Euro area GDP per capita and productivity growth: Some challenges

ECB Conference 25 - 26 June 2015

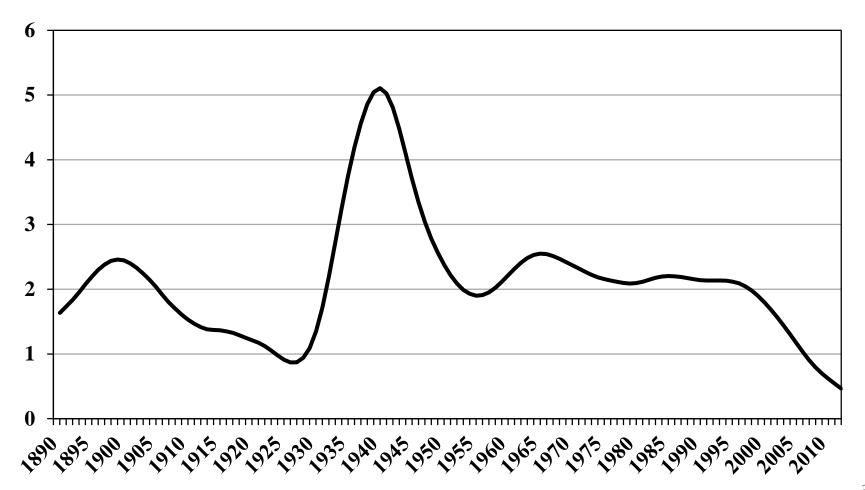
Gilbert Cette

Banque de France and AMSE

Outline

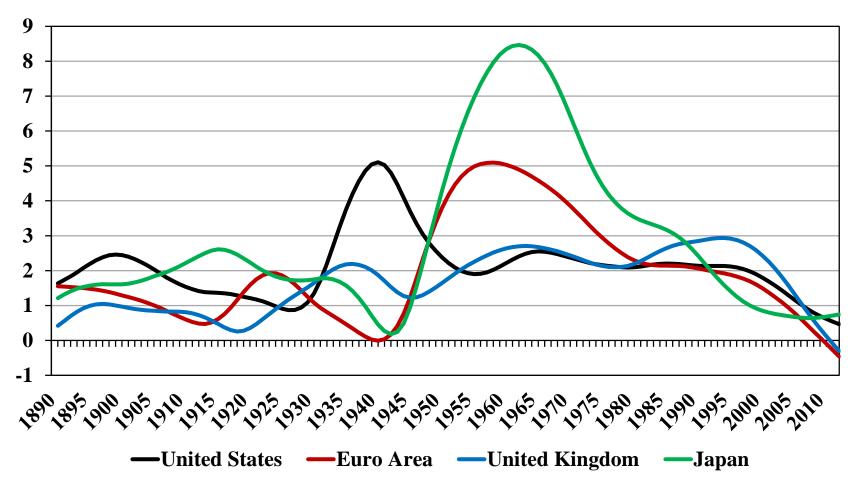
- 1. Growth waves
- 2. Levels
- 3. ICT diffusion
- 4. Structural reforms
- 5. Rebalancing

Average annual growth rate of GDP per capita – United States Smoothed indicator (HP filter, λ = 500) - Whole economy – 1891-2013 – In % Source : Bergeaud, Cette and Lecat (2014)

