Report Date: July 26, 2007
Press Release: July 25, 2007
Previous Report: July 31, 2006

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Government of Canada

RATING

Debt Rated	Rating Action	Rating	Trend
Short-Term Liabilities, Cdn & Frgn Currency	Confirmed	R-1 (high)	Stable
Long-Term Obligations, Cdn Currency	Confirmed	AAA	Stable
Long-Term Obligations, Frgn Currency	Confirmed	AAA	Stable

RATING HISTORY

	Current	2006	2005	2004	2003	2002
Short-Term Liabilities, Cdn & Frgn Currency	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Long-Term Obligations, Cdn Currency	AAA	AAA	AAA	AAA	AAA	AAA
Long-Term Obligations, Frgn Currency	AAA	AAA	AAA	AAA	AAA	AAA

RATING UPDATE

DBRS has confirmed the ratings of the Government of Canada (the Government or Canada) at AAA and R-1 (high), with Stable trends. Canada's strong fiscal and economic performance underpins its AAA rating. At 28% of GDP, the debt burden of the country continues to decline rapidly from 56% only a decade ago. Driving the declining burden are ten straight years of fiscal surpluses, including a surplus of 0.7% of GDP in 2006–2007 and solid real GDP growth averaging 3.4% annually over the past decade. Careful fiscal management has helped reduce debt service costs and provide fiscal space to undertake corporate and personal tax cuts as well as increased provincial transfers.

However, certain global macroeconomic developments such as high commodity prices have had an impact on the economy in recent years. High commodity prices have benefited the country unevenly and helped drive the rapid appreciation in the Canadian dollar. This has been advantageous for resource-rich provinces such as Alberta but more recently has had a negative impact on the export-manufacturing sectors in Ontario and Québec. Even so, the Canadian economy appears to be weathering these shocks rather well and has been successful at reallocating labour resources to other sectors such as services and energy.

Even so, longer-term challenges remain, exemplified by Canada's lagging productivity performance and uncompetitive tax system. Measures undertaken in the latest federal budget seek to address these issues by lowering taxes and providing incentives to increase or speed up capital investment. While DBRS views these measures as positive steps in the right direction, there remains significant scope for more to be done.

Nevertheless, DBRS expects that Canada's credit profile will continue to be excellent, supported by prudent fiscal and monetary management. DBRS views the government's medium-term fiscal goal of reducing its accumulated deficit (total federal government liabilities less total federal government assets) to 25% of GDP by 2012–2013 as eminently reachable. This will continue to drive improvements in Canada's already superior credit profile.

RATING CONSIDERATIONS

Strengths

- Rapidly declining debt burden
- Prudent, effective fiscal planning
- Effective debt management strategy
- Solid economic performance
- Strong liquidity position

Challenges

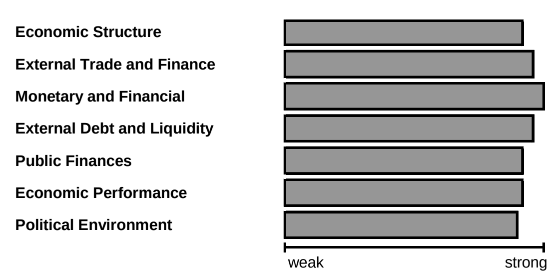
- Uneven provincial economic prosperity
- Competition from low-cost global manufacturers
- Stagnant productivity growth
- Competitiveness of tax system
- Unfunded public-sector pension liability

SUMMARY STATISTICS

	For the year ended December 31			
	2006	2005	2004	2003
Nominal GDP (USD billions)	1254	1184	1059	924
GDP per capita (USD)	38,270	36,501	32,956	29,043
Real GDP growth (% change yoy)	2.8%	3.1%	3.1%	1.9%
Current account balance (% GDP)	1.6%	2.0%	2.3%	1.2%
Inflation (% change year over year)	1.6%	2.1%	2.1%	2.1%
Total external debt (% GDP)	54.4%	52.6%	52.3%	62.7%
General government external debt (% GDP)	9.7%	9.9%	10.8%	11.4%
	For the year ended March 31			
	2006-07*	2005-06	2004-05	2003-04
Central government balance (% GDP)	0.7%	0.9%	0.1%	0.7%
Primary balance (% GDP)	3.0%	3.4%	2.7%	3.7%
Central government debt (% of GDP)	28.3%	30.1%	32.6%	35.4%
General government debt (% GDP)	n.a.	n.a.	61.3%	65.4%
Central government external debt (% of GDP)	0.7%	1.0%	1.2%	1.7%

* Projected.

