

## CANADA

Despite the marked appreciation of the Canadian dollar, the economy has been extremely resilient and is operating near full capacity. Economic activity is expected to grow at rates close to potential in the next two years, with the foreseen slowdown in domestic demand being offset by improving global market prospects. The surge in energy prices is boosting headline inflation temporarily this year above the upper end of the monetary policy target range.

With inflationary pressures emerging, the Bank of Canada started increasing its policy rate in September and will need to continue to bring interest rates to around their neutral level. Given the buoyant macroeconomic outlook, any additional fiscal stimulus should be avoided. By contrast, more attention should be given to preparing the economy to cope with the rising long-term spending pressures coming from the ageing population.

Canada: Demand and output						
	2002	2003	2004	2005	2006	2007
	Current prices CAD billion	Percentage changes, volume (1997 prices)				
Private consumption	656.3	3.1	3.4	4.0	2.9	2.7
Government consumption	223.9	2.9	2.7	2.9	3.2	3.0
Gross fixed investment	225.6	5.9	6.6	5.7	2.8	2.1
Public <sup>1</sup>	29.4	4.6	5.0	2.2	1.9	1.5
Residential	66.0	6.2	8.3	3.8	1.2	-0.3
Non-residential	130.1	6.1	6.1	7.8	4.0	3.5
Final domestic demand	1 105.8	3.6	3.9	4.1	3.0	2.6
Stockbuilding <sup>2</sup>	- 2.0	0.9	0.0	0.1	0.0	0.0
Total domestic demand	1 103.8	4.6	3.9	4.2	2.9	2.6
Exports of goods and services	478.1	-2.1	5.0	3.0	5.0	5.6
Imports of goods and services	427.7	4.1	8.1	7.2	4.3	4.5
Net exports <sup>2</sup>	50.4	-2.4	-0.9	-1.3	0.4	0.6
GDP at market prices	1 154.2	2.0	2.9	3.0	3.2	3.1

*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 nationalized 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 78 database.