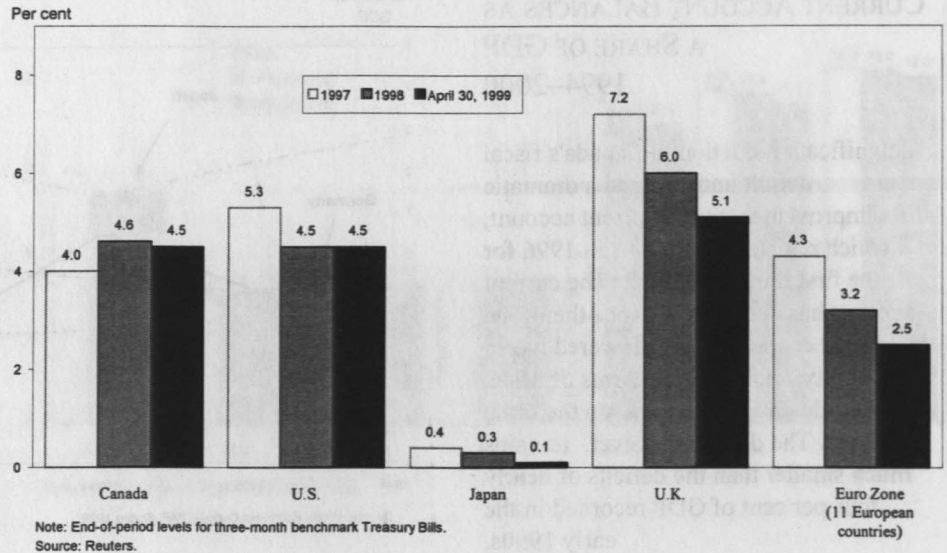


## CHART 7

### SHORT-TERM INTEREST RATES 1997 TO APRIL 1999

Canadian short-term interest rates moved up in 1997 and 1998, but remained well below the peaks of early 1995. Short-term interest rates increased sharply in late August 1998 as the Canadian dollar came under strong downward pressure, reflecting weak commodity prices and international financial market volatility.

Canadian short-term rates had been below U.S. rates for more than two years, before moving above U.S. rates in the late summer of 1998. As the international situation has stabilized somewhat, Canadian rates have again moved near parity with U.S. rates.



## CHART 8

### LONG-TERM INTEREST RATES 1997 TO APRIL 1999

Efforts to reduce government deficits and debt, combined with a credible commitment to low inflation, have been important in bringing down interest rates throughout the G-7. Canada has made significant progress in this regard.

However, international financial market volatility pushed Canadian long-term rates up relative to U.S. rates in the late summer and early fall of 1998, as investors sought the safe-haven of U.S. Treasury securities.

With the return of stability in financial markets, long-term rates moved back down and are again below U.S. rates.

