Growth Accounting: A European Comparison
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Abstract

Our method decomposes output growth to its components for Cyprus, Greece and the Euro area. The period covered is 1996 to 2011. Our results, especially after 2008 suggest that Greece has a negative TFP growth rate, while Cyprus and the Euro area averages appear to be close to zero. With respect to output decomposition, we observe that in the period 2008-2011, there is a dramatic decline in the contribution of TFP and labor growth in both the Euro area and Greece. Both contributed negatively in output growth and this is the reason for the reduction of output growth. In Cyprus a decline in the labor and TFP contribution is also observed. But only labor growth has a negative contribution. TFP growth still has a positive contribution (close to 7%) but it decelerates. The contribution of capital growth is positive and capital appears to have a small acceleration. Output growth would have been worse if capital didn’t accelerate.

Keywords: total factor productivity, output decomposition, economic growth.

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