COMPARATIVE ANALYSIS OF THE MACROECONOMIC INDICATORS IN THE MEMBER STATES OF THE G7

Abrudan Leonard Călin
University of Oradea
Faculty of Economic Sciences

The objective of this paper is to analyze in a comparative manner the behavior of the major macroeconomic indicator of the G7 group countries. The instruments of the analysis are four major indicators: exchange rate, interest rate, industrial production and GDP deflator. The paper results are set to meet the requirements of other researchers which are interested in this field and to give them a ready-made study of the matter. The research methodology is based on some sets of tables-charts which illustrate better the considered macroeconomic indicators.

Key words: G7 Group, macroeconomic indicators, exchange rates, interest rates, industrial production, GDP deflator

JEL codes: E60, F53, F60

In this paper we will proceed with the comparative analysis of four indicators that have been taken into consideration for this effect, for each country and for each macroeconomic indicator. These indicators are: the exchange rate, the interest rate, the industrial production and the GDP deflator. The arguments of having chosen each one of these macroeconomic indicators are closely related to their specific nature, as well as the relationship between these indicators and the proportions of the economic crisis. These arguments can be various, which would affect the clarity of this undertaking; therefore, we will choose only one argument that is defining for this paper. This argument is related to the fact that the International Monetary Fund considers these macroeconomic indicators as being crucial for the economic behaviour of a state. Therefore, we will have to analyze four macroeconomic indicators, and we will study all these indicators in relation to the IMF's unit of account – the Special drawing rights (SDR), so that our undertaking would prove to be more meaningful (in terms of comparison). Obviously, we will refer to the information rendered in the national currencies of the seven states that are taken in consideration or the information rendered in percentage points, but we will also refer to SDR.
Furthermore, we will take into account the period of time from the beginning of the economic crisis – the year 2008 and up to the year 2011. However, for some indicators we will keep the year 2005 as a base year, due to the fact that the information provided by the International Monetary Fund also refers to 2005 as a base year.

First of all, we will analyze the exchange rate between the national currencies of the seven states in relation to the Special drawing rights of the International Monetary Fund. We will carry out our undertaking by using sets of tables and charts; we will develop the latter and observe the situation of each macroeconomic indicator taken separately.

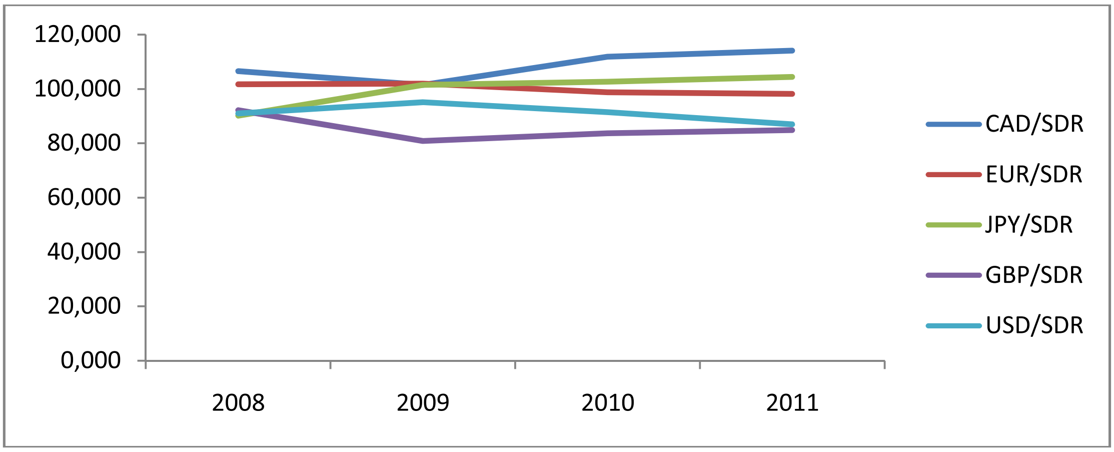
Table nº 1

Comparison between the evolution of exchange rates of the G7 member states between 2008 and2011, 2005=100

	2008	**2009**	**2010**	**2011**
CAD/SDR	106.535	101.431	111.782	114.004
EUR/SDR	101.660	101.858	98.756	98.134
JPY/SDR	90.073	101.496	102.684	104.412
GBP/SDR	92.141	80.768	83.652	84.851

Source: http://elibrarydata.imf.org/DataReport.aspx?c=1449311&d=33061&e=169393 (25.03.2012)

Based on the information from the table, we will draw up the chart which will provide us a correct image of the phenomenon that we are studying.



We notice in the foregoing chart that the evolutions of the five currencies (France, Germany and Italy share the same currency) are relatively concerted, naturally with some minor divergences from a virtual mean. If we look carefully, we can see that this mean superposes over the curve described by the single European currency; the Canadian dollar and the Japanese yen are situated above, while the pound sterling and the American dollar are situated below.

