

Female heads Canada Council

Secretary of State J. Hugh Faulkner has announced the appointment of Mrs. Gertrude Laing of Calgary, Alberta, for a three-year term as chairman of the Canada Council. She replaces John Prentice of Vancouver.

Mrs. Laing, a native of Tunbridge Wells, Kent, England, has been with the Canada Council since 1974.

The Canadian economy

(Continued from P. 2)

motor vehicles in Canadian assembly plants, after faltering briefly in the spring, continued at a high rate. Overall production of motor vehicles in 1975 totalled about 1.4 million units, which was not far short of the 1.5 million produced in 1974. The experience of the important parts and accessories segment of the auto industry has closely paralleled that of auto assembly, with output also moderately down from the previous year. Elsewhere in the transportation equipment industry, both shipbuilding and railway rolling stock groups showed increases in output, among the comparatively few manufacturing industries to do so for the year as a whole.

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Economic prospects in 1976

The Canadian economy now appears to be headed for a recovery through 1976. The third quarter of 1975 marked a moderate recovery in real GNP and this is expected to continue. Early appraisals indicate that the increase in real output in Canada next year will be larger than that of most of its important trading partners and should be more in line with Canada's longer term growth potential.

Economic prospects thus are encour-

aging. However, conditions at the outset of the 1975-76 upturn are more difficult than in the early stages of most postwar business recoveries. While unemployment is the highest since the beginning of the Sixties, the rate of price and wage increases continues unusually high. Policies of the Federal Government have been adapted, accordingly, to provide as much stimulus to business activity as possible consistent with an orderly further deceleration of inflation. The anti-inflation program introduced last October is a crucial segment of the Government's comprehensive attack on the problem. But prices and income restraints are only a part of the total picture.

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International influences

The expected improvement in the international environment should stimulate business activity in Canada in 1976. Economic recovery clearly is under way in the United States and Japan, and should spread to other important trading countries early in the new year. Canada's exports should soon begin to benefit from a renewal of growth in these countries, though its impact may be modest for much of the year.

The rate of increase in imports is expected to be less than that for exports in much of 1976. This means that Canada's merchandise trade deficit should be considerably reduced in 1976; indeed, our merchandise trade may be in a balance position for the year as a whole.

In addition to a significant strengthening in the merchandise account, Canada's position in non-merchandise transactions is also likely to become somewhat more favourable. Our receipts in the travel accounts will be increased by the larger number of visitors from abroad to see the Olympic Games in Montreal. As a result, the deficit in Canada's current-account balance of payments is likely to be considerably reduced from its 1975 level. However, it still will continue to be relatively high by historic standards.

Domestic factors

An upswing in confidence as the economic recovery gains momentum in 1976 should provide renewed impetus to consumer spending in Canada. The strengthening of personal disposable income now under way, resulting from

reduced short-time working and a firming up in employment, will provide the necessary foundation for this. Moreover, the increase in consumer prices should be expected to moderate in 1976 helping to augment the real purchasing power of the average income earner's take-home pay. Some additional support to economic levels therefore can be expected from consumer buying in 1976.

The prospects are good too, for increased firmness in the market for new homes. The Federal Government intends to encourage a continuing high rate of home building.

Already in the final months of 1975 the rate of new housing starts has risen significantly from earlier months in the year, and the stronger pace should be maintained or exceeded in 1976.

The role of capital spending should continue to be of major importance in the immediate future of the Canadian economy. The survey of 300 large Canadian corporations carried out in October by the Department of Industry, Trade and Commerce shows that these firms plan to raise their outlays by 28 per cent in 1976. Although this is slightly less than the increase of 30 per cent projected in the October survey of a year earlier, it is still of major proportions, and can only be regarded as an indication of confidence in the favourable prospects of the Canadian economy. In both years about one-half of the advance is attributable to price increases, meaning that the rise in investment in real terms is still a very considerable one.

According to the results of the survey these investment intentions are dominated by expansion of existing plants and the carry-over of projects started in 1975 and earlier years. Increases in capital investment are planned in the pulp and paper industry, primary metals, oil and gas companies and pipelines, mining and utilities. Capital spending intentions of chemical manufacturers and transportation and storage groups are less buoyant than a year ago, however,

Business inventories should increase in 1976 in response to increased production and sales. On the other hand, governments in general will provide less stimulus to the economy in 1976 than in 1975.

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