

## Foreign Trade

External trade has provided less stimulus to the Canadian economy in 1971 than in the preceding year. Canada's exports rose 5 per cent in 1971, following an increase of 13 per cent in the preceding year. Meanwhile, stronger demand conditions in Canada brought a sharp resurgence in imports, which were 12 percent higher than in 1970. The sharper rise in imports than in exports has reduced Canada's merchandise-trade surplus from the 1970 record high of \$3 billion to something in excess of \$2 billion. Canada's balance on all current transactions will still show a surplus for calendar year 1971, though small compared with the \$1.1-billion figure realized in 1970.

Canada's sales to the United States, which account for more than two-thirds of total exports, were up 11 per cent, a substantial gain after only a marginal increase in the previous year. This strengthening hinged in considerable part on the recovery in the U.S. economy. It reflected, in particular, a higher level of automotive exports with the boost in transborder shipments of automotive goods that followed settlement of the General Motors strike late in 1970. Large increases have occurred also in exports to the United States of rolling-mill products, petroleum, natural gas, fertilizers, chemicals and lumber.

The trend of sales to overseas markets has moderated in 1971 following the unusually sharp gains of the preceding year. The pace of economic expansion has fallen off in several industrial countries, the result in some measure of policies aimed at containing serious inflationary trends in wages and prices. Uncertainties created for international business by the floating of major currencies, and the new United States economic program has also had a dampening effect on sales. Principal overseas markets for Canadian products which have experienced a slowing in growth include Britain, West Germany, Italy, Sweden, Belgium and the Netherlands, as well as Japan. In some of these countries stocks were being reduced during 1971, particularly in the case of metals such as nickel, copper, aluminum and iron ore, which had been acquired in exceptional volume in the previous year. Exports to state-trading countries were somewhat higher than in 1970, largely as a result of increased grain deliveries under major contract agreements with the U.S.S.R. and China. Apart from state-trading countries, exports to overseas markets declined in 1971.

## Industry Conditions

Industrial production has increased moderately, supported by a growing improvement in manufacturing. The auto industry has returned to a high output level following the strike in late 1970 and sparked by stronger North American consumer markets. Increased consumer spending also has contributed to important gains in production of household appliances and recreational equipment. Several non-durable industries have shown strengthening trends, including foods, textiles, knitted goods, chemicals and petroleum products. Principal primary metal, machinery and industrial equipment industries have remained close to their 1970 production levels, with little