Regarding the interest rate that is being employed on the money markets of the seven states, the situation is as follows:

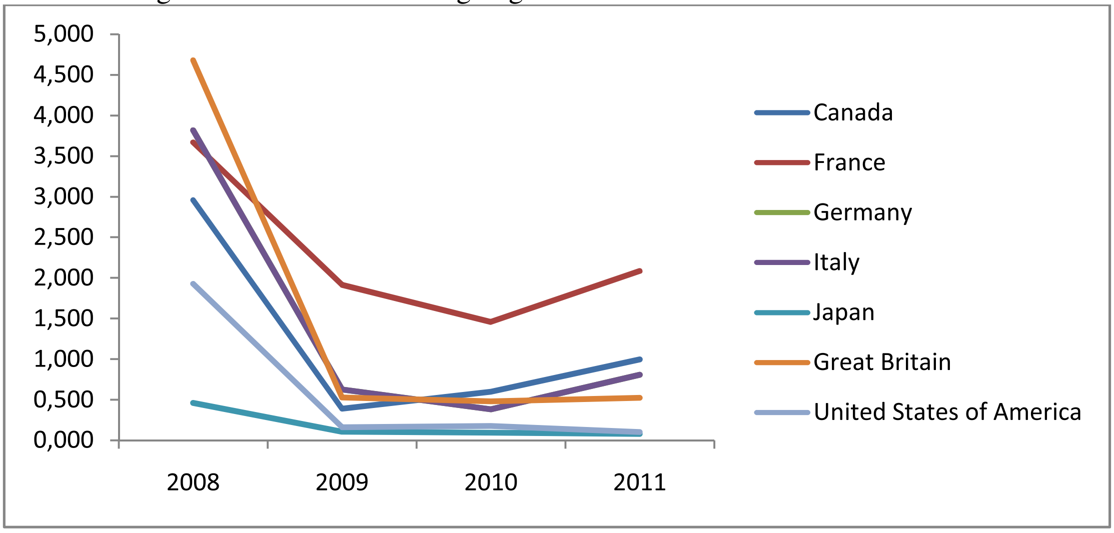
Table nº 2:

Evolutions of the interest rates from the analyzed economies between 2008 and 2011

Interest rates (%/year)	**2008**	**2009**	**2010**	**2011**
Canada	2.958	0.389	0.599	0.998
France	3.667	1.917	1.458	2.083
Germany	3.818	0.626	0.383	0.809
Italy	3.818	0.626	0.383	0.809
Japan	0.461	0.105	0.094	0.078
Great Britain	4.678	0.525	0.479	0.523
United States of America	1.928	0.160	0.175	0.102

Source: http://elibrary-data.imf.org/DataReport.aspx?c=1449311&d=33061&e=169393 (25.03.2012)

The following chart illustrates the foregoing table:



The chart shows a relatively concerted behaviour of the interest rates from the member states of the G7. The only member state that strikes a different chord is France, whose interest rate is situated above all the other states.
The third indicator that is being analyzed is the industrial production index. As far as this index is concerned, the situation is as follows:

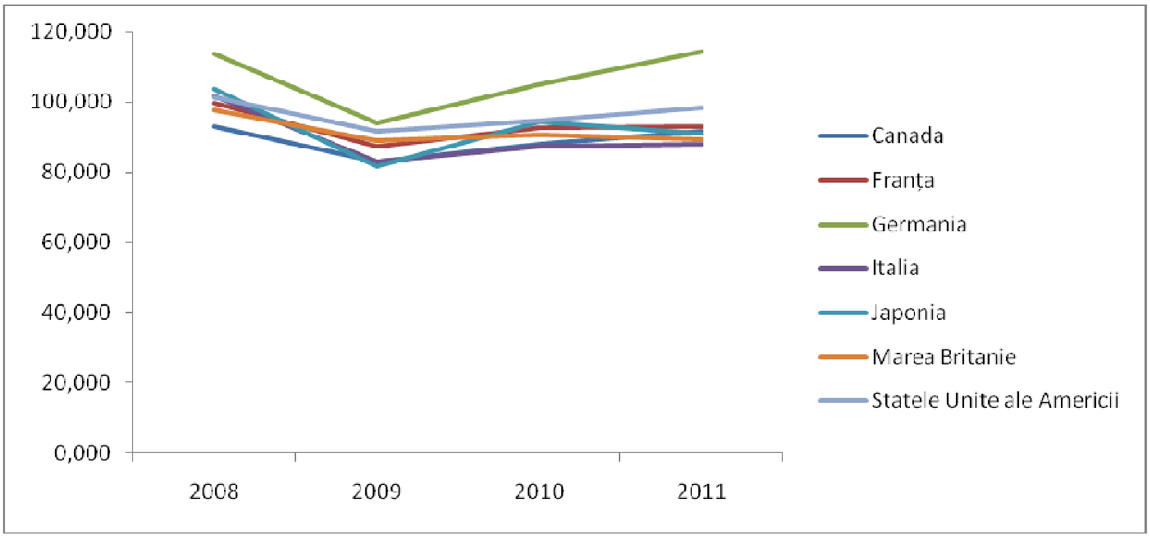
Table nº 3:
The industrial production of the G7 member states between 2008 and 2011, 2005=100