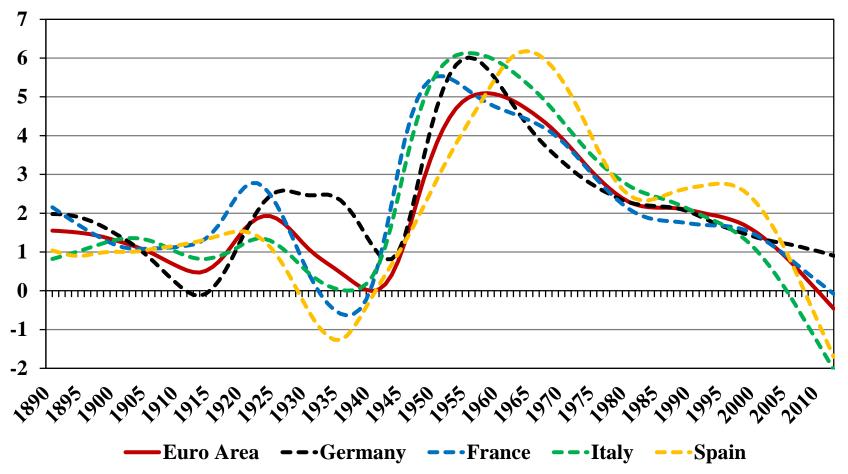


Average annual growth rate of GDP per capita

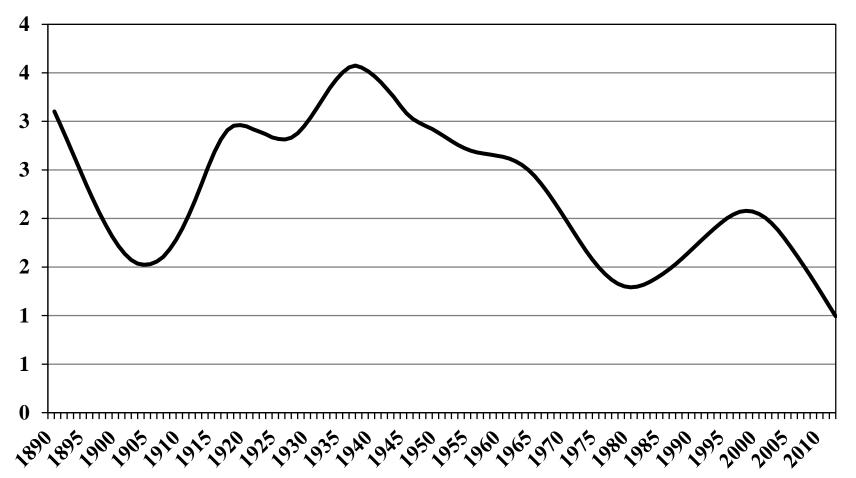
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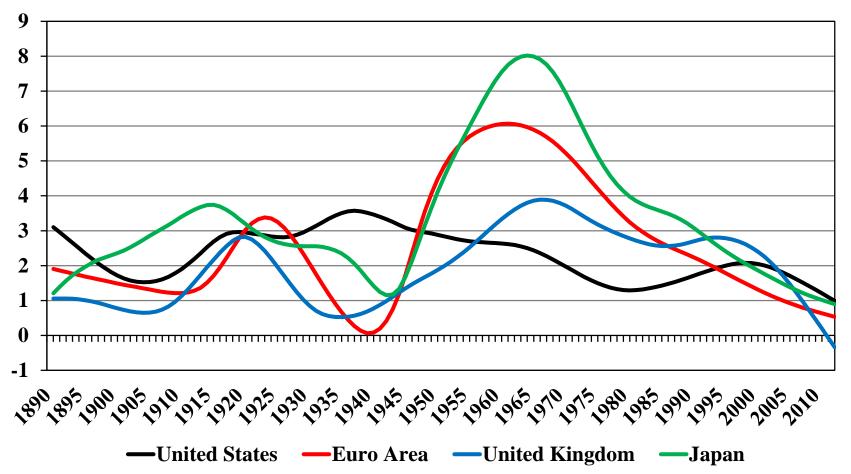
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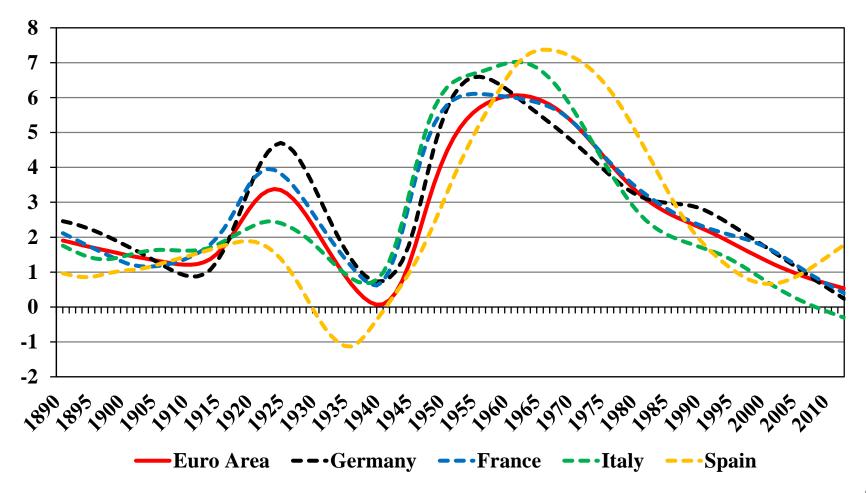
Average annual growth rate of labor productivity per hour – United States Smoothed indicator (HP filter, λ = 500) - Whole economy – 1891-2013 – In % Source : Bergeaud, Cette and Lecat (2014)



