

World Oil Demand and Supply (million barrels per day)

	1997	2010	2020
Total Demand	74.5	95.8	114.7
OECD	40.9	46.9	50
North America	20.2	24	26.1
Europe	14.1	16	16.8
Pacific	6.5	7	7.1
Non-OECD	30.1	45	60
Transition Economies	4.7	5.8	7.4
China	4.1	7.6	11
East Asia	6.4	10.1	13.6
South Asia	2.3	4.1	6.2
Latin America	6.1	8.7	10.9
Africa	2.1	3	3.9
Middle East	4.4	5.7	7
Total Supply	74.5	95.8	114.7
Non-OPEC	42	46.9	46.1
OECD	18	15.7	13.1
North America	10.6	9.9	9
Europe	6.7	5.2	3.5
Pacific	0.7	0.6	0.5
Transition Economies	7.4	10.3	12.3
China	3.2	3	2.6
Africa	2.7	4.8	4.8
Middle East	1.9	1.8	1.6
OPEC	29.8	44.1	61.8
OPEC Middle East	19.5	30.5	46.7
Other OPEC	10.3	13.6	15.1
OPEC Share (%)	40	46	54
OPEC Middle East Share (%)	26	32	41

Increasingly Dependent on OPEC

World energy use will grow by a steady 2 per cent a year from now till 2020, and carbon dioxide emissions which many argue contribute to unwanted climate change will rise at about the same rate. Most of the increases will come in developing countries. Oil, gas and coal will continue to dominate the world fuel mix. Energy use will grow much faster in the world's poorer nations than in the rich. But rich and poor alike will come to depend heavily on a diminishing number of gas and oil suppliers. Middle East OPEC countries, which furnished 26 % of world oil in 1997, will be called upon to produce 32 % in 2010 and 41 % in 2020.

Fossil fuels — coal, oil and natural gas — will continue to provide 90 per cent of the world's primary energy, although gas will displace coal in some regions. Petroleum will remain the dominant fuel, meeting 40 % of world energy needs. Oil use will surge from 76 million barrels a day now to 115 mb/d in 2020. Nuclear power output will remain constant in absolute terms, but decline as a proportion of total energy supply as older nuclear reactors in Europe and North America are retired. New renewable energy sources will increase rapidly, from 2 % to 3 % of total demand.

These are some of the main projections to be found in the *World Energy Outlook 2000*, the biennial flagship publication of the OECD's International Energy Agency.

IEA (2000) World Energy Outlook, Paris. ISBN: 92-64-18513-5 Price: \$150.

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Summary of Projections from Economic Outlook

The most recent edition of the OECD Economic Outlook analyses prospective economic developments in OECD countries over the next two years, and provides recommendations on the economic policies needed to ensure sustained economic growth.

	2001	2002
Percentage changes from previous period		
Real total domestic demand		
United States	3.6	3.4
Japan	2.4	1.8
European Union	2.7	2.7
Real GDP		
United States	3.5	3.3
Japan	2.3	2.0
European Union	3.0	2.7
Inflation Percent		
United States	2.2	2.3
Japan	-0.4	-0.2
European Union	2.0	2.2
Unemployment Percent of Labor force		
United States	4.2	4.5
Japan	4.6	4.6
European Union	7.6	7.2
Current Account Balances Percent of GDP		
United States	-4.5	-4.3
Japan	2.7	3.0
European Union	-0.2	0.0
Short-term interest rates Percent		
United States	7.0	7.0
Japan	0.6	0.9
European Union
World trade Percent changes from previous period		
	9.7	8.0

Source: OECD Economic Outlook, No. 68. ISBN: 92-64-17554-7 Price: \$55. Also, OECD Economic Outlook database available on diskette.

