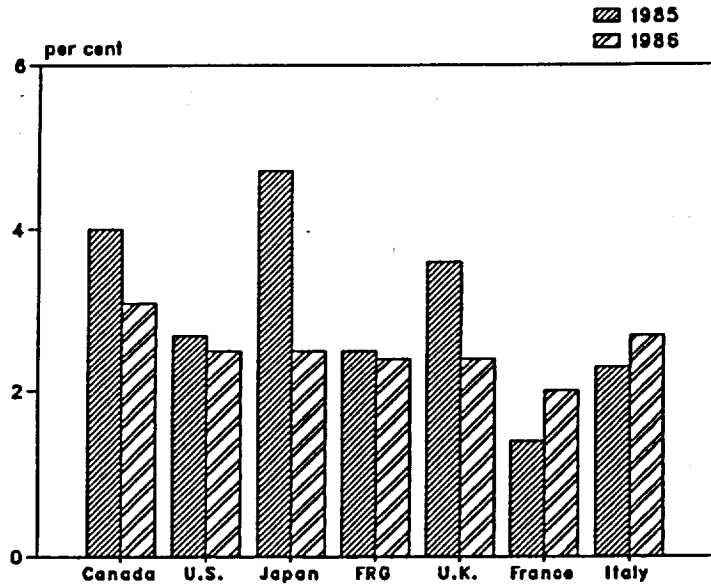


A. OUTPUT AND DEMAND

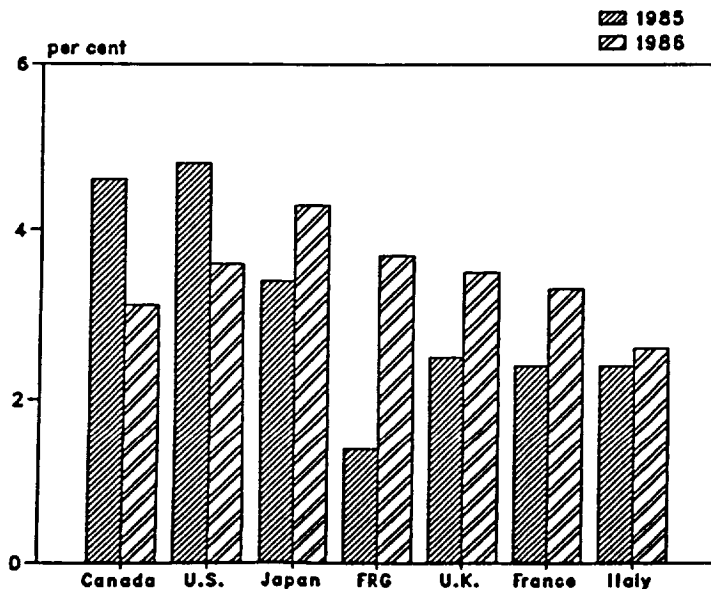
Chart 1
Change in Real GNP/GDP



Economic growth in the major OECD countries was unexpectedly sluggish in 1986, despite a sharp drop in world oil prices and interest rates. A slowdown was most noticeable in Japan where real GNP grew by only 2.5 per cent after a 4.7 per cent increase in 1985. Growth in the four European countries averaged 2.4 per cent.

Canada recorded the strongest growth of the G-7 countries in 1986 of 3.1 per cent.

Chart 2
Change in Real Final Domestic Demand



Declining real net exports have shifted the burden of continued economic expansion onto the domestic sector in most countries. Final domestic demand grew more rapidly in 1986 than in 1985 in all of the overseas countries, but slowed in Canada and the US.

In 1986, final domestic demand grew considerably more than GNP in Japan (4.3% compared to 2.5%), somewhat more in Europe (3.3% compared to 2.4%) and the US (3.6% compared to 2.5%), and at the same rate in Canada.