

COMMERCIAL FAILURES

Business failures recorded under the provisions of the Bankruptcy and Winding Up Acts numbered 824 in the third quarter of 1963, an increase of 5.6 per cent from the 1962 revised third-quarter total of 780. Defaulted liabilities were estimated at a value of \$42,656,000, a sharp rise (39.4 per cent) from the year-earlier total of \$30,600,000. The average failure liability advanced significantly (32.0 per cent), to \$51,767 from \$39,231.

Failures in the trade sector, where the largest number occurred, numbered 327 in the third quarter, down from 368 in the third quarter of 1962, while estimated liabilities increased to a value of \$12,612,000 from \$11,866,000. Failures increased in construction to 170 from 143, with liabilities of \$7,289,000 against \$7,549,000, and rose in manufacturing to 86 from 74, with liabilities of \$8,618,000 versus \$3,629,000. The large increase in liabilities in the manufacturing sector was due largely to failures in primary and fabricated metal, machinery and miscellaneous industries.

PROVINCIAL FIGURES

There were 447 bankruptcies in Quebec in the third quarter of 1963 compared to 419 in the same period of 1962. Estimated liabilities rose to \$18,612,000 from \$14,124,000, average liabilities increasing to \$41,638 from \$33,709. In Ontario the number of business failures increased to 311 from 292 and average liabilities to \$63,829 from \$49,134. The number of bankruptcies in the Prairie Provinces decreased to 33 from 47, but average liabilities increased to \$40,121 from \$33,830. In British Columbia the number of failures was unchanged, while average liabilities advanced to \$89,750 from \$25,750.

CANADA'S ECONOMY IN 1963 AND

THE OUTLOOK FOR 1964

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incomes. Such conditions could be short-lived, however, unless they are accompanied by the kind of initiatives which will ensure a continued strengthening in our position in both home and foreign markets. In Canada's open economy, mounting prosperity can all too readily bring a resurgence of imports and strain in our balance of payments. Such an eventuality will be avoided only by pressing forward in our efforts to expand existing markets and develop new ones wherever there are opportunities for economic production. From this point of view, Canada supports and looks forward to participation in next year's important round of trade and tariff negotiations.

Continued competitive ascendancy in traditional export lines is, of course, tremendously important to our national well-being. However, this in itself is not enough. Even in the best of circumstances, proceeds from the sale of our major food and industrial-material exports are not likely to be adequate, in the longer run, to meet the ever-mounting foreign-exchange requirements of a prosperous

Canada. No lasting solution to our balance of payments and related problems is likely to be achieved except through the further substantial broadening and filling out of Canada's industrial structure on a competitive basis.

MAINTAINING MOMENTUM

Canada's current-account deficit has been reduced from a high of \$1.5 billion in 1959 to scarcely more than one third of this amount in the 12 months ending September 1963. The promising outlook for exports in the ensuing year might seem to bring us within sight of balancing our external accounts for the first time in a decade. In the interim, however, imports also are rising and further progress in reducing Canada's reliance on net foreign borrowing might yet prove ephemeral unless we are able to sustain our present momentum toward broader participation in both home and foreign markets. With the more limited availability of foreign capital following upon recent taxation proposals in the United States, this is no time to risk a reversal in our external-payments position. This is why it is so important to press ahead with the task of filling existing gaps in our industrial structure.

International competitiveness has a special significance in Canada's present economic circumstances. Improved performance in internationally competitive lines means, at one and the same time, a stronger external-balance position with less reliance on foreign borrowing, increased employment and further absorption of slack, and finally higher production and incomes with favourable consequences for the budgetary position of governments and private bodies alike. In short, it is the key to further progress in resolving the paradox in recent years of excessive reliance on foreign resources at a time when domestic resources are not being fully utilized.

It should be remembered, of course, that internationally-oriented industries make up the lesser part of the total structure of industry and cannot, therefore, be expected to provide all, or even most, of the new employment opportunities necessary to absorb a growing labour force. Moreover, productivity is improving especially rapidly in this segment of industry, which means that substantial increases in production can be achieved with relatively little additional employment. Export and import competing industries can make their most vital contribution to the national well-being by giving sufficient viability to our external financial position to support adequate growth in the economy at large. Growth in domestically-oriented sectors of the economy, where most of Canada's labour force is employed, can proceed in a sound and healthy fashion only if the economy is made free of vulnerability to balance-of-payments strain. This is why the further strengthening in our external-payments position is so important at this time. All-out economic growth is not only fostered by, but is also conditional upon, a strong external financial position.

Canadians can never afford to forget that the economic health of a trading nation depends primarily upon the strength of its performance internationally.