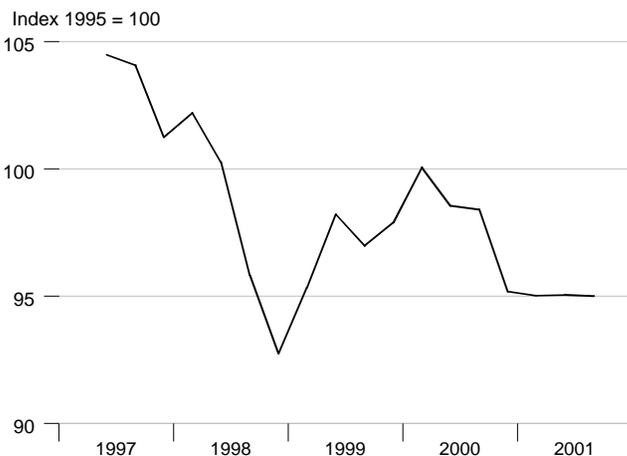
### Exchange Rate and Inflation Differential



### M2 Growth

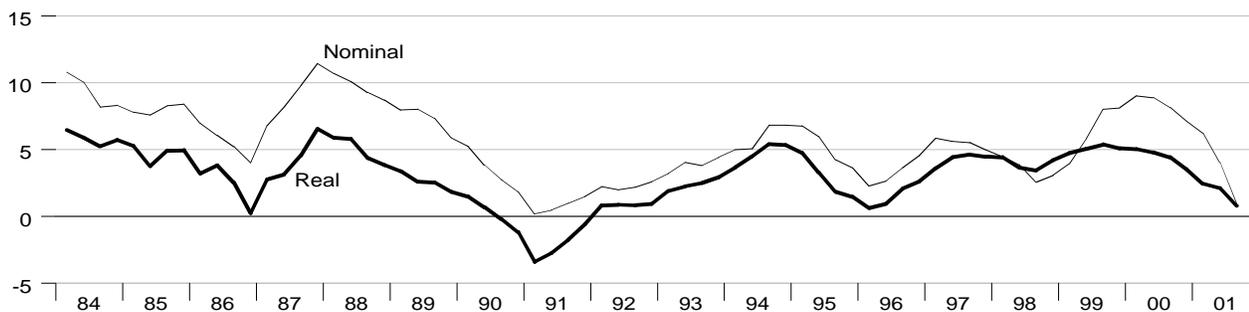


### Real Effective Exchange Rate



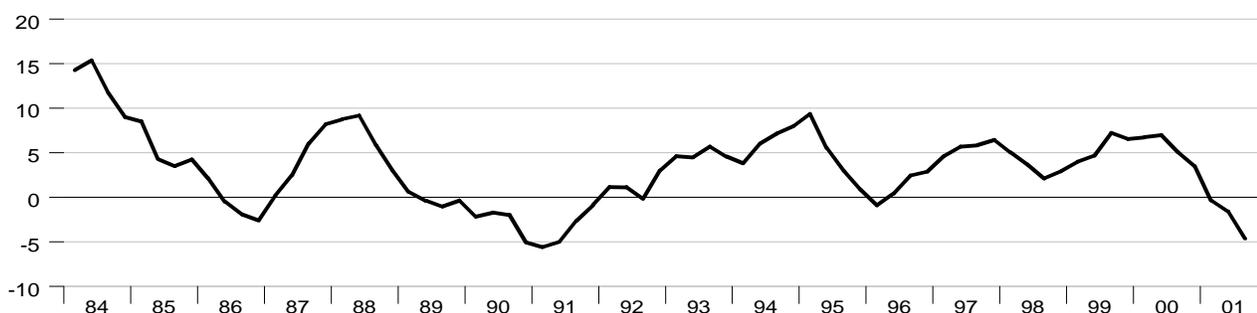
### GDP Growth

Percent change



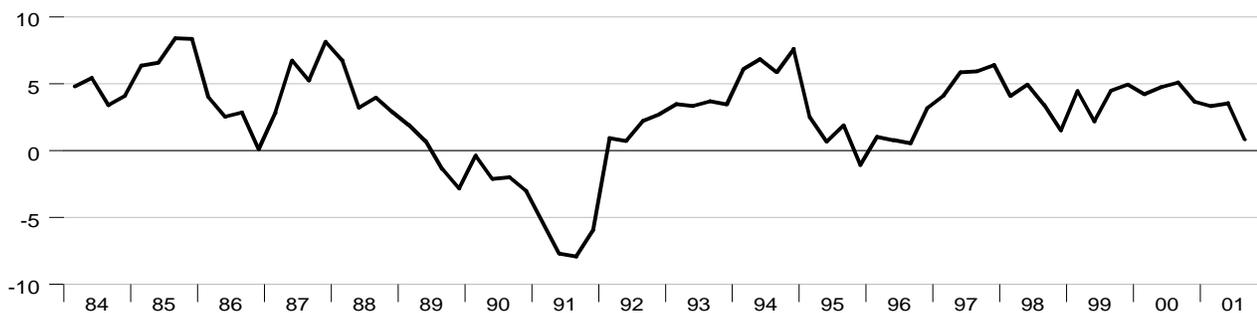
### Industrial Production

Percent change



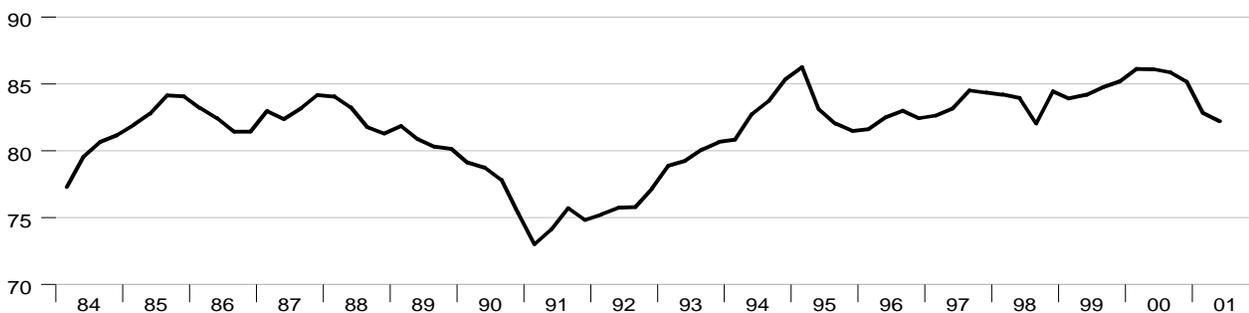
### Retail Sales

Percent change



### Capacity Utilization

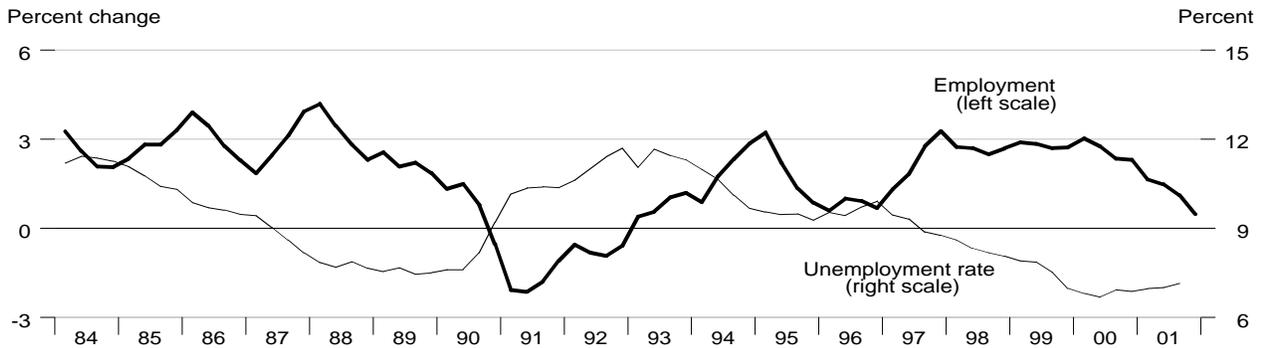
Percent



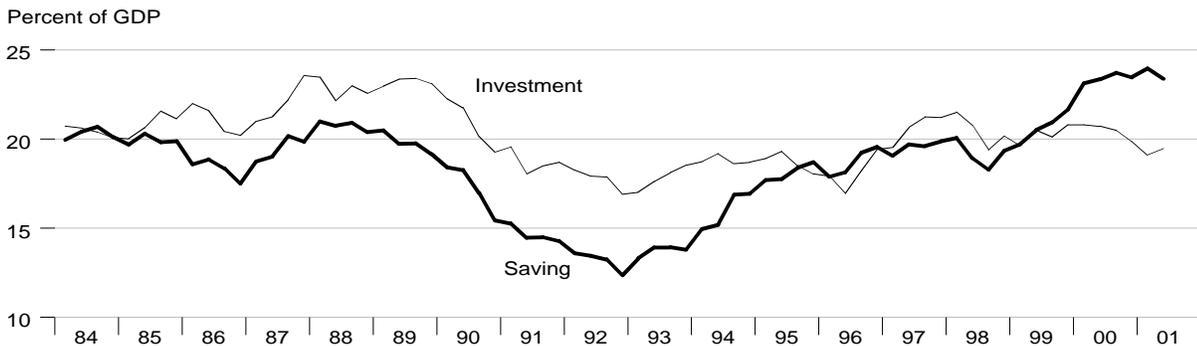
### Hourly Earnings and Output per Worker



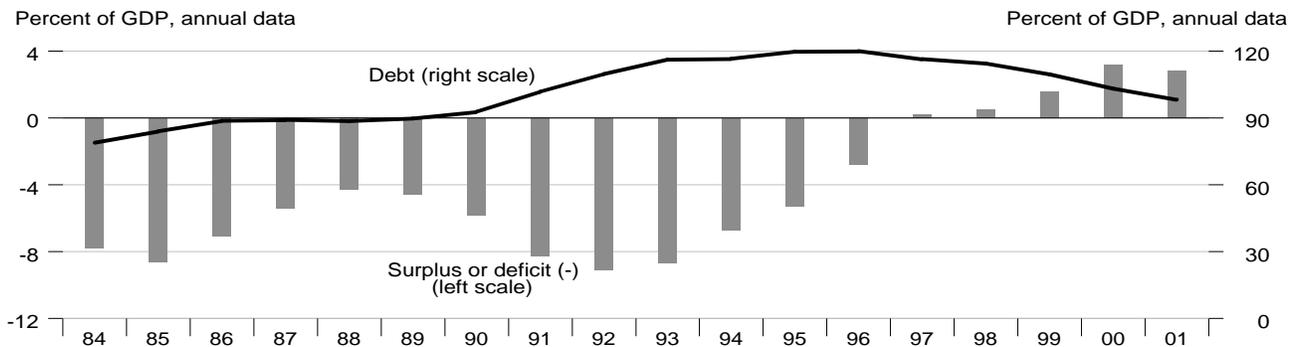
### Labor Force Indicators



### Saving and Investment

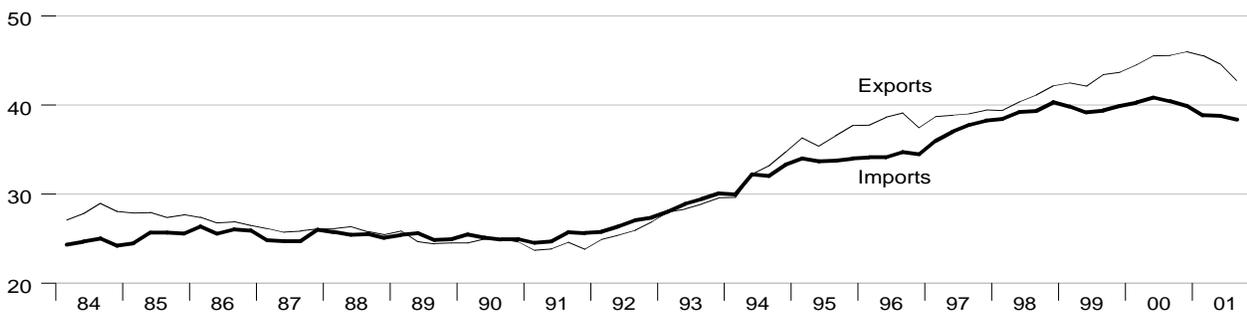


### Government Debt and Budget Surplus or Deficit (-)



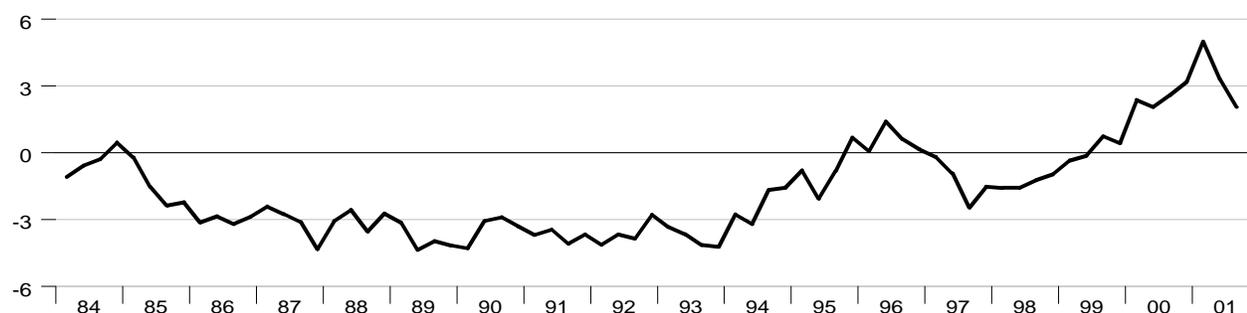
### International Trade - Goods and Services

