

Summary for non-specialists
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[QREA index](#)

Quarterly Report on the Euro Area (QREA)

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The focus section of the latest edition takes a look at the poor performance of total factor productivity (TFP) in euro area catching-up economies in the decade preceding the crisis. It concludes that policy measures that foster innovation activities, reduce further the restrictiveness of employment protection legislation, lower corporate tax rates and improve government effectiveness would help support TFP growth. A first special topic analyses the sensitivity of DG ECFIN estimates of the 'non-accelerating wage rate of unemployment' (NAWRU) to alternative assumptions of inflation expectations. The second special topic examines the relationship between government and manufacturing wages, and finds that wage moderation in the government sector may spill over to the private sector thereby boosting competitiveness and contributing to external rebalancing. The third special topic reviews Latvia's recent boom-bust experience and discusses the challenges ahead in light of the country's adoption of the euro. The fourth, and final, special topic compares balance sheet adjustment in the non-financial corporate sector in the euro area and in the United States, and shows that the adjustment since the crisis has been faster in the latter.