

CHART 7

SHORT-TERM INTEREST RATES 1995 TO MAY 1997

Canadian short-term interest rates eased considerably in 1996, falling 250 basis points to 3.1 per cent at year-end. Canadian short-term rates have remained below U.S. rates since March 1996. This marks the longest continuous period in more than 20 years that Canadian short-term rates have remained below U.S. rates. Canadian interest rates are now below U.S. rates on maturities of up to 10 years.

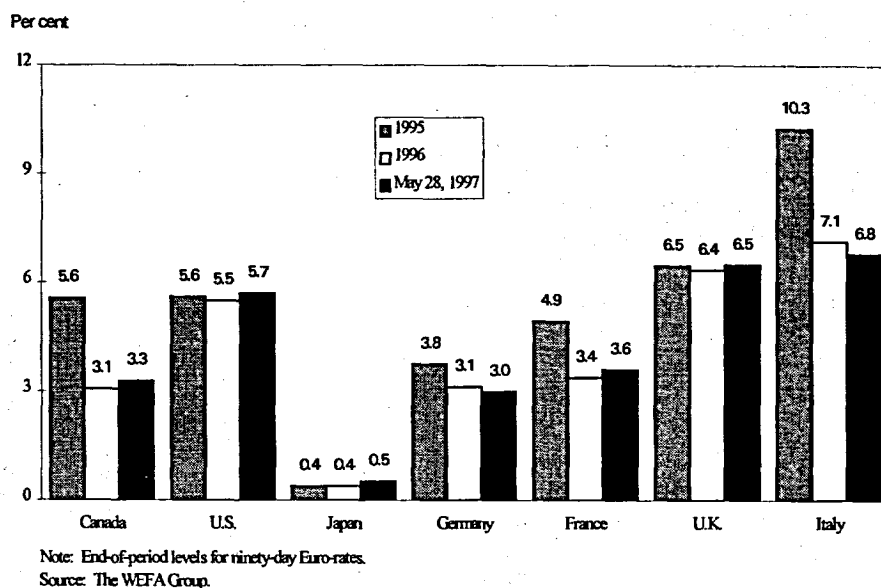


CHART 8

LONG-TERM INTEREST RATES 1995 TO MAY 1997

Efforts to reduce government deficits and debt, combined with a credible commitment to price stability, have been important in bringing down interest rates throughout the G-7. Canada has made significant progress in this regard, with long-term rates falling 90 basis points in 1996, following a decline of 240 basis points in 1995. Although long-term rates have edged up in a number of G-7 countries since the beginning of the year, they still remain relatively low by historical standards.