COUNTRY CHARACTERISTICS



RATING CONSIDERATIONS (DETAILS)

Strengths

(1) Rapidly Declining Debt Burden: The Government's target to eliminate net debt (total federal government liabilities less federal government financial assets) by 2021, combined with solid economic growth and a decade of continuous surpluses, has helped lower the federal government's unmatured debt to 28.3% of GDP.

(2) Prudent, Credible Fiscal Planning: The Government maintains a thorough budgeting process and has instituted a Parliamentary Budgetary Officer to provide independent analysis and advice on economic and fiscal issues to parliament and the senate. The Government conducts quarterly updates on the fiscal outlook, on top of regular monthly financial statements in accordance with the International Monetary Fund's *Code of Good Practices on Fiscal Transparency*.

(3) Effective Debt Management Strategy: The Government actively pursues a predetermined debt structure (60% fixed-rate) and well-distributed maturity profile in order to minimize interest costs. Efforts are also made to ensure that the market for government benchmark debt is well functioning and liquid, which is especially important in this era of declining government market debt.

(4) Solid Economic Performance: The economy is expanding at a good pace, with annualized growth of 3% over the past three years. Consensus forecasts call for 2.5% growth this year, supported by historically low unemployment.

(5) Strong Liquidity Position: As at March 31, 2007, liquid financial resources stood at $62 billion, including $21 billion in operating cash balances and $41 billion in foreign currency reserves, covering foreign currency debt almost three times.

Challenges

(1) Uneven Provincial Economic Prosperity: The natural resources boom, which has been extremely beneficial to Alberta's economy, has helped drive the rapid appreciation in the Canadian dollar. This has in turn strained the competitiveness of exports from the manufacturing-heavy provinces of Ontario and Québec, the two largest provincial contributors to Canada's GDP. Significantly higher inflation in the Alberta economy also contributes a great deal to the national inflation rate, which puts pressure on the Bank of Canada (the Bank) to raise interest rates, potentially hindering economic growth in other provinces and placing further upward pressure on the dollar.

(2) Competition from Low-Cost Global Manufacturers: The emergence of developing economies pursuing export-led growth strategies presents a competitive challenge to the Canadian manufacturing sector. Lower labour and production costs have led to the relocation of factories and jobs from Canada to abroad. This trend will likely continue as the developing economies move from lower value-added exports, such as textiles, to more complex products such as automobiles and pharmaceuticals.

(3) Stagnant Productivity Growth: Over the past two decades, Canada's productivity growth has underperformed both the United States and many OECD countries. This has reduced the rate of growth in potential output and in the standard of living. Stimulating productivity growth will become increasingly important as Canada's population ages and the labour force, as a proportion of the total population, shrinks.

(4) Competitiveness of the tax system: Although the government has made targeted (though in some cases temporary) efforts to reduce the tax burden on businesses and individuals, tax rates still remain high. High-income earners continue to bear heavy tax burdens relative to their counterparts in the United States, which impedes Canada's ability to attract and retain highly skilled workers. While being reduced over the next few years, and in some cases even eliminated, capital taxes remain and constitute a disincentive for capital investment in Canada.

(4) Unfunded Federal Public-Sector Pension Liabilities: The Government's public-sector pension plan is an unfunded liability of approximately 9.2% of GDP. While this is not overly large, a funding deficit represents a future strain on government finances and has the potential to increase government debt. Reducing this cost now will increase future flexibility in government finances.

