

## CANADA TO MEET DEFICIT TARGETS

The Chrétien government's third budget, unveiled by Minister of Finance Paul Martin in a speech to the House of Commons on March 6, meets deficit targets through sustained reductions in government spending, while laying the basis for the future viability of social programs and reallocating money for new investments in priority areas.

Mr. Martin reiterated that the federal

government will meet its previously announced deficit targets on the march to a balanced budget: "The attack on the deficit is irrevocable and irreversible."

By 1998-99, program spending will be reduced to 12 per cent of GDP, its lowest level in 50 years. The growth rate of debt relative to economic growth will begin to decline in 1997-98.

## 1995 ECONOMIC AND TRADE UPDATE

(All figures are from Statistics Canada.)

Canada's economic growth was weak in the fourth quarter of 1995, with real Gross Domestic Product (GDP) rising by only 0.8 per cent. GDP grew by 2.2 per cent for the year, compared to 4.6 per cent in 1994. Statistics Canada attributed the anemic growth to hesitant consumer spending and government cutbacks.

A surge in sales abroad was the bright spot in the economy for the year. Record exports accounted for Canada's smallest current account deficit in a decade, \$13.1 billion. Canada-U.S. two-way merchandise trade reached a record \$371 billion, up by 12.4 per cent over 1994. Canada exported \$202 billion

worth of goods to the U.S. in 1995, 13.5 per cent more than in the previous year, and imported \$169 billion worth, an increase of 11.2 per cent.

Inflation rose slightly in 1995, with an annual average increase in the Canadian Consumer Price Index of 2.1 per cent for the year, compared to a 0.2 per cent rise between 1993 and 1994, when the average was held down by significant cuts in tobacco taxes. The CPI increased by 1.6 per cent in January and 1.3 per cent in February 1996.

Employment rose by 88,000 jobs in 1995, with almost all the gains occurring from August to December. The unemployment rate at year's end stood at 9.4 per cent. Job creation continued in January and February, which both posted an increase of 44,000 jobs. The number of people looking for work outpaced the job gain in January and the unemployment rate rose to 9.6 per cent, remaining steady in February.

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## BUDGET

### HIGHLIGHTS

■ Deficit targets will be met:

1995-96: \$32.7 billion  
(4.2 per cent of GDP)

1996-97: \$24.3 billion  
(3 per cent of GDP)

1997-98: \$17 billion  
(2 per cent of GDP)

■ Program spending will be cut by \$1.9 billion over three years, including \$700 million from block transfers to provinces in each of two years (stabilized for five years beginning in 1998-99), \$600 million from defence in 1996-97, and \$998 million from foreign aid in 1998-99. Dairy subsidies will be phased out and postal subsidies cut.

■ There are no increases in personal, corporate or excise taxes.

■ Beginning in 2001, old age benefits to high-income senior citizens will be reduced to target assistance to the needy. Those now 60 or over will not be affected.

■ Funds will be reallocated to high priority areas: \$165 million for education tax credits and student loans and \$315 million to support summer jobs for youth; \$250 million to a technology fund to leverage investment in environmental technologies, biotechnology, advanced materials and aerospace; \$50 million to the Business Development Bank and \$50 million in equity capital for the Export Development Corporation.

All figures are in Canadian dollars.  
On April 15, the noon exchange rate was  
US\$1=C\$1.3560.

# Canada

## CANADA QUARTERLY

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