Percent of GDP



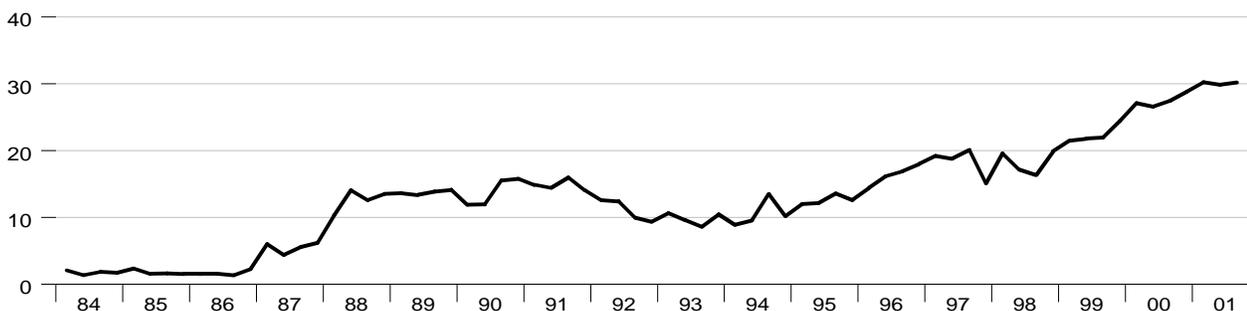
### Current Account Balance

Percent of GDP



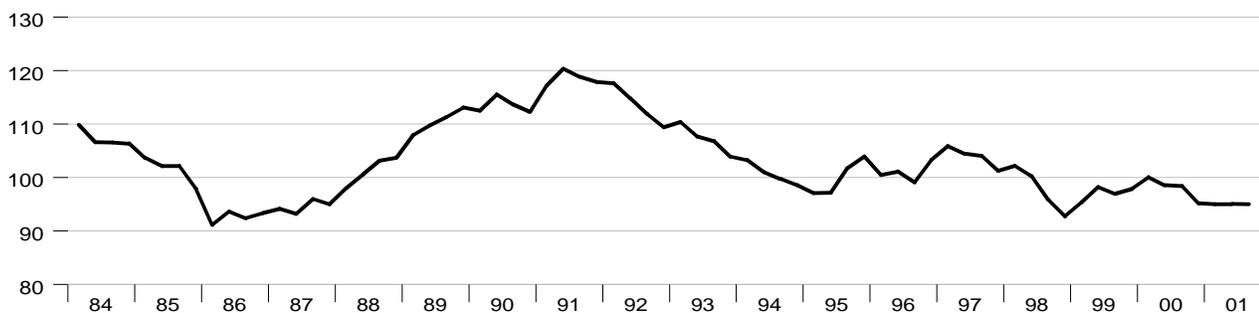
### Foreign Exchange Reserves

Billions of US\$



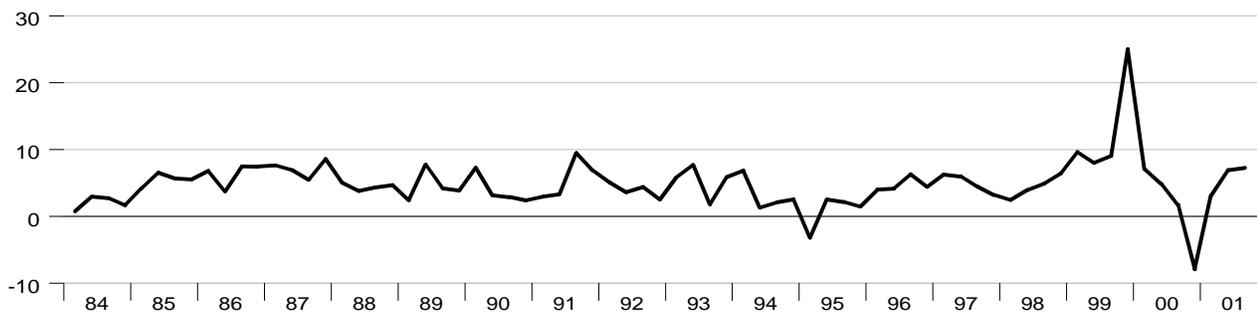
### Real Effective Exchange Rate

Index 1995 = 100



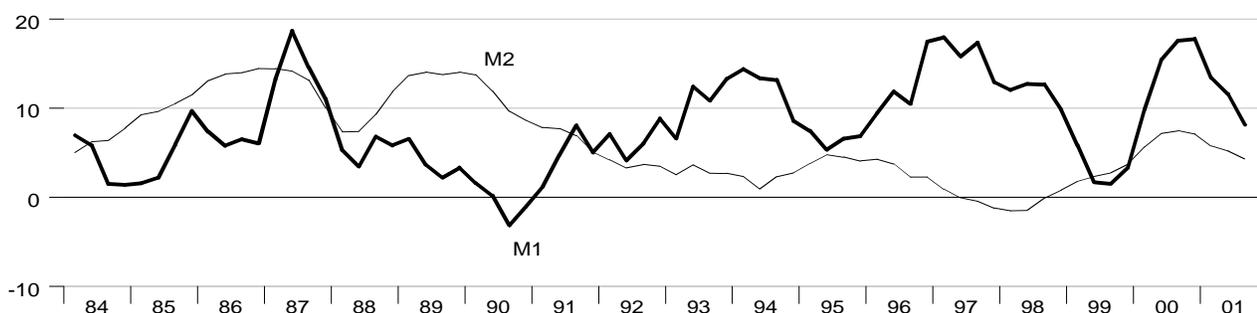
### Reserve Money Growth

Percent change



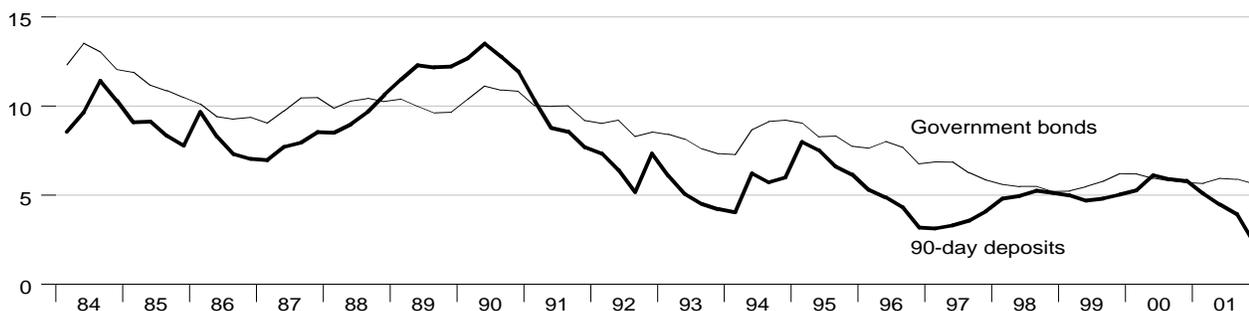
### Monetary Aggregates

Percent change



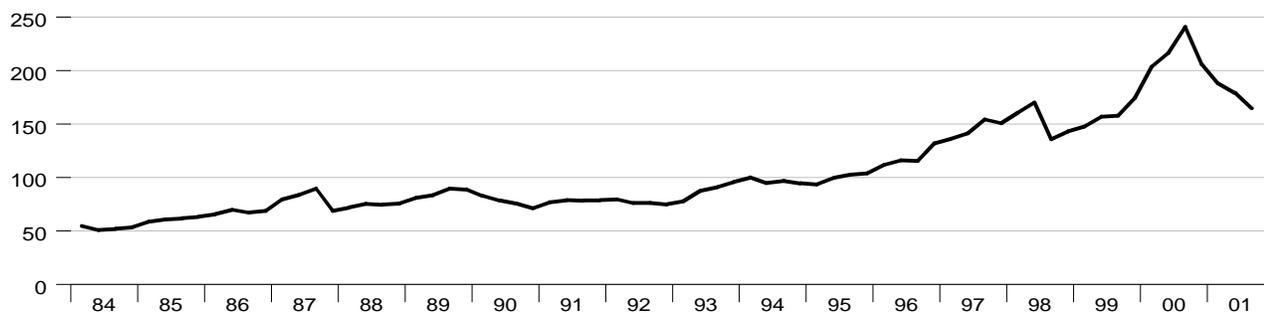
### Interest Rates

Percent

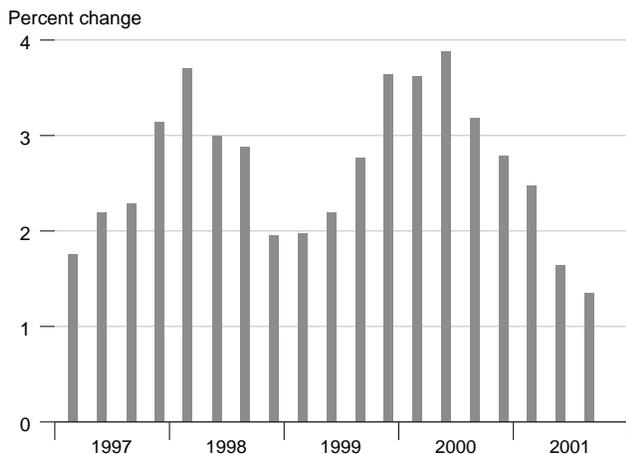


### Stock Exchange Index - Toronto Stock Exchange

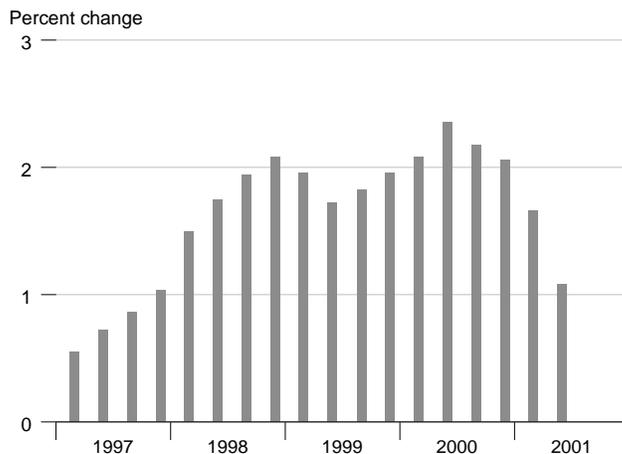
1995 = 100



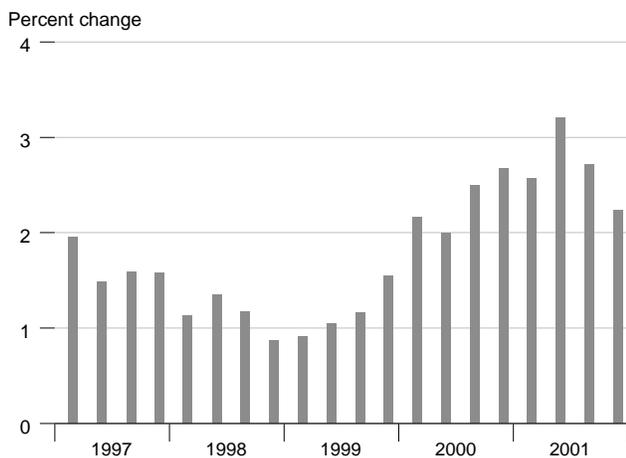
### Real GDP Growth



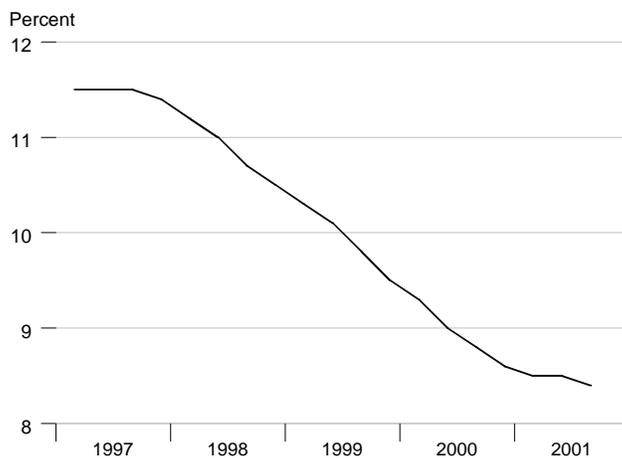
### Employment Growth



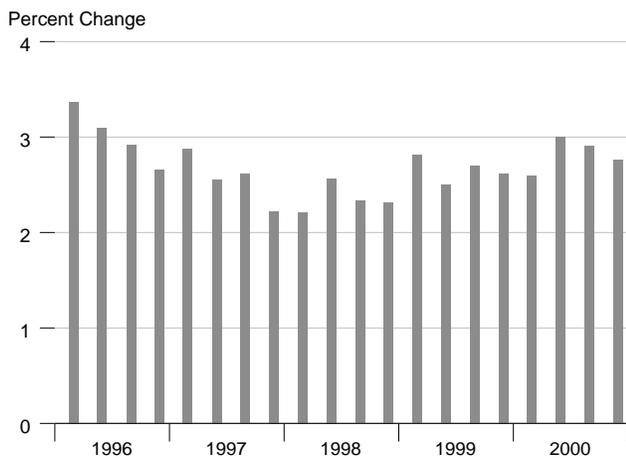
### Consumer Price Index



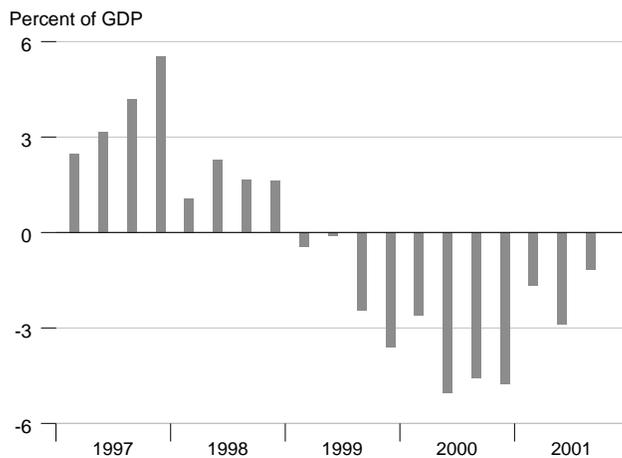
### Unemployment Rate



### Hourly Earnings

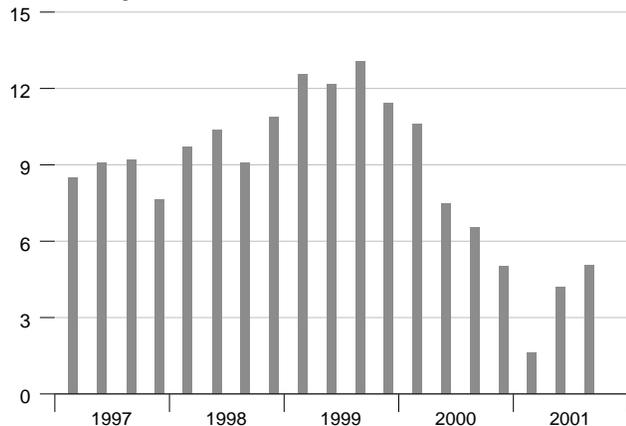


### Current Account Balance



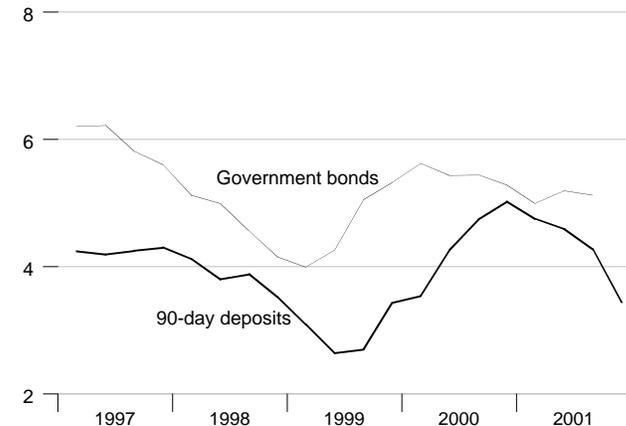
### M1 Growth

Percent change



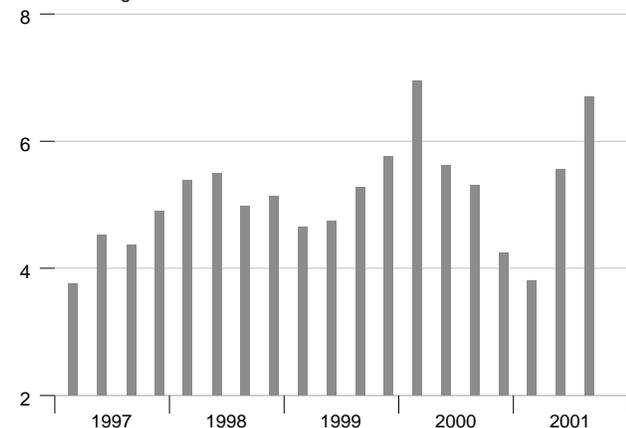
### Interest Rates

Percent



### M3 Growth

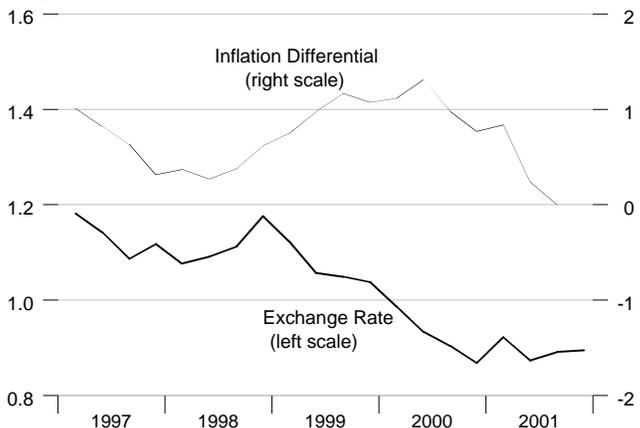
Percent change



### Exchange Rate and Inflation Differential

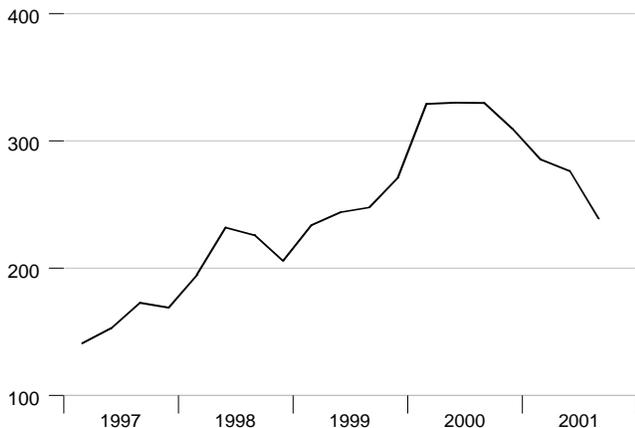
US\$/Euro

Percent



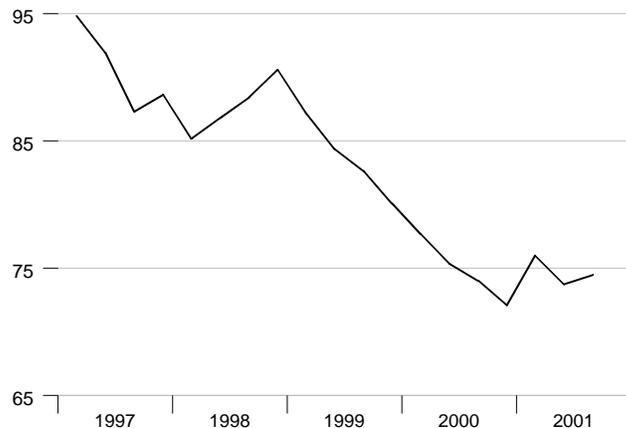
### Stock Exchange Index - Dow Jones EURO STOXX <sup>SM</sup>

1995 = 100

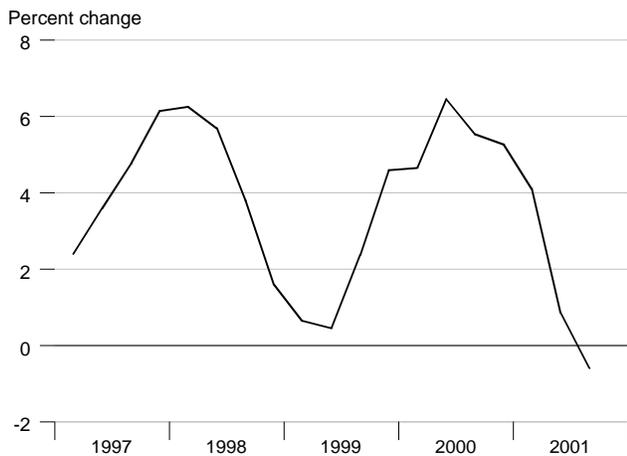


### Real Effective Exchange Rate

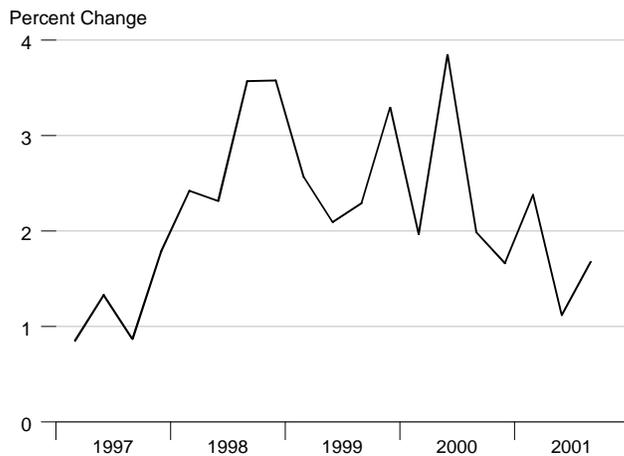
Index 1995 = 100



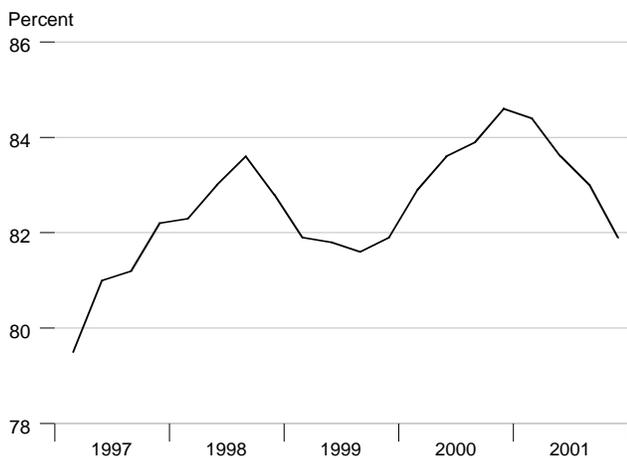
### Industrial Production



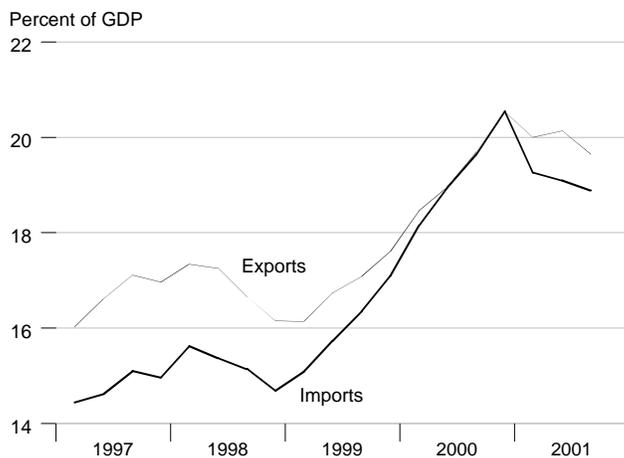
### Retail Sales



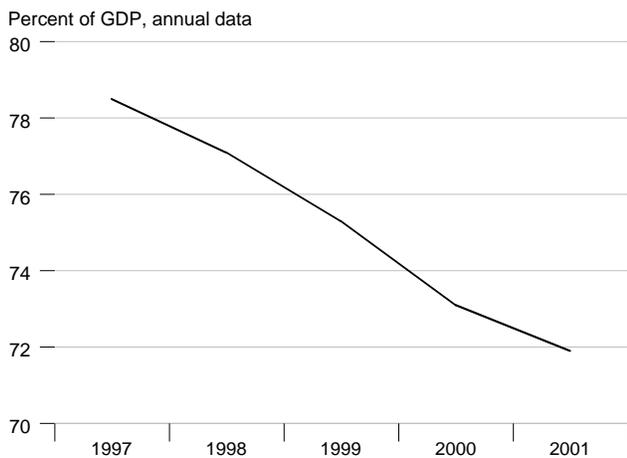
### Capacity Utilization



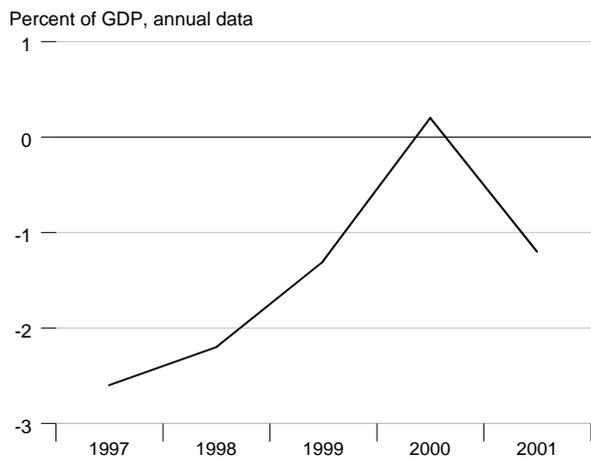
### International Trade - Goods and Services



### Government Debt

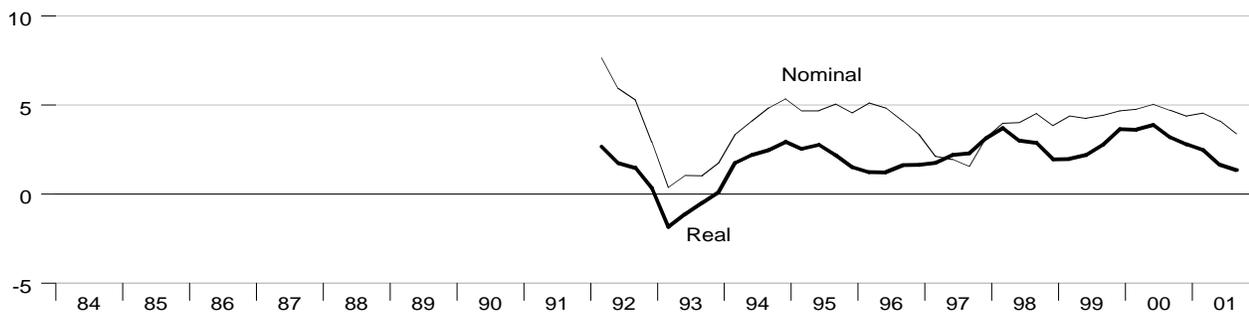


### Budget Surplus or Deficit (-)



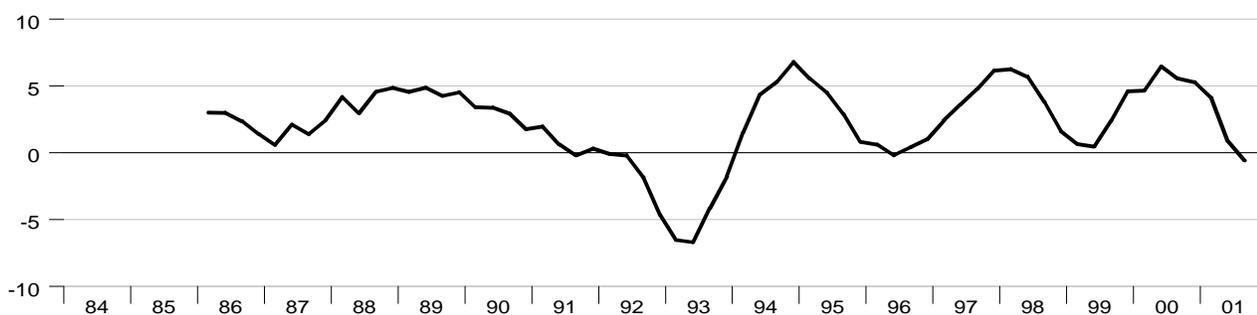
### GDP Growth

Percent change



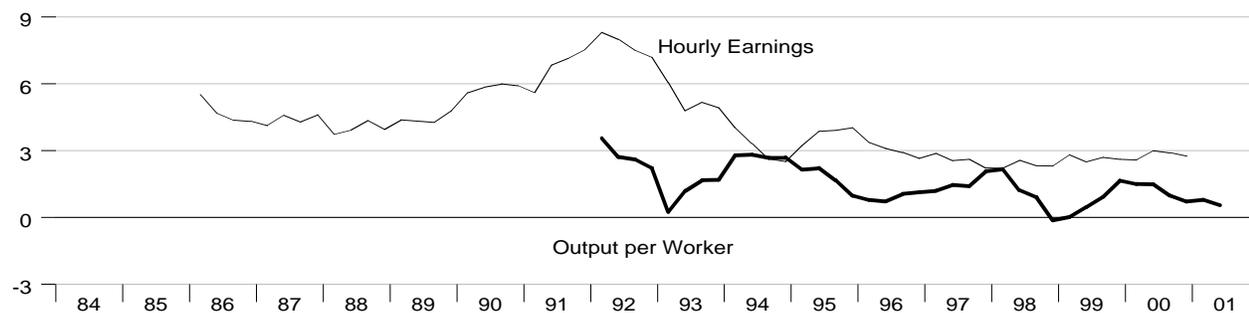
### Industrial Production

Percent change



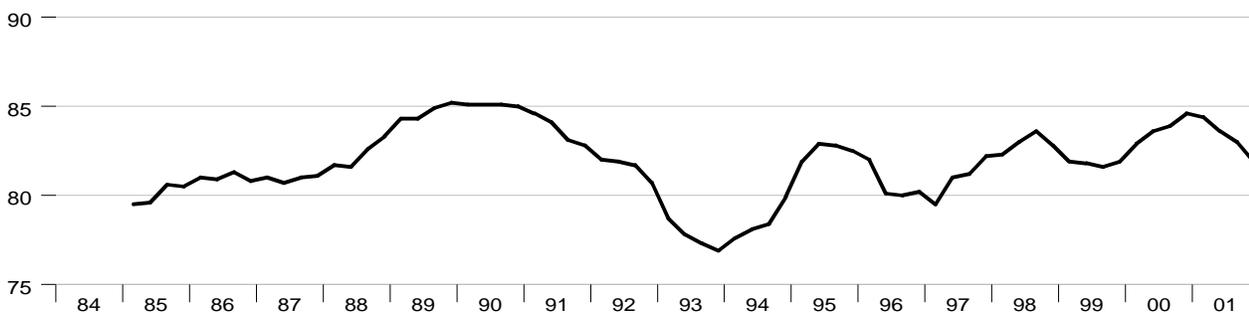
### Hourly Earnings and Output per Worker

Percent change



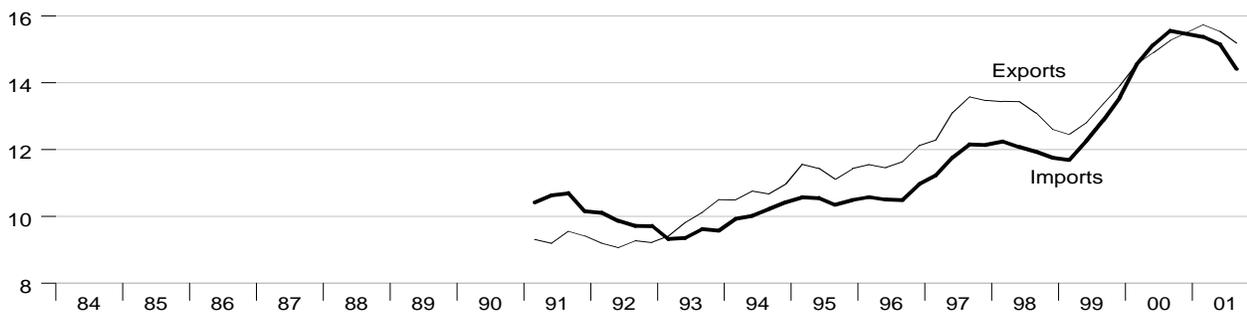
### Capacity Utilization

Percent



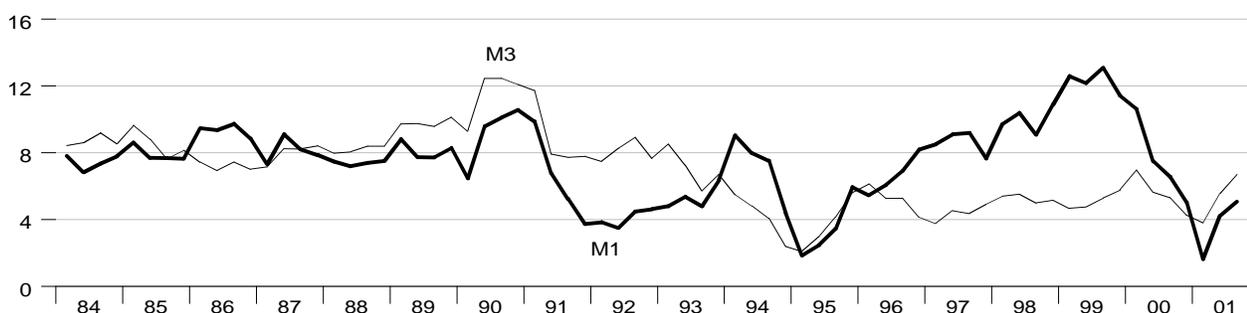
### International Trade - Goods

Percent of GDP



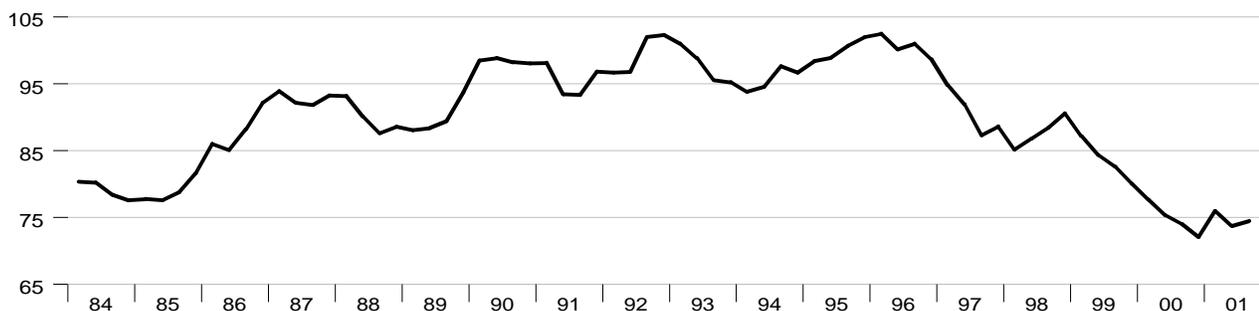
### Monetary Aggregates

Percent Change



### Real Effective Exchange Rate

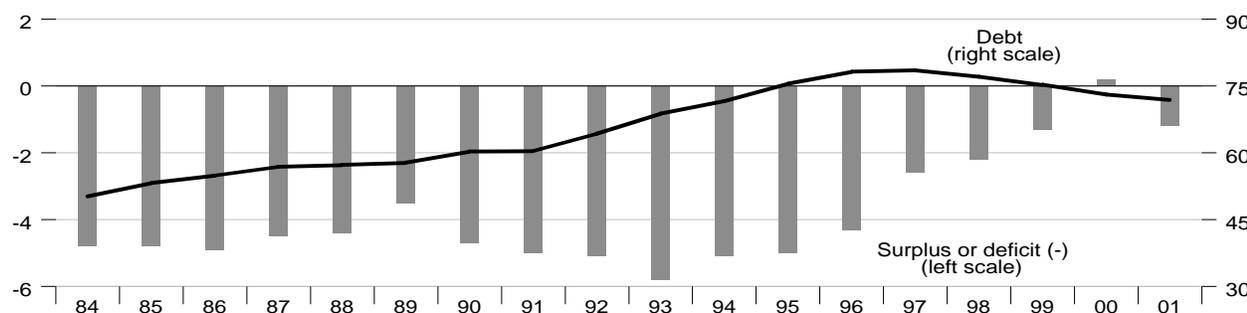
Index 1995 = 100



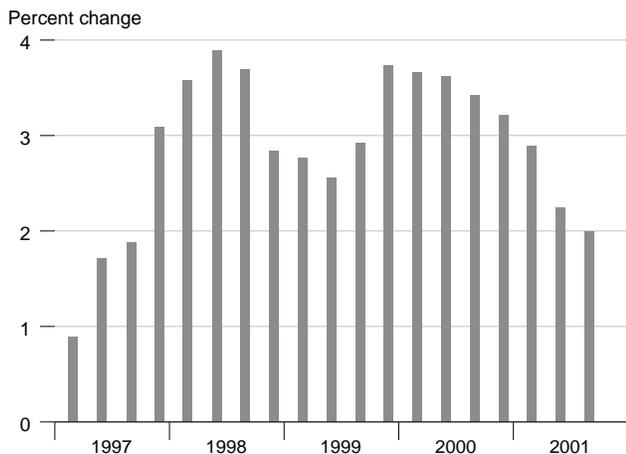
### Government Debt and Budget Surplus or Deficit (-)