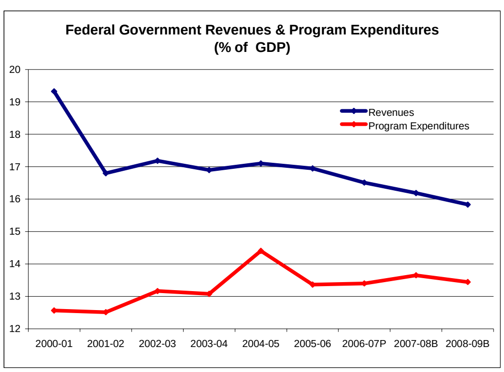
Fiscal Management and Policy

Consistent with its goal of reducing the accumulated deficit to 25% of GDP by 2012–2013, the Government has projected a fiscal surplus of $9.7 billion in 2006–2007. This will contribute to reducing the country's unmatured debt (all market debt plus capital lease obligations and adjustments) to 28.3% of GDP, down 1.8 percentage points from the previous year.

The surplus was supported by strong growth in both personal and corporate taxes that reflected higher profits as well as employment and wage gains. This helped offset lower goods and services tax (GST) revenues related to the one percentage point cut in the GST rate in July 2006. Program expenditures were up about 7% year over year, with transfers to persons rising on higher elderly benefis while transfers to other levels of government rose due to higher health spending and a $650 million expense for early learning and child care. Although the overall surplus was smaller than last year, the Government's reduction of unmatured debt by $7.4 billion and its budget plan to decrease debt by approximately $3 billion by the end of fiscal year 2007–2008 shows that it remains on task in achieving its 2012–2013 fiscal target.

Budget 2007–2008

The budget estimates for revenues and expenditures, in terms of GDP, indicate a shrinking surplus as program expenditures increase and revenues continue to decline.



P = projected. B = budgeted.
Source: Department of Finance Canada.

Driving this narrowing between revenues and expenditures are increased transfers to other levels of government, most notably in the Canadian Social Transfer (CST) and the Canadian Health Transfer (CHT). Departmental operating expenses are also expected to grow rapidly, partly as a result of greater spending on defence.

Federal Government Finances
For the year ended March 31**
(CAD millions)

	2007-08B	2006-07P	2005-06	2004-05
Revenues				
Taxes	200,330	193,595	186,100	174,894
Personal	115,180	108,093	103,691	98,521
Corporate	36,315	36,434	31,724	29,956
Goods and Services / Sales	30,075	29,690	33,020	29,758
Excise, Duty & Other	18,760	19,378	17,665	16,659
E.I. Contributions	16,150	16,807	16,535	17,307
Other Revenues	20,210	20,634	19,568	19,742
Total revenues	236,690	231,036	222,203	211,943
Expenditures				
Transfers	102,050	97,429	93,424	93,262
To Persons	58,540	55,780	52,609	51,307
To Governments	43,510	41,649	40,815	41,955
of which Fiscal Arrangements	14,375	13,110	15,739	16,170
Direct Program Expenditures	97,570	91,545	81,789	83,100
Subsidies and Other	31,105	30,185	24,893	25,453
Crown Corporations	6,930	7,020	7,195	8,907
Departamental Operating	59,535	54,340	49,701	48,740
Debt Charges	33,800	33,841	33,772	34,118
Total expenditures	233,420	222,815	208,985	210,480
Federal government balance	3,270	8,221	13,218	1,463
% of GDP	0.2%	0.7%	0.9%	0.1%
Primary federal government balance	37,070	42,062	46,990	35,581
% of GDP	2.3%	2.9%	3.4%	2.7%
General government balance*	n/a	n/a	17,163	4,299
% of GDP	n/a	n/a	1.2%	0.3%

* 2006-07 results are estimates and are subject to change.
** Doesn't include Canada Pension Plan or Québec Pension Plan. P = projected. B = budgeted.
Source: Department of Finance Canada.

