OECD forecasts global economy improving, eurozone lagging behind

PARIS, March 28 (Xinhua) -- Global economic activity is picking up, but the continuing crisis in the eurozone is delaying the recovery with labor market remaining weak, the Organization for Economic Co-operation and Development (OECD) said Thursday."The global economy weakened in late 2012 but the outlook is now improving for OECD economies," said Pier Carlo Padoan, OECD Chief Economist, while presenting the latest Interim Economic Assessment on G7 in the Paris-based headquarters.The OECD new report shows that the world's seven leading economies, including the United States, Britain, France, Germany, Italy, Canada and Japan, are expected to grow at an annualised 2.4 percent rate in the first quarter of 2013 and at a 1.8 percent rate from April to June.The U.S. economy is expected to see a rebound of 3.5 percent in the first quarter of 2013 before returning to moderate growth of 2.0 percent in the second, much better than the 0.1 percent registered in the fourth quarter of 2012. Canada is set to grow by 1.1 percent and 1.9 percent respectively.Japan will follow up from previous low levels to grow 3.2 percent during the first quarter and 2.2 percent in the second, while the rates are projected to see an increase of 0.5 percent and 1.4 percent respectively in Britain.However, the outlook for the eurozone points to a renewed divergence, with the top three economies in the bloc forecasting an growth by 0.4 percent during the first quarter and by an additional 1 percent in the second.Germany is leading to expectations of growth in the eurozone, its economy is expected to rise by 2.3 percent in the first quarter and by 2.6 percent in the second.As for France, which economy posted minus 1.2 percent in the fourth quarter of 2012, will see a 0.6 percent contraction in the first quarter followed by a 0.5 percent rebound in the second.Italy will come last among the top three, with its real GDP expected to drop by 1.6 percent in the first quarter and by an additional 1 percent in the second.Outside the 34-member OECD area with the G7 included, the emerging economies remains much faster growth than that of advanced countries on average."Given the substantial share of the world economy now accounted for by emerging economies, they will again drive growth at the global level this year," the leading international economic organization said, which in the meantime projected that annualised growth in China is expected to continue to be well above 8 percent in the first half of 2013.The OECD points out that "weak growth and low confidence are expected to complicate efforts to bring down high unemployment rates across much of Europe," as the employment situation has continued to deteriorate in the euro area, contributing to depressed consumer confidence.The worse employment situation is "making it all the more urgent to implement the labor and product market reforms that can stimulate growth and create jobs," Padoan said."Bold policy action remains necessary to ensure a more sustainable recovery, particularly in the euro area," the chief economist proposed.According to the OECD, financial markets are out-pacing real activity, which has been held back by weak business and consumer confidence, and highlights the risk that asset prices may rise beyond levels justified by fundamentals.Monetary stimulus remains necessary, said the OECD."In the United States, the commitment of the Federal Reserve to keep policy rates low until labor market outcomes improve substantially is well judged, but the need for further exceptional monetary measures is waning, while in Japan more aggressive policy action is required to escape deflation and achieve the Bank of Japan's new 2 percent inflation target," Padoan said."In the euro area, there is still some scope to ease monetary policy further, given weak demand and inflation well below the ECB's objective, while further action is needed to repair the transmission mechanism," he added.