Average annual growth rate of labor productivity per hour Smoothed indicator (HP filter, λ = 500) - Whole economy – 1891-2013 – In % Source : Bergeaud, Cette and Lecat (2014)



Average annual growth rate of labor productivity per hour Smoothed indicator (HP filter, λ = 500) - Whole economy – 1891-2013 – In % Source : Bergeaud, Cette and Lecat (2014)

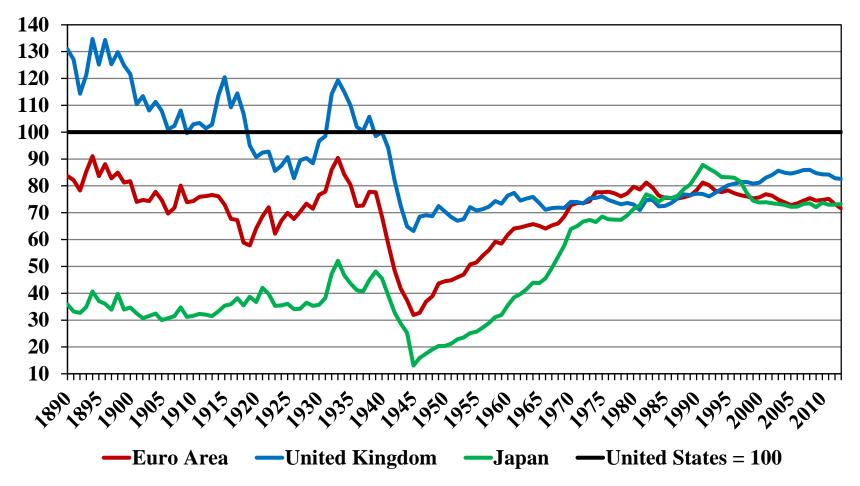


Three challenges for the Euro area

1. Which future for the long term productivity growth at the technological frontier?

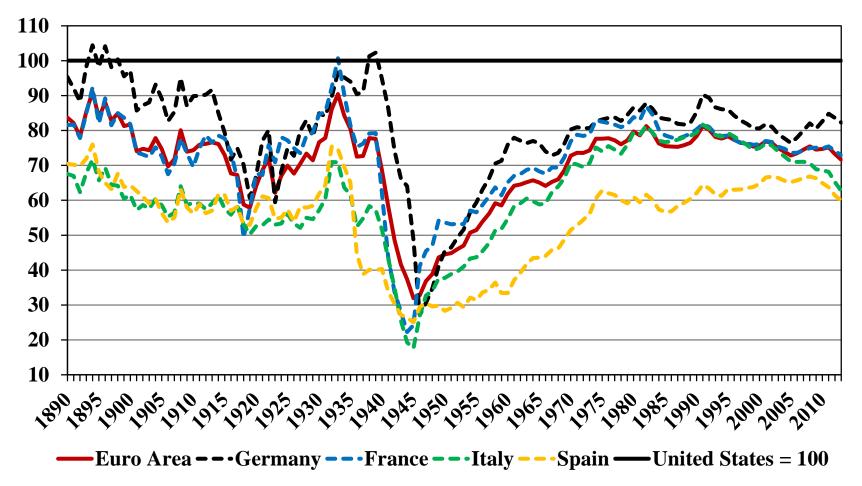
2. Levels

GDP per capita - Level relative to the US level Whole economy – 1890-2013 – US level = 100 - \$ 2010 PPP - In % Source : Bergeaud, Cette and Lecat (2014)



