

Low Inflation

Inflation was a modest 0.9 per cent in 1998. The Government of Canada and the Bank of Canada are committed to holding inflation inside the one-to-three-per-cent range. Low inflation, together with the sound public finances now in place, will help maintain the low interest rates that have revived job creation and economic growth in Canada.

Canada's Current Account

In 1996, the current account posted its first annual surplus since 1982. The current account deteriorated through 1997 as a result of strong domestic demand for key imports such as machinery and equipment. Despite the global economic crisis and deteriorating terms of trade, the real trade balance improved enough in 1998 to keep the current account roughly stable.

Private Sector Views of Canada's Economic Prospects

Canada's economic prospects remain strong. The deterioration in world economic conditions in 1998 had led private sector forecasters to revise down their outlook for growth in 1999 to two per cent by the end of the year. However, strong employment growth, particularly in the second half of 1998 and early 1999, together with the rebound to healthy economic growth in late 1998, has led them to revise up their growth forecasts for 1999. Currently, growth for 1999 is projected at about 2.8 per cent.

In the light of the government's commitment to balanced budgets, or better, and to maintaining low inflation, short- and long-term interest rates are expected to remain low by historical standards. Private sector forecasters also expect that strong growth and other positive economic factors will fuel job creation, thus reducing the unemployment rate.

Projections of International Organizations

Major international organizations agree that Canada's economic prospects are strong. Indeed, the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) expect Canada to be second only to the United States in output growth in 1999. In 2000, the OECD expects Canada to lead the G-7, while the IMF expects Canada to be among the leaders.

Balanced Budgets

A balanced budget, or better, is expected for 1998-99 — the second consecutive year in which the budget will be deficit-free. The last time this occurred was