- Currently, Canada's unit labour costs are at the same level as in early 1992. Over the same period, they have declined 3.7 per cent, measured in domestic currency, relative to the U.S.

- The decline in unit labour costs and a fall in the Canadian dollar have significantly increased Canada's international competitiveness. This is critical to sustaining Canada's excellent export performance.

- Low inflation pressures have allowed for a significant decline in interest rates since the spring of 1990. However, the decline has not been smooth.

- Canadian interest rates have increased recently in response to rising U.S. rates, but also due to financial market concerns about Canada's fiscal situation and political uncertainty. However, Canada's excellent inflation performance and its commitment to deficit reduction provide the foundation for low and stable interest rates.

The Outlook

- For planning purposes, the February 1994 federal Budget assumed real growth of 3 per cent in 1994 and 3.8 per cent in 1995. Since then, a number of factors have shaped the economic outlook:

  - interest rates are higher than expected; but,

  - the economy has much more momentum than expected and the depreciation of the dollar has provided a boost to exports and to import-competing industries.

- The budget planning assumptions remain conservative compared to that of major international and private organizations.

  - The IMF expects Canada to achieve real growth of 3.5 per cent in 1994 and 4.1 per cent in 1995. The OECD expects Canada's growth to be even higher, 3.7 per cent in 1994 and 4.3 per cent in 1995. This would be the second-highest in the G-7 this year (behind the U.S.) and the highest in 1995.

  - Private forecasters in Canada, prior to the release of the first quarter national accounts, expected real growth of 3.5 and 3.8 per cent in 1994 and 1995.