Percent of GDP, annual data

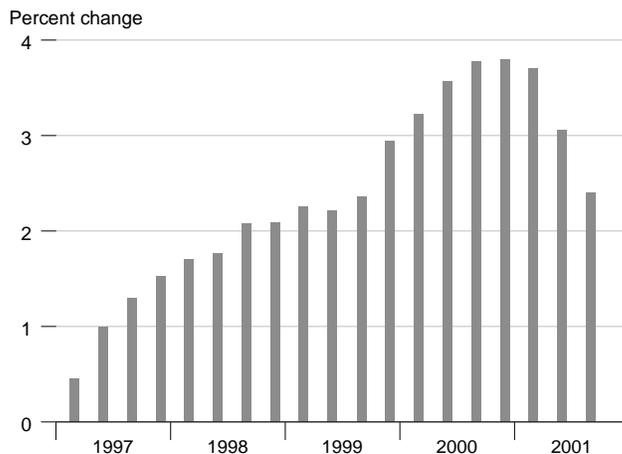
Percent of GDP, annual data



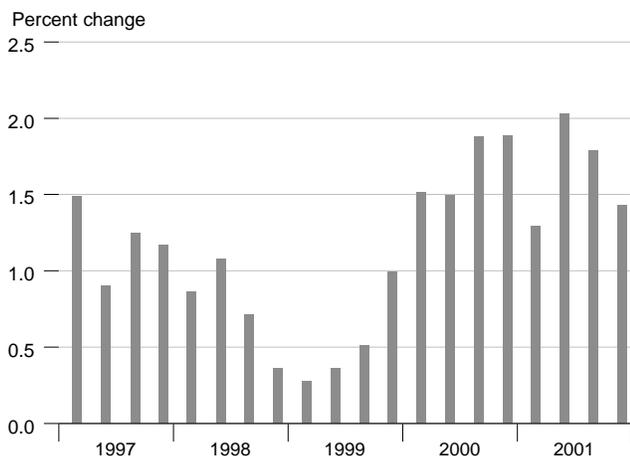
### Real GDP Growth



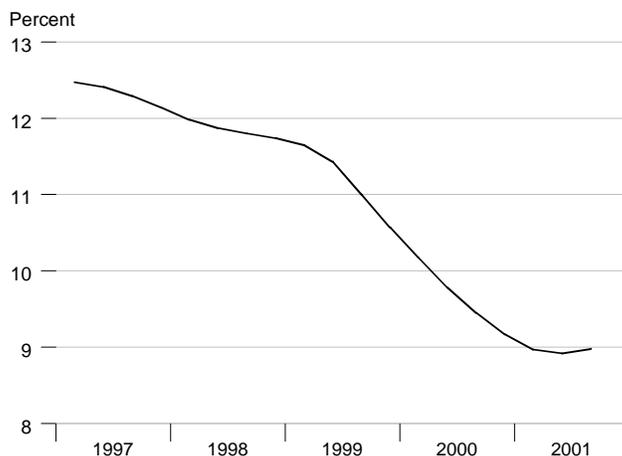
### Employment Growth



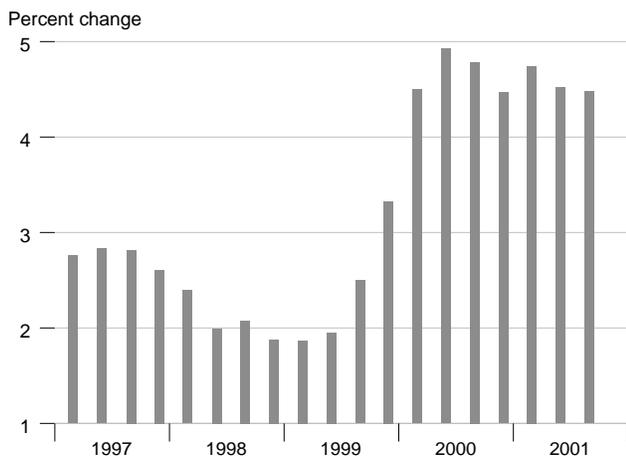
### Consumer Price Index



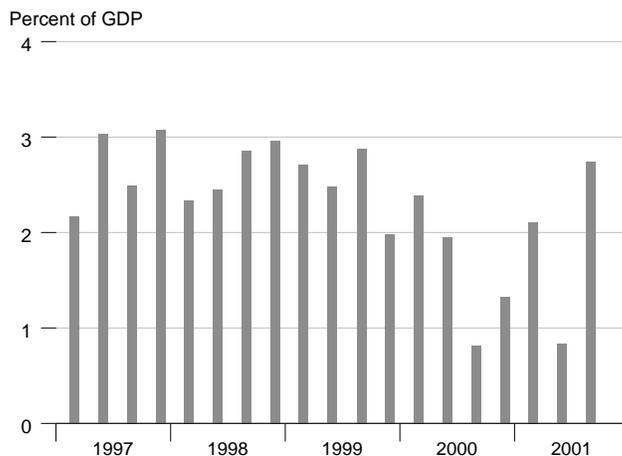
### Unemployment Rate



### Hourly Earnings

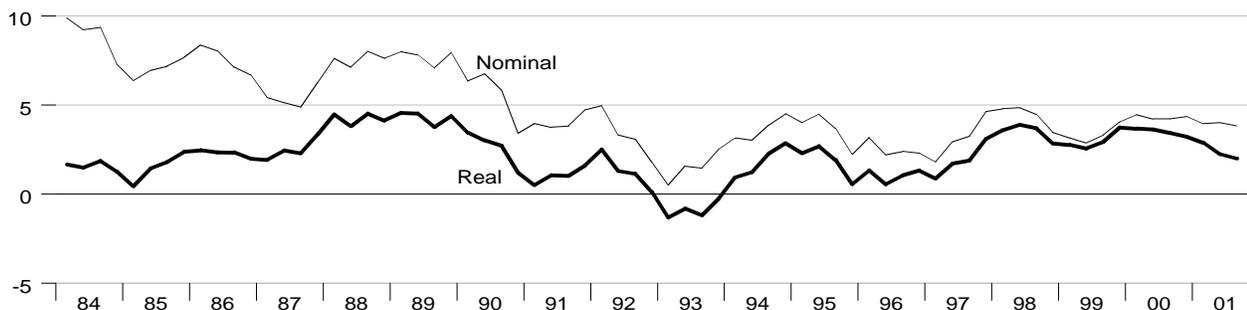


### Current Account Balance



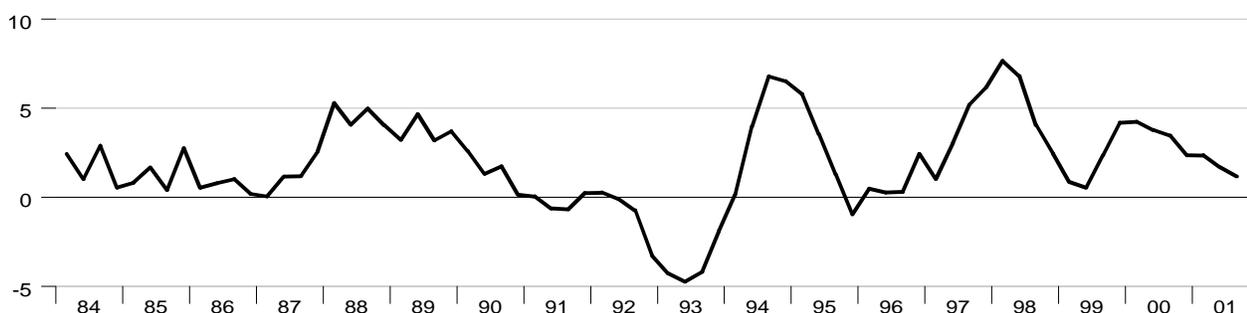
### GDP Growth

Percent change



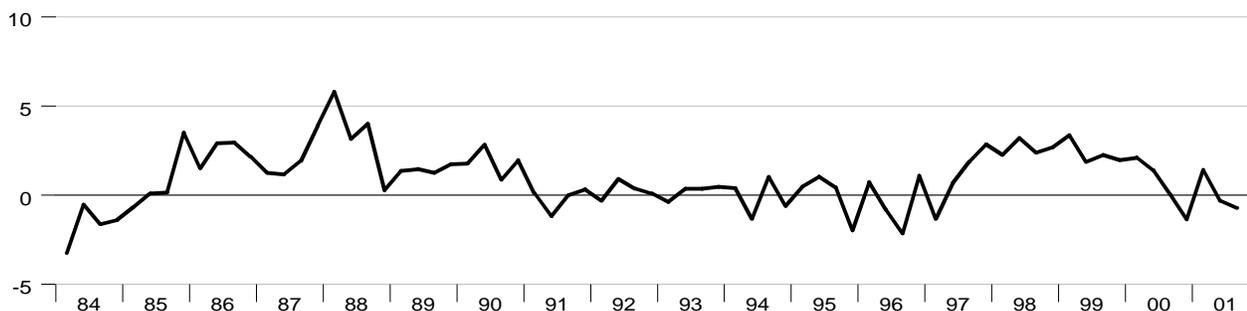
### Industrial Production

Percent change



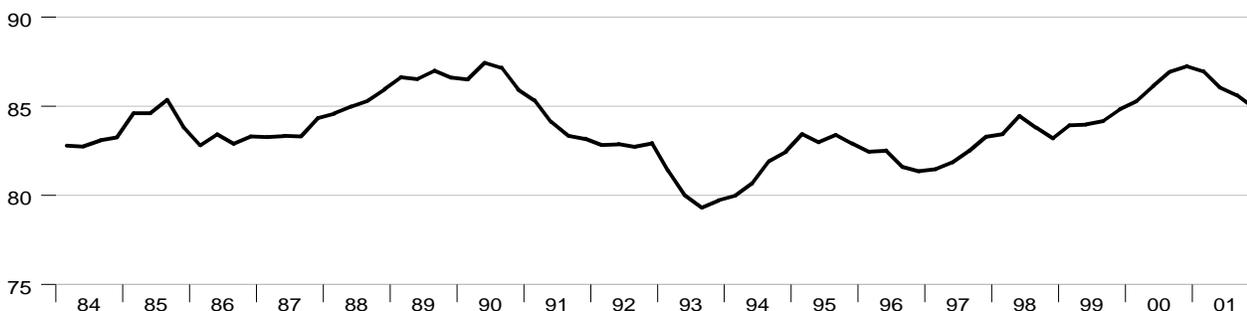
### Retail Sales

Percent change

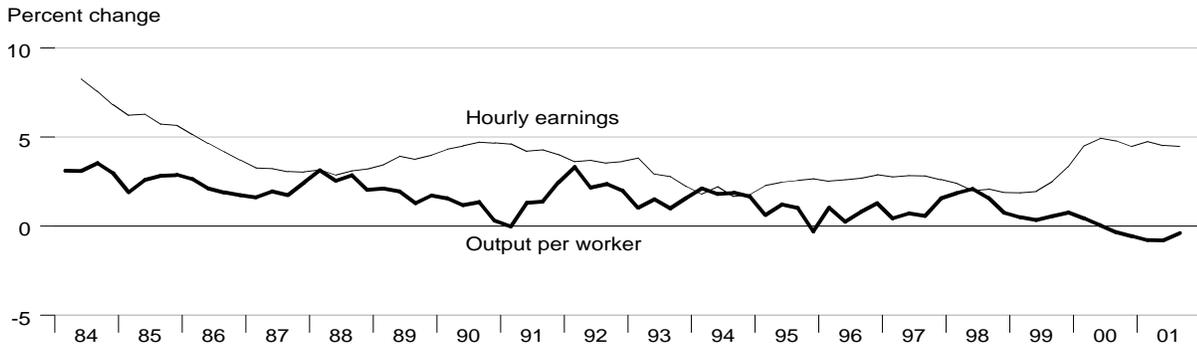


### Capacity Utilization

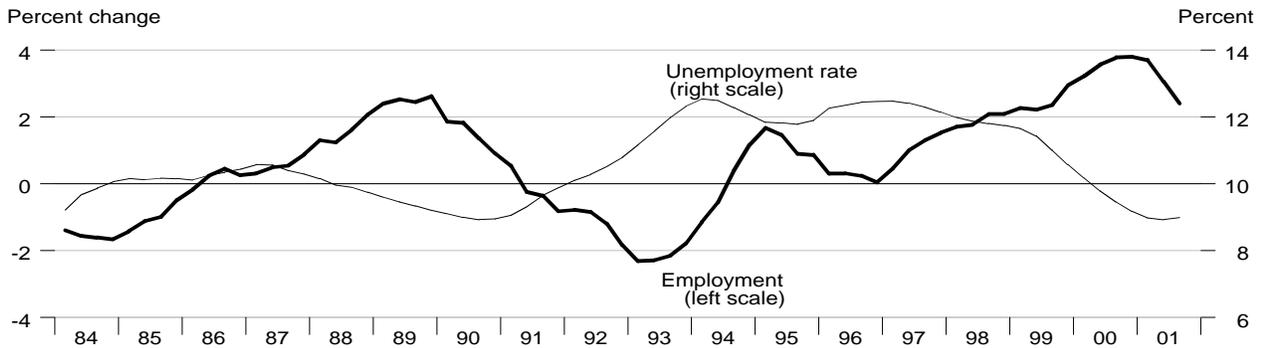
Percent



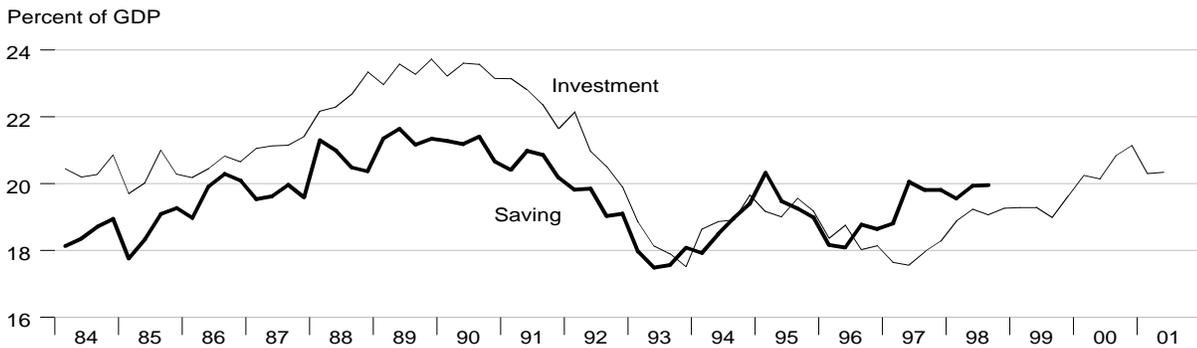
### Hourly Earnings and Output per Worker



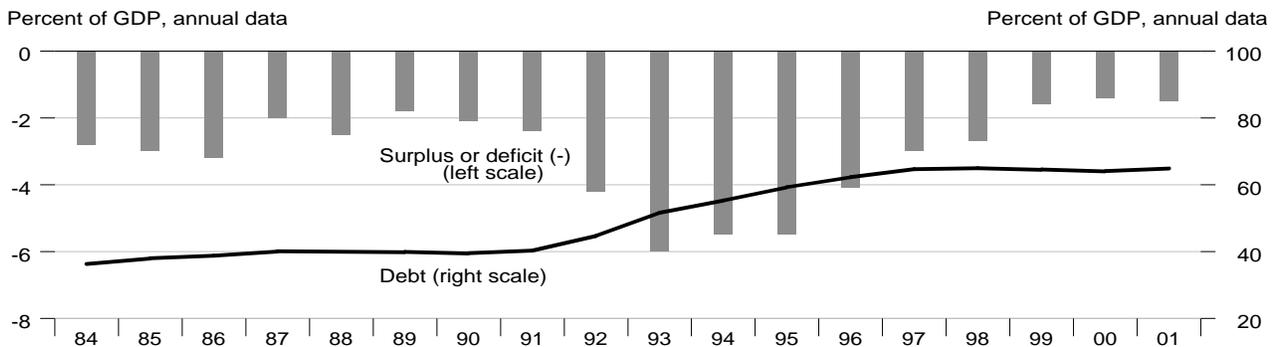
### Labor Force Indicators



### Saving and Investment

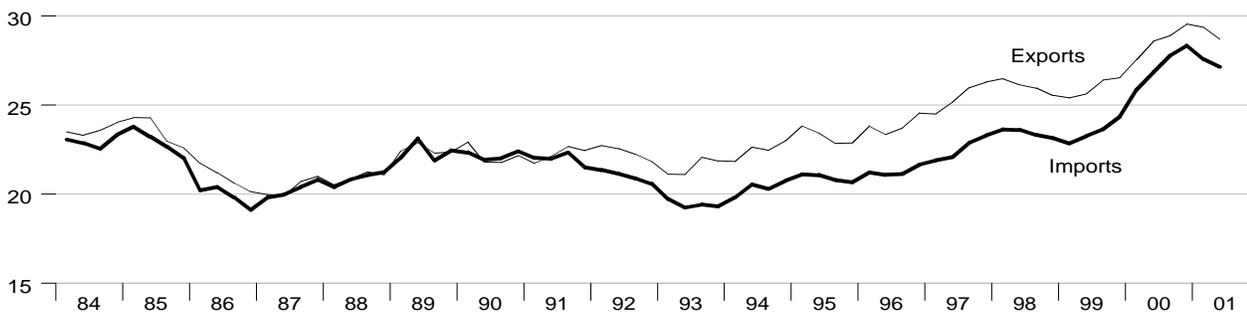


### Government Debt and Budget Surplus or Deficit (-)



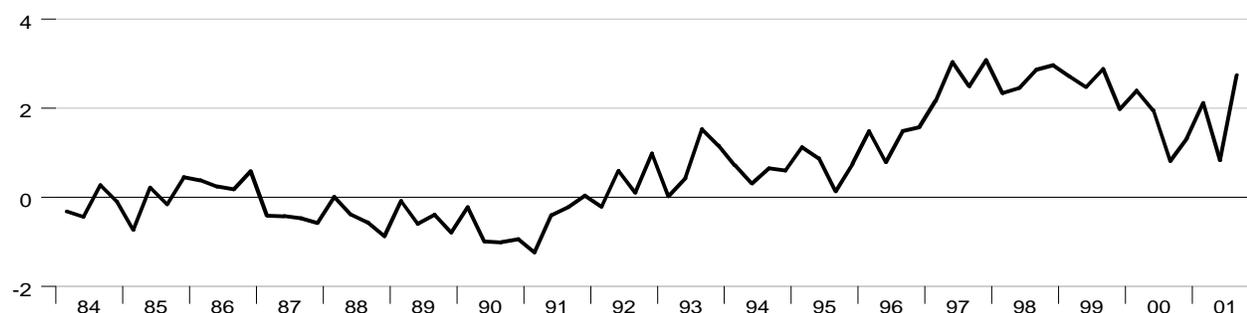
### International Trade - Goods and Services

Percent of GDP



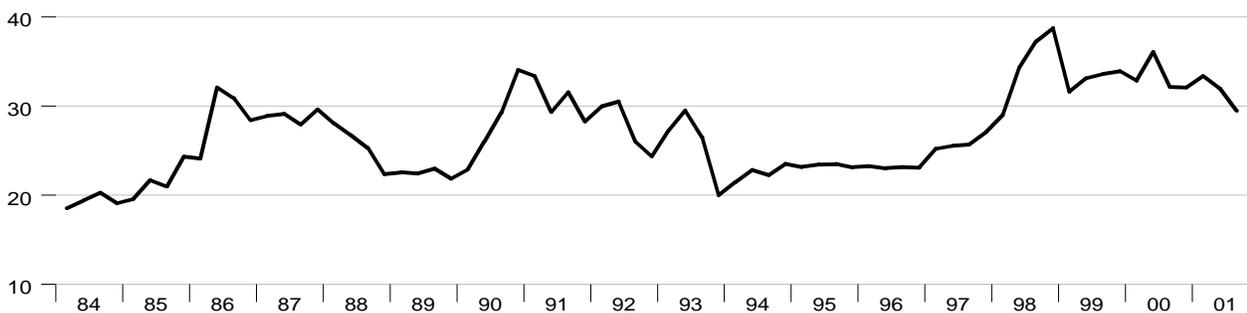
### Current Account Balance

Percent of GDP



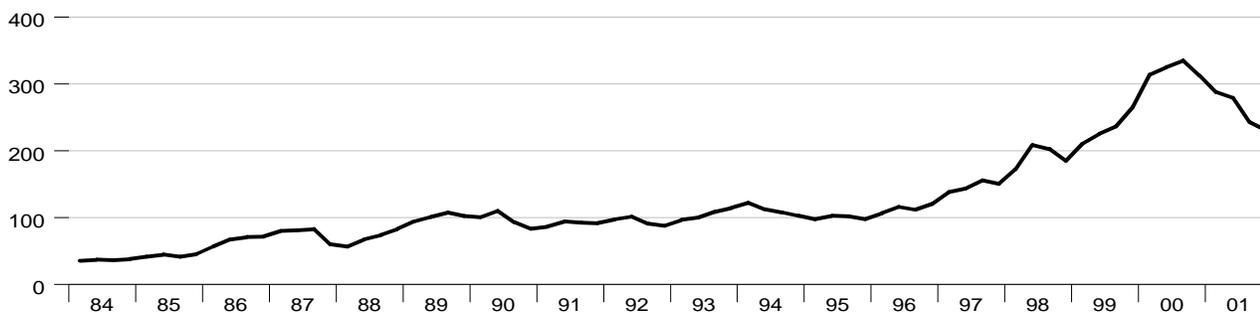
### Foreign Exchange Reserves

Billions of US\$



### Stock Exchange Index - SBF 250

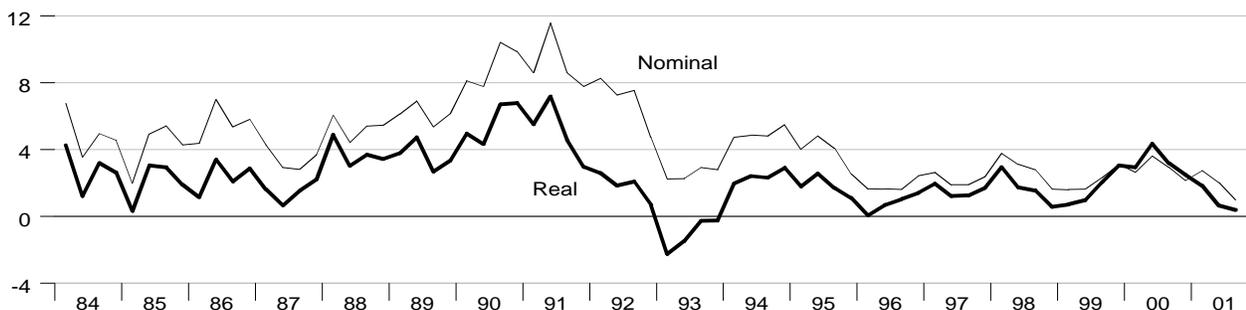
1995 = 100





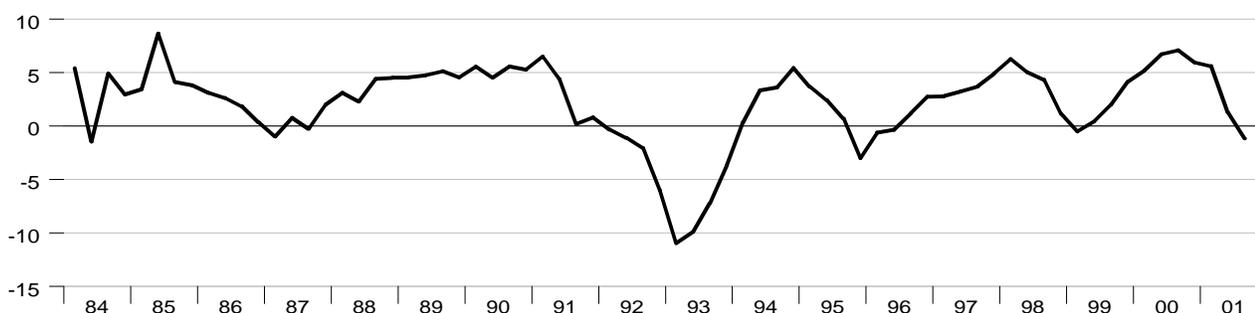
### GDP Growth

Percent change



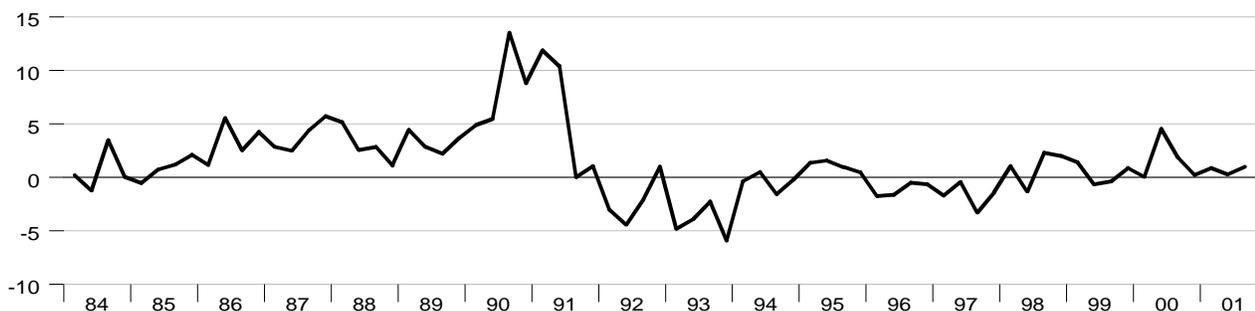
### Industrial Production

Percent change



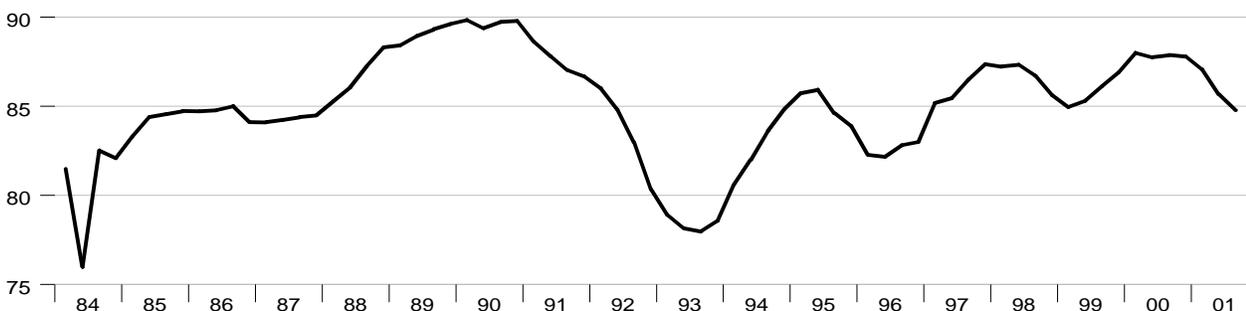
### Retail Sales

Percent change

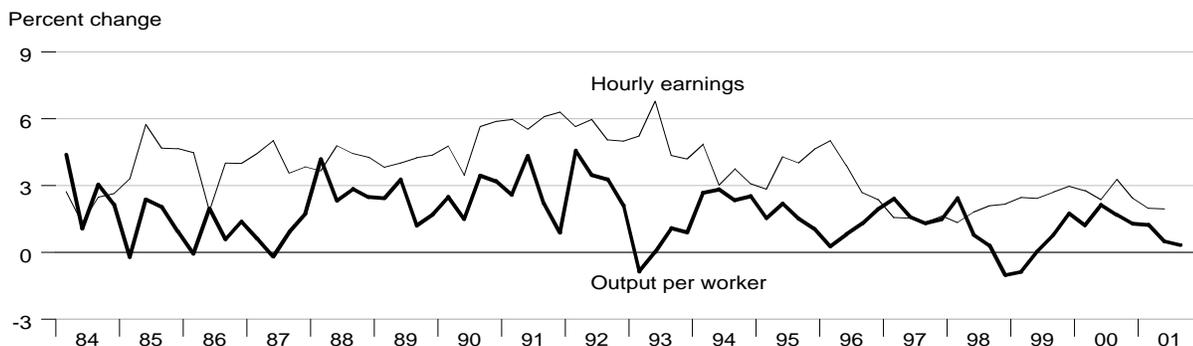


### Capacity Utilization

Percent



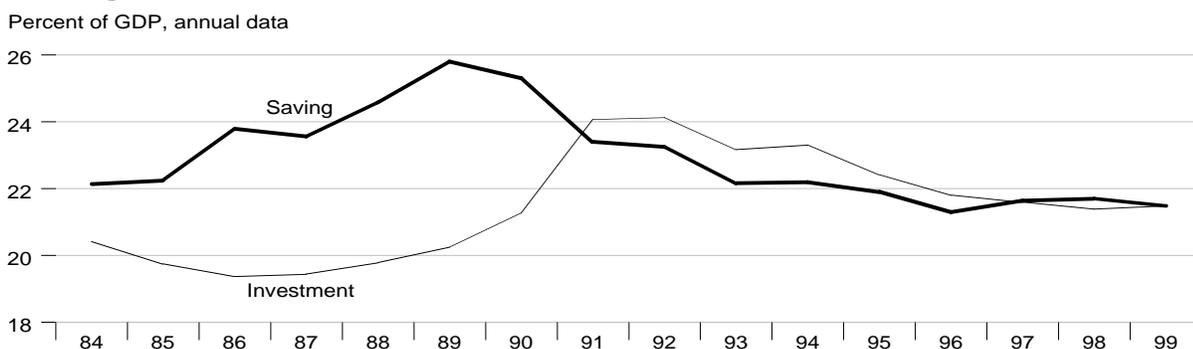
### Hourly Earnings and Output per Worker