2. Levels

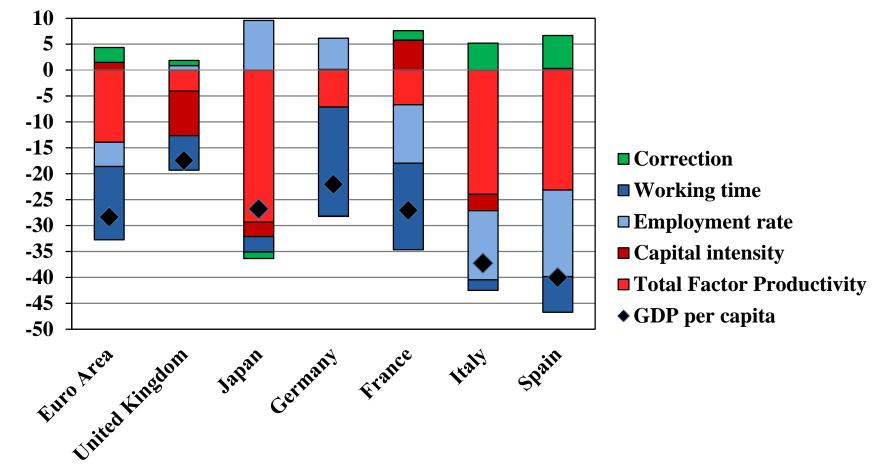
GDP per capita - Level relative to the US level Whole economy – 1890-2013 – US level = 100 - \$ 2010 PPP - In % Source : Bergeaud, Cette and Lecat (2014)



2. Levels

Contribution to GDP per capita gap compared to the United States in 2013 Whole economy – In percentage points

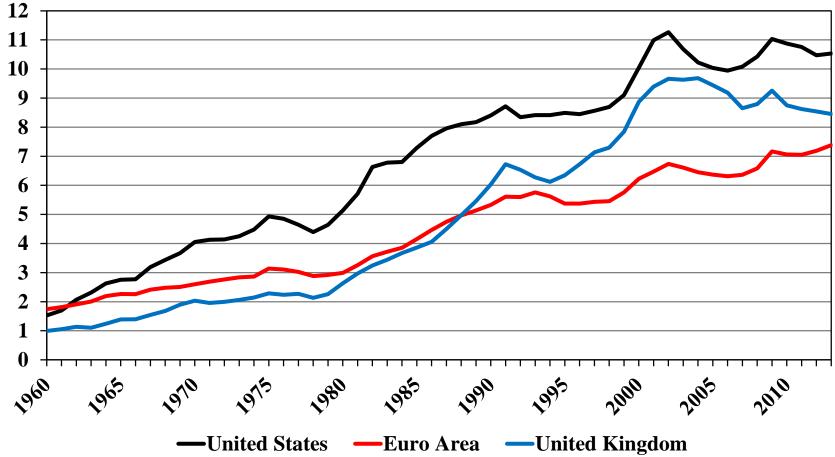
Source: Bergeaud, Cette and Lecat (2014)



3. ICT diffusion

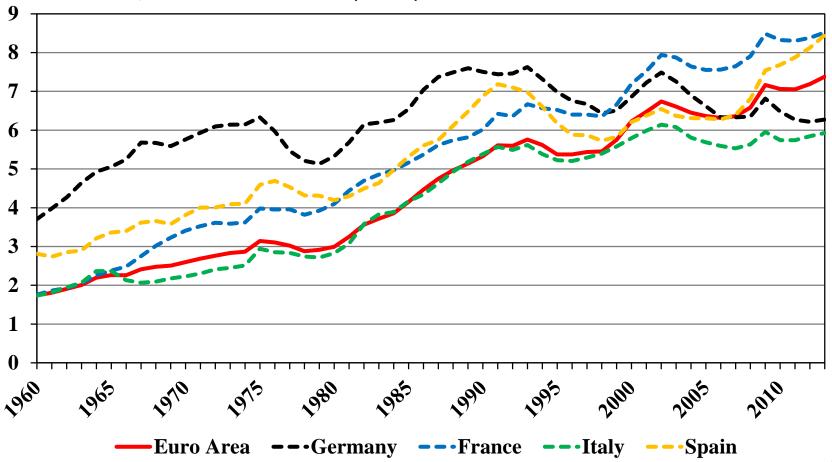
ICT capital coefficient (x100), at current prices (Ratio of ICT capital stock to GDP in current prices) Scope: The whole economy – 1970-2013

