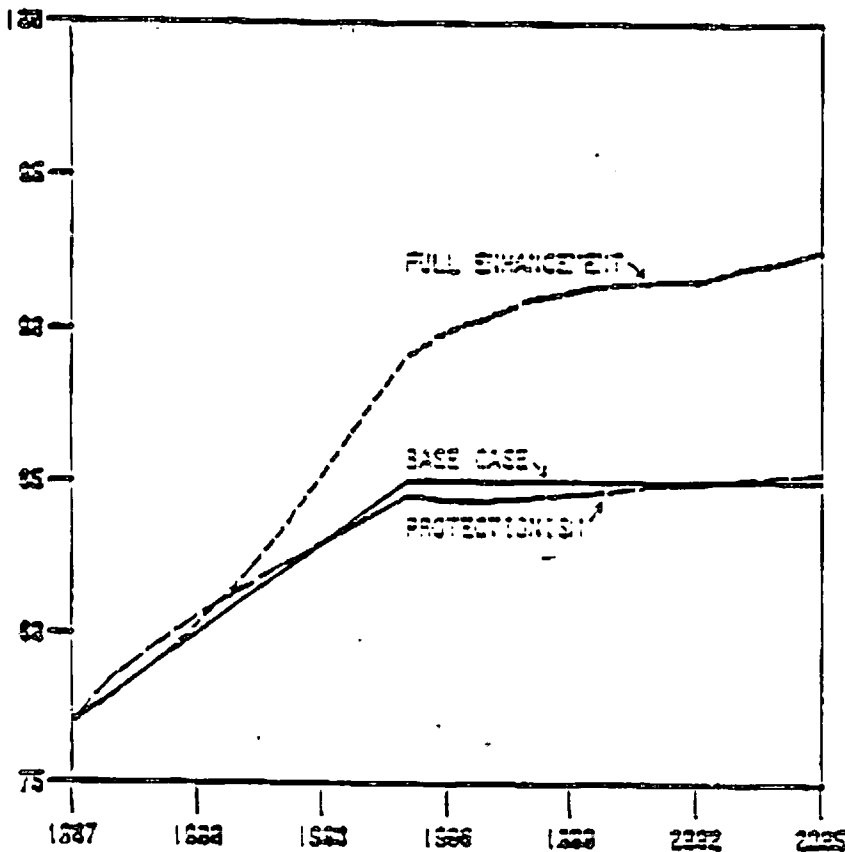


It should be noted also that a consequence of the later inflation, given our "rule" for maintaining base case "real" interest rates, is to raise nominal interest rates back to the levels of the base case.

3.2.5 Impact On Exchange Rate -

Figure 5

EXCHANGE RATE
CENTS U.S. PER \$ CANADIAN



We anticipate that the Canadian dollar would appreciate against its United States counterpart with trade enhancement. This reflects reduced inflation, improved growth prospects, and in the early years, an improved current account.