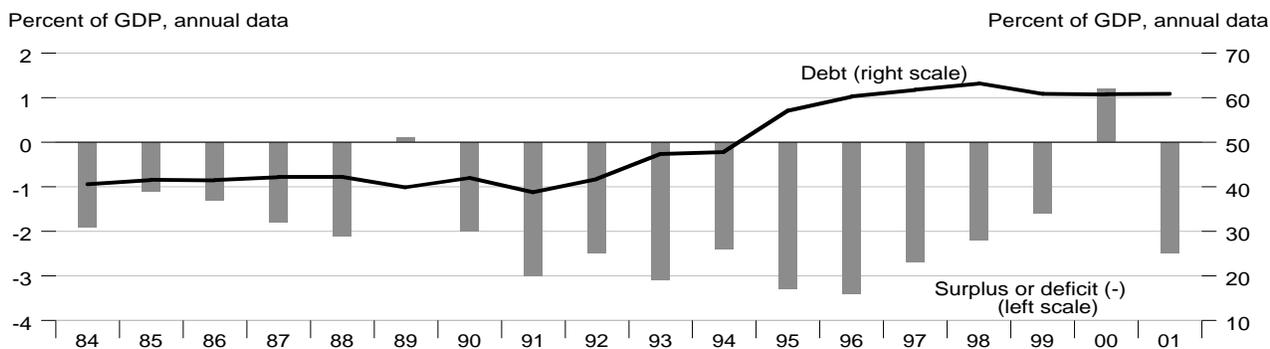
### Labor Force Indicators



### Saving and Investment

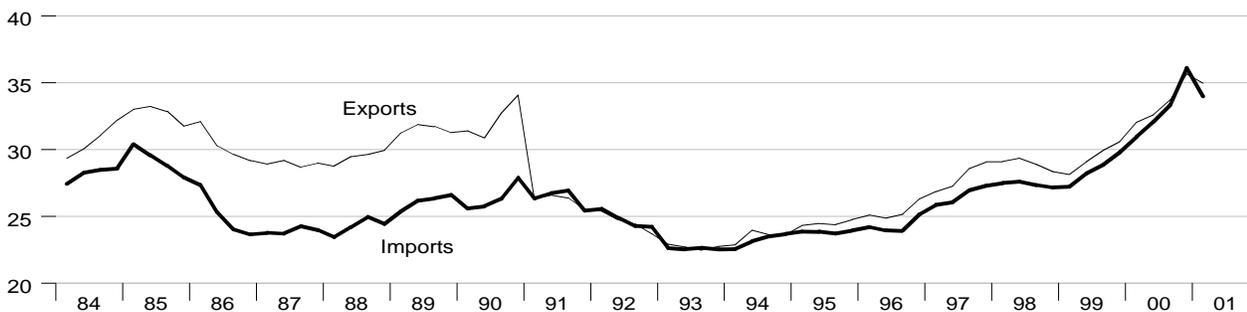


### Government Debt and Budget Surplus or Deficit (-)



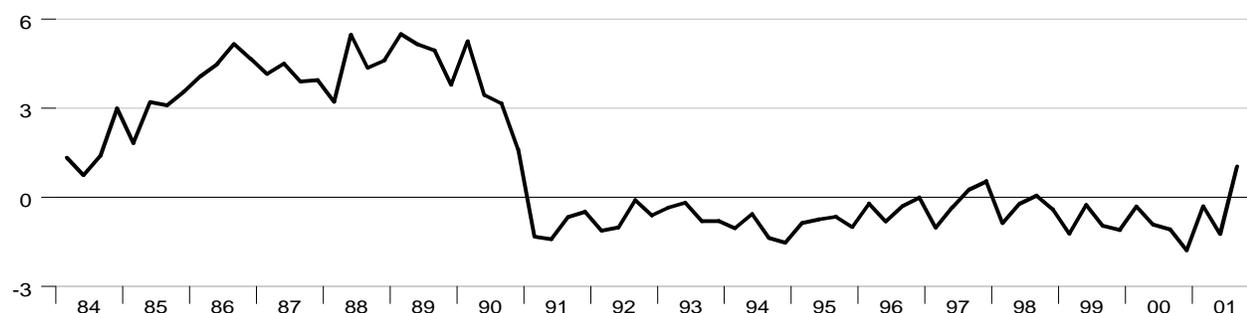
### International Trade - Goods and Services

Percent of GDP



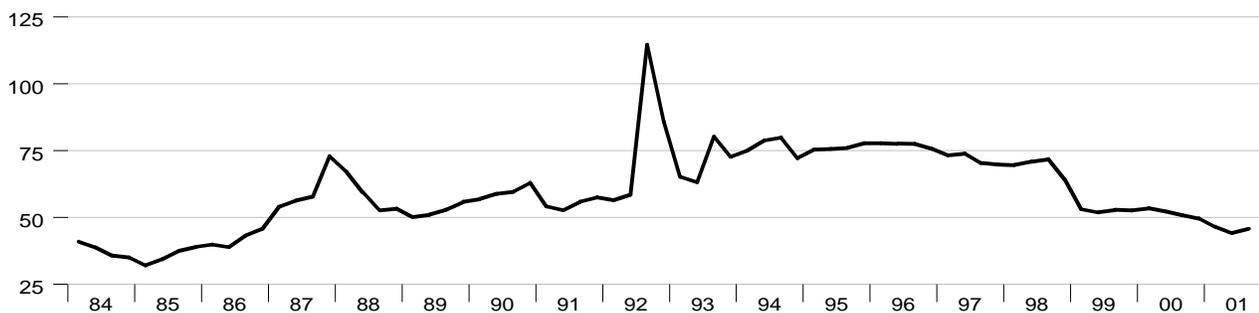
### Current Account Balance

Percent of GDP



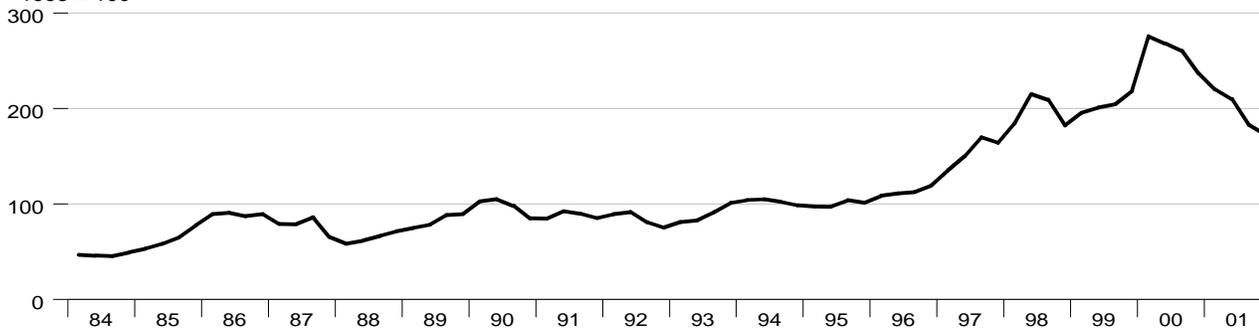
### Foreign Exchange Reserves

Billion of US\$

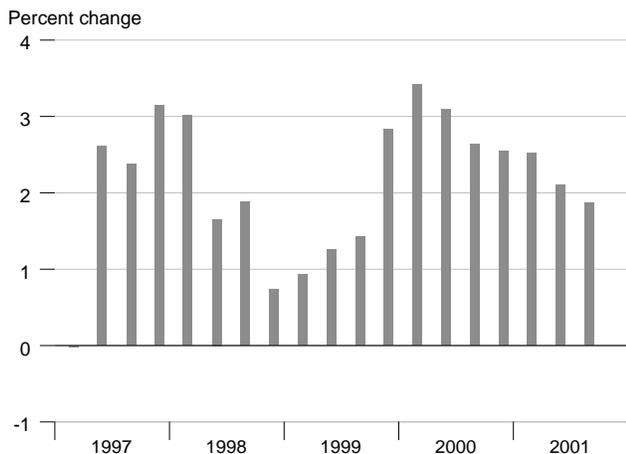


### Stock Exchange Index - CDAX

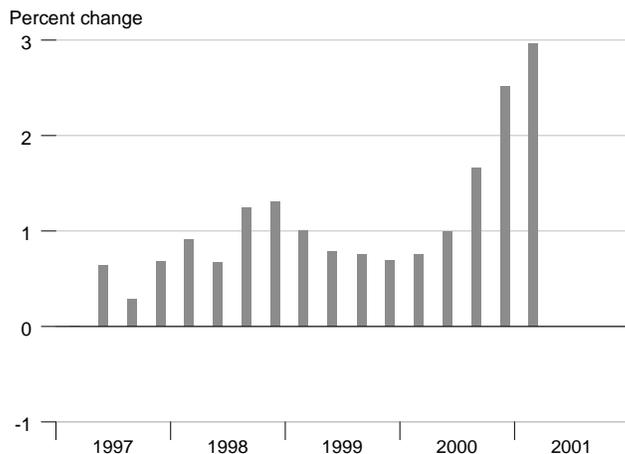
1995 = 100



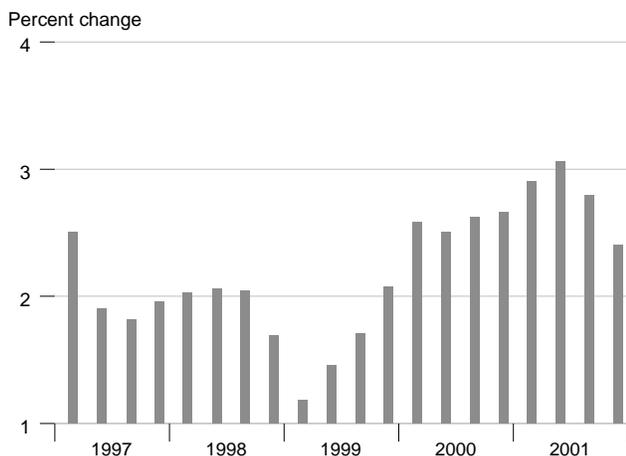
### Real GDP Growth



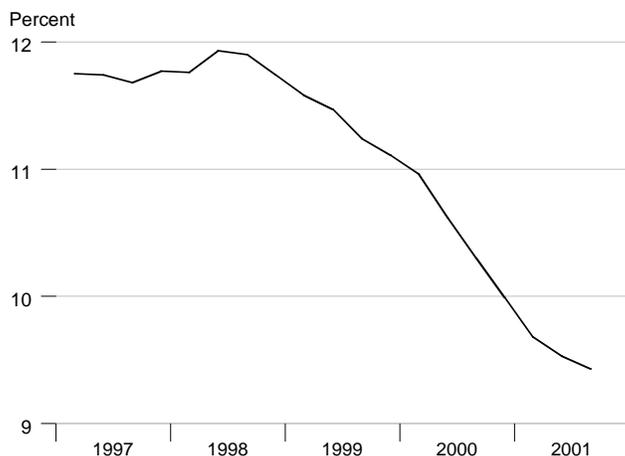
### Employment Growth



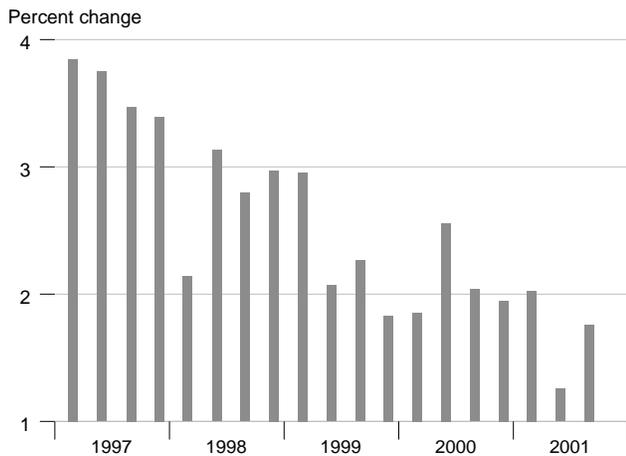
### Consumer Price Index



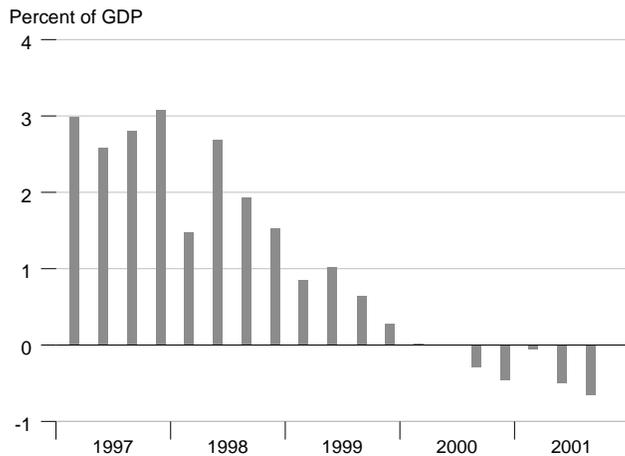
### Unemployment Rate



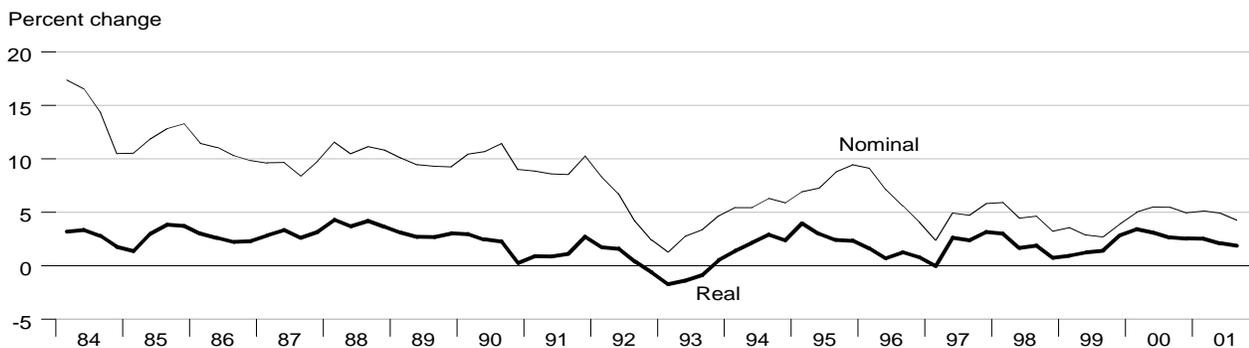
### Hourly Earnings



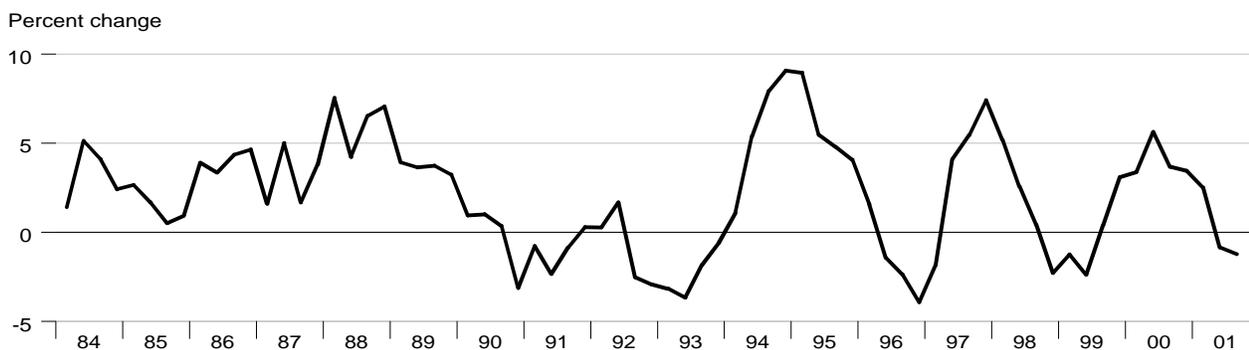
### Current Account Balance



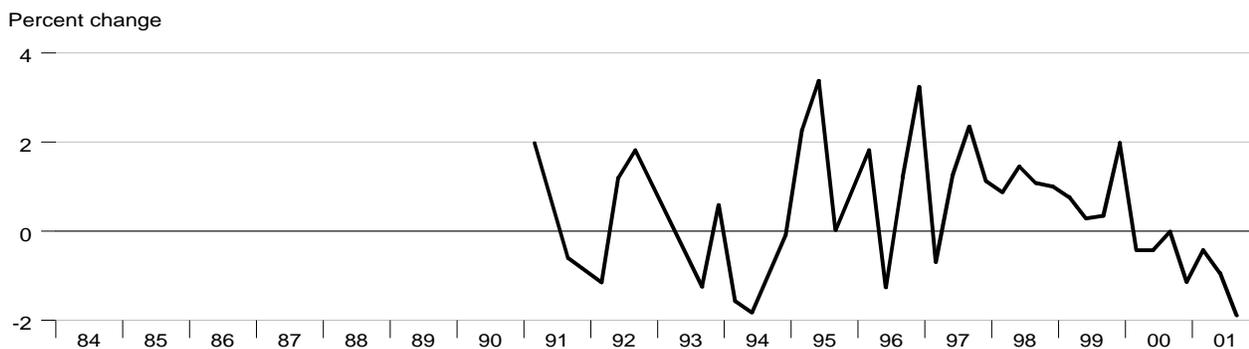
### GDP Growth



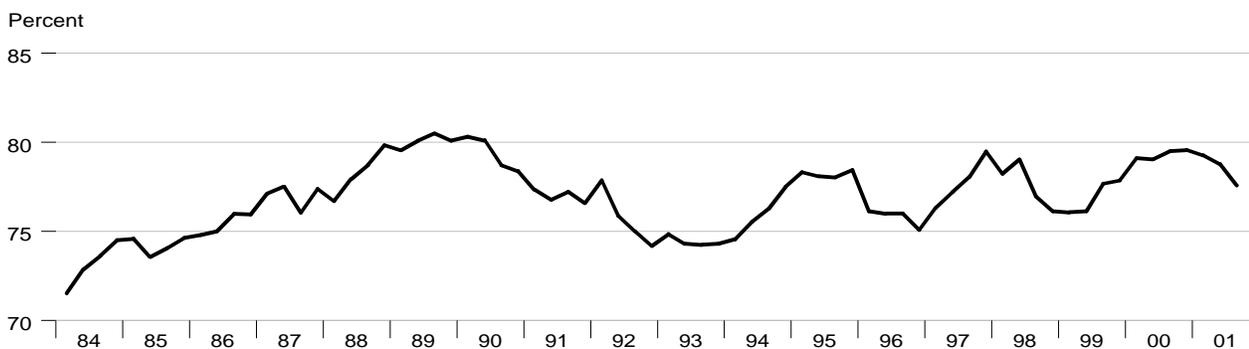
### Industrial Production



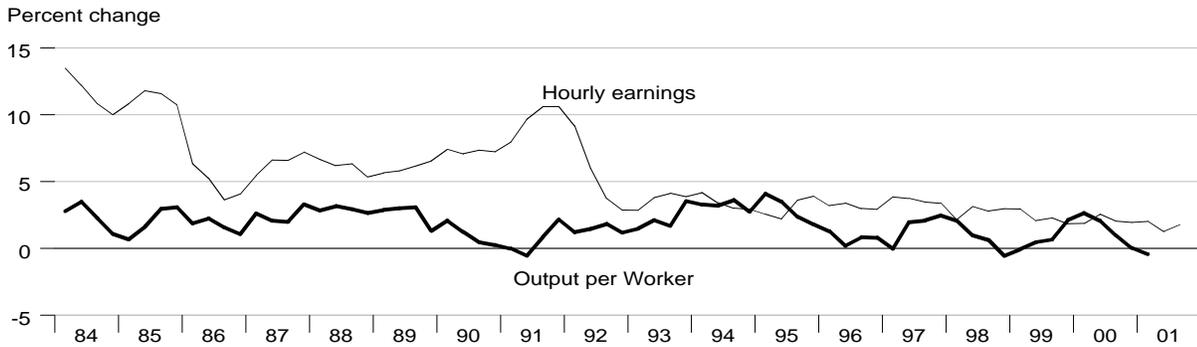
### Retail Sales



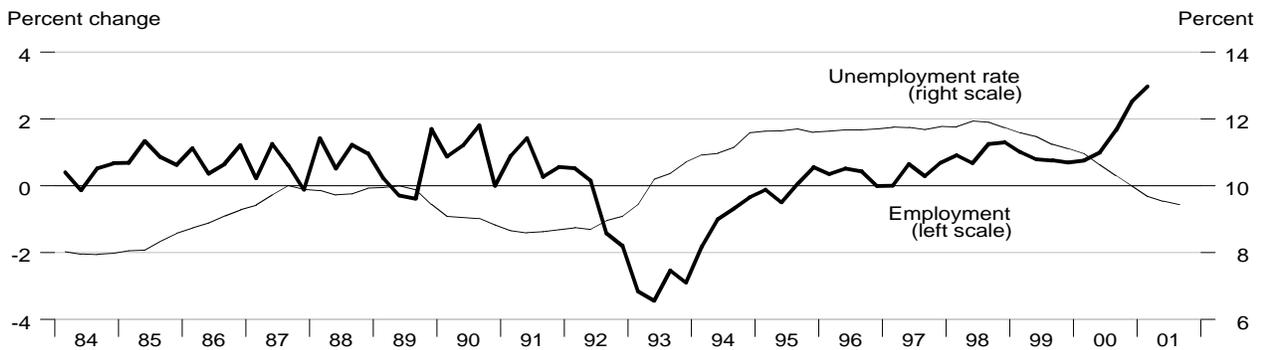
### Capacity Utilization



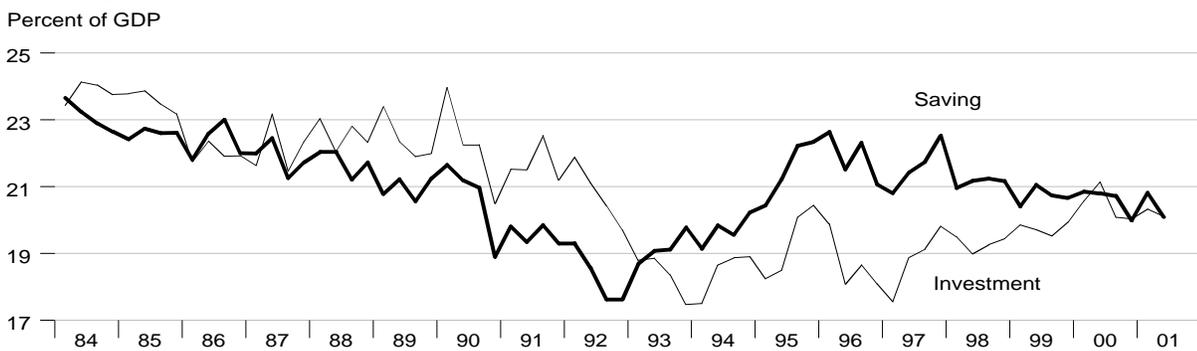
### Hourly Earnings and Output per Worker



