

U.S. economy, stimulated by its expansionary policies, is the greatest factor in this collective growth, the Canadian economy was already responding in the final quarter of 1970 to new programs introduced in June. In December, further measures were put into effect to step up manpower programs and encourage regional growth. These measures include spending, and inevitably give rise to significant fiscal deficits.

Canadian monetary policy has also been expansionary. The bank-rate has been reduced in a series of steps from 8 per cent last July to the present rate of 5.25 per cent, accompanied by a faster rate of increase in the money supply and an overall decline in interest rates. These measures, together with the recovery in the U.S.A., are having a significant impact on the rate of growth in Canada. We expect that this year the increase in our gross national product (GNP) will be more than 5 per cent, as against 3.3 per cent in 1970.

Difficult problems of unemployment facing a number of member countries are compounded in Canada by the very high rate of growth of our labour force. Regional differentials in unemployment and the high cost of mobility of the labour force in our vast country add to the problems. This means that our internal policies must be designed to meet the special needs of relatively disadvantaged areas and the same time provide adequate job opportunities for the country as a whole. Better mobility in the labour force can help but cannot in itself provide a total or lasting solution to the basic problem.

The expansionary measures I outlined are bringing about a general improvement in the employment situation. The seasonally-adjusted unemployment rate decreased from 6.6 per cent at the end of 1970 to 6.0 per cent at the end of the first quarter of this year, despite one of those unusually severe winters that can have a major impact on employment in Canada. We are confident that this trend will continue throughout 1971 as our programs become fully effective, although we did encounter an apparent set-back in the unemployment figures for April.

Inflation continues to be a very serious problem in most industrial countries, not only because of its essential unfairness but because it constitutes a threat to continued economic growth and employment. I note from the documents that the average GNP deflator for the OECD as a whole was 5.7 per cent in 1970 compared to 4.6 per cent in 1969. Some deceleration in consumer prices occurred in Canada, the U.S.A., France, Austria and Denmark. This was offset by more rapid increases in other countries, and I note that we can expect only a minor improvement in price performance in 1971.

Canada had considerable success in 1970 in meeting the problem of inflation. In the calendar year our consumer-price index rose by 3.3 per cent, and during the most recent 12-month period for which statistics are available by only 1.8 per cent. Among the contributing factors were an unusual decline in food prices and the impact of currency appreciation in our domestic price level. The rate of increase in prices was slightly higher in the first quarter of 1971 than 1970, primarily as a result of an expected rebound in food prices, which were unusually low in the latter part of 1970 due to a price war between major Canadian supermarkets. Increases in labour costs tend to be a bit below last year's average. Nonetheless, we agree with the Secretary-General that it is essential to remain alert to a possible resurgence of inflationary pressures.