Source: Cette, Clerc and Bresson (2014) from OECD data



3. ICT diffusion

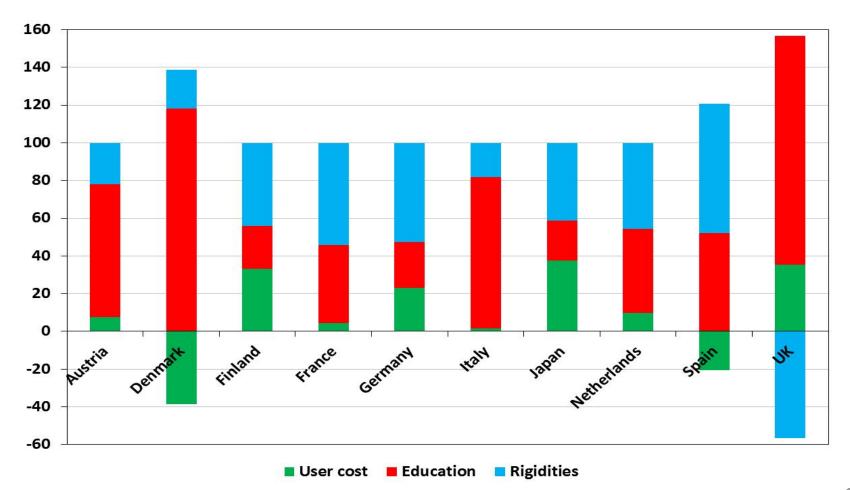
ICT capital coefficient (x100), at current prices (Ratio of ICT capital stock to GDP in current prices) Scope: The whole economy – 1970-2013 Source: Cette, Clerc and Bresson (2014) from OECD data



3. ICT diffusion

Sources of ICT capital coefficient gap with the US in 2007

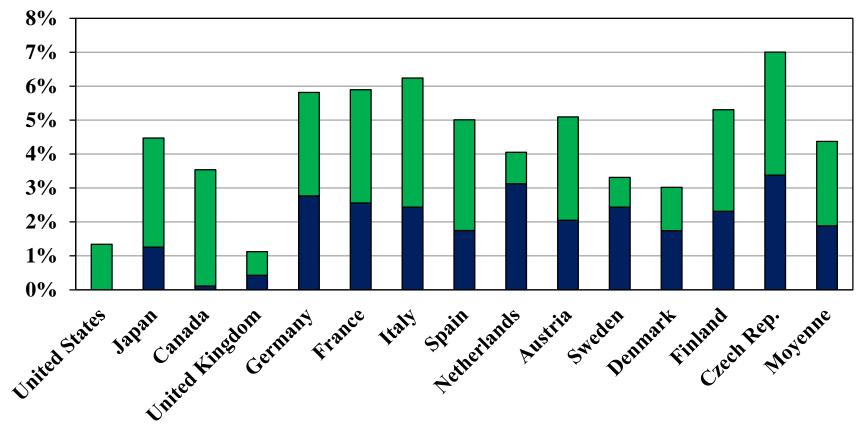
In % of the gap - Scope: the whole economy Source: Cette and Lopez (2012)



4. Structural reforms

Long term impact of structural reforms on labor and product markets Impact on TFP and GDP

Source: Cette, Lopez and Mairesse (2014)