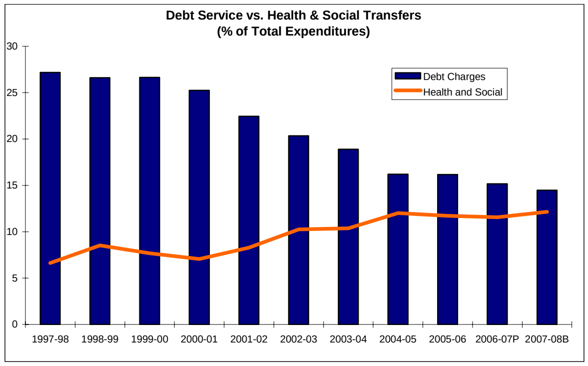
Tax revenue growth will slow this year as the impact of new measures such as credits for low-income individuals and families take effect, in addition to a full year under the lower GST rate. On the corporate side, tax rates have been reduced and the Government has introduced increased capital cost allowances for buildings and computers as well as temporary tax write-offs for investments in machinery and equipment. Provinces have also been provided with incentives to eliminate taxes on capital by 2011, a measure that is meant to stimulate capital investment in manufacturing and processing. Although these initiatives will decrease the rate of growth in corporate tax revenues, DBRS views these cuts as a positive development that will not only reduce distortions and biases against capital investment in the tax code, but will also increase the appeal of capital investment in Canada to both domestic and foreign players.

Outlook

Revenues have been increasing at a rate that is less than that of the economy, while expenditure growth has been outstripping nominal GDP growth. This constitutes a fiscally stimulative trend that would be unsustainable over longer periods. Although forecast to grow 6.5% this year, the Government projects that program expenditure growth will slow to 3.6% in 2008–2009, more in line with the nominal rate economic growth.

The government plans to continue to pay down marketable debt over the next two years, driven by its 2012–2013 fiscal target. This strategy has had a noticeable impact on debt service costs, which are projected to decline to 14.5% of total expenditures, down from almost double that a decade ago.

This is an important development as health and social expenditures will continue to rise and require ever-increasing budgetary space in order to maintain service levels for an aging Canadian society.



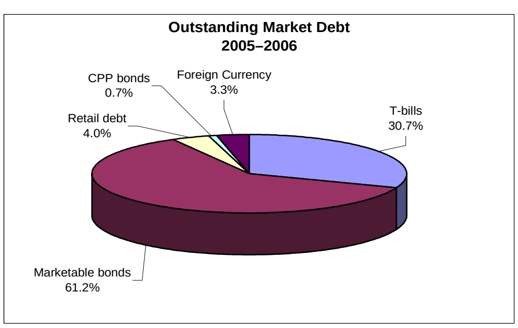
P = projected. B = budgeted.
Source: Department of Finance Canada.

Debt and Liquidity

Debt continues to decline in line with fiscal targets. Unmatured debt stood at approximately $414 billion, or 28.3% of GDP, at the end of fiscal 2006–2007, down $7.4 billion from the previous year. The government plans to reduce debt by $3 billion annually over the next two years, continuing the reduction from its 1997 peak of $477 billion, or 56% of GDP. DBRS projects unmatured debt to drop to 26.4% of GDP by the end of 2007–2008. The reduction in the debt-to-GDP ratio over the past decade is part of an overall strategy to reduce debt servicing costs in order to create room for increasing program expenditures.

The Government projects that in 2007–2008 it will achieve its goal of reducing the fixed-rate component of its debt structure to 60% of the total market debt. Government simulations suggest that this debt structure is robust to generating savings on borrowing costs in the vast majority of potential interest rate scenarios.

The foreign currency component has normally been a small proportion of debt, declining from 8% in 1998–1999 to approximately 3.3% in 2005–2006. The average term to maturity on all market debt has been maintained above 6.5 years, with an average interest rate of 4.73%.



Source: Public Accounts of Canada.

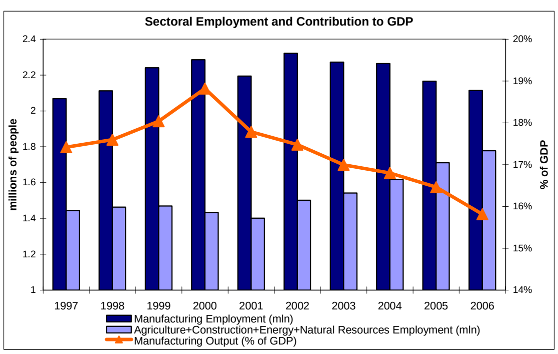
Domestic cash balances have built up gradually over the past few years and now stand at $21 billion. Foreign currency reserves amount to $41 billion, covering foreign currency market debt almost three times and providing a cushion to the government should it need to intervene in foreign exchange markets to address any serious market breakdown and smooth exchange rate volatility. However, the Bank has not intervened in foreign exchange markets since 1998 and has indicated that it will not do so outside of a major international crisis or clear loss of confidence in the currency or Canadian-dollar-denominated assets.

