Business confidence also reached record levels in 1997. Business investment in plant and equipment has increased strongly. Since the second quarter of 1996, it has grown by 22.6 per cent. In the fourth quarter of 1997, the rate of capacity utilization in non-farm sectors rose to 85.6 per cent, posting its highest rate since 1988 and nearly four percentage points above its historical average.

Canada's Current Account

Reflecting significant growth in demand for imported goods such as machinery and equipment, import growth in 1997 outpaced export growth. Although the trade surplus has decreased and the current account has moved back into deficit, strong investment is adding to productive capacity, improving the competitiveness of the Canadian economy, and setting the stage for continued strong growth and job creation.

Private Sector Views of Canada's Economic Prospects

Canada's economic prospects are excellent. Private sector forecasters expect economic growth to remain strong this year at 3.5 per cent. This would make 1997 and 1998 the best back-to-back economic performance in 10 years. The outlook for 1999 is similarly encouraging with growth projected at almost three per cent.

In the light of continued fiscal progress and the absence of significant inflationary pressures in the Canadian and world economies, short-term interest rates are expected to remain very low by historical standards, as are long-term rates. Private sector forecasters also expect that strong growth and other positive economic factors will fuel continued job creation, bringing the unemployment rate to an average of about 8.5 per cent in 1998 and just over eight per cent in 1999.

Projections of International Organizations

These favourable assessments of Canada's economic prospects are shared by major international organizations. Indeed, both the International Monetary Fund and the Organisation for Economic Co-operation and Development expect Canada to lead the G-7 in output and job growth in 1998.

Balanced Budgets

In 1997–98, the Canadian government will balance its annual budget. This is the first balanced budget since 1969–70 and a dramatic improvement on the $42 billion deficit recorded in 1993–94.