Why the Spending of Social Protection Systems Differ

Trends in public social expenditure are affected by a wide variety of factors including, economic and demographic trends and countries' policy choice on how to operate their social protection system. For example, to a certain extent social spending is related to trends in the business cycle. Spending on unemployment compensation generally increases during economic downturns, as was seen in Sweden and Finland at the beginning of the 1990s. Demographic trends also contribute to the ongoing rise in public pension expenditure. However, there is considerable variation across countries in both demographic trends and in the generosity of public pension systems, which is sometimes earnings-related (e.g. Germany) or involves payment of a flat-rate public pension only differentiated for couples and individuals, as in the Netherlands. Other institutional factors that contribute to cross-country differences in public social spending include:

- Social security systems where benefit payments are largely based on contributory records (e.g. Austria) serve a wider group of people than systems where benefit payments are often income-tested (e.g. Australia).
- Public social expenditure is considerably larger in Europe than in most non-European OECD countries. To some extent this is related to a greater role of private social benefits such as employment-related health coverage in the US, and benefits through private pension plans such as in Canada.
- Finally, European tax/benefit systems are organised in such a manner that a considerable part of social transfers is clawed back through taxation of benefit income and taxation of consumption out of benefit income. This in contrast to the United States where gross spending indicators actually underestimate social effort, as they ignore the extent to which the US government pursues social policy through the tax system, by, for example tax breaks to employers who take out health insurance for their employees (see also <http://www.oecd.org/els/social/nse>).

Source: *OECD Social Expenditure Database 1980-1997* on CD-ROM (2000 Edition), Paris. This database contains expenditure data on public and mandatory private social broken down by program categories for 27 OECD countries, 1980-1997. ISBN: 92-64-08290-5. Price: \$72.

Public Social Expenditure By Social Policy Area, 1997 (as a % of GDP)

	Public social expenditure	Pensions (old age and survivors)	Income support to the working age population	Health	Other social services
Australia	18.1	4.6	6	5.9	1.6
Austria	25.4	13	5.2	5.8	1.5
Canada	16.9	4.9	5.2	6.3	0.5
Denmark	30.5	6.9	10	6.7	6.9
Finland	29.3	8.7	10.4	5.7	4.6
France	29.6	12.4	6.5	7.4	3.3
Germany	26.6	11	4.7	8.1	2.7
Italy	26.9	16.1	3.5	5.7	1.5
Japan	14.4	6.6	1.5	5.7	0.6
Mexico	7.9	4.6	1.3	1.6	0.3
Sweden	33.3	8.8	9.4	7.2	7.9
United Kingdom	21.6	7.2	6.5	5.7	2.3
United States	16	6.6	2.4	6.5	0.5
Average OECD	21.4	7.8	5.7	5.8	2.1
Average EU	25.3	9.6	6.7	6.2	2.8

Source: OECD, Social Expenditure Database, 2000.

How Strong is the Japanese Economic Recovery?

At the time of the last *OECD Economic Survey: Japan* in the Autumn of 1999 it appeared that the economy was recovering, but that the situation remained fragile. One year later, it is evident that the recovery is stronger than anticipated although uncertainties about its robustness and about future growth prospects have remained large, with opinions diverging widely. The Japanese economy entered a recovery phase around mid-1999 supported by expansionary macroeconomic policies and export growth, with the trough of the current business cycle officially dated as April 1999. While expenditure-based quarterly GDP showed two-quarters of negative growth in the second half of the year, a range of other indicators showed a consistent strengthening of economic activity.

There are both short-term and medium-term risks which could affect Japan's recovery. In the short term, there are concerns about the robustness of the on-going recovery. Some emphasize the dependence of the economy on public works, the weakness of consumption and the possibility that bankruptcies will rise in a disruptive manner. Despite these risks, the OECD projects growth to have continued at an annualized rate of some 1.5% in the second half of 2000. Looking beyond to 2001 and 2002, uncertainty and risk increase markedly. There are the usual risks associated with international economy, but in the case of Japan a great deal depends on judgments about how restructuring will continue to unfold, especially in such troublesome sectors as real estate and construction. The OECD judges that growth is reasonably well established but that restructuring will continue to be a drag on the economy. The fiscal package from November 2000 should temporarily raise the growth rate in the first half of 2001, but thereafter growth is likely to slow in 2002 to some 2% with deflationary pressures subsiding gradually.

Basic Statistics of Japan, 1999

	Japan	United States
Population (million)	127	274
Number of inhabitants per sq. km	335	29.2
Civilian labor force (million), 1998	64.9	131.5
GDP (billions of \$, using PPPs)	3105	9190
GDP per head (\$ using PPPs)	24500	33900
Government consumption (% of GDP)	10.3	14.4

Source: OECD (2000) OECD Economic Surveys: Japan, Paris.