	2008	2009	2010	2011
Canada	93.056	83.130	88.196	91.618
France	99.642	87.200	92.542	92.860
Germany	113.641	93.982	104.814	114.243
Italy	101.700	83.000	87.500	87.900
Japan	103.800	81.700	94.300	91.092
Great Britain	97.664	88.907	90.600	89.281
United States of America	101.501	91.568	94.532	98.397

Source: http://elibrary-data.imf.org/DataReport.aspx?c=1449311&d=33061&e=169393

(23.03.2012)

The following chart illustrates the foregoing table: (the order of the countries: Canada, France, Germany, Italy, Japan, Great Britain and the United States of America)



This latter graphic illustrates in the best way, perhaps, the concerted course in which the macroeconomic indicators that are being analyzed have evolved. Nevertheless, in this case also there is a state that strikes a different chord: Germany, whose industrial production index is situated above all the others on the chart. It is not a significant difference, but it is noticeable.

The evolution of the GDP deflator, the last indicator that we have dealt with in this paper, is marked out in the following table:

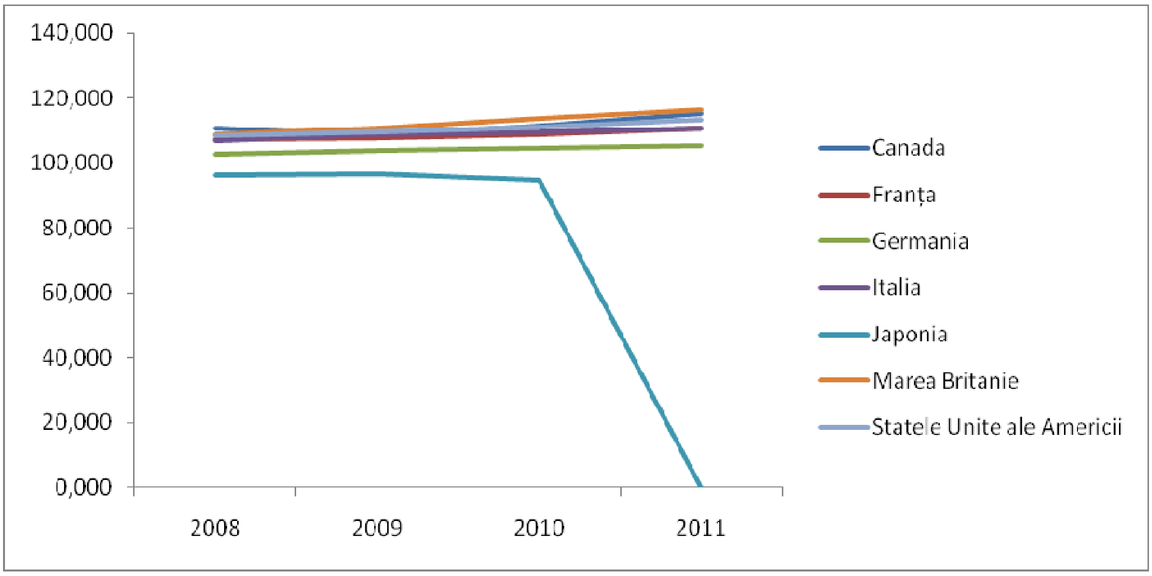
Table nº 4

The GDP deflators recorded in the economies of the G7 member states between 2008 and 2011, 2005 = 100

	2008	2009	2010	2011
Canada	110.650	108.490	111.569	115.415
France	107.446	107.961	108.842	110.579
Germany	102.729	103.933	104.551	105.365
Italy	106.759	108.990	109.416	110.844
Japan	96.419	96.741	95.021	-
Great Britain	108.881	110.683	113.850	116.498
United States of America	108.582	109.729	110.992	113.360

Source: http://elibrary-data.imf.org/DataReport.aspx?c=1449311&d=33061&e=169393 (23.03.2012)

The following graphic illustrates the foregoing table: (the order of the countries: Canada, France, Germany, Italy, Japan, Great Britain and the United States of America)



Once again, it is clearly noticeable on this chart as well that the evolutions of the indicator taken into consideration are of a concerted nature; Japan is, however, an exception, a fact that we have also mentioned in the section dedicated to this country.

Conclusions

There are mainly two conclusions that can be drawn from the comparative analysis that we have carried out:

- All states show significant preoccupations with getting out of the financial crisis, with eliminating all its consequences, by using some indicators as levers and by placing them in the sensitive points of an economy;
- The second conclusion is that all these states are acting in a concerted manner (from an economic perspective). This is logical, taking into consideration that all these states have formed the structure we have been referring to throughout this paper, the Group of Seven, whose main purpose is to harmonize the economic policies of these states, for the increase of their economic force and their competitive capacity.

These two conclusions that we have put forward are very much based on the way we have approached this analysis, that of using efficient instruments such as tables and charts. The charts have helped us to form a correct image of the phenomena that we have analyzed.

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