

CANADA

Although the Canadian economy accelerated at the start of the year, it is estimated to be still operating with some spare capacity. Activity is expected to grow at rates close to potential and the unemployment rate would go down further to levels not seen since 1975. Headline inflation is likely to stabilise around the mid-point of the monetary target range once pressures from energy price increases dissipate.

With benign inflation and sound economic growth, the Bank of Canada should continue to hold its interest rate constant. At the same time, fiscal settings at all levels of government should remain neutral. Provincial governments need to make prudent use of the transfers legislated in the most recent federal Budget and focus on reducing existing debt burdens to prepare for the looming spending effects from ageing.

Canada: Demand and output						
	2003	2004	2005	2006	2007	2008
	Current prices CAD billion	Percentage changes, volume (1997 prices)				
Private consumption	686.5	3.3	3.9	4.1	3.0	2.7
Government consumption	239.4	3.0	2.7	3.4	2.6	2.8
Gross fixed investment	237.7	8.0	7.1	6.7	3.3	3.8
Public ¹	29.8	3.4	6.9	6.7	3.5	4.1
Residential	73.1	7.7	3.2	2.3	-2.0	-0.1
Non-residential	134.9	9.1	9.4	9.2	6.2	5.8
Final domestic demand	1 163.6	4.2	4.3	4.5	3.0	3.0
Stockbuilding ²	4.6	0.1	0.4	-0.4	-0.8	0.0
Total domestic demand	1 168.3	4.3	4.8	4.1	2.1	3.0
Exports of goods and services	461.7	5.2	2.1	1.3	3.7	4.1
Imports of goods and services	416.5	8.2	7.1	5.2	2.7	4.2
Net exports ²	45.1	-0.8	-1.6	-1.3	0.4	0.1
GDP at market prices	1 213.4	3.3	2.9	2.7	2.5	3.0

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see OECD Economic Outlook Sources and Methods, (<http://www.oecd.org/eco/sources-and-methods>).

1. Excluding nationalised industries and public corporations.

2. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 81 database.

depreciation, some lessening of the disinflationary pressures associated with imports and the recent surge in the prices of grains and oilseeds. Nevertheless, overall, inflation pressures remain limited, and market expectations point to future inflation rates staying close to the mid-point of the monetary policy target range.