The government has also taken steps to move the borrowing requirements of the Business Development Bank, the Canada Mortgage and Housing Corporation and Farm Credit Canada in house in order to save on borrowing costs. From 2008 onward, the Government will lend directly to these Crown corporations and adjust its own borrowing program accordingly to accommodate the new financing needs. Although this will result in up to $10 billion annually in new debt issuance, it is estimated that this measure will reduce overall borrowing costs by up to $90 million over the next five years and will also add liquidity to government issues.

Economic Structure and Performance

The Canadian economy has performed well over the past three years, averaging 3% real growth annually, with 2.8% growth in 2006. The economy expanded at a very strong annualized rate of 3.7% in the first quarter of 2007, a significant surprise for many forecasters. Currently at 6.1% (on a seasonally adjusted basis), the unemployment rate is hovering around an all-time low and the employment rate is also hitting highs. This sets the stage for sound economic performance in 2007, with forecasts calling for growth in the area of 2.5%.

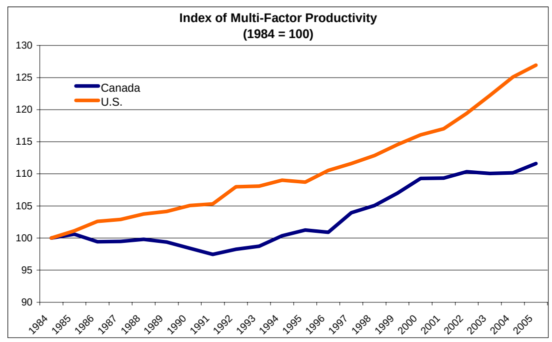
Sustained high energy and commodity prices have had an impact on the structure of Canada's economy over the past few years. The higher Canadian dollar and the emergence of lower-cost global competitors with a growing demand for raw materials have resulted in a shift in the structure of Canada's important export sector (36% of GDP) away from machinery and equipment and automotive products toward energy and raw materials. Employment in the manufacturing sector has shrunk over the past few years, while employment has grown in other sectors such as construction, agriculture, energy and natural resources. As a per cent of overall GDP, the manufacturing sector has shrunk to a ten-year low, from almost 18.8% in 2000 to 15.8% of total output in 2006.



Source: Emerging Markets Economic Data Limited (EMED) and Statistics Canada.

Although not necessarily a negative development in itself since the returns in the natural resources and energy sectors have been outstanding because of high prices, the reallocation of labour has the potential to cause friction in the economy such as temporary unemployment from layoffs and delays in skill development for workers new to a particular sector. However, continuing low unemployment and solid GDP growth speaks to the flexibility in the Canadian economy and its ability to adjust to the rapid global macroeconomic changes over the past few years.

An ongoing concern for Canada is its poor productivity performance relative to that of the United States and many other OECD countries. Productivity growth differentials began to narrow in the late 1990s but then widened again, following the end of the dot-com boom as Canadian productivity stagnated and U.S. productivity growth accelerated.



Note: Growth in the multi-factor productivity index represents the growth in the productivity of labour and capital employed in production.
Source: OECD.

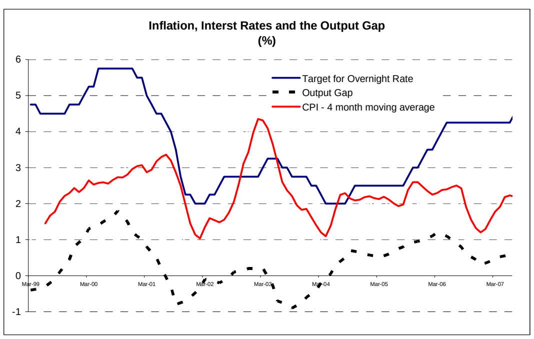
Various studies have attempted to identify some of the elusive factors underlying the Canada-U.S. productivity gap. First, Canada is less intensive in information and communication technology (ICT) industries, which have been important drivers of productivity gains over the past decade. Also, ICT investments in most Canadian industries have been, on the margin, less productive than in the United States. This suggests that Canadian companies have been less successful, or at least slower, at integrating new ICT technologies into their organizational structure. Perhaps most importantly, Canada has been found to be less successful at redirecting resources to more productive sectors.

