

trend of unemployment that began last October, and because it is sharp contrast to indicators pointing to the continuing expansion of the economy over the past seven months or so. This increase in seasonally adjusted unemployment in April is worrisome because it understandably raises questions about the strength and durability of the resurgence now under way in Canada.

While the increase in unemployment between March and April is undoubtedly a matter of concern, it would be the height of folly to leap to the conclusion that the economy has moved badly off course and requires a major correction on the basis of one month's change in only one of a series of important economic indicators. The unusually small increase in employment that took place between March and April may well have been caused by a number of temporary factors. Obviously, one of the foremost is that the severest winter in the memory of most of us only slowly gave way to spring in many parts of the country, delaying both the opening of the St. Lawrence Seaway and the quickening of the pace of economic activity that normally occurs in many other sectors around this time of year.

The tempo of the economy already may have picked up sufficiently during the weeks since the last labour force survey to take up all or most of the slack that developed last month, although there are new uncertainties associated with the current U.S. rail strike. Certainly, that was the experience in 1967 when employment in April of that year rose by only 36,000 compared with the average gain of 97,000 for that month in the three previous years. In May, 1967, however, employment rose by more than the average gain for that month, almost completely taking up the slack that developed in April.

Since the budget was introduced last December, Mr. Speaker, it has become clear that the economy began to move forward strongly during the last quarter of 1970 following the slower pace earlier in the year. The Gross National Product in real terms rose between October and December at a seasonally adjusted annual rate of 6.4 per cent, in contrast to a decline of 3.4 per cent in the real GNP of the United States during the fourth quarter.

**Mr. Stanfield:** Real figures?

**Mr. Benson:** These are real figures.

There is no comprehensive picture yet available of the economy during the early months of this year. On balance, however, and after taking account of short but sharp changes that may occur from month to month in individual indicators, there appears to be every reason to believe that the economy continued to move forward at a healthy rate, while the U.S. economy also began to gain momentum after the reversal of the fourth quarter of 1970.

During the first quarter, the index of industrial production rose by 1.2 per cent above the level in the fourth quarter of last year, when there was in turn an increase of .7 per cent over the third quarter. Retail sales, which have tended to be sluggish, were up by 3.1 per cent in the first quarter over the level a year ago, and I am informed that on a seasonally adjusted basis this is the

strongest quarterly increase since the first quarter of 1969.

The general loans of the chartered banks, that is, business loans, have been increasing sharply, rising at a seasonally adjusted annual rate of 10 per cent in January, 16 per cent in February, and 28 per cent in March. The number of housing starts in April jumped to 254,000 on a seasonally adjusted annual basis, while in the first quarter housing starts were running at a rate of nearly 204,000.

Although there was some decline in March, during the first three months of this year manufacturers' shipments rose by 3.5 per cent over the last quarter of 1970 and new orders rose by 6.4 per cent.

**Mr. Stanfield:** Is that real?

**Mr. Benson:** Real.

**Mr. Stanfield:** Yes, but is it in constant dollars?

**Mr. Benson:** Yes, in real dollars.

During the first four months of 1971 exports increased by 1.7 per cent above the very high level of a year ago, while imports rose by 1.5 per cent. The result was a merchandize trade surplus from January to April of \$813 million, compared with a surplus of \$789 million in the same period a year ago. In the period from September to March, Canada experienced a growth in employment of 3.1 per cent at an annual rate seasonally adjusted. The seasonally adjusted level of unemployment maintained a reasonably steady downward trend from 6.8 per cent to 6 per cent. As I acknowledged before, the increase in the rate in April represents a sharp break in this trend. It is by no means evident, however, that the general downward trend has been reversed. I might point out, Mr. Speaker, that in the United States, the seasonally adjusted rate rose from 5.8 per cent in February to 6.1 per cent in April, despite the substantial pick up under way in their economy.

• (3:40 p.m.)

**Mr. Valade:** Is it adjusted?

**Mr. Benson:** Seasonally adjusted.

Over the course of the past 14 months or so, both fiscal and monetary policies progressively became more strongly expansionary as the existing inflationary price pressures began to recede. The supply of credit has increased substantially and there has been a marked decline in the interest rates. The federal government has adopted a wide-ranging series of measures to encourage expansion of production and employment in those regions and industries most adversely affected by slow economic growth. There was a swing in the cash requirements of the government during 1970-71 from the previous year of around \$1.7 billion, which represents a substantial degree of fiscal stimulus to the economy. A further large boost will be provided to the economy from the fiscal policies of the federal government during the current year. I am informed that the fiscal outlook which I gave last December is much more expansionary than the so-called full