- Sharply lower interest rates are strongly supportive of renewed growth in final domestic demand. Short-term interest rates are down about 800 basis points (or more than one-half) from their May 1990 peak and are 300 basis points below their level of 12 months ago. The differential between Canadian and U.S. interest rates has narrowed across the yield curve but particularly so on short-term instruments where the current differential of about 185 basis points compares to one of 286 basis points at the end of April and 330 basis points at the start of the year.

- An improving U.S. economy, better fundamentals at home in the form of low inflation and growing productivity, and the lower interest rates that these changes have made possible will contribute to a steady pickup in economic growth through 1992.

- The February budget forecast of 2.7 per cent real growth in 1992 was identical to the private sector consensus. Subsequent historical review by Statistics Canada implied an arithmetic downward revision to 2.3 per cent growth in 1992. Finance Minister Don Mazankowski recently reiterated his view that 1992 growth should be in the 2 to 2.3 per cent range.

- The International Monetary Fund's May *World Economic Outlook* and the OECD's June *Economic Outlook* agree with this judgment, each projecting 2.3 per cent real growth in 1992, leading growth in all G-7 countries. Moreover, both the IMF and the OECD project real GDP growth of well over 4 per cent in 1993 in Canada (4.9 and 4.3 per cent respectively), again leading the G-7 countries.

- The stronger economic fundamentals that are supporting Canadian growth prospects today — low inflation, growing productivity, more competitive costs in export markets — represent the benefits of the government's structural and macroeconomic policies, which are aimed at producing robust growth in a way that can be sustained. This is the only means by which steady growth in prosperity can be achieved.