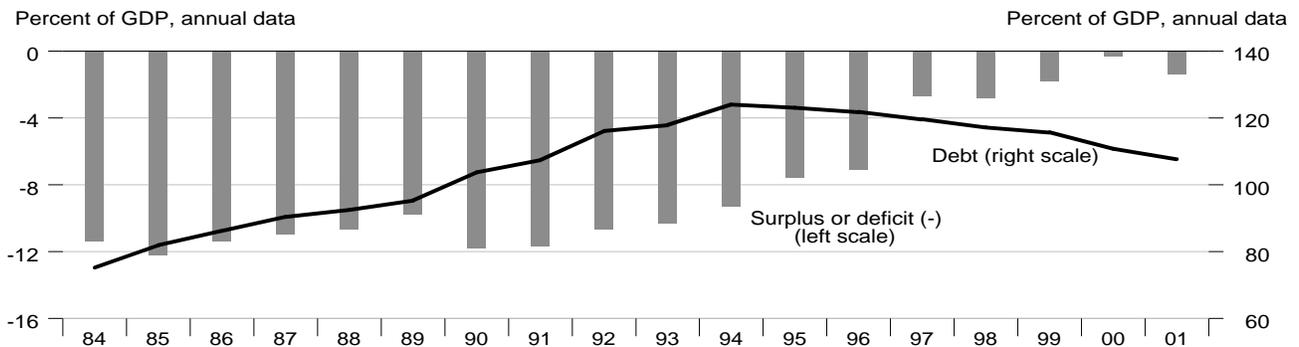
### Labor Force Indicators



### Saving and Investment

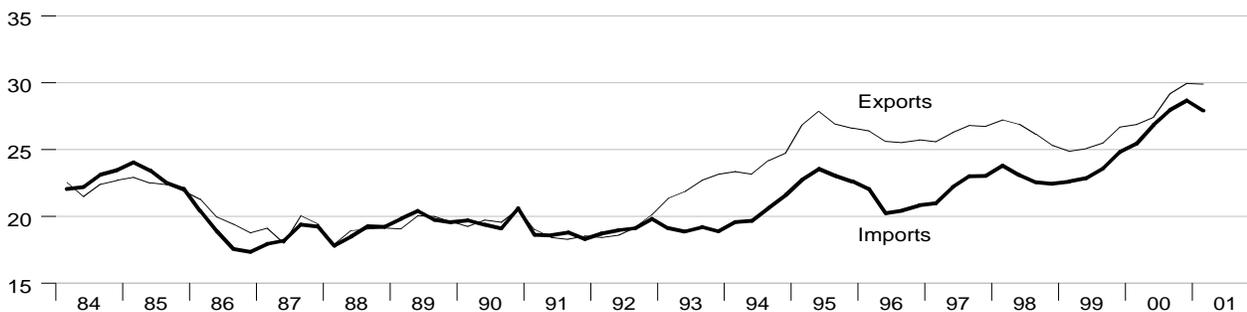


### Government Debt and Budget Surplus or Deficit (-)



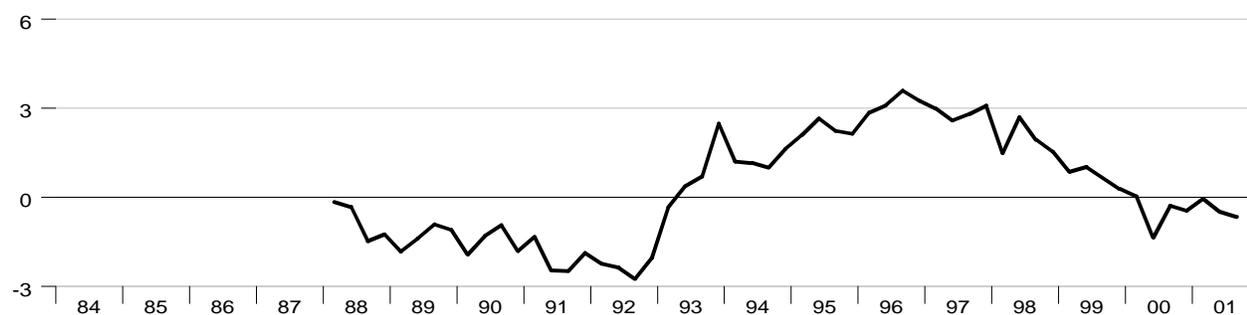
### International Trade - Goods and Services

Percent of GDP



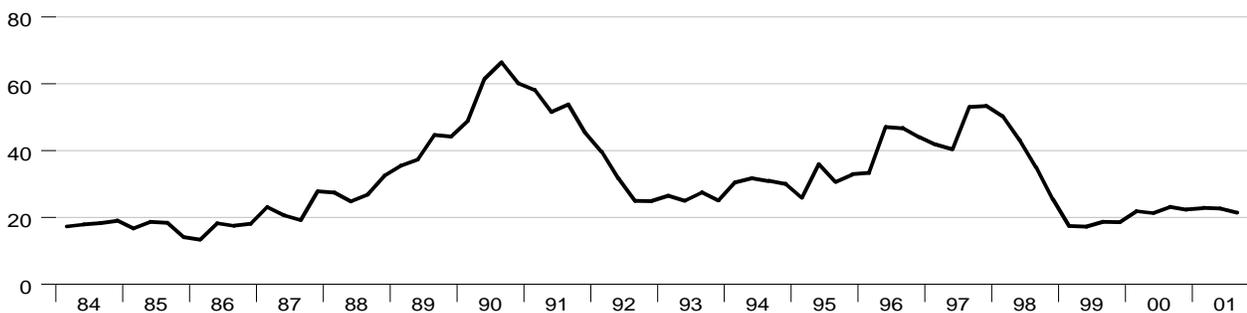
### Current Account Balance

Percent of GDP



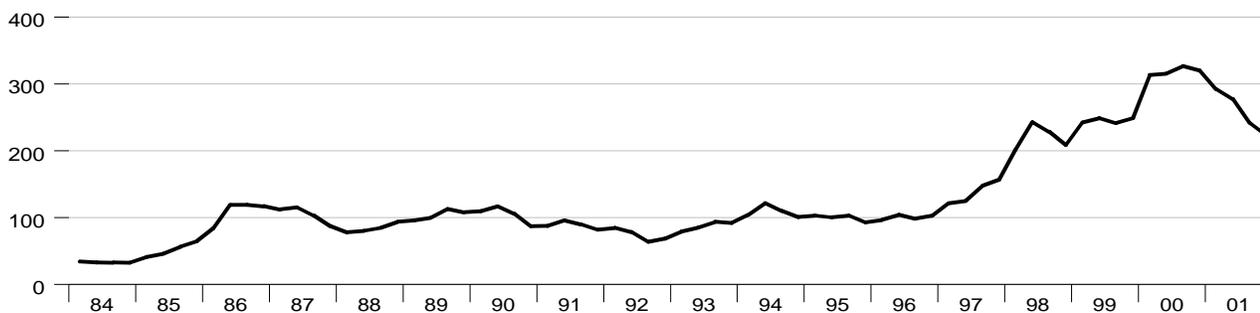
### Foreign Exchange Reserves

Billions of US\$

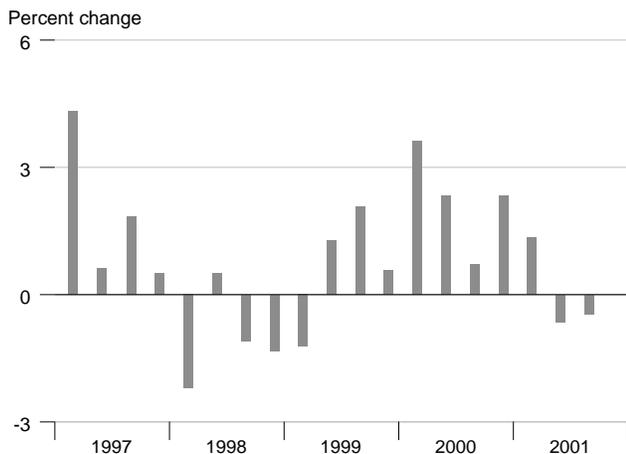


### Stock Exchange Index - Milan Stock Exchange

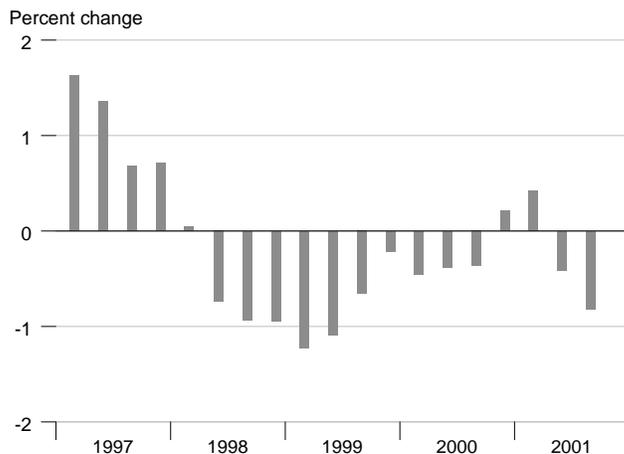
1995 = 100



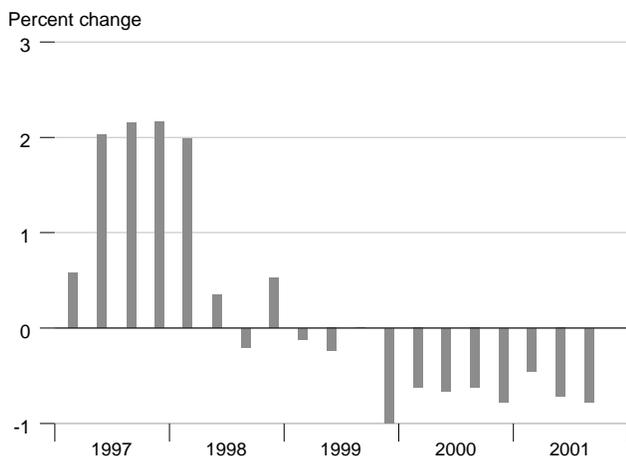
### Real GDP Growth



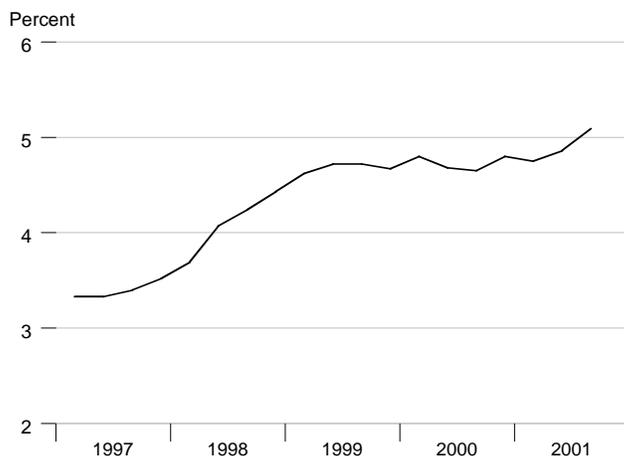
### Employment Growth



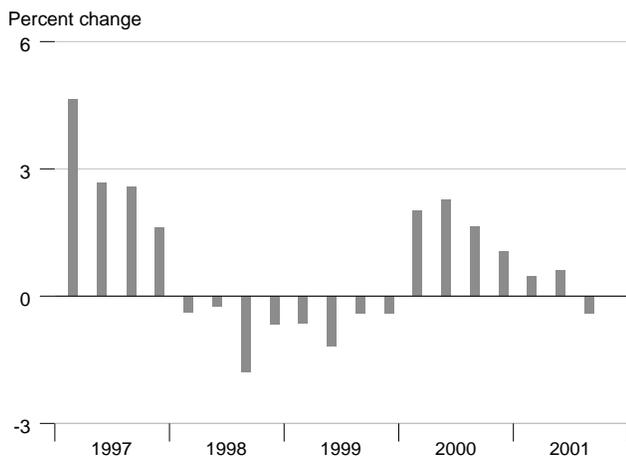
### Consumer Price Index



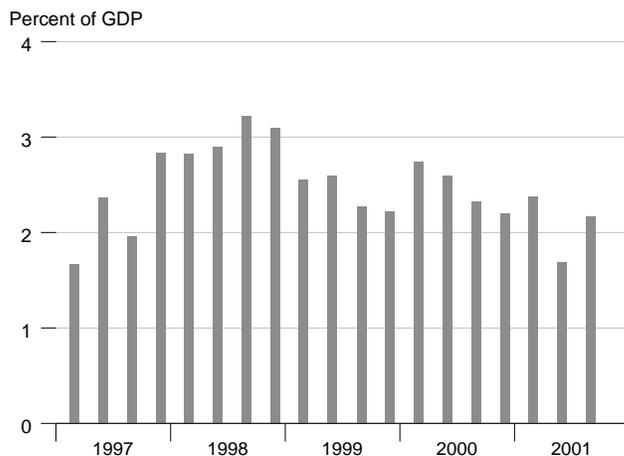
### Unemployment Rate



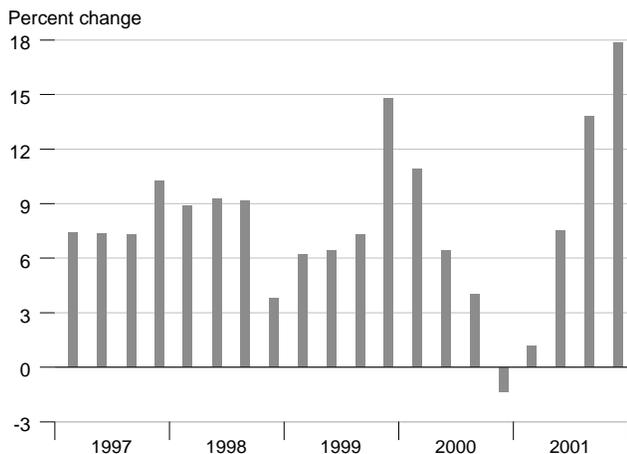
### Monthly Earnings



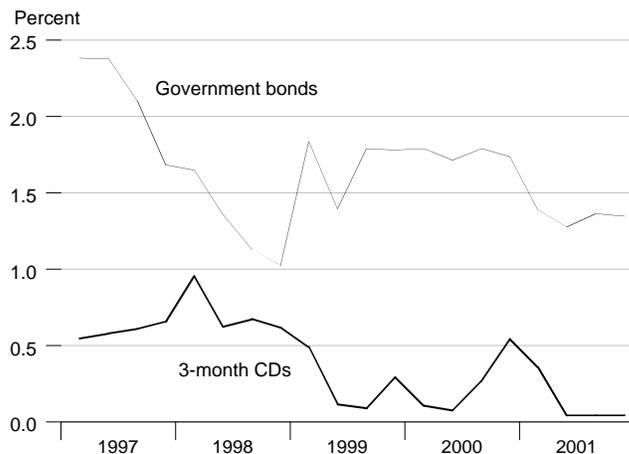
### Current Account Balance



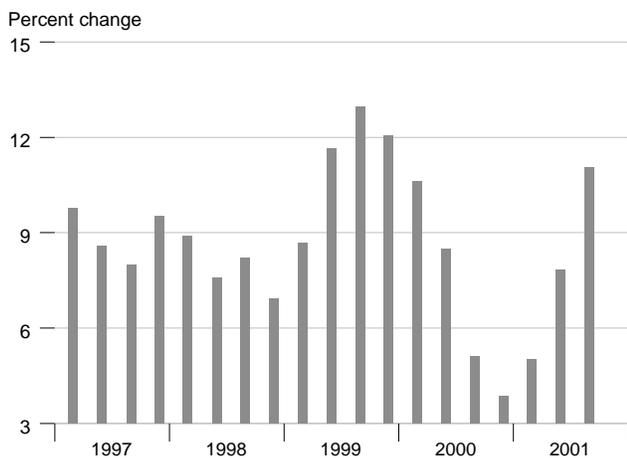
### Adjusted Monetary Base Growth



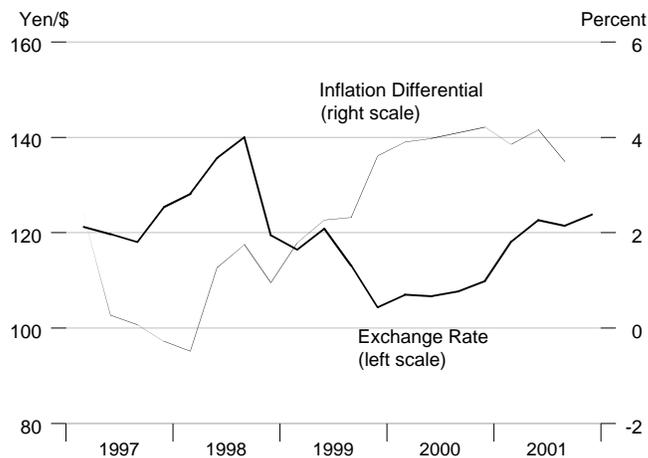
### Interest Rates



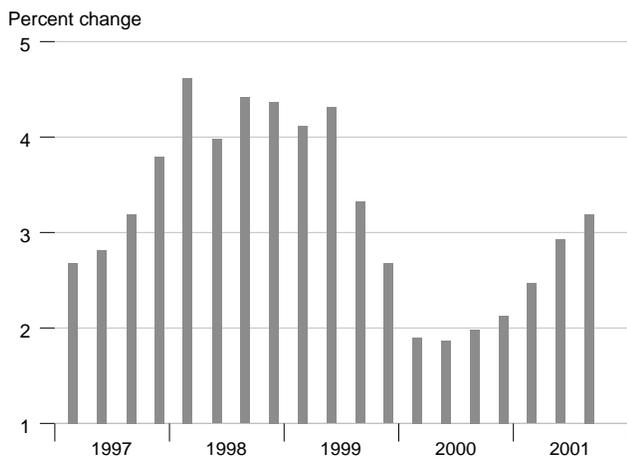
### M1 Growth



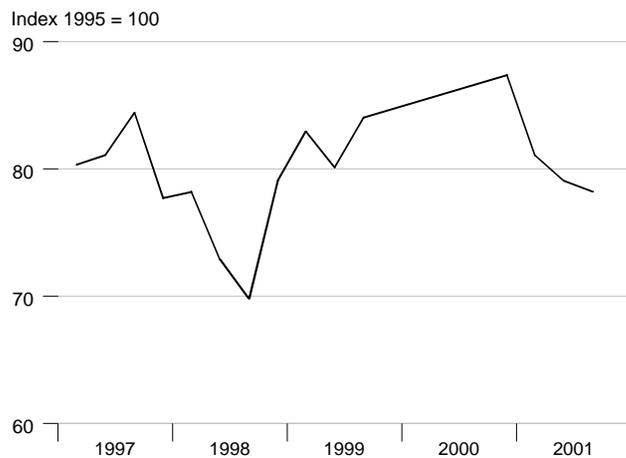
### Exchange Rate and Inflation Differential



### M2 Growth

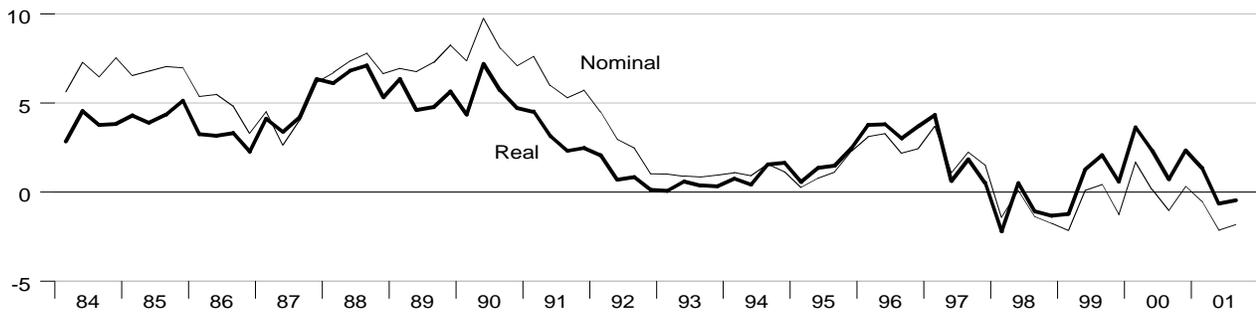


### Real Effective Exchange Rate



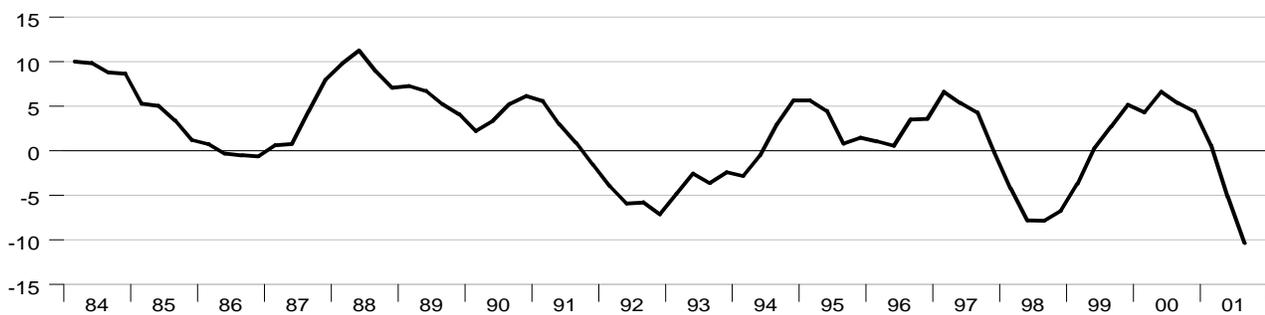
### GDP Growth

Percent change



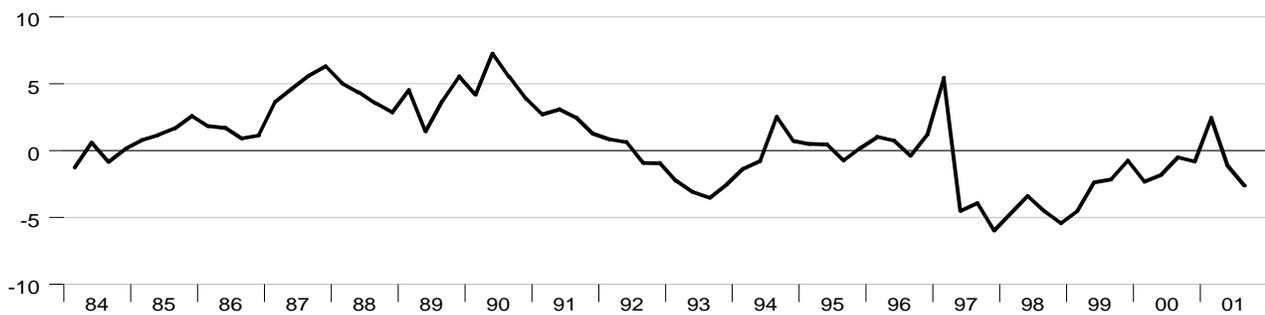
### Industrial Production

Percent change



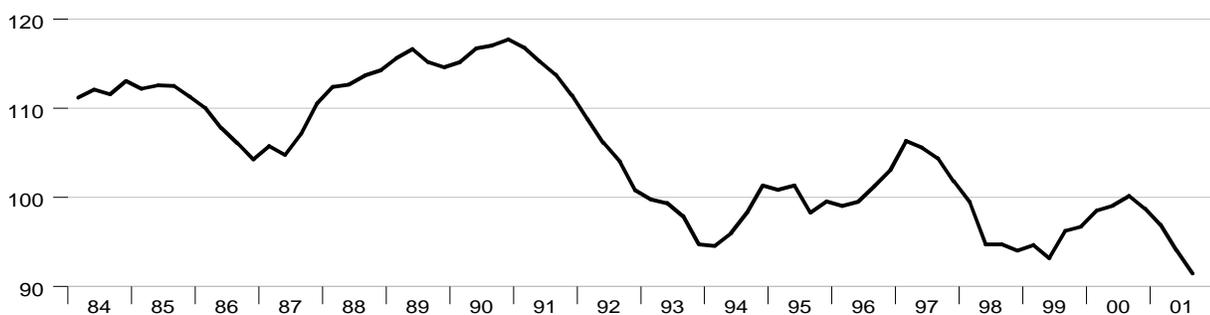
### Retail Sales

Percent change



### Capacity Utilization

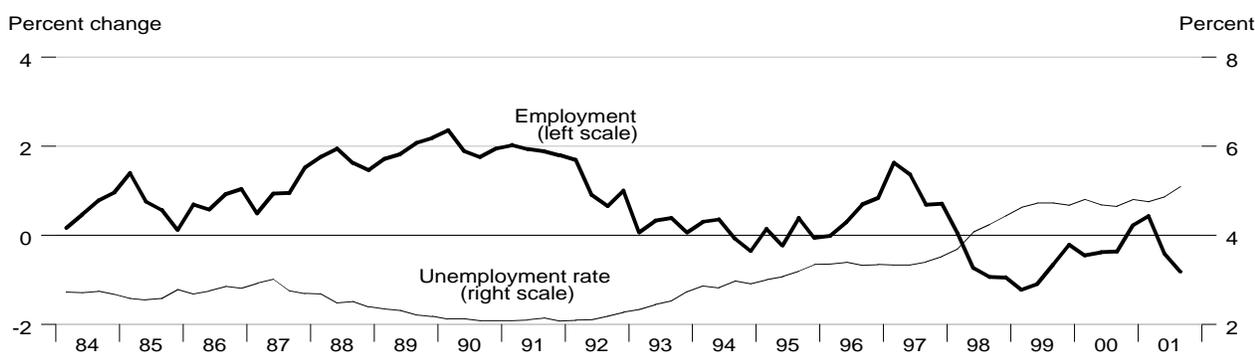
1995 = 100



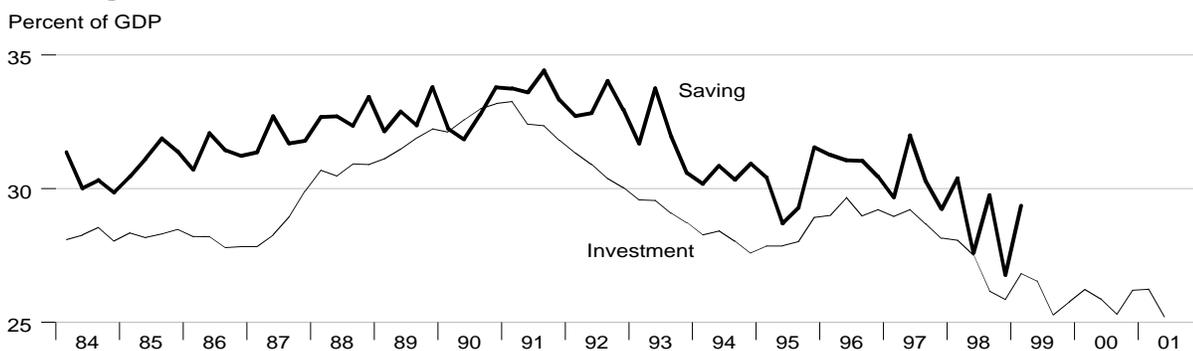
### Monthly Earnings and Output per Worker



