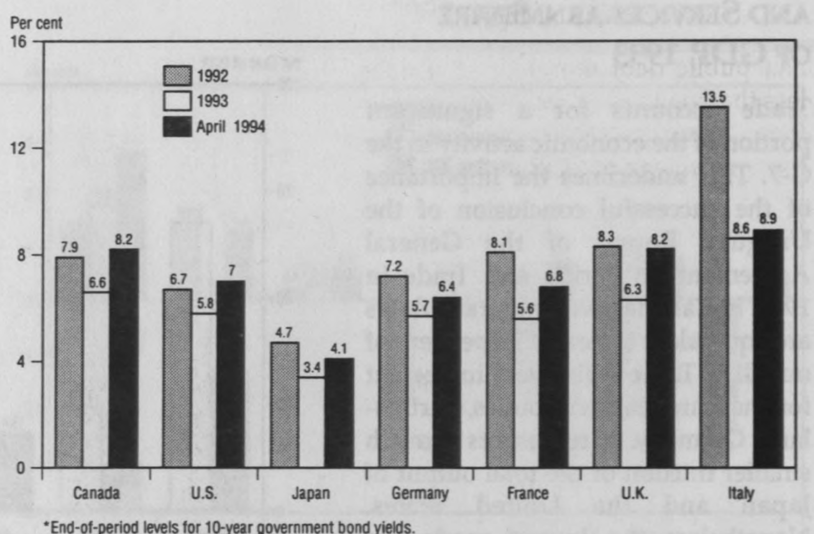
CHART 9

LONG - TERM INTEREST RATES, 1992 TO APRIL 1994

The downward trend in long-term interest rates in the G-7 continued into 1993 in all the G-7 countries. Indeed, long-term interest rates fell to near 30-year lows in Germany and Canada. In early 1994, however, long-term interest rates began to turn up, moving above short-term interest rates in all the G-7 economies.

A vigorous effort to reduce government deficits and debt, and a credible commitment to price stability, are key to preventing further increases in long-term interest rates and creating a favourable climate for investment in the G-7 economies. Japan, which has a solid record of low inflation and a sound fiscal position, continues to have the lowest long-term interest rates in the G-7. Italy has the highest.



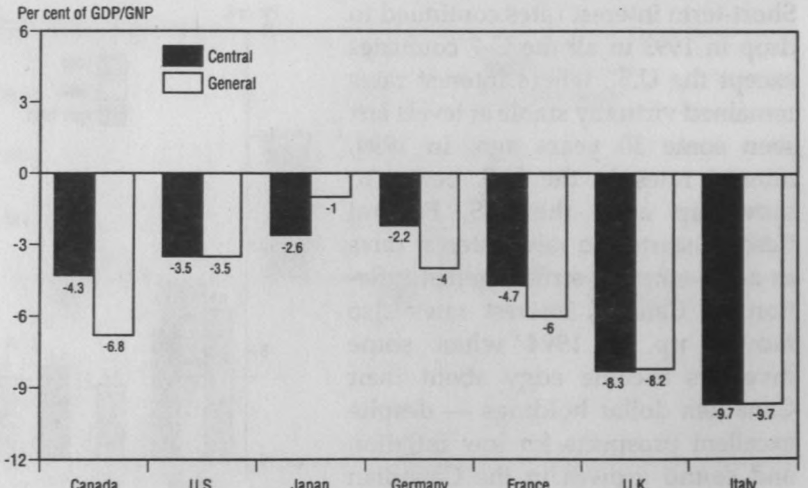
*End-of-period levels for 10-year government bond yields.
Sources: Department of Finance Canada for Canada and the U.S.; Data Resources Incorporated for the overseas economies.

CHART 10

CENTRAL AND GENERAL GOVERNMENT FINANCIAL BALANCES, 1993*

General government financial balances — revenues less expenditures of central, provincial/state and local governments — deteriorated in all the G-7 countries except the U.S. Stronger growth and the adoption of a substantial fiscal consolidation effort in the U.S. helped to reduce the budgetary shortfall there. In the other G-7 countries, continued economic weakness eroded tax revenue and put upward pressure on cyclically sensitive expenditures, such as unemployment insurance and social assistance.

Italy had the largest deficit as a share of GDP in the G-7, followed by the U.K. and Canada. Provincial deficits account for about 40 per cent of the general government deficit in Canada.



*On a National Accounts basis.
Sources: For Canada (final estimates), Statistics Canada; for the U.S. (final estimates), U.S. Department of Commerce; for other countries (forecast), OECD Economic Outlook, December 1993.