

cent for the first nine months of 1978 compared to the level in the same period in 1977. For September (the latest month for which data is available), manufacturing output was up 10 per cent over that of September 1977 — the eighth straight month of strong output performance.

For the first ten months of 1978, manufacturing employment was up 62,300 or 3.3 per cent compared to that in the first ten months of 1977. In October, manufacturing employment was up 110,000 or 5.7 per cent above the October 1977 level and, on a seasonally adjusted basis, was at its highest level (2,006,000) in at least two years.

The strength of the manufacturing sector was clearly reflected in the performance of business income. Non-farm business income strengthened with a year-over-year increase of 13.9 per cent in the first three quarters of 1978 compared to an 11.2 percent increase for 1977. Corporate profits retained in Canada were up 15.0 per cent in the first three quarters of 1978 compared to a 10.2 percent increase for 1977. In addition, unincorporated business income rose 10.6 per cent so far

this year [1978], compared to a 5.9 per cent rise in 1977.

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Given the momentum that has been built up in manufacturing over the last several months, and given the policy framework that the Government has provided and which it will continue to develop, industry and industrial employment should strengthen over the months and years ahead.

#### General performance

Over-all, the economy experienced a steady although moderate rate of real growth averaging a little less than 4 per cent each quarter from the fourth quarter of 1977 to the third quarter of 1978. In 1979, the economy is expected to continue to grow in real terms at an annual rate of about 4 per cent.

This is a little below our potential growth rate of around 4.5 per cent *per annum*, and, for that reason, perhaps could be described as a little disappointing. Even so, we should not lose our perspective. First, the economy is expected to continue to pick up steam with real

growth rising in the 5 to 5.5 percentage range by 1981. Second, in spite of being below our potential in the last couple of years, from 1973 to 1978 the Canadian economy experienced growth second only to Japan among all the major Western industrial nations.

The U.S. economy, for example, grew more rapidly than ours in 1977 and 1978, but they had a recession in 1975 and we did not. Further, all the signs indicate that they are going to experience very slow growth in 1979 (around 2 per cent), perhaps even another recession, while again we will not.

#### Investment

In contrast to the expected slowdown in exports in 1979, investment spending should increase significantly and be a major stimulus to growth. The annual data for 1978 show real investment as continuing the sluggish performance experienced in 1977. These annual data, however, disguise the underlying trends, and the second and third quarters were quite strong. Machinery and equipment investment, for example, rose a phenomenal 42 per cent in real terms in the second quarter and a further 13 per cent in the third quarter. All the evidence suggests that this is just the beginning. Consumer demand is steadily strengthening, capacity utilization rates are on the rise — even pressing against full utilization in some industries, and business confidence is rapidly improving. ITC's recent survey of investment intentions indicate real investment growth in 1979 of perhaps 5 per cent.

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#### Employment

One of the most significant and positive features of Canadian economic activity in 1978 was the sustained rise in employment.

For the first 11 months of 1978, employment was up 3.3 per cent or 318,000 more jobs over those in the same period in 1977. In contrast, the economy has averaged only 190,000 new jobs in each of the previous three full years (1975 to 1977).

From December 1977 to November 1978, 371,000 new jobs have been created, up 30 per cent compared to figures in the same period last year.

Canada's rate of job creation throughout the 1970s has been the highest among

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### Wheat deal leads way in Canada/China trade boost

Canada's trade with the People's Republic of China will increase from approximately \$500 million in 1978 to well over \$1 billion by 1980, predicted Industry, Trade and Commerce Minister Jack Horner at a press conference in Peking on January 11. Mr. Horner was leading a delegation of 39 businessmen, press and officials on a visit to China from January 7-13.

In his discussions with the Chinese Vice Premier Yu Qiu Li, (Yu Chiu-li), Foreign Trade Minister Li Qiang (Li Chiang) and other ministers, Mr. Horner outlined the advantages of long-term supply contracts for commodity imports from Canada. He was informed that China would send a delegation to Canada next month to negotiate a long-term wheat contract with the Canadian Wheat Board and that long-term contracts would be considered for other major commodity exports, including sulphur and potash.

The Minister of Water Conservancy and Power, Qian Zhengying (Chien Chengying), expressed interest in collaborating with Canadian companies in the development of China's vast hydro power resources. The Minister of Metallurgical Industry, Tang Kei, invited several Canadian companies to submit proposals for the mining and refining of gold, iron, ore and asbestos.

A keen interest had been expressed in Canadian communications technology, Mr. Horner stated, and the groundwork had been laid for co-operation in several telecommunications manufacturing facilities. In offshore development, Petro Canada and Ranger Oil have been invited to submit a draft contract and send a delegation to Peking next month to begin technical and commercial negotiations.

The minister discussed with Li Qiang the possibility of concluding an economic co-operation agreement, establishing a framework for closer co-operation in several areas. Detailed discussions are to be initiated at the Canada/China joint trade committee meeting, tentatively scheduled to take place in Ottawa in early spring.

The Chairman of the Canadian Importers Association reviewed with Chinese ministers and officials the prospects for increased imports of Chinese products, including oil.