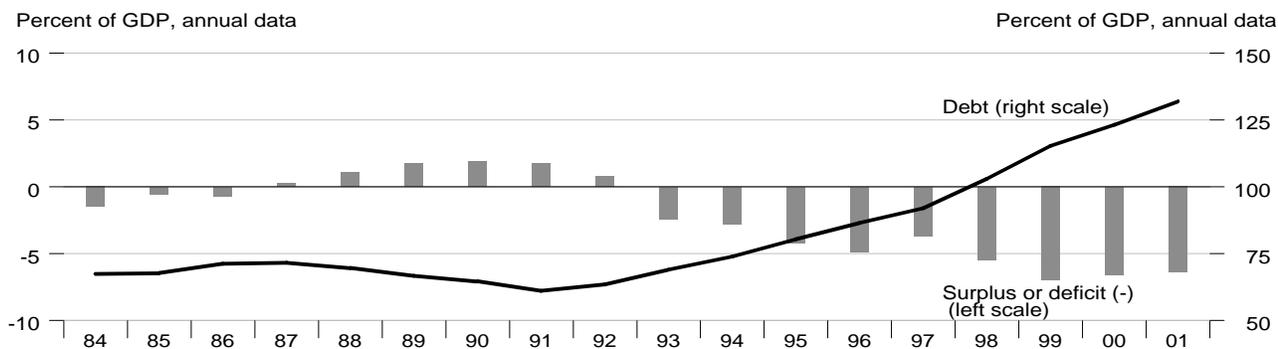
### Labor Force Indicators



### Saving and Investment

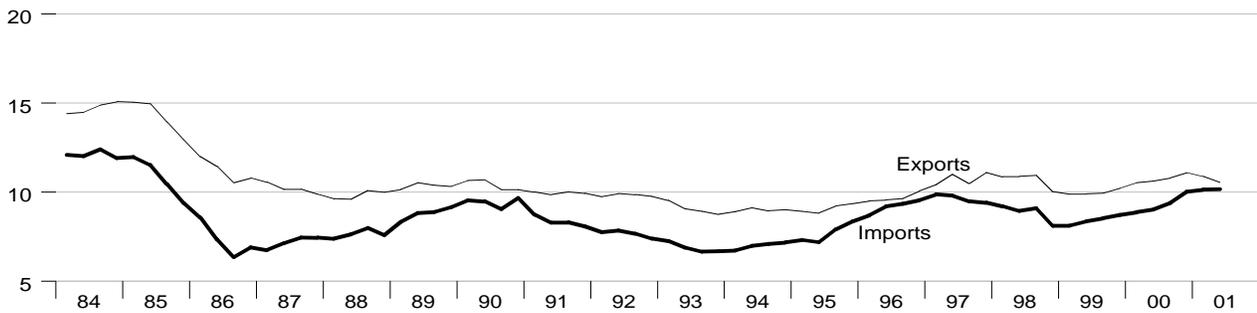


### Government Debt and Budget Surplus or Deficit (-)



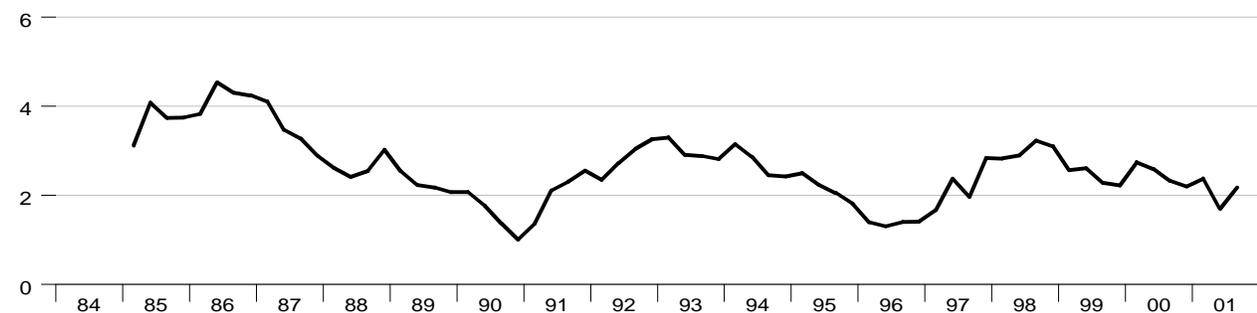
### International Trade - Goods and Services

