Canada's fiscal turn around is impressive when considered in an international context. In 1992, Canada's total government deficit (on a national accounts basis) was 7.4 per cent of GDP, nearly double the G-7 average of 3.8 per cent. This year Canada's total government deficit will be nearly half the G-7 average. By 1998, Canada will have eliminated the total government deficit. It is the only G-7 country expected to achieve this.

Canada's success in keeping inflation low has encouraged greater economic growth. Associated gains in cost competitiveness have boosted exports, contributing to an improvement in the current account. Lower fiscal deficits are an important factor in this improvement — implying a sizable decline in Canada's historical reliance on foreign borrowing.

Recent economic developments

There are clear signs that these policies are paying off. As noted earlier, Canadian short-term interest rates have fallen some 500 basis points since the first quarter of 1995 to levels 200 basis points below U.S. rates. This is the longest continuous period of such interest spreads in more than 20 years. Canadian interest rates are now below U.S. rates on maturities of up to 10 years. As a result, growth has strengthened and job creation has picked up.

Canada's GDP grew at an annual rate of 3.4 per cent in the first quarter of 1997, up from 2.9 per cent in the fourth quarter and 1.5 per cent in 1996 as a whole. There has been a surge in business investment in recent quarters, and business confidence reached its highest recorded level in the first quarter of 1997. Consumer confidence is reflected in the strong growth in spending on consumer durables in recent months. Sustained employment growth through the balance of 1997 and beyond could create income gains that would allow the Canadian economy to embark on a "virtuous circle" of higher consumer spending and continued expansion.

Stronger growth has encouraged the creation of some 228,000 new jobs since September 1996, most of them in the private sector. Since October 1993, the economy has generated more than 850,000 new jobs, most of them full time and growth is accelerating.

Helping Canadians adjust to change

Canadian governments are committed to helping their citizens prepare for rapid technological change. In the recent budget, the government changed tax rules to support higher education, and invested in the modernization of research infrastructures at Canadian universities and colleges, research hospitals, and in associated, not-for-profit research institutions.