The continuing gap has long-term implications for standards of living and even inflation, given Canada's aging society. While the reasons for Canada's trailing productivity are likely structural and not easily addressed, DBRS views the federal government's 2007–2008 budget as a step in the right direction as it encourages the lowering and even elimination of some corporate taxes, in particular capital taxes. This is a positive move toward stimulating investment and the adoption of new technologies, both of which can only benefit Canadian productivity performance.

Monetary Policy and Financial Stability

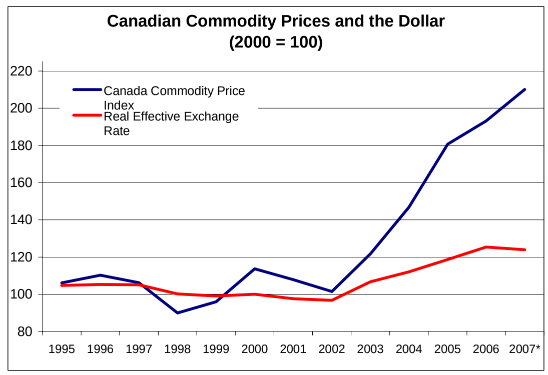
The Bank has been aggressive in moving to head off inflation. Although headline inflation began to come down midway through 2006, it has since rebounded and is now predicted to peak at 3% by the end of 2007. Citing this higher and more persistent inflation, the Bank recently moved to raise its key policy rate 25 basis points to 4.5%.

The Bank notes that lower-than-expected labour productivity is an important factor placing upward pressure on inflation. Initial projections of average growth in potential output from 2004 to 2006 were approximately 0.2 to 0.4 percentage points higher than current estimates due in great part to the lagging labour productivity growth. This decrease in estimated potential output growth results in a lower non-inflationary productive capacity, which can lead to a positive output gap, a potentially inflationary situation. While seeming to turn back toward zero after the first quarter of 2006, the output gap has since widened with inflation rising concurrently. Hence the Bank's recent decision to increase its policy rate.



Source: Bank of Canada and EMED.

The July 2007 *Monetary Policy Report Update*, published by the Bank, points to household demand as the main upside risk, indicated by higher levels of borrowing on the part of households and broad money growth. This is roughly balanced by downside risks of the potential for a more prolonged slowdown in the U.S. housing sector and the continuing adjustment of the economy to the appreciation in the Canadian dollar. Sustained high energy and commodities prices will further support the exchange rate and will help exert downward pressure on inflation over the medium term.



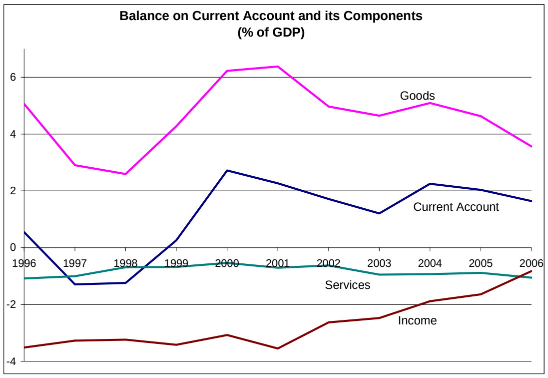
* May 2007. Source: BIS and Bank of Canada.

The Bank suggests that some "modest" increases in the overnight rate may be required to bring inflation back to the 2% target over the medium term. However, this depends on how the upside and downside risks evolve. The Bank's base case projection currently envisions inflation returning to the target by 2009.

