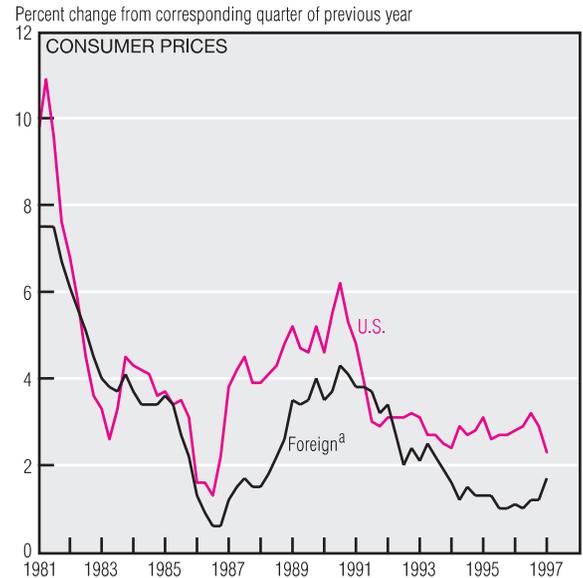
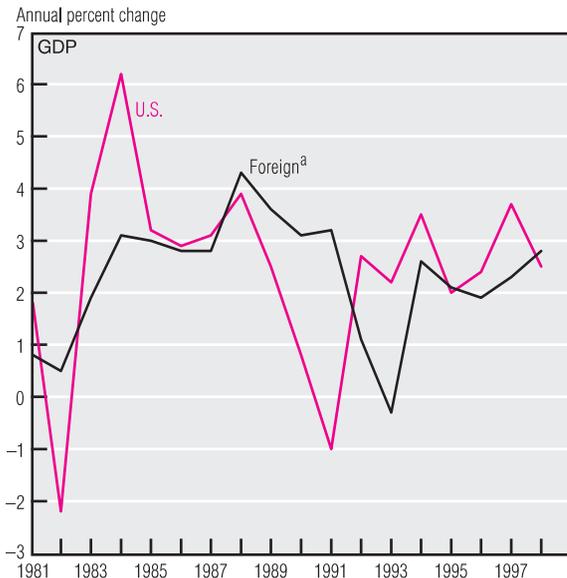
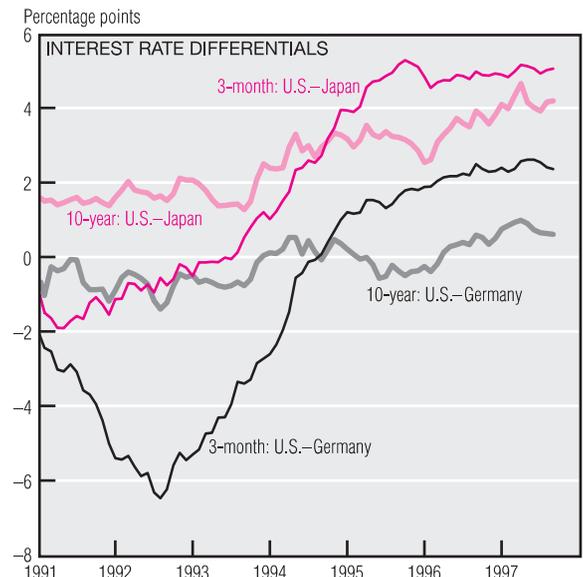


# Economic Activity in Industrialized Countries



Unemployment Rates (Percent)	September 1997		
	1990	1993	1997
Belgium	6.7	2.5	9.6
Canada	8.1	6.5	9.0
France	8.9	10.3	12.5
Germany	7.7 <sup>b</sup>	10.3	11.6
Italy <sup>c</sup>	11.4	8.9	11.7
Japan	2.1	11.2	3.4
Netherlands	5.9	8.9	5.7
Sweden <sup>c</sup>	1.7	8.8	8.3
Switzerland <sup>c</sup>	0.5	6.5	5.0
U.K.	5.8	6.8	5.3
U.S.	5.6	6.9	4.9



a. Trade-weighted average of foreign countries shown in table. Weights are those used to calculate the Federal Reserve Board's trade-weighted dollar index.  
 b. Data are for 1992.  
 c. Not seasonally adjusted.  
 SOURCES: International Monetary Fund, *International Financial Statistics*; *The Economist*, October 25-31, 1997; and DRI/McGraw-Hill.

Most industrial countries entered the last recession later than the U.S. and recovered more slowly. Except for Japan, however, they are now experiencing fairly solid growth. German economic activity grew at a 4.1% annual rate in 1997:IIQ, led by exports and personal consumption expenditures. Japan's lackluster performance persists, with real GDP declining at an 11.2% annualized rate in 1997:IIQ. Forecasters expect real economic activity among industrial countries

abroad to expand 2.3% this year and 2.8% in 1998. Other things being equal, foreign economies must grow at nearly twice the U.S. pace before our trade deficit will narrow.

This year has seen an uptick in the average inflation rate among large industrial countries, but foreign inflation rates as a whole remain subdued at 1.7%. On a year-over-year basis, recent inflation rates among major European Monetary Union aspirants, whose participation depends on their rates' converging, remain below 2.0%.

Forecasters anticipate little change in the foreign inflation outlook.

Faster economic growth has not translated into a universally improved labor situation. Half the countries in our sample currently have higher unemployment rates than they had in 1993, a trough year, and eight are above rates posted in 1990, before the onset of the recession. Economists attribute high foreign jobless rates to social programs that lower the costs of unemployment and to rigid real wages.