Percent of GDP



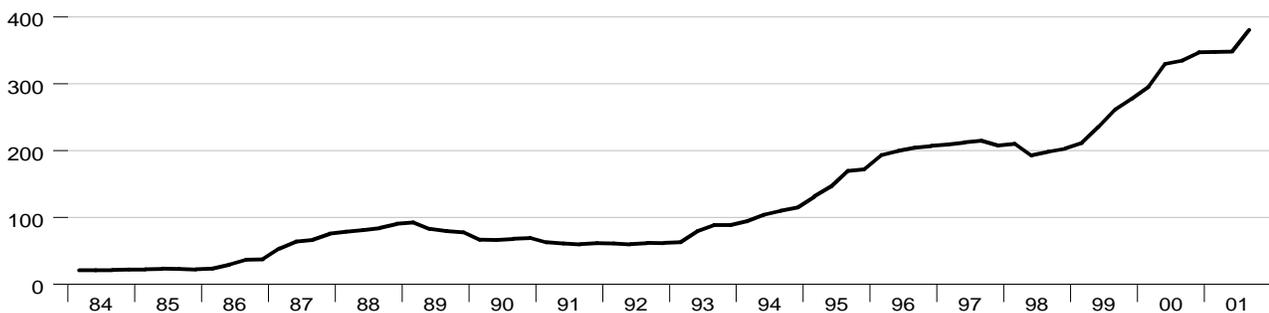
### Current Account Balance

Percent of GDP



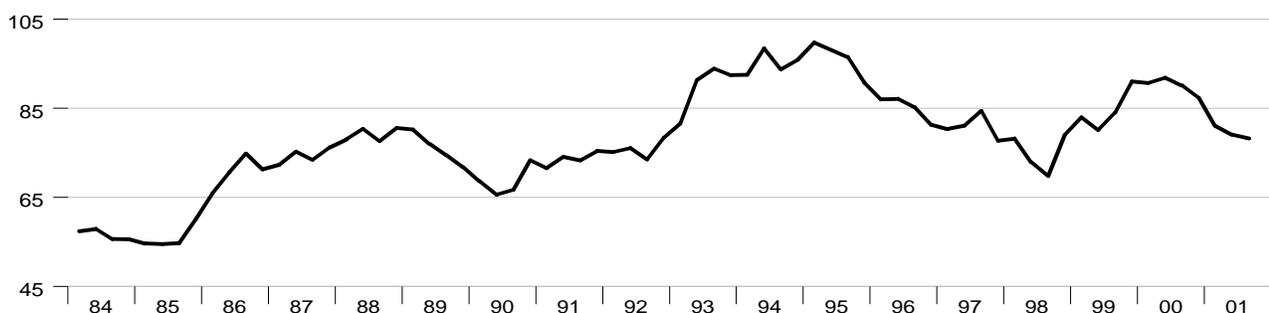
### Foreign Exchange Reserves

Billions of US\$



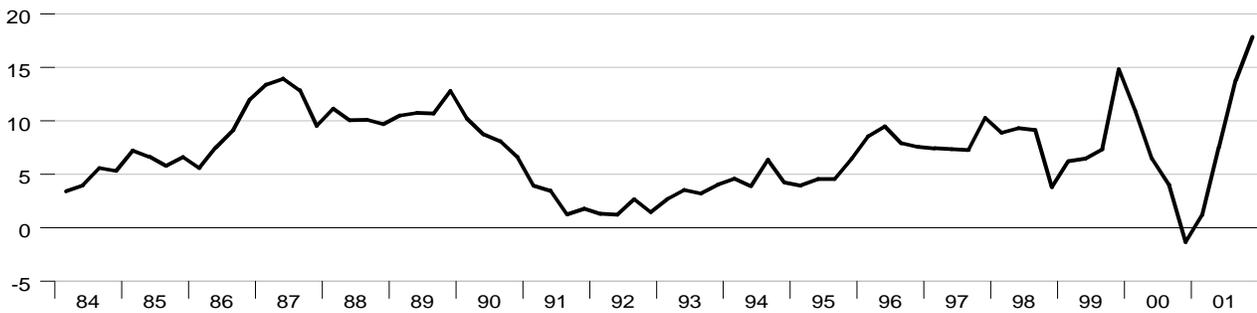
### Real Effective Exchange Rate

Index 1995 = 100



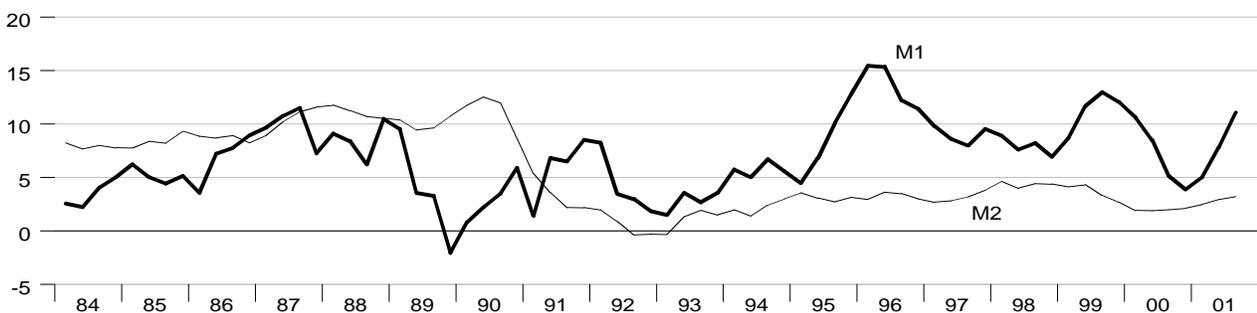
### Adjusted Monetary Base Growth

Percent change



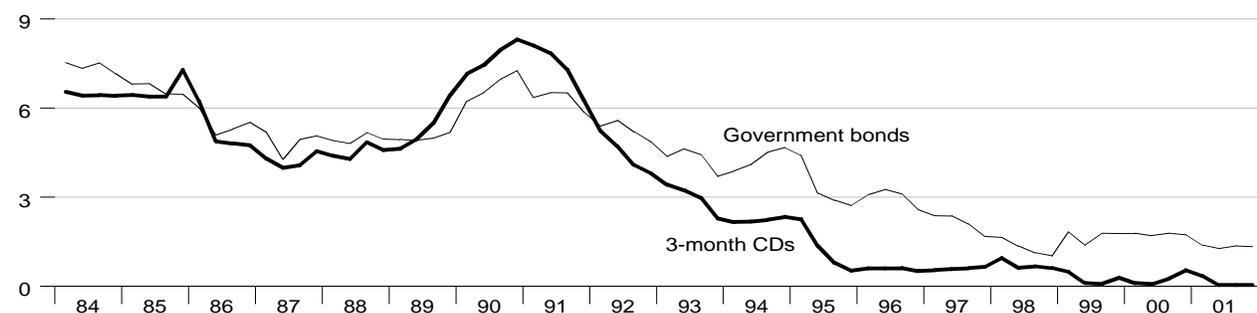
### Monetary Aggregates

Percent change



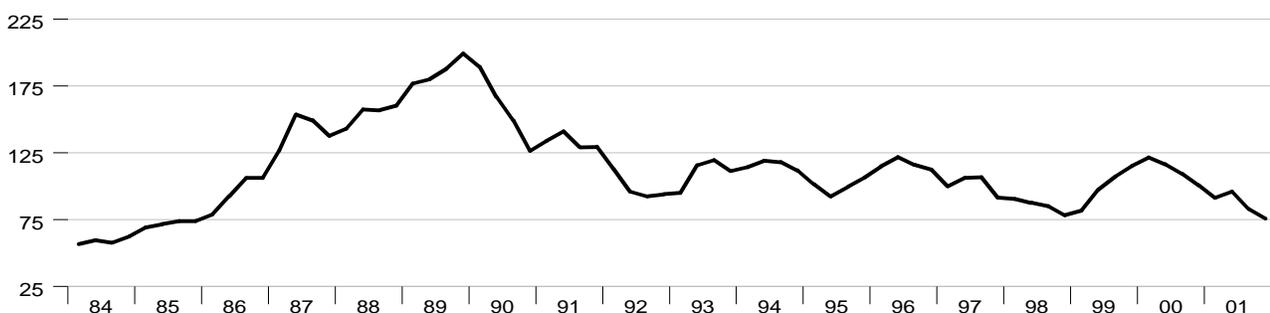
### Interest Rates

Percent

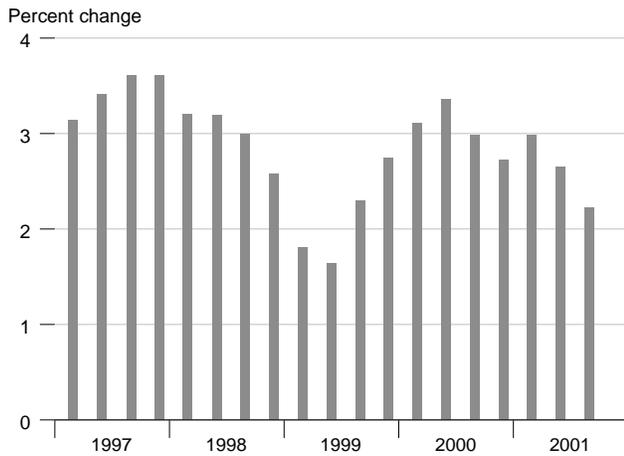


### Stock Exchange Index - Tokyo Stock Exchange

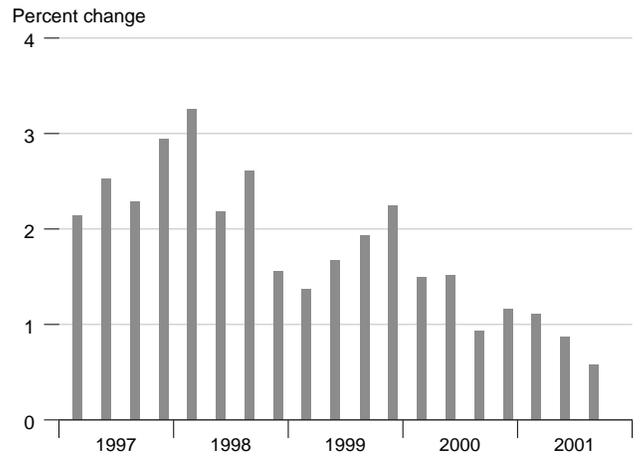
1995 = 100



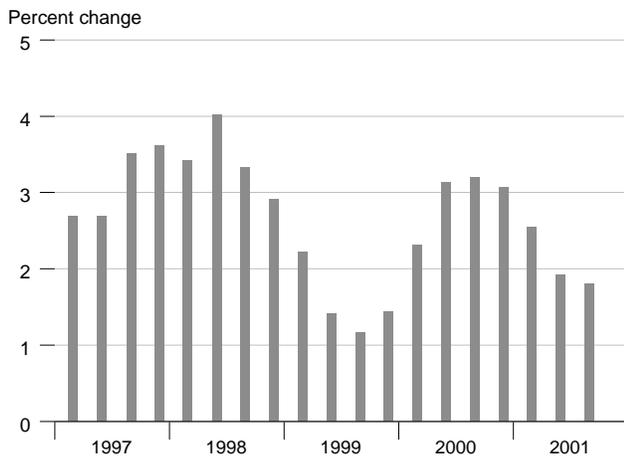
### Real GDP Growth



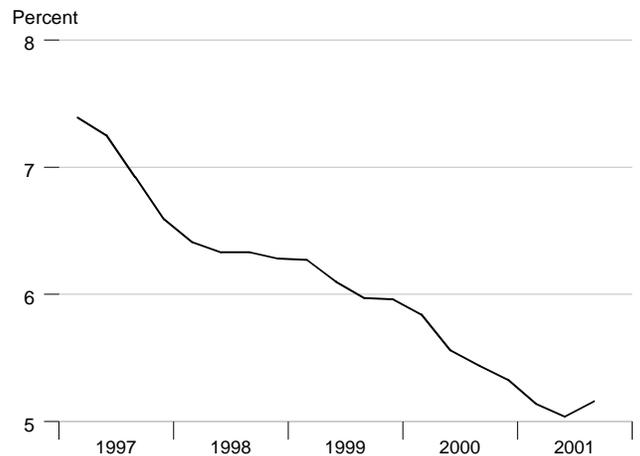
### Employment Growth



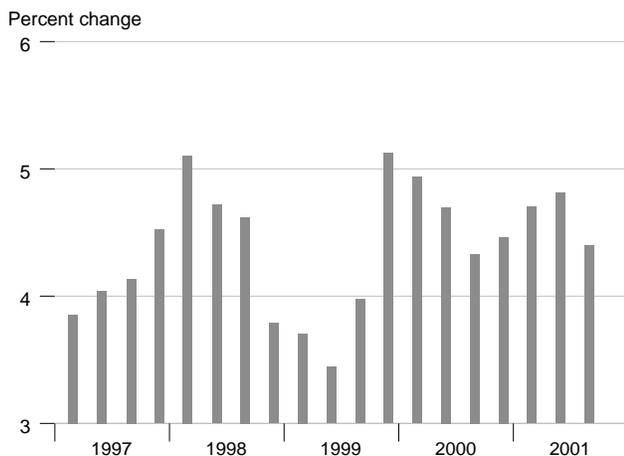
### Consumer Price Index



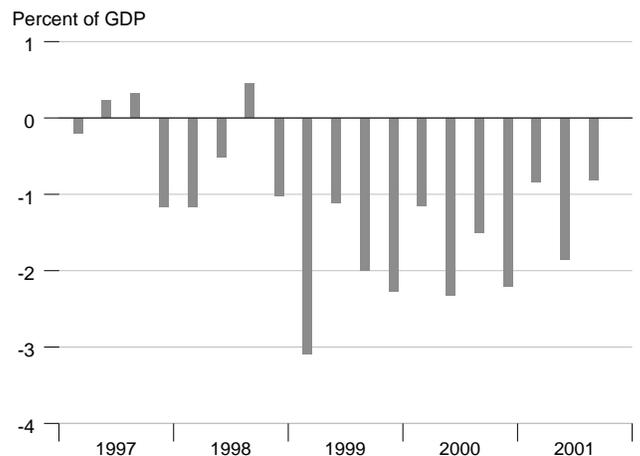
### Unemployment Rate



### Weekly Earnings

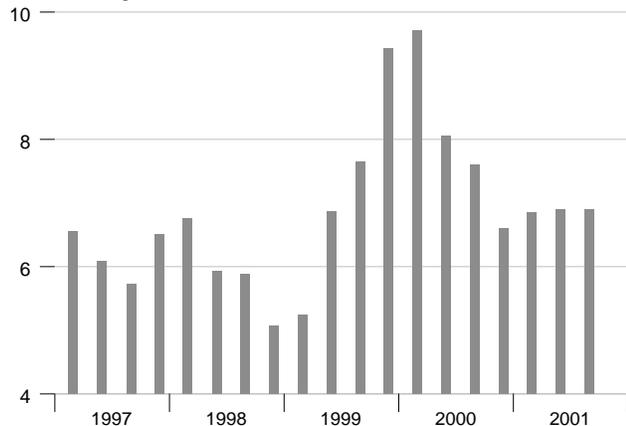


### Current Account Balance



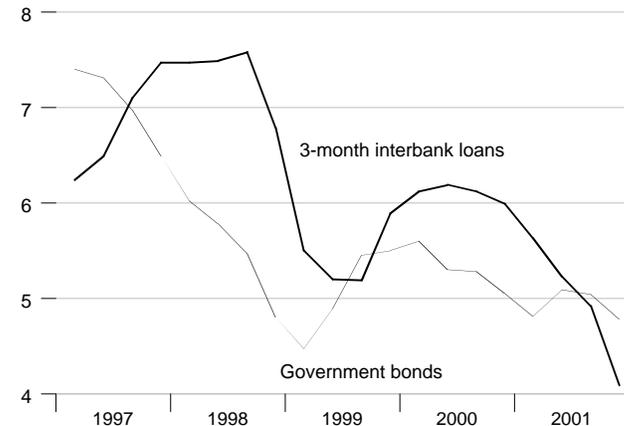
### M0 Growth

Percent change



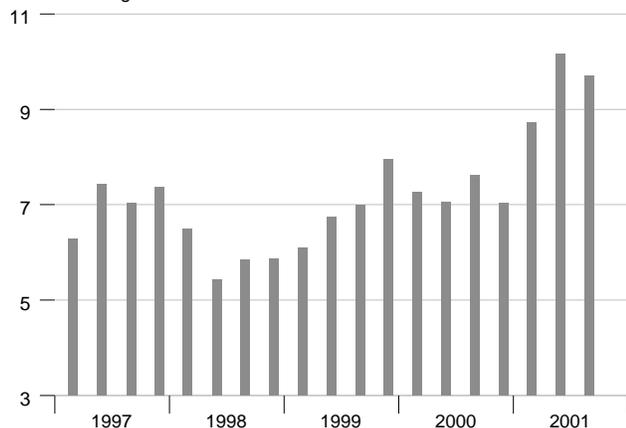
### Interest Rates

Percent



### M2 Growth

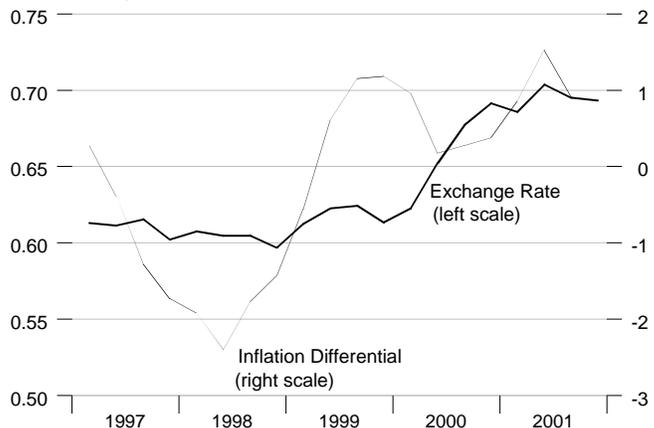
Percent change



### Exchange Rate and Inflation Differential

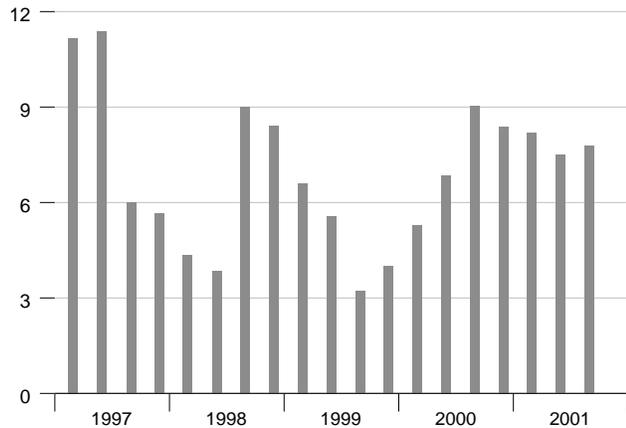
Pounds/US\$

Percent



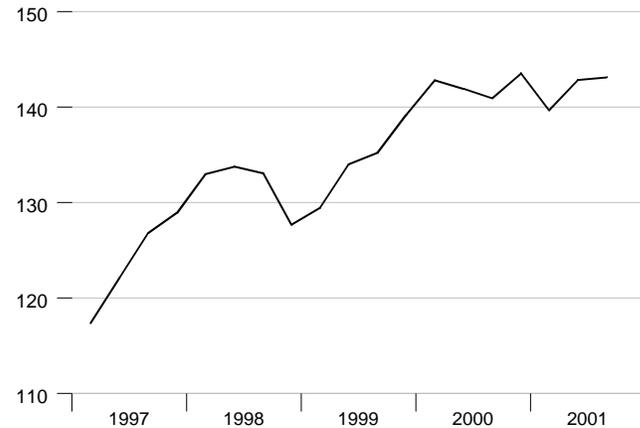
### M4 Growth

Percent change



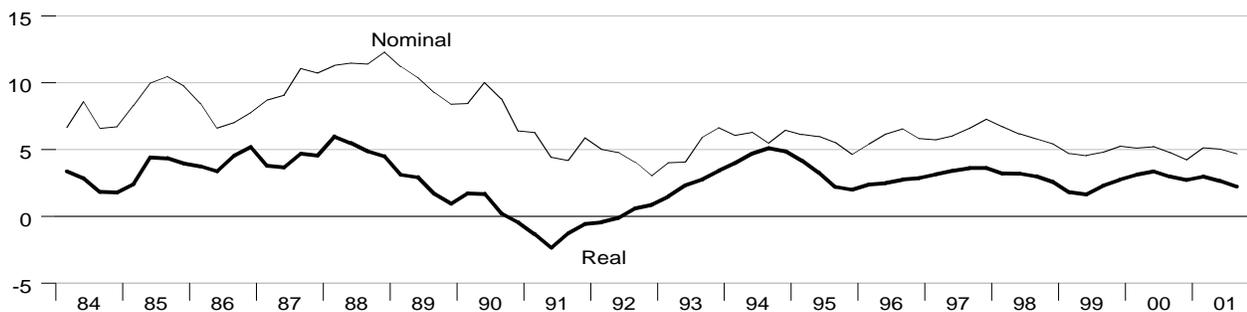
### Real Effective Exchange Rate

Index 1995 = 100



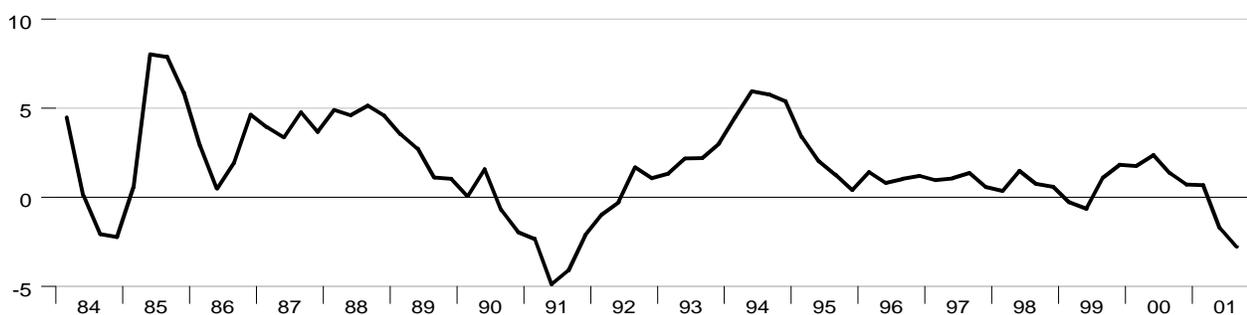
### GDP Growth

Percent change



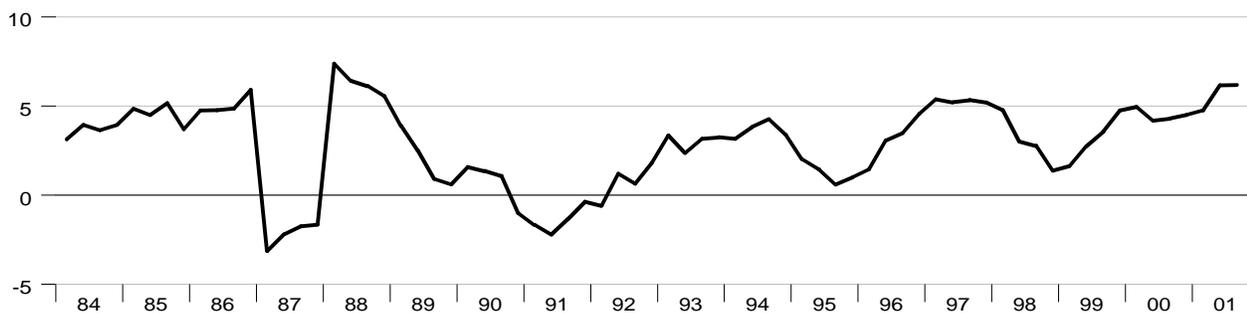
### Industrial Production

Percent change



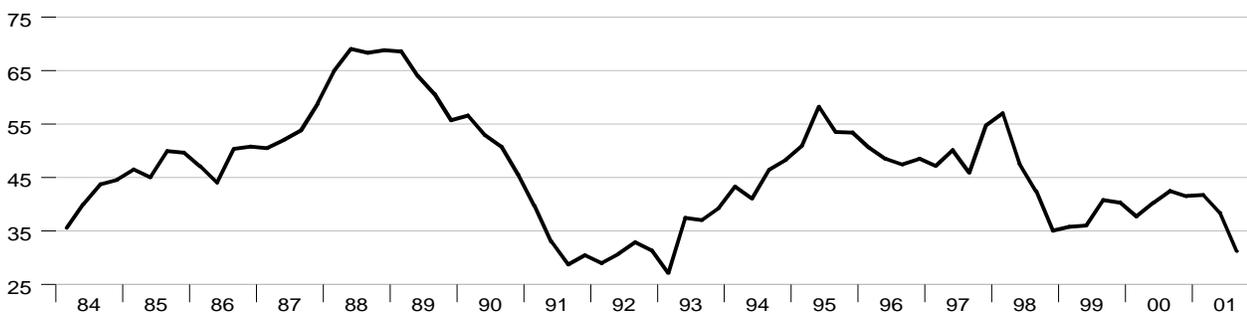
### Retail Sales

Percent change

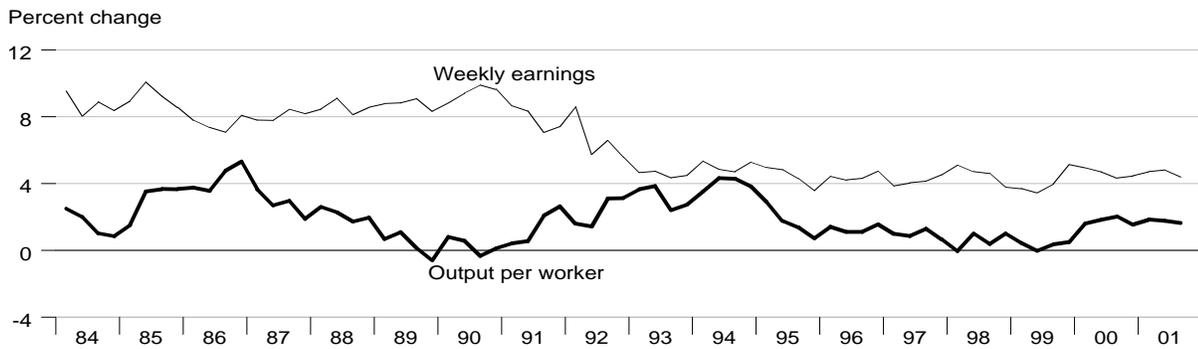


### Firms Operating at Capacity

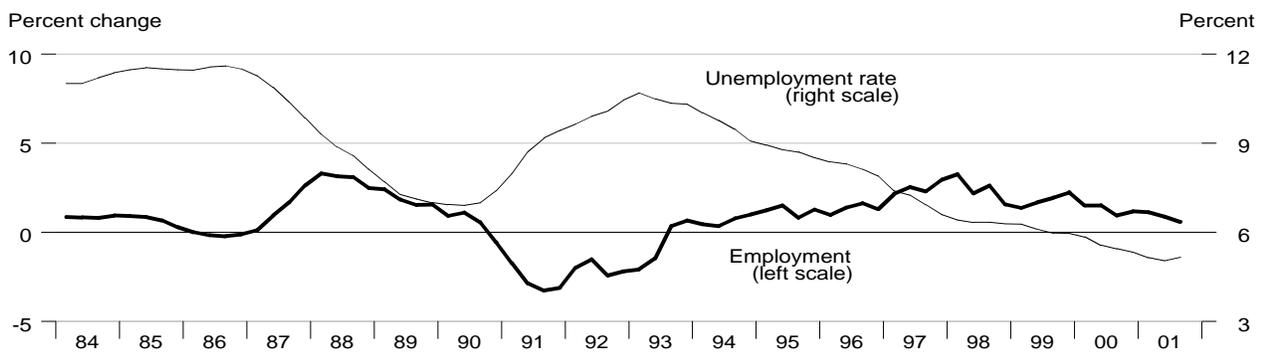
Percent



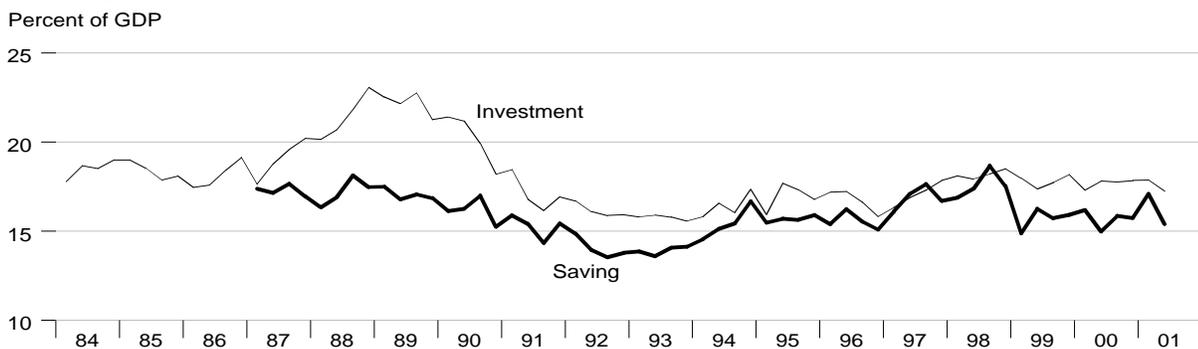
### Weekly Earnings and Output per Worker



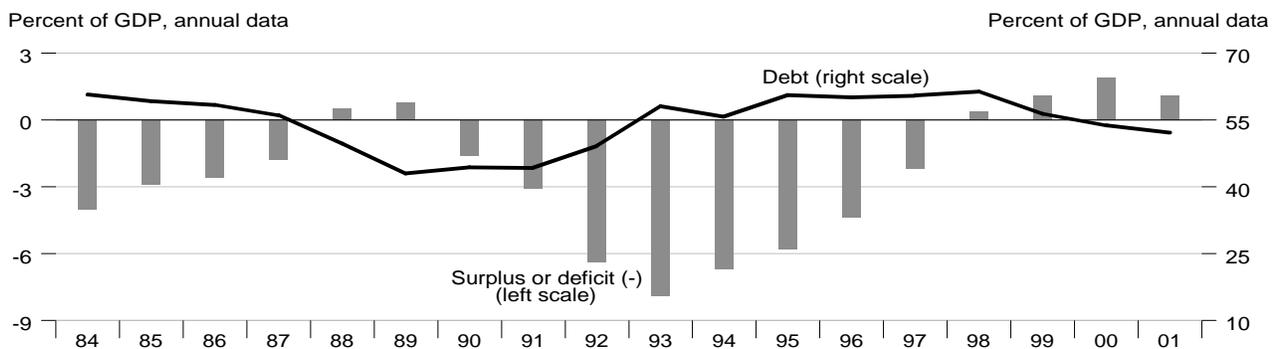
### Labor Force Indicators



### Saving and Investment

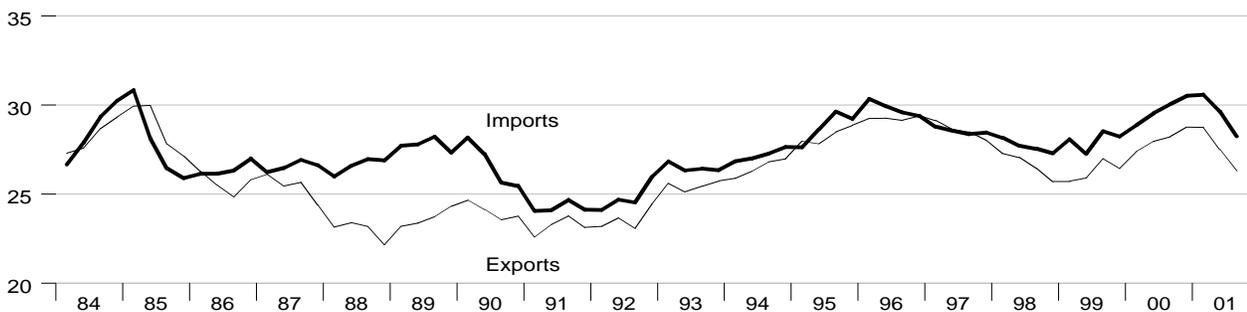


### Government Debt and Budget Surplus or Deficit (-)



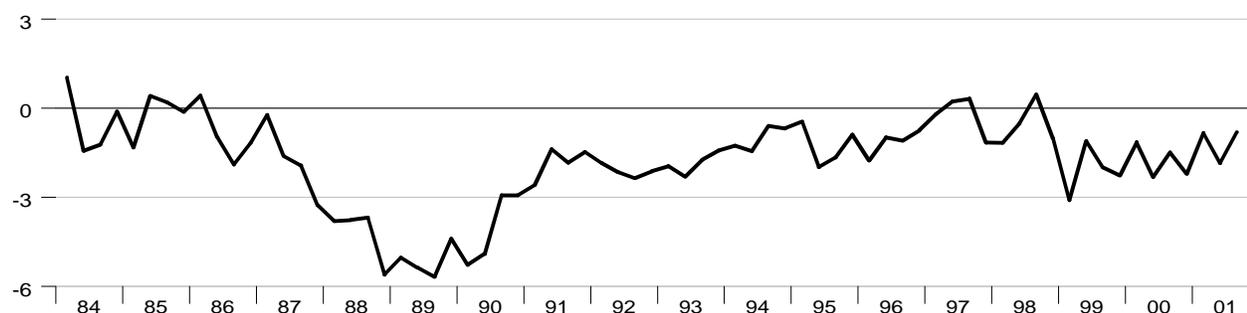
### International Trade - Goods and Services

Percent of GDP



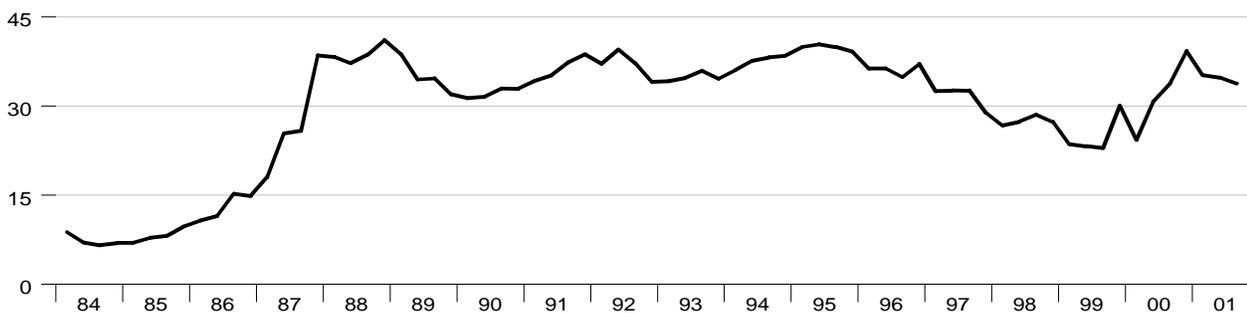
### Current Account Balance

Percent of GDP



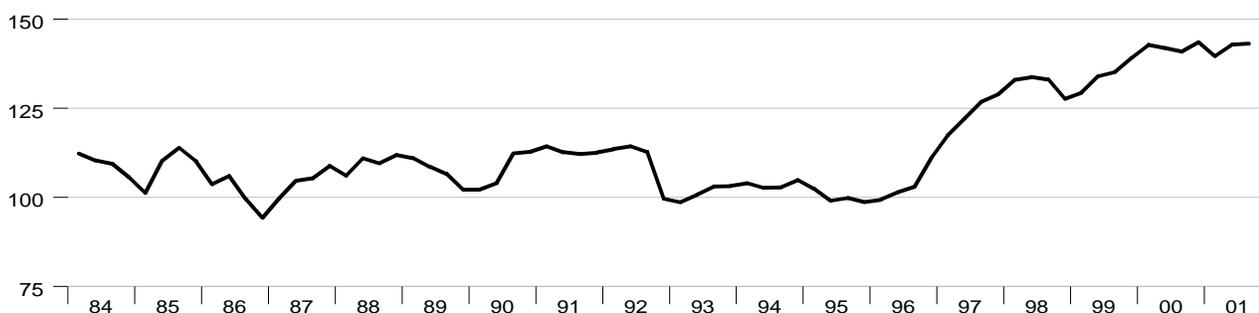
### Foreign Exchange Reserves

Billions of US\$



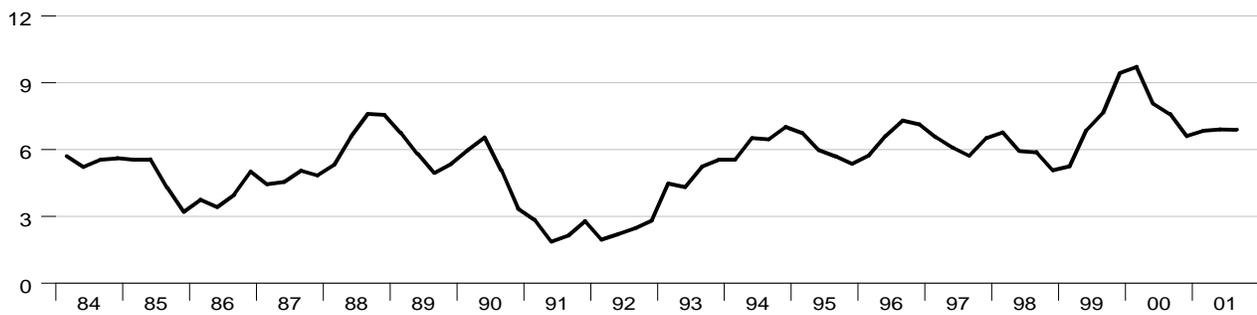
### Real Effective Exchange Rate

Index 1995 = 100



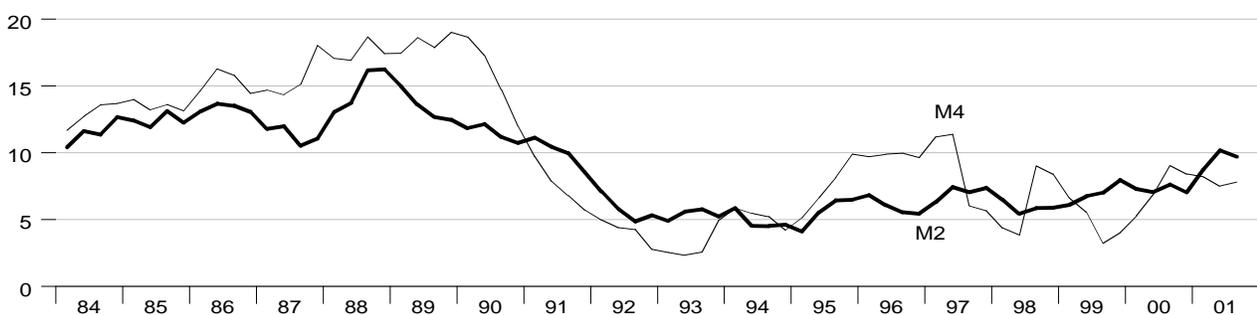
### M0 Growth

Percent change



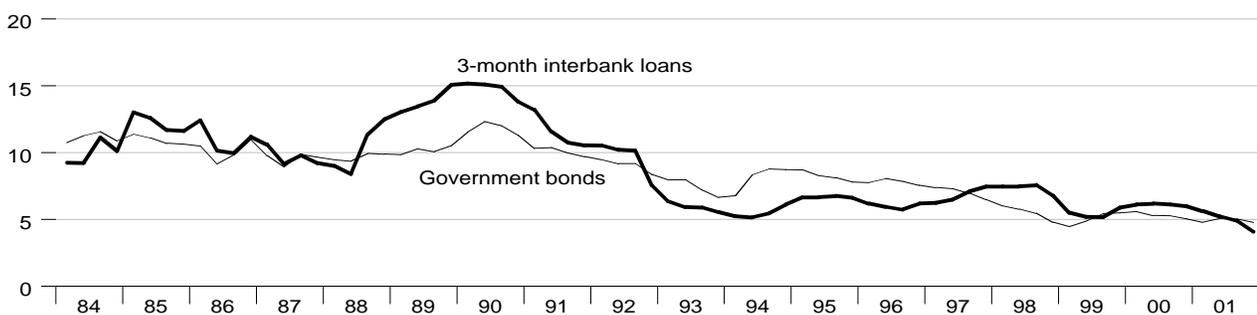
### Monetary Aggregates

Percent change



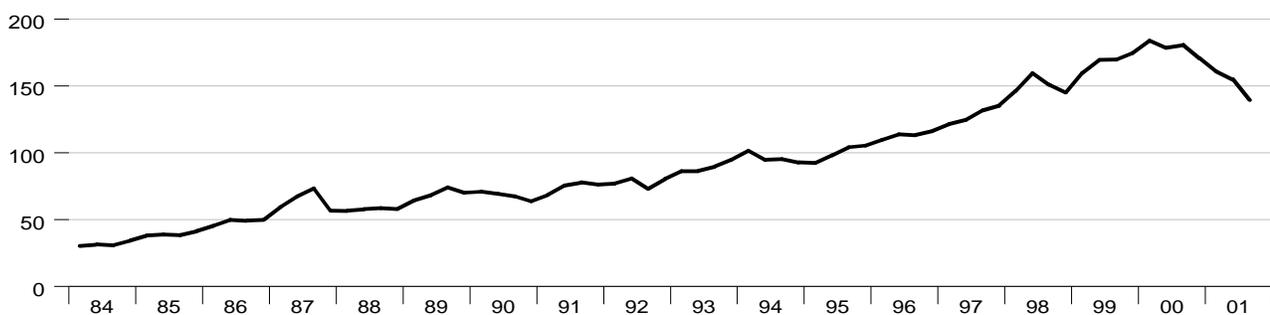
### Interest Rates

Percent



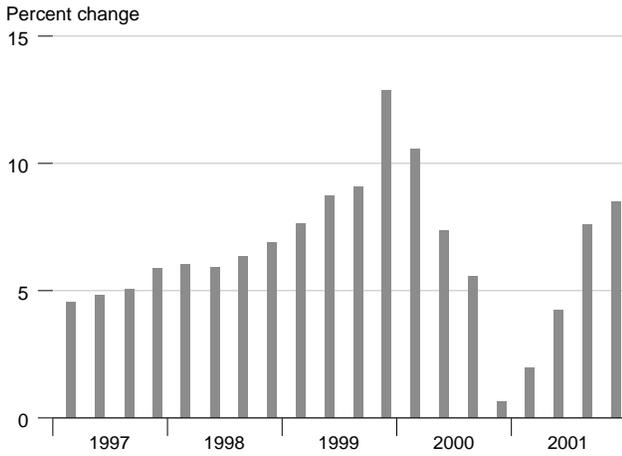
### Stock Exchange Index - Financial Times Stock Exchange

1995 = 100

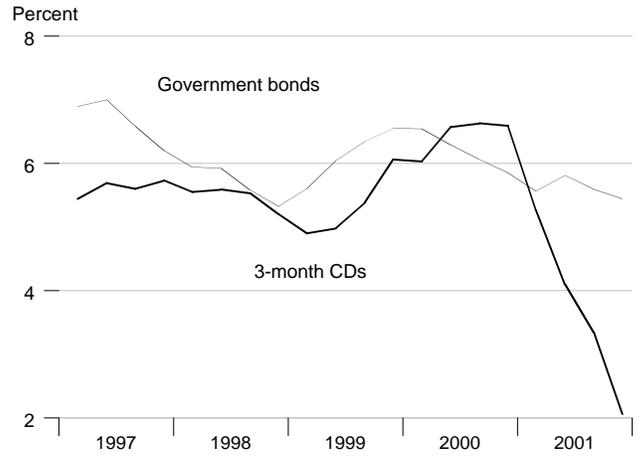




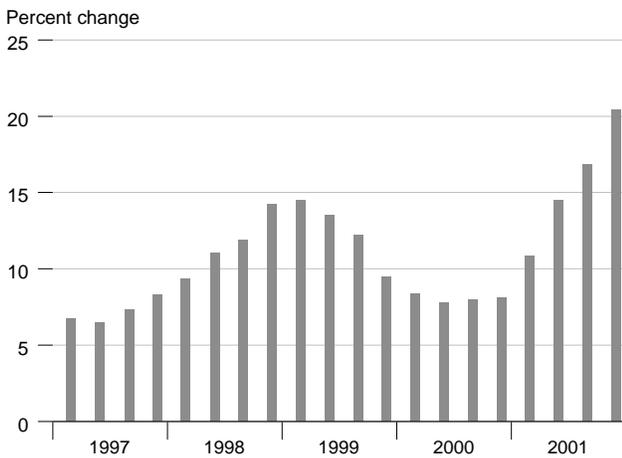
### Adjusted Monetary Base Growth



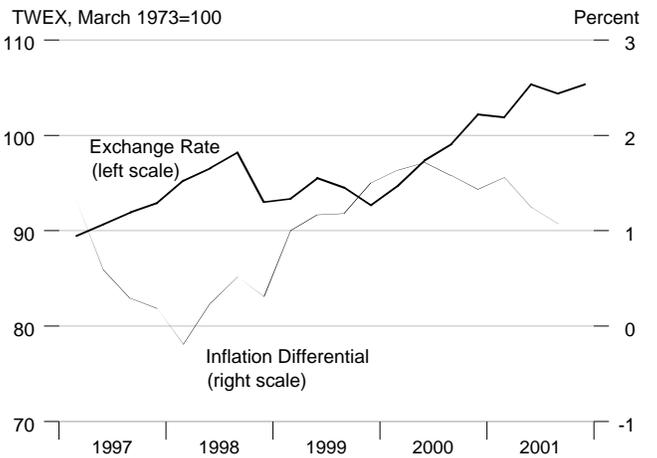
### Interest Rates



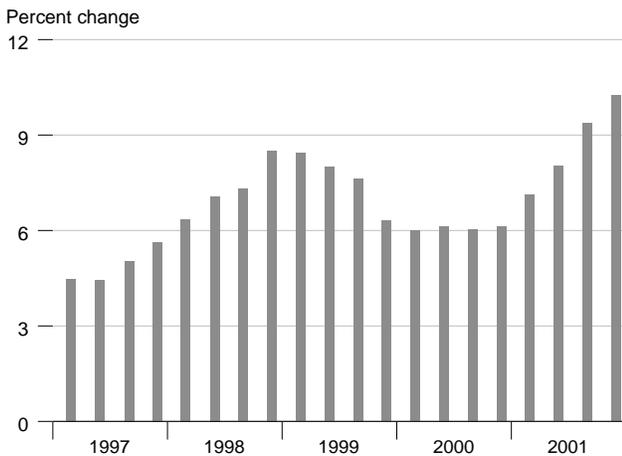
### MZM Growth



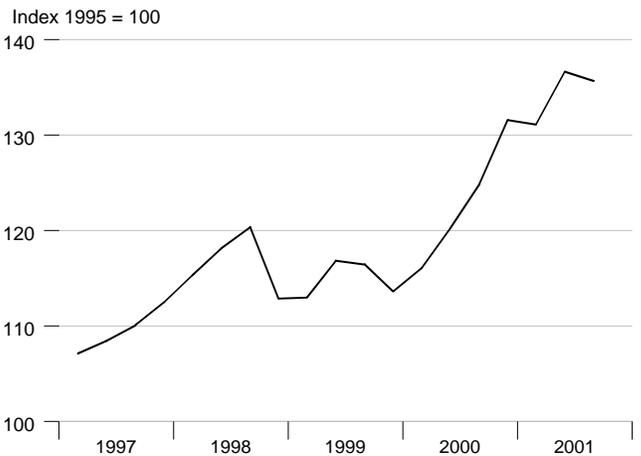
### Exchange Rate and Inflation Differential