Balance of Payments

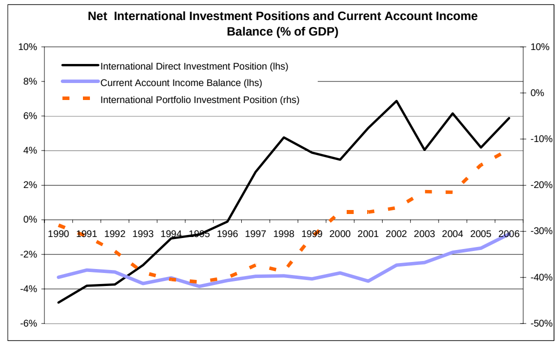
The current account balance remains in surplus on buoyant energy exports but is under pressure from declining merchandise exports in forestry and automotive products and from a steadily increasing deficit in consumer goods trade. These are likely to be attributed to the effects of strong domestic demand and the strong Canadian dollar, which, when measured against a weighted average of Canada's six biggest trading partners, has gained almost 30% since the beginning of 2003.

While the value of Canada's trade surplus in automotive products has been declining since its peak around 1999, the decline has been largely due to significant decreases in prices, as volumes have weakened only moderately over the same time period. Though concerning, given the importance of automotive products to Canadian exports, increases in the export of industrial goods and materials as well as energy products have more than offset these declines.



Source: Statistics Canada.

The deficit balance on the income component of the current account has continued to shrink to long-time lows in both nominal terms and as a per cent of GDP (25-year and 40-year lows, respectively). This has been driven by an improvement in Canada's International Investment Position (IIP), particularly by an increase in portfolio flows relating to Canadian holdings of foreign bonds and, to a lesser degree, the positive trend in Canadian direct investment abroad.



Source: Statistics Canada.

Although Canada maintains a positive net direct investment position, foreign direct investment (FDI) in the country was high in 2006 as a result of large foreign acquisitions of Canadian firms, especially in the mining sector. Canada continues to be an attractive destination for capital and is one of the most open developed countries in the world as a destination for FDI.

POLITICAL ENVIRONMENT

Last election: January 2006
Next election: Before January 2011
Party in power: The Conservatives Party of Canada maintains a minority government with 124 of 308 seats in the House of Commons

The 2006 election brought to power the first Conservative government in over a decade as voter desire for political change and an end to the scandal-plagued former Liberal government outweighed concerns over the more socially right-leaning views of Stephen Harper's Conservatives. Since that time, the Harper government has been able to operate as a minority party in Parliament with a reasonable degree of success.

The 2007–2008 budget introduced in March 2007, which featured both personal and corporate tax cuts and credits, could have been intended as a prelude to an election call; however, polls in recent months have indicated a shrinking (and even disappearing) Conservative lead over the Liberal party. This diminishes the chance that the Conservatives will be eager to call an election in the near future. However, this does not mean that an election would be completely out of the question, as a minority government is potentially subject to a vote of non-confidence at any time.

The Liberal Party is currently in a "rebuilding phase" under the recently elected Stéphane Dion, a former academic and Minister of the Environment. Given his previous cabinet position and the elevated media attention that global warming has been receiving, the environment is likely to feature highly on his political agenda. However, unless there is a large shift in political opinion over the medium term, any new government that the Liberals could potentially form in an election would be destined to be a minority one. This means that players such as the New Democratic Party and the Bloc Québécois would wield influence greater than what is implied by their current number of seats in Parliament.

The Conservative government has taken steps to improve relations with the United States, by far Canada's most important trading partner. Nonetheless, certain commercial tensions exist and in early June Canada filed a complaint with the World Trade Organization over U.S. agricultural subsidies after previous consultations produced no resolutions. On the international front, the Canadian military mission in Afghanistan has so far been received with mixed feelings by the Canadian population. This has the potential to open an avenue for the opposition to challenge the government should public support decline significantly.

