

GOVERNMENT SETS TOUGHER DEFICIT TARGET

Finance Minister Paul Martin announced in December that in pursuit of its goal of a balanced budget, the government will bring the federal deficit down in 1997-98 to 2 per cent of Gross Domestic Product (GDP), its lowest level since 1982.

The government's ultimate goal, Mr. Martin said in an economic and fiscal update presented to the House of Commons finance committee, is an economy that is growing faster than the national debt. "Our strategy must be based on synergy," he said. "Neither growth nor deficit reduction is sufficient alone but pursued together, they can do the job."

To reach a balanced budget, the government has set a series of rolling two-year deficit targets. The budget presented in February 1995, which cut \$25 billion in spending over three years, set targets of \$32.7 billion or 4.2 per cent of GDP for 1995-96, and \$24.3 billion, or 3 per cent of GDP, for 1996-97. These targets will be met, Mr. Martin said, despite an economic slowdown in the first half of 1995 that was more pronounced than expected (interest rates were also lower than forecast).

"Continued deficit reduction is essential," he said "if we are to get interest rates down—interest rates that stand in the way of the creation of jobs." He announced that the deficit for 1997-98 will be brought down further, to approximately \$17 billion, 2 per cent of GDP.

"This means we will have cut last year's deficit by more than half," he said, "and it also means that the debt-to-GDP ratio will be on a downward

track....the government's new borrowing requirements on credit markets (in 1997-98)—which is the way many other governments, (such as) the United States, calculate their deficit—will be less than \$7 billion, i.e., less than one per cent of GDP, the lowest level—in relation to the size of the economy—since 1969.

Mr. Martin said deficit targets will continue to be met using "prudent economic assumptions" and setting aside a substantial contingency reserve.

Economic Indicators

Mr. Martin told the finance committee that Canada's "economic fundamentals are strong." After shrinking by an annual rate of 0.6 per cent in the second quarter, the economy resumed its expansion in the third, growing by 2.1 per cent. Statistics Canada attributed the rise primarily to increased demand in the United States for Canadian exports, particularly office machines, telecommunications equipment, energy products, consumer goods and business services. Lower domestic interest rates, which have fallen almost 2 points below their peaks in early 1995, have also helped spur economic growth.

After three quarters in 1995, two-way merchandise trade between Canada and the U.S. totalled \$259 billion, an increase of 15 per cent over the same period in 1994.

Mr. Martin said the government is committed to sustaining low inflation. The yearly rate as measured by the Consumer Price Index for Canada peaked at 2.9 per cent in May 1995 and

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fell to 2.4 per cent in October. Labour costs have remained steady, with wage settlements averaging below one per cent in 1995.

Unemployment remains a concern, Mr. Martin told the finance committee. After rising in August, September and October, full-time employment levels fell in November, but because fewer people were looking for work, the unemployment rate remained unchanged at 9.4 per cent.

EDUCATIONAL EXCHANGE

(continued from page 3)

the Foundation has awarded 189 fellowships and scholarships to Canadian and American faculty, students and artists. Fellowships of up to \$25,000 for periods of from three to nine months are given to faculty doing research or teaching in the other country, and graduate student scholarships provide \$15,000 for study at institutions in the two countries during a nine-month academic year. Scholarships are also awarded to graduating university seniors for post-graduate work at the Master's level, and scholarships and fellowships are given to performing and visual artists. Beginning in 1996-97, awards will be offered to journalists and legislators.

The Foundation also co-sponsors two lectures a year and has entered into partnerships with the University of Toronto and the University of Calgary for Fulbright visiting chairs.

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