

indication of an early return to a strongly upward trend. Aircraft and parts manufacture has continued the fairly sharp decline evident in the previous two years.

Mining activity has increased further, though more slowly than in 1970, with the largest gains in crude petroleum, natural gas and coal. Metal mining has increased only slightly, after a very strong rise in 1970. Demand for the major metals has been sluggish, with reduced prices, leading to curtailment of operations by several companies. In the forestry sector the highlight has been the marked upswing in lumber and plywood output in response primarily to the upsurge in residential construction. On the other hand, the pulp-and-paper industry has continued relatively slack, its output lagging behind for the second consecutive year. Although more adversely affected than most pulp-and-paper products, the newsprint industry appears to have picked up moderately toward the end of the year, after operating well below capacity for a considerable period.

Service-producing industries have shown somewhat faster growth than last year. The strongest rise has been achieved in the distributive trades, which, of course, have benefited from the strong stimulus to consumer spending. Community, business, financial, and personal services, and public administration have again moved moderately higher.

Prospects for 1972

Underpinning economic prospects for 1972 is the continuing strength of consumer demand supported by the sustained rise of personal incomes and reinforced by reductions in personal taxes. Additional stimulus will come from the new programs announced by the Minister of Finance in October, providing increased funds for capital purposes and for housing. While a further sharp increase in housing starts is unlikely, the high level of starts in the current year has resulted in a record carry-over of uncompleted houses, ensuring a high rate of completions in the months ahead.

An October survey of capital-spending intentions of large companies indicated an anticipated increase in outlays of 3 per cent in 1972, following upon an increase by those same firms of 10 per cent in 1971. However, since the survey was made, spending plans have probably been bolstered by the stimulative measures contained in the October budget, including a lower corporate-tax rate, by the current uptrend in profits generally and by the salutary effects on the business climate arising from the Group of Ten agreements in December. Thus total private and public investment is likely to be a significant source of growth stimulus in the coming year.

Canada's export prospects for 1972 are buttressed by an expanding U.S. economy, which has been given new impetus by the competitive lift arising from realignment of world currencies. At the same time, the present high exchange-rate applicable to the Canadian dollar relative to the U.S. dollar will make it more difficult for Canadian exporters to maintain their share of the expanding U.S. market.