Selected Indicators

For the year ended December 31, unless otherwise noted CAD billions unless otherwise noted.	2006-07**	2005-06	2004-05	2003-04	2002-03	2001-02
Public Debt						
General Government	n.a.	n.a.	791.2	793.3	794.5	796.7
% GDP	n.a.	n.a.	61.3%	65.4%	68.9%	71.9%
Central Government	413.7	421.1	427.4	434.0	437.5	441.8
% GDP	28.3%	30.1%	32.6%	35.4%	37.2%	39.8%
Domestic Debt						
Central Government	403.4	407.1	411.1	413.4	416.4	414.8
% GDP	27.6%	29.1%	31.4%	33.8%	35.4%	37.4%
External Debt						
General Government*	140.1	136.0	138.8	138.8	135.5	n.a.
% GDP	9.7%	9.9%	10.8%	11.4%	11.8%	n.a.
Central Government	10.4	14.1	16.3	20.5	21.1	27.0
% GDP	0.7%	1.0%	1.2%	1.7%	1.8%	2.4%
Gross External Debt*	786.2	723.9	674.7	760.7	813.7	n.a.
% GDP	54.4%	52.6%	52.3%	62.7%	70.6%	n.a.
Net External Debt*	740.0	683.1	633.8	716.4	764.8	n.a.
% GDP	51.2%	49.7%	49.1%	59.0%	66.3%	n.a.
% of Current Account Receipts	124.5%	118.8%	117.6%	144.2%	148.5%	n.a.
Fiscal Balances (% GDP)						
Central Government Balance	0.7%	0.9%	0.1%	0.7%	0.6%	0.7%
Revenues	15.8%	15.9%	16.2%	16.2%	16.2%	16.6%
Expenditures	15.1%	14.9%	16.1%	15.5%	15.6%	15.9%
Interest Payments	2.3%	2.4%	2.6%	2.9%	3.2%	3.6%
Interest Payments (% revenues)	14.6%	15.2%	16.1%	18.0%	19.6%	21.6%
Central Government Primary balance	3.0%	3.4%	2.7%	3.7%	3.8%	4.2%
General Government Balance	n.a.	1.2%	0.3%	-0.7%	-0.6%	0.0%
Balance of Payments & Liquidity*						
Current account balance	23.6	27.9	29.1	14.7	19.8	25.1
% GDP	1.6%	2.0%	2.3%	1.2%	1.7%	2.3%
Trade balance	36.1	51.3	53.8	44.9	50.1	62.8
Foreign direct investment (% GDP)	1.9%	0.0%	-4.2%	-1.6%	-0.6%	-1.2%
International reserves	46.2	40.8	40.9	44.3	49.0	52.0
International reserves (ratio to short-term external debt)	15.8%	16.2%	19.2%	17.7%	18.8%	-
International Investment Position	-99.0	-166.4	-181.1	-206.2	-206.9	-203.4
External assets	1190.4	1013.4	955.4	918.2	979.4	922.0
External liabilities	1289.4	1179.9	1136.6	1124.4	1186.3	1125.4
Other Indicators*						
Real GDP (% change yoy)	2.8%	3.1%	3.1%	1.9%	2.9%	1.8%
Inflation (CPI)	2.0%	2.2%	1.9%	2.8%	2.3%	2.5%
Broad money (M2) (% change yoy)	9.3%	5.6%	6.2%	6.2%	5.1%	6.1%
Real exchange rate index (2000=100)	5.6%	6.0%	4.9%	10.4%	-0.9%	-2.4%
Exchange rate (end of year CAD/USD)	1.15	1.16	1.22	1.31	1.56	1.58
Credit to private sector (% change yoy)	7.8%	8.1%	8.4%	5.0%	5.1%	5.2%
Government 1-year bond yield	4.2%	3.1%	2.6%	3.0%	3.1%	3.8%
Real interest rate	2.2%	0.9%	0.7%	0.2%	0.8%	1.3%

* Based on calendar year-end. ** 2006–2007 government data are projections and not yet finalized. n.a. = not available.

Note: General Government consists of federal, provincial and local governments; General Government total debt is calculated as financial liabilities minus financial assets. Central Government debt consists of marketable bonds, notes and bills, Canada Savings Bonds, Canada Investment Bonds, Canada Premium Bonds, Canadian Pension Plan (CPP) bonds and foreign currency bills, bonds and notes, obligations related to capital leases and amortization adjustments. General Government balance does not include the CPP or Québec Pension Plan (QPP) balances.

Note:

All figures are in Canadian dollars unless otherwise noted.

The ratings and trends of the Government of Canada apply to the debt of the following entities guaranteed by the Government of Canada either explicitly or implicitly through agency status:

Business Development Bank	Farm Credit Corporation
Canada Mortgage and Housing Corporation	The Canadian Wheat Board
NHA Mortgage-Backed Securities	Export Development Canada