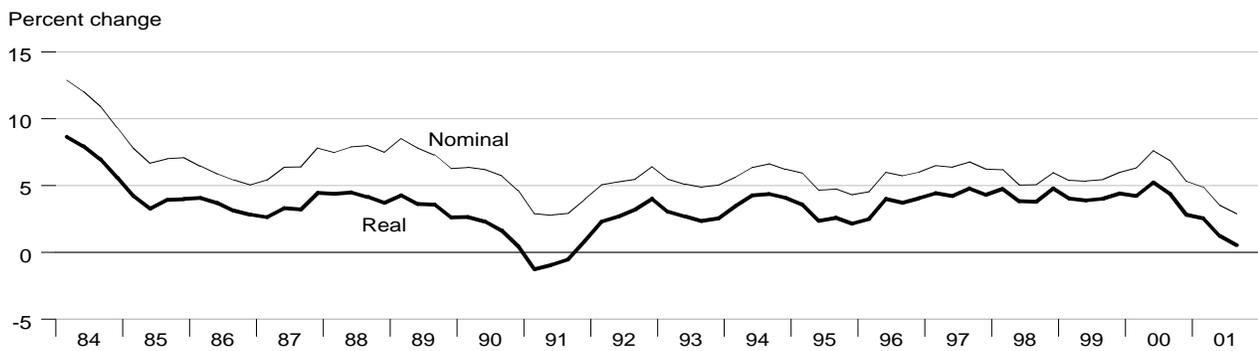
### M2 Growth



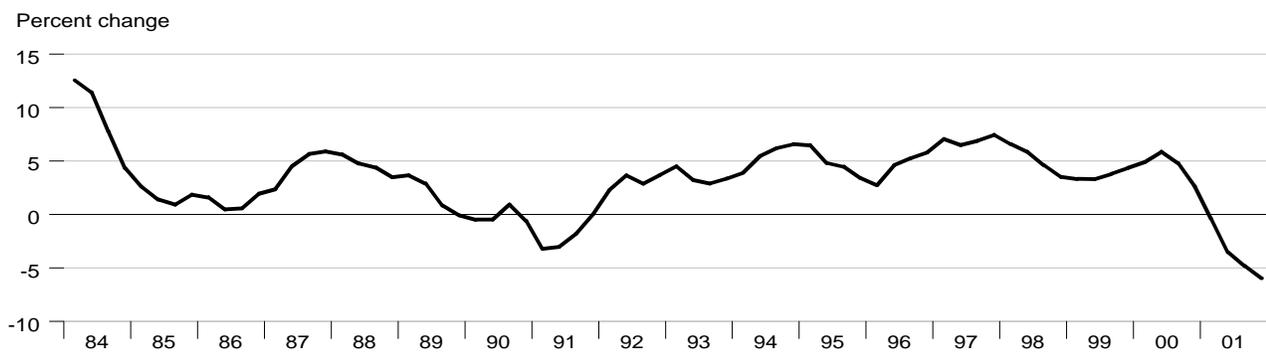
### Real Effective Exchange Rate



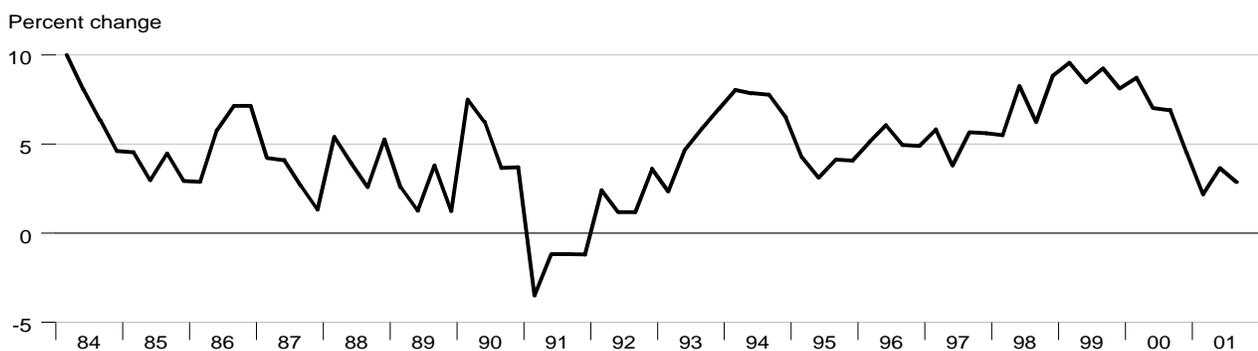
### GDP Growth



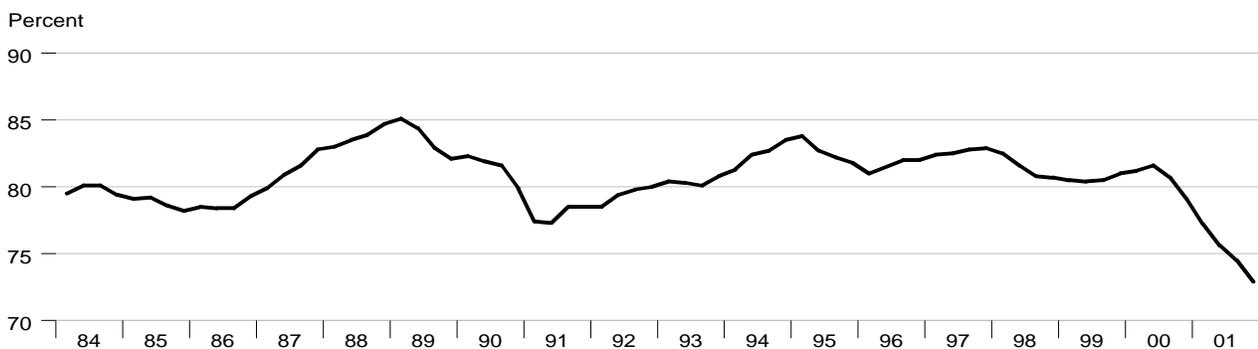
### Industrial Production



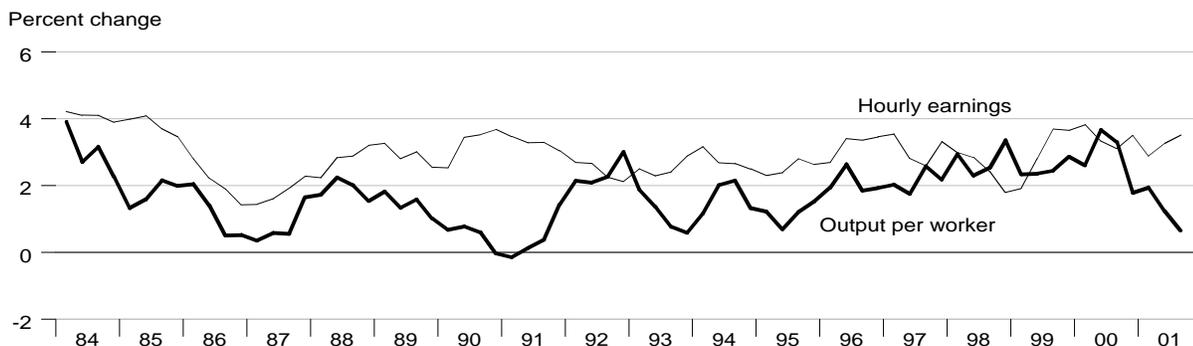
### Retail Sales



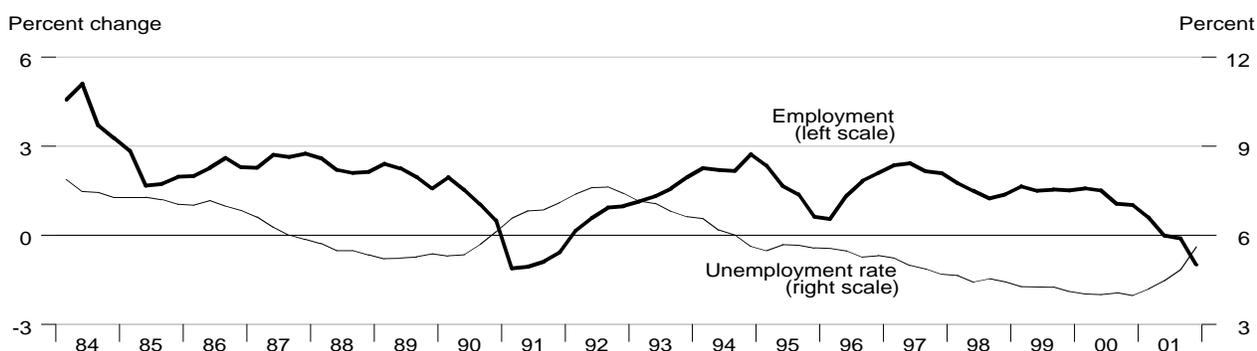
### Capacity Utilization



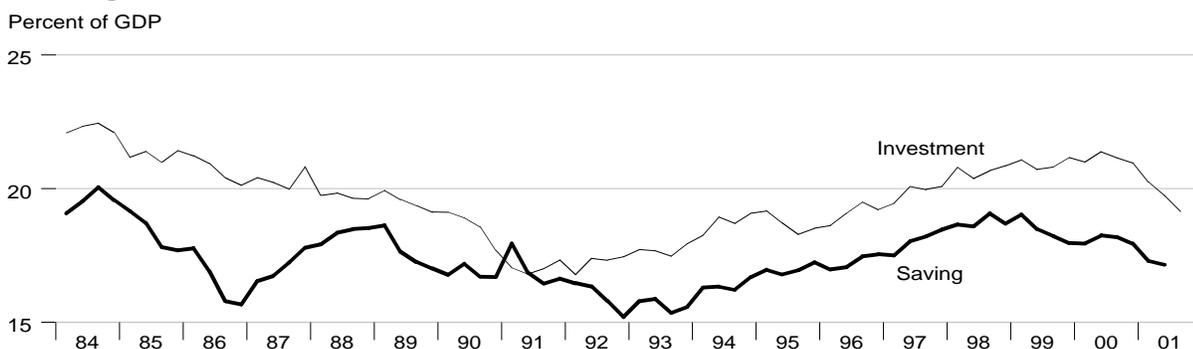
### Hourly Earnings and Output per Worker



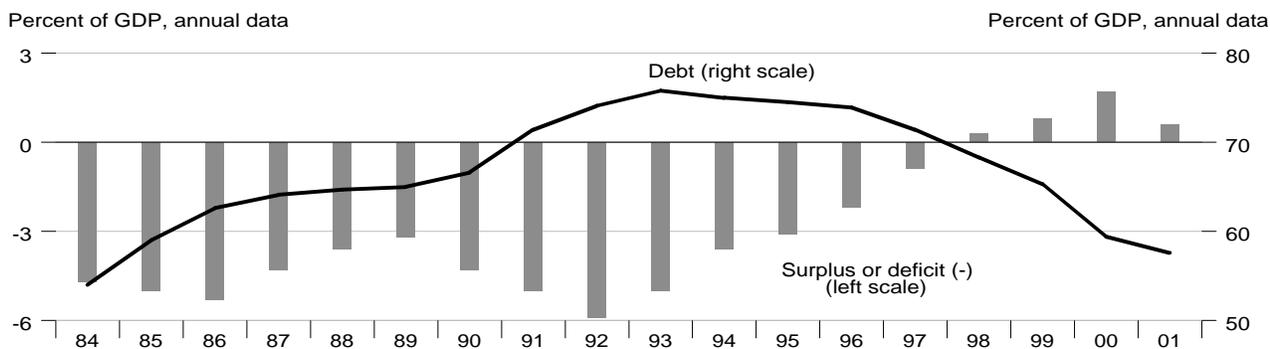
### Labor Force Indicators



### Saving and Investment

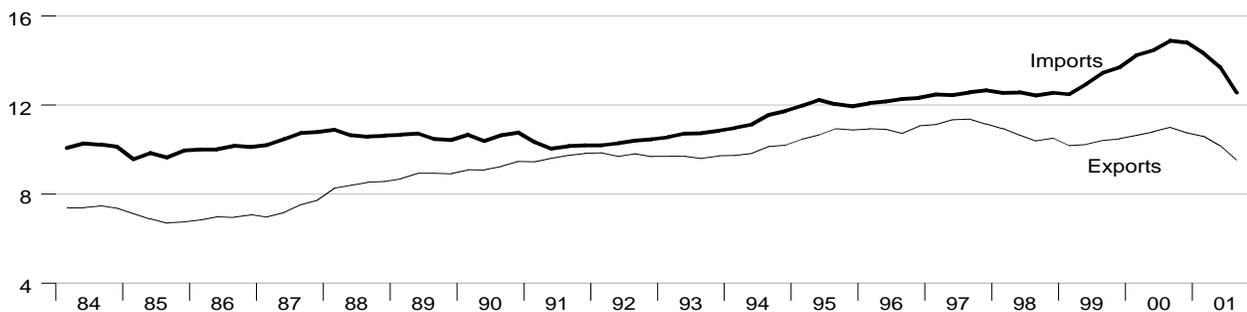


### Government Debt and Budget Surplus or Deficit (-)



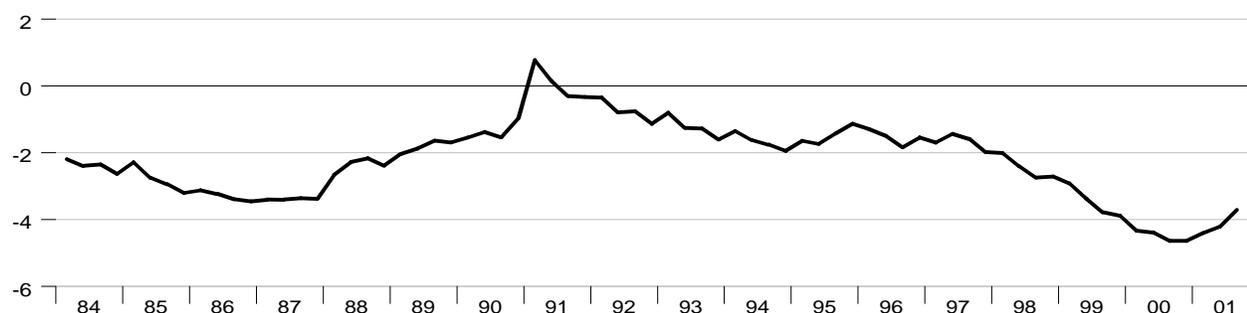
### International Trade - Goods and Services

Percent of GDP



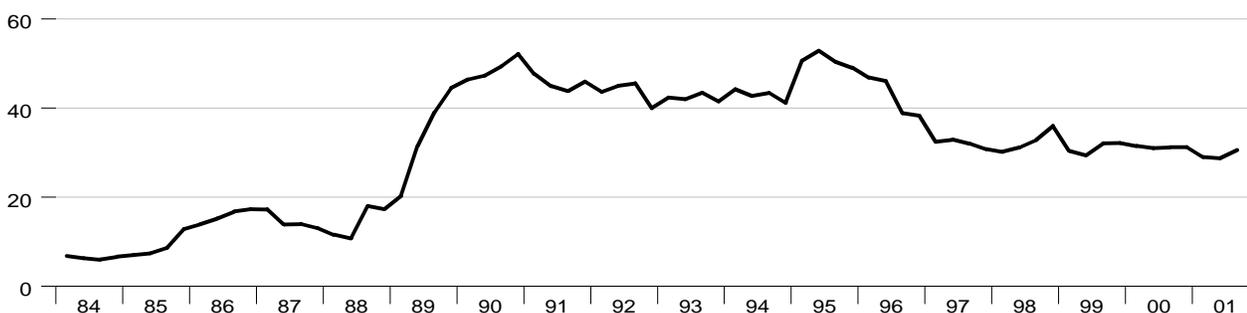
### Current Account Balance

Percent of GDP



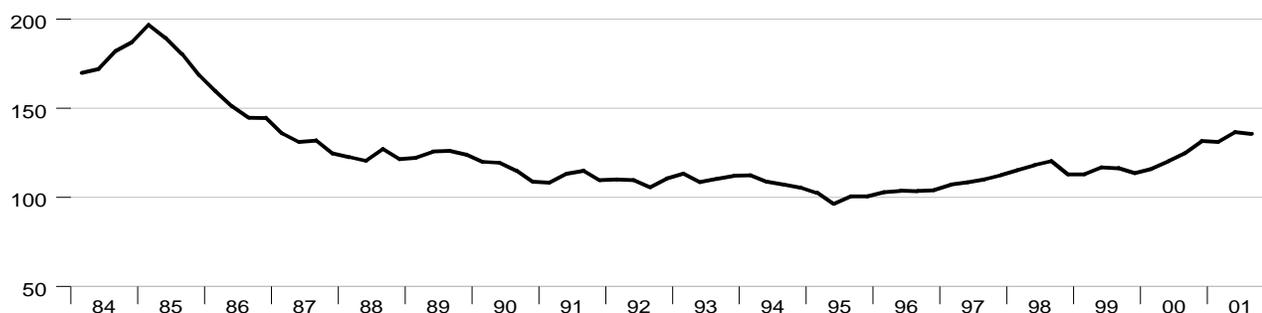
### Foreign Exchange Reserves

Billions of US\$



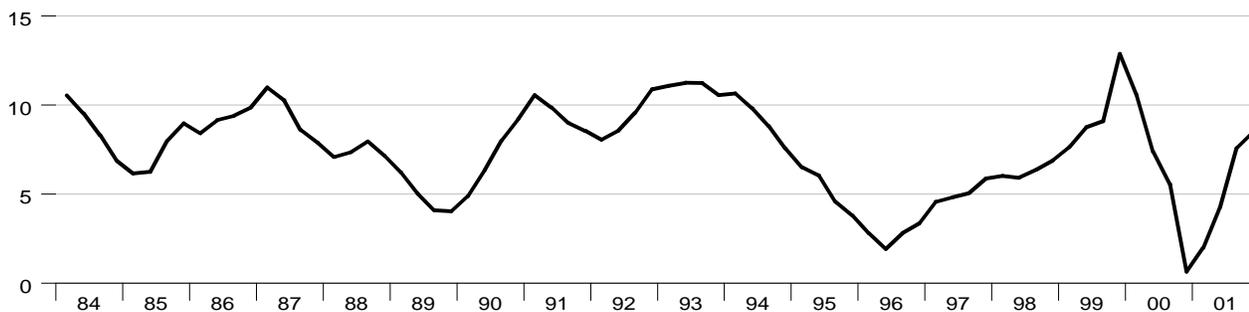
### Real Effective Exchange Rate

Index 1995 = 100



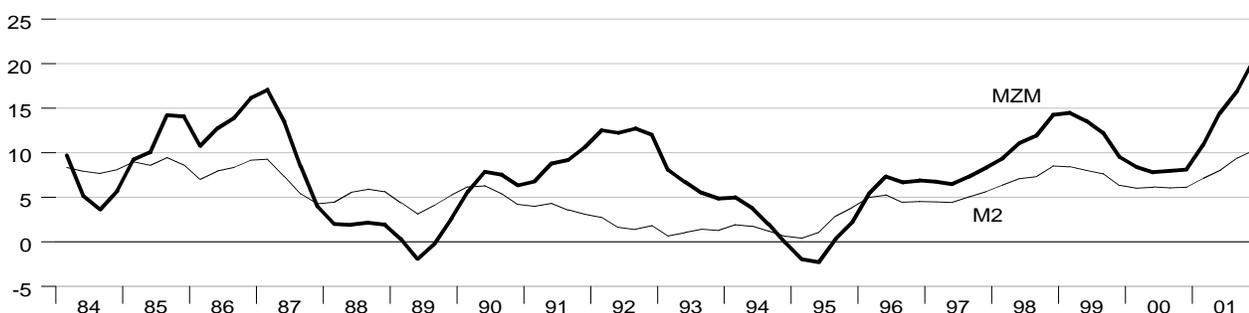
### Adjusted Monetary Base Growth

Percent change



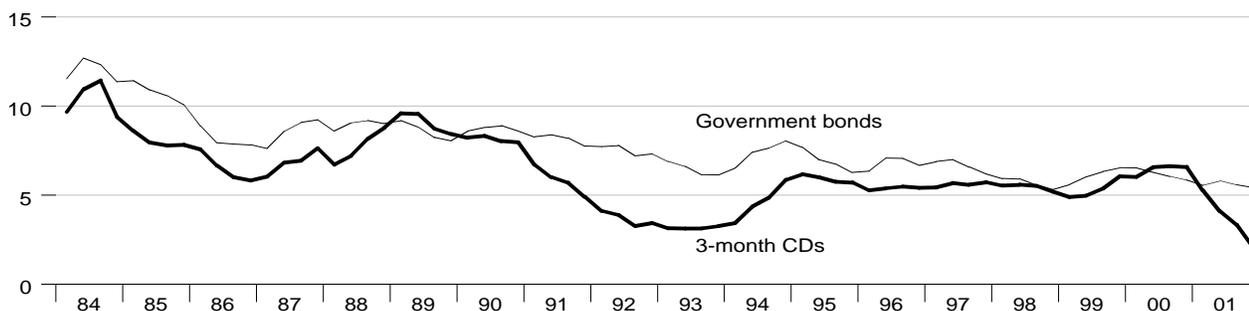
### Monetary Aggregates

Percent change



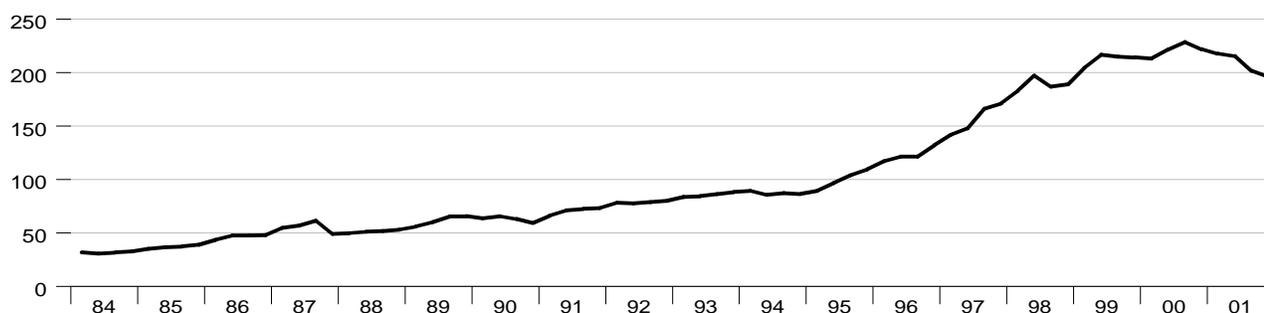
### Interest Rates

Percent



### Stock Exchange Index - New York Stock Exchange

1995 = 100



# Notes

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

On January 1, 2001, the euro area was enlarged to include Greece as its 12th member country. Historical euro area series for capacity utilization, the consumer price index, current account balance, earnings, employment, government debt and surplus, gross domestic product (GDP), industrial production, merchandise and service trade, retail sales, and unemployment include Greece. The series for interest rates, monetary aggregates, the real effective exchange rate, and the stock exchange index incorporate Greece starting January 2001.

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 euro-area countries, excluding Greece and Luxembourg, 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 remains for western Germany only.

Third quarter 1990: current account balance, international trade, and unemployment.

First quarter 1991: consumer price index, GDP, industrial production, investment, output per worker, and saving.

First quarter 1993: stock exchange index.

Third quarter 1993: employment.

First quarter 1995: hourly earnings.

**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 1995. 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, Italy, Japan, the United States, and the euro area; industrial employment for France; 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 countries whose currencies are used in the major currency trade-weighted exchange rate index. Starting in 1999, the euro-area harmonized consumer price index is used for the euro area. Prior to 1999, the inflation rates for the individual euro area countries (excluding Greece and Luxembourg) are used. 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- to 15-year public sector bonds for Germany; 15- to 20-year government bonds through 1990, and 10-year government bonds starting in 1991 for Italy; and 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, 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 U.K. 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 2 years.

## M4

United Kingdom – M2 plus wholesale deposits with the U.K. 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 Exchange Index** refers to all share prices except for the United Kingdom, which excludes financial firms.

The trade-weighted exchange rate, **TWEX**, is a weighted average of the exchange value of the U.S. dollar relative to the major international currencies—the euro, Canadian dollar, Japanese yen, British pound, Swiss franc, Australian dollar, and Swedish franc. Prior to 1999, the currencies of the euro area countries (with the exception of Greece) are used instead of the euro.

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

### Abbreviations

Board of Governors of the Federal Reserve System (BOG)  
Bureau of Economic Analysis, U.S. Department of Commerce (BEA)  
Bureau of Labor Statistics, U.S. Department of Labor (BLS)  
Financial and Economic Research International (FERI)  
International Monetary Fund, *International Financial Statistics* (IMF)  
Organization for Economic Cooperation and Development,  
*Economic Outlook* (OECD1)  
*Main Economic Indicators* (OECD2)  
*Quarterly National Accounts* (OECD3)  
*Annual National Accounts* (OECD4)

### Canada

Bank of Canada: M1 and M2.  
BOG: exchange rate.  
IMF: foreign exchange reserves, merchandise and service trade, real effective exchange rate, and reserve money.  
OECD1: government debt and budget surplus or deficit.  
OECD2: capacity utilization, consumer price index, current account balance, GDP, hourly earnings, industrial production, retail sales, interest rates, stock exchange index, and unemployment rate.  
OECD3: investment and savings.  
Statistics Canada: employment.

### Euro Area

European Central Bank: current account balance, and merchandise and service trade (page 13).  
Eurostat: consumer price index, gross domestic product, merchandise trade (page 15), and retail sales.

FERI: employment and hourly earnings.

Haver Analytics: synthetic euro exchange rate.

IMF: real effective exchange rate.

OECD1: government debt and budget surplus or deficit.

OECD2: capacity utilization, industrial production, M1, M3, interest rates, stock exchange index, and unemployment.

### France

BOG: exchange rate.

IMF: foreign exchange reserves, merchandise and service trade, and real effective exchange rate.

Institut National de la Statistique et des Etudes Economiques: employment.

OECD1: government debt and budget surplus or deficit.

OECD2: capacity utilization, consumer price index, current account balance, GDP, hourly earnings, industrial production, retail sales, interest rates, stock exchange index, and unemployment.

OECD3: investment and savings.

### Germany

BOG: exchange rate.

Bundesanstalt Fur Arbeit: employment.

IMF: foreign exchange reserves, merchandise and service trade, and real effective exchange rate.

OECD1: government debt and budget surplus or deficit.

OECD2: capacity utilization, consumer price index, current account balance, GDP, hourly earnings, industrial production, M1, M3, retail sales, interest rates, stock exchange index, and unemployment.

OECD4: investment and savings.

### Italy

BOG: exchange rate.

IMF: foreign exchange reserves, merchandise and service trade, and real effective exchange rate.

Istituto Nazionale di Statistica: employment.

OECD1: government debt and budget surplus or deficit.

OECD2: capacity utilization, consumer price index, current account balance, GDP, hourly earnings, industrial production, long-term interest rates, retail sales, stock exchange index, and unemployment.

OECD3: investment and savings.

### Japan

Bank of Japan: adjusted monetary base and long-term interest rate.

BOG: exchange rate.

IMF: foreign exchange reserves, merchandise and service trade, and real effective exchange rate.

OECD1: government debt and budget surplus or deficit.

OECD2: capacity utilization, consumer price index, current account balance, employment, GDP, hourly earnings, industrial production, M1, M2, retail sales, short-term interest rate, stock exchange index, and unemployment.

OECD3: investment and savings.

### United Kingdom

Bank of England: M2.

BOG: exchange rate.

IMF: foreign exchange reserves, merchandise and service trade, and real effective exchange rate.

OECD1: government debt and budget surplus or deficit.

OECD2: capacity utilization, consumer price index, current account balance, GDP, industrial production, retail sales, stock exchange index, interest rates, M4, unemployment, and weekly earnings.

OECD3: investment and savings.

U.K. Office for National Statistics: employment and M0.

### United States

BOG: capacity utilization, exchange rate, industrial production index, M2, and interest rates.

BEA: gross domestic product, current account balance, and merchandise and service trade.

BLS: employment and consumer price index.

Federal Reserve Bank of St. Louis: adjusted monetary base and MZM.

IMF: foreign exchange reserves and real effective exchange rate.

OECD1: government debt and budget surplus or deficit.

OECD2: hourly earnings, retail sales, stock exchange index, and unemployment.

OECD3: investment and savings.