city of Montreal which will form part of the Trans-Canada Highway. Already, there are 1,000 men at work on the site and the Quebec government expects 2,400 men to be at work by April. Several times that number of jobs will be created in supplying and carrying material to the site. Our officials have agreed with the government of British Columbia on allocation of that province's $37-million share of the loan fund for municipal projects in the province. B.C. plans work on these to start immediately. We have been meeting with the other provinces in order to expedite projects and they will be submitting applications within days. There will be no delay in granting approval for qualified projects....

...We took the decisions which succeeded in bringing under control the worst peacetime spiralling of prices and costs, and we have and will take the decisions to achieve a substantial and sustained economic expansion

The effect of all these changes in fiscal and monetary policy over the course of the past ten months has been to provide a very large stimulus for expansion of the Canadian economy....

BRIGHTER FORECAST

At the outset of my remarks, I readily acknowledged that the performance of the economy generally over the course of 1970 was not as buoyant as we would like to see. Nevertheless, there are substantial elements of strength apparent that augur well for the future.

In the budget, I pointed out that real output in the economy has begun to rise again in the third quarter following a pause in the second. It will be some time yet before the national accounts for the fourth quarter are published, but it is encouraging that in November the industrial production index, an important indicator of economic activity, increased by 1.3 per cent over the previous month. This increase, which is the largest month-to-month rise since last February, occurred despite the serious drag on industrial output resulting from the General Motors strike.

A further sign of gathering strength in the Canadian economy is evident in the value of non-residential building permits issued in October and November, which were above the levels of a year ago for the first time in 1970. After lagging earlier in the year, housing construction increased sharply during the latter part of 1970 because of the heavy injection of funds provided by the Federal Government as part of the series of measures adopted to promote faster economic growth. During the fourth quarter of last year, the number of housing starts was running at a seasonally-adjusted annual rate of 260,500, which is the highest rate recorded since the first quarter of 1969.

Only late last week, the Dominion Bureau of Statistics reported that, as a result of a substantial increase in exports, Canada achieved a merchandise-trade surplus with other nations of $2.95 billion. This is not only more than double the previous peacetime peak of $1.3 billion in 1968 but also exceeds the 1945 wartime record of $1.7 billion by more than $1.2 billion.

During 1970, business-capital investment lagged significantly behind the increase originally anticipated by private companies contributing to the moderation of economic growth. Despite this shortfall, however, it is encouraging that a recent survey of some 200 large corporations in Canada undertaken by the Department of Industry, Trade and Commerce indicated that these companies expected their capital investment during 1971 would exceed actual expenditures last year by approximately 11 per cent.

A major source of economic strength is the extraordinary progress made during the course of the past year in bringing inflationary prices under control. In December, the consumer price index declined by .4 per cent from the previous month. The year-to-year increase in the index for December of 1.5 per cent was the smallest rise since 1964. Between February and December, the consumer price index also rose by only 1.5 per cent on a seasonally-adjusted basis, which is a substantially smaller increase than that of my other major industrial nation.

During 1970, there was a substantial decline in interest-rates, reflecting the easing of monetary policy started last year and the growing confidence that inflation was being brought under control. By mid-January of this year, the yield on 91-day Treasury bills was 4.66 per cent, compared to yields of more than 7.5 per cent recorded in late 1969 and early 1970. Earlier this month there was a further reduction from 7.5 per cent to 7 per cent in the prime lending-rates of the chartered banks, which, during January, have also led a movement toward lower NHA mortgage rates. There has been a substantial decline in other long-term rates as well. By the middle of this month, the rate on long-term Government of Canada bonds was down to around 6.7 per cent, compared to rates of more than 8.3 per cent at the turn of 1969/70. All of these developments on the monetary front will contribute in a very real way to economic expansion.