

than 12 per cent over the \$10-billion level Canadian exports are expected to reach in 1966.

Addressing the annual convention of the Canadian Export Association, Mr. Winters urged new companies to join the "export community" in Canada and for greater efforts by Canadian firms to boost foreign sales. He also spoke of steps to be taken by the Government to develop new export opportunities.

Mr. Winters said that strong export growth must continue in order to meet the mounting foreign-exchange needs of Canada's growing economy and to ensure industrial expansion on sound and productive lines. "If Canada is to maintain a position in the forefront of the world's economic advance," he said, "further penetration of foreign markets must be pursued by striving to sell, with imagination and determination, the goods and services in which Canada can excel."

NEW EXPORTERS

Stressing the need for the development of new exporters Mr. Winters exhorted all companies that had never entered the export field to give the Trade Department an opportunity to help them find export markets. He expressed confidence, based on the replies to his letter setting forth "guiding principles of good corporate behaviour", that a number of Canadian subsidiaries of foreign-owned companies would soon be exporting goods for the first time.

STEPS FOR DEVELOPMENT

Mr. Winters disclosed a number of new initiatives designed to help industry achieve its export goals, namely:

(1) his intention to form a senior export advisory council of Canadian businessmen to advise on the export promotion programme and to give leadership within their industry and business associations;

(2) a plan to recall senior Canadian trade commissioners from their posts during the spring of 1967 to travel across Canada advising Canadian businessmen on market opportunities in their respective areas;

(3) his intention to write the presidents of several thousand present and potential exporting firms asking them for a careful re-assessment of their export capabilities and for their views on appropriate support and assistance from the Government;

(4) a Government decision to make available longer term credits and credit guarantees to assist sales of appropriate capital equipment to the U.S.S.R. and other Eastern European countries. Until now, Government support for exports to these countries has been limited to guarantees of private credits not exceeding five years. Long-term credit is already available for capital equipment exports to other countries and a bill before Parliament will increase from \$400 million to \$500 million the ceiling on credit of this type available under the Export Credits Insurance Act.

The Minister also announced an expansion in his Department's trade missions programme, particularly with respect to visits to Canada by foreign buyers.

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GROSS NATIONAL PRODUCT

The Dominion Bureau of Statistics reports that, following an unusually strong rate of advance in the level of economic activity in the first quarter of 1966, the gross national product in the second quarter increased by 1.6 per cent, of which 1 per cent was attributable to price change. Domestic demand originating in the government and business sectors continued to show significant increases, while consumer spending on goods and on services moderated considerably.

AUTO SALES DROP

A feature of the second quarter was the sharp drop in demand for new automobiles, a drop that had a pervasive effect on the economy. The decrease in car purchases was evident in most of Canada; in Ontario it was reinforced by high-level first-quarter purchases associated with the April 1 increase in the Ontario sales tax. With production of new cars declining by less than the decrease in final demand, there was a build-up of automobile inventories at the manufacturing, wholesale, and, most notably at the retail level. There was also a decline in demand in the United States, which may have affected Canadian exports of automobiles, which decreased from their high first-quarter level, discounting seasonality. By the end of the quarter, sales of new cars once again increased, but to a level that was well below that of the preceding four quarters.

Consumer expenditure on non-durable goods and on services showed moderate increases from the first quarter which, however, were largely offset by the decline in durable-goods spending. Consequently, total personal expenditure rose by only half of one per cent. After taking account of price increases, personal expenditure showed a fractional decline.

Expenditure on goods and services by all levels of government combined rose by nearly 2.5 per cent. This increase was concentrated at the provincial-municipal level. Federal outlays increased only marginally.

INVESTMENTS

Business investment in plant and equipment continued to increase, with a fractional decline in investment in machinery and equipment moderating a gain in expenditures on new non-residential construction. Investment in housing increased by about 3.5 per cent, though starts, particularly of apartment dwellings were down in the first half of this year, when compared to the number this time last year.

Investment in inventories in the second quarter reached a level of \$1.2 billion, at annual rates, up strongly from the \$0.7 billion first-quarter level. All the major industries showed a build-up of inventories in the second quarter.

EFFECTS OF STRIKES

Following a sharp contraction in the current-account deficit in the first quarter of 1966 to \$0.7 billion, the deficit widened to \$1.0 billion at annual rates in the second quarter. A decline in the merchandise balance