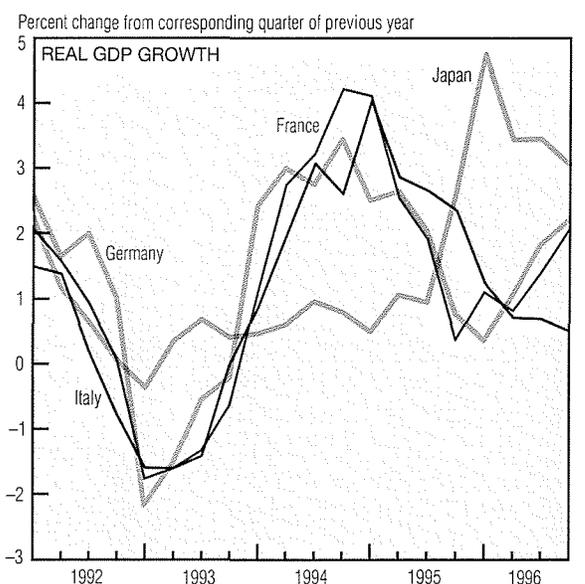
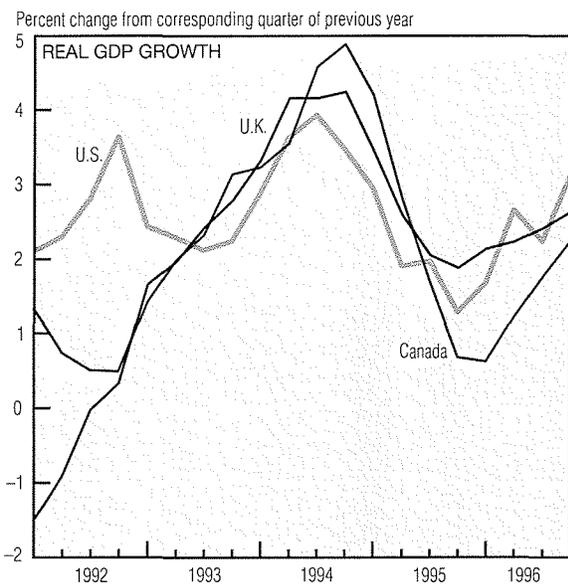
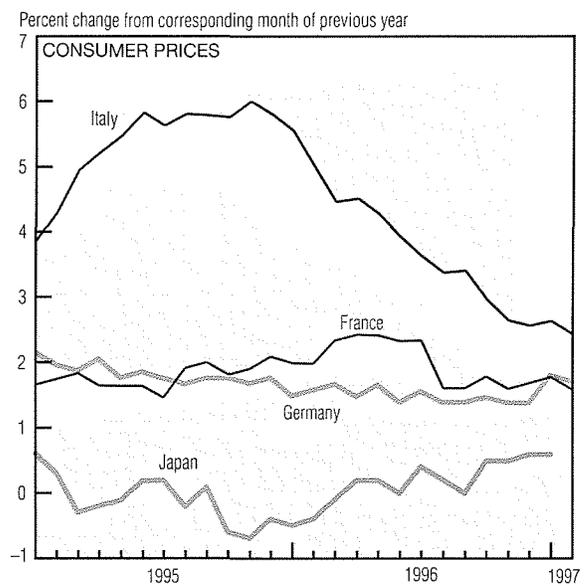
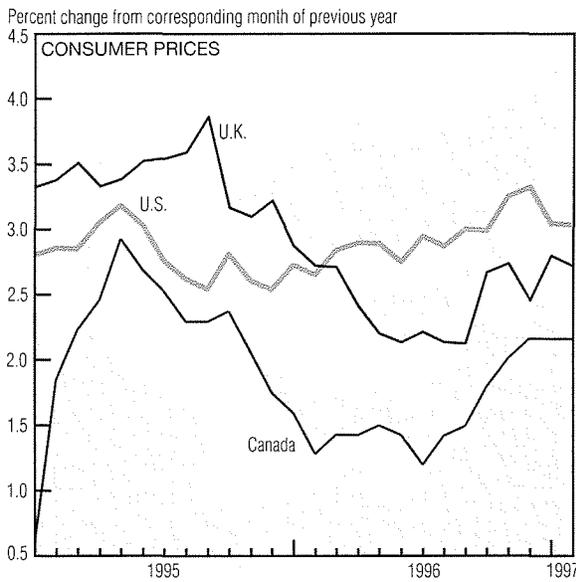


Foreign Output and Prices



SOURCES: Statistics Canada; Institut National de la Statistique et des Études Économiques (France); Statistisches Bundesamt; Deutsche Bundesbank (Germany); Instituto Centrale di Statistica (Italy); Statistics Bureau of the Japanese Prime Minister's Office; Bank of Japan; Office of National Statistics (U.K.); U.S. Department of Labor; and U.S. Department of Commerce.

Foreign economic activity continues its moderate expansion, while inflation pressures remain subdued. Economists, who notched up their outlook after a better-than-expected fourth quarter, anticipate that growth among our 10 largest industrial trading partners will average approximately 2.5% this year and next.

Japanese real GDP rose 3% over the four quarters ending in 1996:IVQ, with consumer spending and net exports leading the gains.

Investment spending slowed. Industrial production increased a brisk 5.3% in January, while the unemployment rate for the month remained at 3.3%, only slightly below its post-World War II high of 3.5%. Inflation in Japan remains below 1%.

German output expanded at a sluggish 2.0% in 1996:IVQ (on a year-over-year basis). Concurrently, net exports and consumption spending (both private and government) weakened. Industrial production fell 1.7% in January, largely be-

cause bad weather slowed down construction activity. Germany's unemployment rate rose to a record post-World War II high of 11.3% in January and remained there in February. Its budget deficit widened to 3.9% of GDP in 1996 from 3.5% the previous year. With unemployment running at historically high levels, the country will have difficulty meeting the 3% deficit target for the European monetary union. Inflation in Germany remains below 2%.