

CANADA

The contraction that began in the last quarter of 2008 seems to have ended in the second half of 2009. External demand and domestic investment now appear to be rebounding, but they also pose the greatest risks to the recovery's sustainability. Unemployment is projected to keep rising until the end of 2009 and underlying disinflation to continue for several more quarters under the weight of persistent slack.

The Bank of Canada should hold the policy rate at its current near-zero level until the end of June 2010, as it has committed, and probably beyond. Given the time required to roll out fiscal stimulus and the nascent recovery, additional expansionary measures, including extending the window of eligibility for extraordinary unemployment benefits, should be resisted. Instead, governments should be preparing detailed and credible medium-term fiscal consolidation plans to be announced soon and be implemented when the recovery is firmly underway.

Canada: Demand and output

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices CAD billion	Percentage changes from previous year, volume (2002 prices)					
Private consumption	891.2	-0.1	2.3	3.0	1.2	2.5	3.3
Government consumption	313.7	2.5	2.7	2.0	2.9	2.2	2.0
Gross fixed investment	362.5	-8.7	4.4	4.5	-4.2	4.2	4.8
Public ¹	52.6	10.8	6.1	0.0	11.7	2.5	-1.5
Residential	108.9	-9.0	4.4	4.9	-2.0	4.2	5.7
Non-residential	201.0	-13.4	3.9	5.9	-9.6	4.7	6.4
Final domestic demand	1 567.3	-1.6	2.8	3.1	0.3	2.8	3.3
Stockbuilding ²	7.4	-1.1	1.0	0.0			
Total domestic demand	1 574.7	-2.8	3.8	3.2	-0.3	3.4	3.3
Exports of goods and services	562.2	-14.0	5.2	5.4	-8.4	5.2	5.6
Imports of goods and services	536.8	-13.3	11.4	5.7	-3.2	7.5	5.6
Net exports ²	25.4	-0.5	-2.0	-0.2			
GDP at market prices	1 600.1	-2.7	2.0	3.0	-1.7	2.7	3.3

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>).

Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

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 86 database.

[Click here for table in excel](#)