

Current Economic Situation in Canada

- Real GNE increased 3 per cent in 1981 after remaining stagnant in 1980. The first half of 1981 witnessed strong growth as real GNE advanced at a 5 per cent annual rate, but then the economy slid into recession beginning in the third quarter. Real GNE declined at an annual rate of $2\frac{3}{4}$ per cent in the second half of 1981. These Canadian developments were fairly similar to those in the United States. For the year as a whole, business fixed investment, which increased 7 per cent, and inventory accumulation, which increased \$1 $\frac{1}{2}$ billion in real terms, were the main sources of strength. The foreign balance deteriorated in both value and volume terms. Consumer and government spending increased but relatively slowly. Residential investment posted a small increase in real terms which, however, was a significant improvement over the more than 10 per cent decline registered in 1980. Real GNE is expected to have declined in the range of 1 per cent in the first quarter of 1982, mainly in response to a significant slowing of investment.

- Employment growth, on average, matched labour force growth to keep the unemployment rate virtually unchanged at $7\frac{1}{2}$ per cent in 1981. However, the unemployment rate jumped to 8.2 per cent in September in line with the slowdown in economic activity and has since reached a postwar high of 9.6 per cent in April. Labour productivity, which declined 2.7 per cent in 1980, recovered significantly in 1981, but, at 0.4 per cent, its growth was significantly less than in other major OECD countries and also in relation to Canada's historical experience.

- Canada's inflation rate, as measured by the per cent change in the consumer price index, averaged $12\frac{1}{2}$ per cent in 1981, up significantly from the $10\frac{1}{4}$ per cent rate observed in 1980. However, the year-over-year rate of inflation peaked in July at 13 per cent and has since declined moderately to a rate of $11\frac{1}{2}$ per cent in the first quarter of 1982. The schedule of energy price increases under the National