Japan's Short-term Outlook

Percentage changes, volume (1990 prices)

	2001	2002
Demand and output (volumes)		
Private consumption	2.1	2.2
Government consumption	0.5	0.6
Gross fixed investment		
Public	-1.3	-7.3
Private residential	-4.3	-2
Private non-residential	6.3	5.5
Total domestic demand	2.4	1.8
Exports of goods and services	5.5	5.3
Imports of goods and services	6.4	4.2
Net exports	0	0.3
GDP	2.3	2

Source: OECD (2000) OECD Economic Surveys: Japan, Paris.

Shares in World Exports and Imports, 2001

(Percentage, values for total goods, customs basis)

Exports

Canada	4.4
France	4.5
Germany	8.2
Italy	3.8
Japan	6.9
United Kingdom	4.4
United States	13.1
Total OECD	69.7
Total of non-OECD countries	30.3

Imports

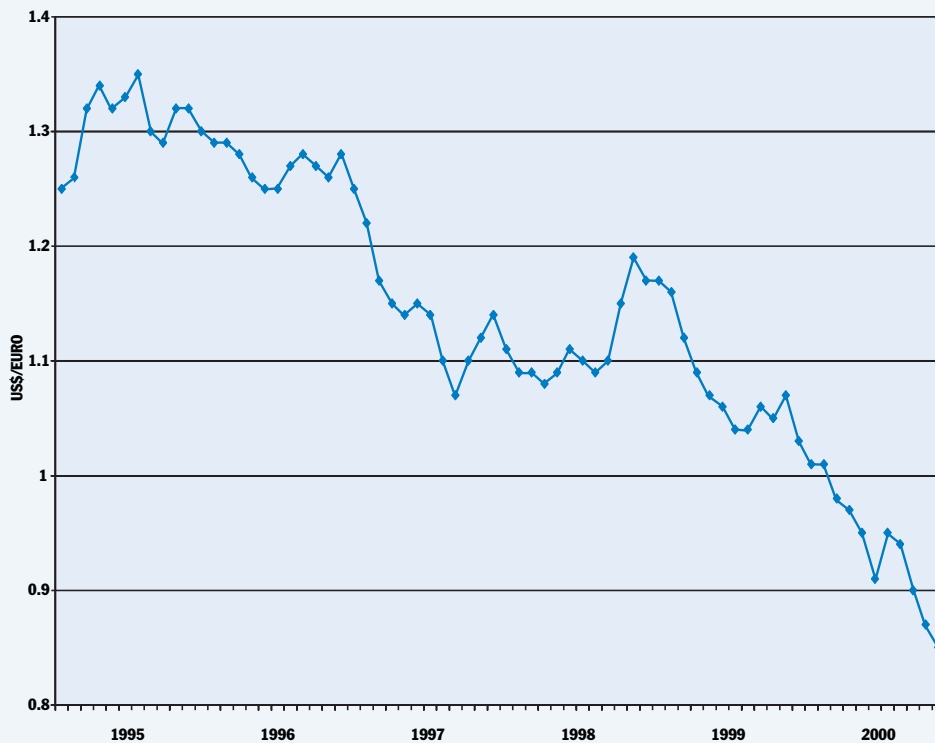
Canada	3.9
France	4.5
Germany	7.2
Italy	3.6
Japan	5.2
United Kingdom	5.1
United States	20.2
Total OECD	73.6
Total of non-OECD countries	26.4

Source: OECD Economic Outlook, No. 68. ISBN: 92-64-17554-7 Price: \$55. Also, Economic Outlook database available on diskette.

How Low is the Euro?

The euro fell further against other major currencies in September, prompting the European Central Bank to intervene on foreign exchange markets for the first time since the European single currency's creation in January 1999. The concerted intervention with the US Federal Reserve, the Bank of Japan and the Bank of England was not enough to reverse the trend. More recently however, the euro has rebounded and in January 2001 rose to 94 cents (not shown on the graph).

Exchange rate trends



Source: OECD (2000 December) Main Economic Indicators. Periodical. Subscription: \$450 per year.



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