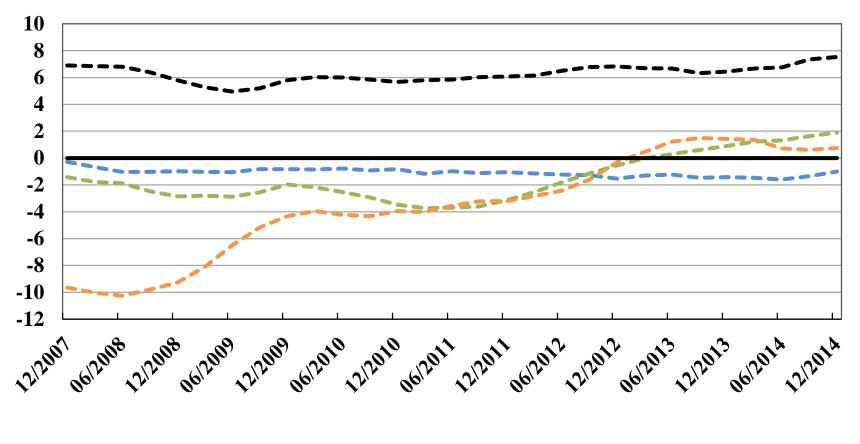


■ Labor market ■ Product market

Three challenges for the Euro area

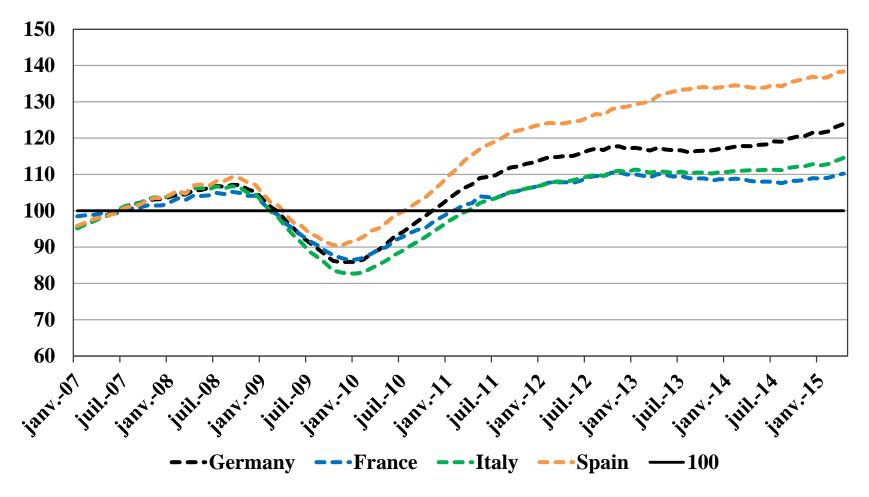
- 1. Which future for the long term productivity growth at the technological frontier?
- 2. Which GDP per capita catch up, for the Euro area, of the US advantage?

Current account - % GDP Source: National accounts

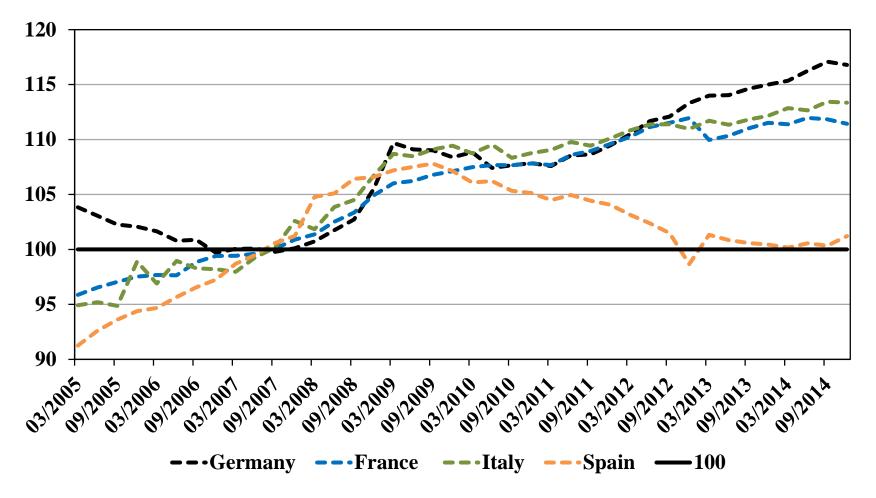


---Germany ---France ---Italy ---Spain ----0

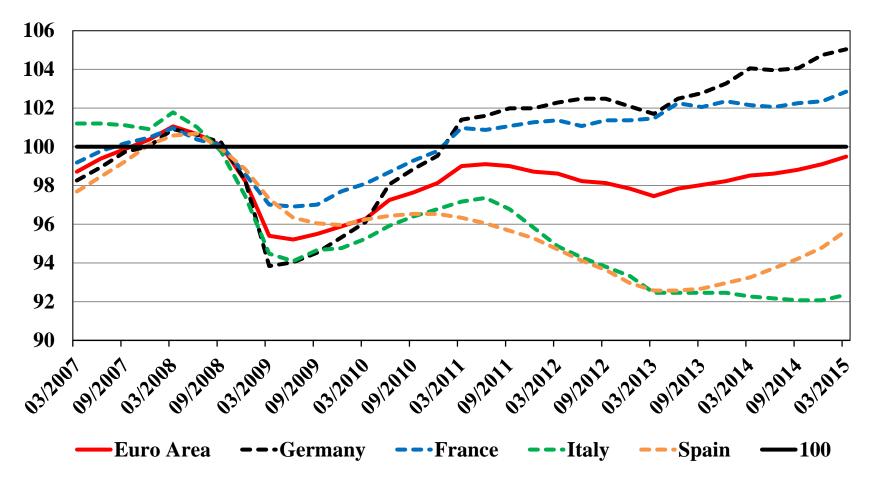
Export value – Index 2007 =100 Source: National accounts



Unitary labor cost – Index 2007 =100 Source: National accounts



GDP – Index 2008 =100 Source: National accounts



Three challenges for the Euro area

- 1. Which future for the long term productivity growth at the technological frontier?
- 2. Which GDP per capita catch up, for the Euro area, of the US advantage?
- 3. Which less growth damaging CA rebalancing strategy within the Euro area?