

Growth seen easing back in US, Europe and Japan in first half of 2010

The pick up in activity seen in the G7 countries in the last quarter of 2009 is expected to ease back in the first half of this year, according to the OECD's latest Interim Economic Assessment.

Gross domestic product (GDP) is likely to grow faster in the US than in Japan and the three largest euro area countries – Germany, France and Italy - but will remain generally fragile as inventory destocking by businesses and the ending of some fiscal stimulus measures weighs on activity. Consumer and business demand is likely to suffer from sluggish credit growth and difficult labour market conditions.

Based on the most recent data, the OECD short-term forecasting models show that US GDP is expected to rise by 2.4% and 2.3% in first and second quarters this year. The combined GDP of the three largest countries in the euro area is projected to grow at 1.9% in the second quarter after 0.9% in the first three months of the year. In Japan, GDP growth is forecast at 2.3% in the second quarter of 2010 after 1.1% in the first. Fourth quarter 2009 GDP grew by 5.6% in the US; by 0.4% in the three largest countries of the euro area and by 3.8% in Japan.

Presenting the Interim Economic Assessment for G7 countries, OECD Chief Economist Pier Carlo Padoan said: "Although we are seeing some encouraging signs of stronger activity, the fragility of the recovery, a frail labour market and possible headwinds coming from financial markets underscore the need for caution in the removal of policy support."

Mr Padoan said financial conditions have improved considerably. Despite their improved capital positions, banks, however, remain vulnerable to credit losses.

He added that the unemployment rate has edged down in the United States and Japan and may well have peaked in the euro area.