of this year, bringing it 6.2 per cent below the level it has reached in the second quarter of 1981. Subsequent monthly information suggests that the economy continued to be weak through the third quarter and may have declined by a further 1 per cent, although national accounts data will not be available for several weeks.

Nevertheless, there are signs that economic recovery will begin in the current quarter. Inflation is abating. This has accelerated since the introduction of the six and five program. On a year-over-year basis, the consumer price index increased by 10.4 per cent in September compared to 11.2 per cent in June and 12.5 per cent on average in 1981. And over the three months ending in September, the average monthly increase, seasonally adjusted, was under six-tenths of 1 per cent. This contrasts with an average monthly increase of nine-tenths of 1 per cent in the first six months of 1982.

The moderation in inflation we have had, together with prospects of continuing improvement, has made it possible for Canadian interest rates to decline as U.S. interest rates have fallen. The bank rate has come down for ten consecutive weeks. It is now more than five percentage points lower than it was at the end of June, and almost ten percentage points lower than the peak level reached in August of 1981. Other interest rates have followed the bank rate down. Mortgage rates have also fallen by five percentage points since last June. What this means is that the monthly payment on a $50,000 mortgage amortized over 25 years, to take one example, has declined by $200 a month during the same period. These lower interest rates are also easing the difficulties faced by businesses and helping to stimulate economic recovery.

For 1982 as a whole, real gross national product is now expected to fall by 4.4 per cent and the unemployment rate to average about 10.9 per cent. Given the high rates of inflation recorded in the first half of the year, the consumer price index for the whole of 1982 will likely rise by 10.9 per cent. Nevertheless, the trend is clearly downward, and I expect inflation to be running at less than 10 per cent by early next year.

Looking forward to 1983, the recovery should gradually gather momentum. Real growth of about 3 per cent may be expected next year. Broad adherence to the six and five program should bring the increase in the CPI down to an average of about 7.5 per cent in 1983 and to about 6 per cent by the end of 1982. Our trade balance with other countries, which has already attained record highs this year, should be even stronger in 1983. Continued strength in our trade position, together with the prospect of continuing decline in U.S. interest rates, will make possible further lowering of interest rates in Canada as our inflation gains are consolidated.

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[*Translation*]

The area of greatest concern in 1983 will be the labour market. I expect employment growth to resume soon. The number of Canadians at work should increase by 2.5 to 3 per cent from the fourth quarter of 1982 to the fourth quarter of 1983. However, as economic and employment growth resume, many people who have temporarily left the labour force over the past year will once again begin to look for work. As a result, the labour force will also grow strongly through 1983, and the unemployment rate will decline only gradually. Unemployment is expected to decline, reaching a level slightly above 11 per cent of the labour force by the end of the year; but for 1983 as a whole, the unemployment rate will likely be slightly above 12 per cent.

The unemployment outlook therefore remains distressing and demands continuing efforts to improve employment prospects and help those most in need. That is why I am announcing today a number of measures that go beyond the additional $1.4 billion the government has already allocated for these purposes over the past year.

I now report to the House on the government's fiscal position for the past and the current fiscal year. The Public Accounts for fiscal year 1981-82 have just been tabled. I am tabling with this statement the standard summary statement of transactions for fiscal years 1981-82 and 1982-83. Financial requirements excluding foreign exchange transactions were $8.3 billion in 1981-82, virtually identical to the estimate made at the time of the June budget. This is almost $2 billion lower than in 1980-81. The budgetary deficit in 1981-82 was $13.6 billion, about $1 billion higher than in the previous fiscal year. Total outlays were $68.9 billion, up 17.6 per cent from 1980-81. The major factor accounting for this large increase was interest on the public debt, which grew by 42 per cent. Outlays other than public debt charges were $53.7 billion, reflecting an increase of 12.2 per cent over the previous fiscal year. Budgetary revenues stood at $54.1 billion, 19.1 per cent higher than in 1980-81.

In 1975, the government pledged to hold federal spending to the trend rate of growth of GNP. From 1975-76, the fiscal year in which this commitment was made, to 1980-81, total outlays declined from 22.9 per cent of GNP to 20.1 per cent of GNP. The Public Accounts show that total outlays in 1981-82 increased slightly as a share of GNP to 20.8 per cent. But I emphasize that this increase was more than totally accounted for by an extraordinary and unavoidable increase in interest charges. Exclusive of interest charges, total outlays on government programs have fallen continuously from 20.5 per cent of GNP in 1975-76 to 16.4 per cent of GNP in 1980-81 and, further, to 16.2 per cent of GNP in 1981-82. Those who assert that federal expenditures are "out of control" should check the record of the past seven years.

My predecessor reported in June that the fiscal position of the government in 1982-83 had deteriorated significantly from what was anticipated in November of 1981, essentially because of the onslaught of the recession. I must report today that further weakening of the economy in the intervening months has aggravated this deterioration. The budgetary deficit was