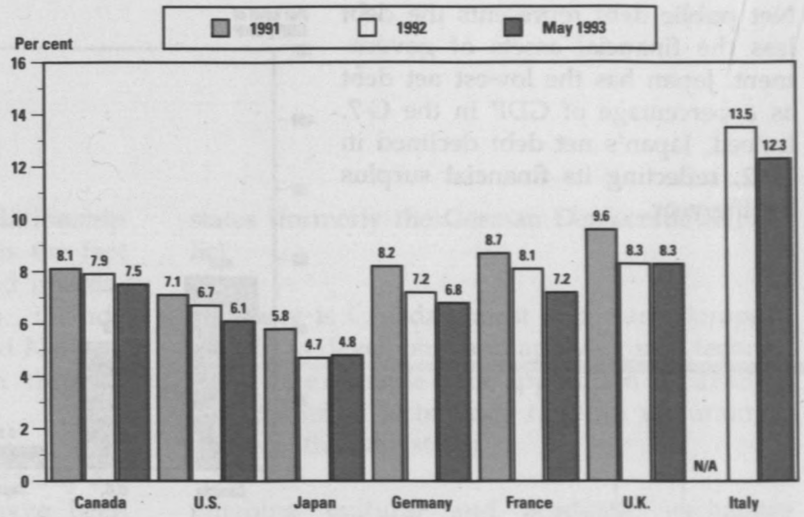
CHART 9

LONG-TERM INTEREST RATES, 1991 TO MAY 1993*

There has been a downward trend in long-term interest rates in all G-7 countries since 1991, but they remain above short-term rates in all of these countries except Germany and France. A vigorous effort to reduce government deficits and debt, and a credible commitment to price stability, are important to bringing down long-term rates and creating a favourable climate for long-term investment in the G-7 economies. Currently, long-term interest rates are lowest in Japan, which has the soundest fiscal position in the G-7 and a solid record on containing inflation. They are highest in Italy.



* End of period levels.

Source: Department of Finance Canada.

CHART 10

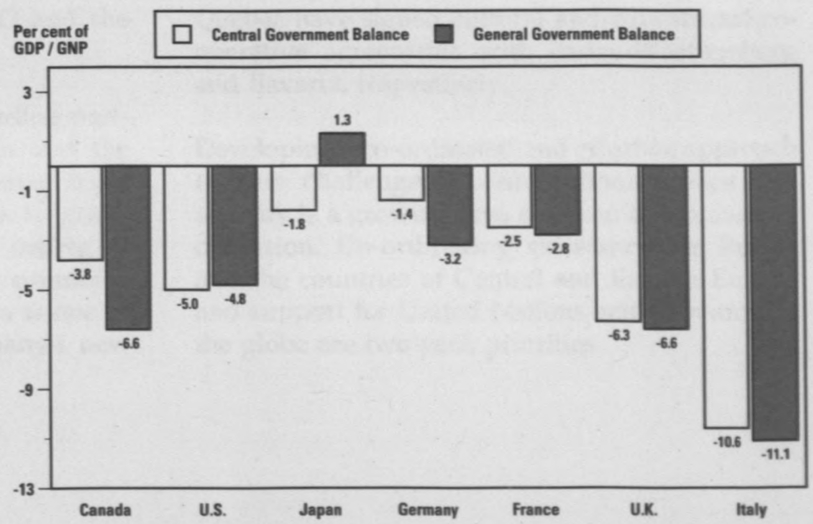
CENTRAL AND GENERAL GOVERNMENT FINANCIAL BALANCES, 1992*

The general government financial balance — revenues less expenditures of central, provincial/state and local governments — deteriorated in all G-7 countries. Weak growth eroded tax revenue and put upward pressure on such expenditures as unemployment insurance and social assistance. Japan was the only G-7 country with a general government surplus.

Italy recorded the largest general government deficit as a share of GDP in the G-7. Canada tied with the United Kingdom for second largest deficit.

The Canadian deficit, as a share of GDP, declined as measures were adopted to contain spending. Provincial deficits, which have increased in recent years, accounted for about 40 per cent of the general government deficit.

Canada is the only G-7 country which aims to eliminate new borrowing within five years.



* Data are on a national accounts basis.

Sources: OECD and Department of Finance Canada.