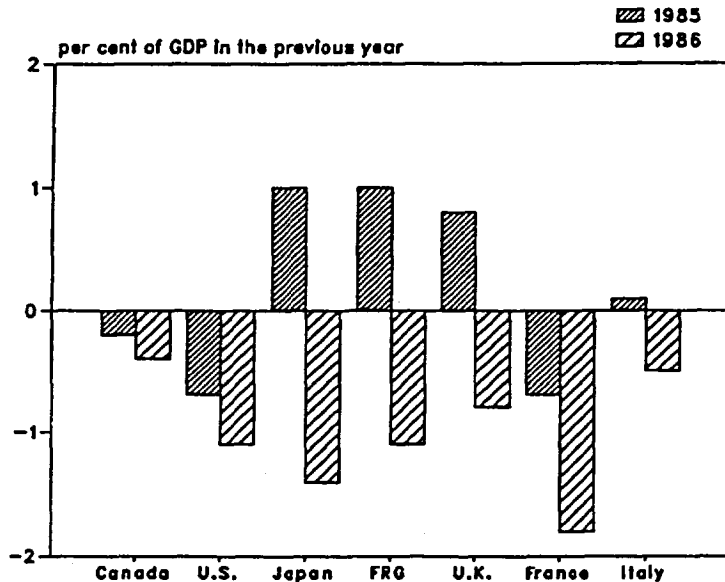


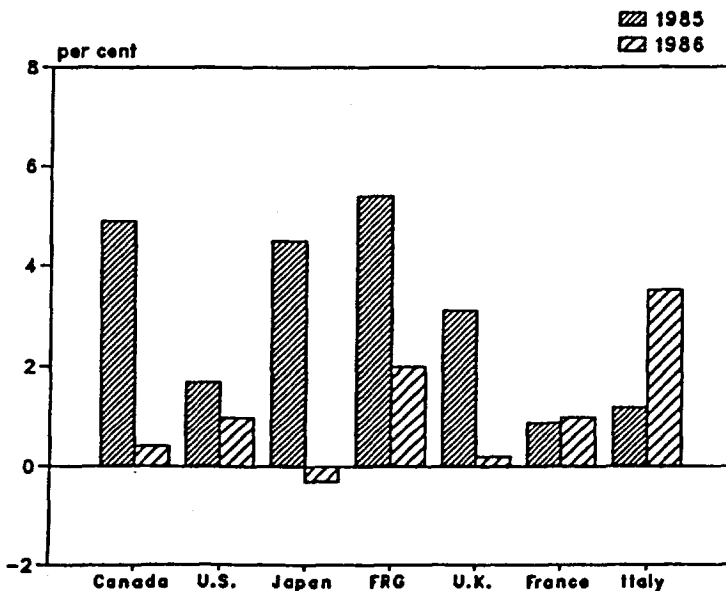
Chart 4
Change in Real Trade Balances



In most of the major world economies, real trade balances have deteriorated consistently from late 1985, constraining overall growth. In 1986, real trade balances contributed negatively to growth in all of the G-7 countries, and for the second consecutive year in Canada, the US and France.

In Japan and FRG, two countries with large current account surpluses, the decline in real net exports in 1986 lowered overall growth by 1.5 and 1 per cent, respectively.

Chart 5
Change in Industrial Production



Industrial production slowed to under 2 per cent in 1986 in all of the major OECD countries, except Italy.

This weakness, particularly in FRG and Japan, has raised growing concerns over the ability of these countries to grow strongly in 1987. Both the IMF and the OECD have revised downwards their forecasts of real growth for 1987 for most of these countries.