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Review of Canada's economy in 1972 and outlook for 1973

The following is a partial text of a recent address by Mr. Alastair Gillespie, Minister of Industry, Trade and Commerce:

The Canadian economy moved up strongly in 1972, and for the first time, Canada's gross national product surpassed the \$100-billion level. Output in real terms increased by about 5.5 per cent, a rise well in line with the country's longer-term potential. It is encouraging as well that the final quarter of this year witnessed a particularly strong upturn in economic activity in Canada following a temporary setback in the third quarter.

The number of new job opportunities greatly improved and employment advanced about 3 per cent from 1971 to 1972. At the same time, the labour force has continued to increase rapidly, giving Canada the highest growth in this area among the economically more advanced countries of the world. Under these circumstances, unemployment has persisted, even in the face of strong measures to provide jobs for all who are willing to work. The rate of unemployment for the full year has shown little change from the rate of 6.3 per cent in 1971.

Despite improvement in productivity, recent gains in the economic tempo have been accompanied by some acceleration in the upward course of prices after inflationary pressures had eased during 1970 and 1971. A substantial upswing in food costs following a year of near stability has played a major role in the continuing price rise. Over the past four years, Canada's price performance has been better than that of our principal trading partners. Even in 1972, only the United States, which has maintained some degree of wage and price control during the year, appears to have had a smaller price rise....

Trade

On the external side, the trend of Canada's merchandise exports strengthened in 1972, though it has been subject to more than usual monthly variations, partly a result of distortions in shipment caused by strikes of dock-workers in Canada and also abroad. The export total advanced by around 13 per cent, compared with its level in 1971, a rate more than twice as fast as in the preceding year.

A notable upsurge in exports to the United States, reflecting the strength of American economic recovery, accounted for most of the absolute rise in Canadian exports. Overseas sales have begun to improve in recent months after a period of slack in the economies of several industrial countries during 1971. For the full year there were sizable increases in exports to Japan, Latin America and to state-trading countries. Trends in exports to Britain and other Commonwealth countries, and to the European Community, have strengthened recently after remaining comparatively sluggish for much of the past two years.

Merchandise imports in 1972, however, were up even more sharply than exports, the rise continuing to accelerate as Canada's economy pursued a more rapid pace of expansion. As a result of this divergence, the merchandise-trade surplus declined substantially for the second successive year, from a level of over \$2 billion in 1971 to a figure approximately half as large in 1972. The decline in the merchandise trade surplus was reflected in a deterioration in the current-account balance, which moved from a surplus of about \$1 billion in 1970 to a deficit of nearly the same proportion in 1972.

Despite these trends, the underlying external environment has been more favourable than in 1971. The realignment of currencies in December 1971, by improving the competitive balance among major trading nations, has reduced international monetary uncer-

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