

All things considered, a further growth in exports in the range of 5 to 10 per cent appears to be a realistic expectation for the coming year. The further Kennedy Round cuts to be made on January 1 by the United States on a broad range of products of interest to Canada will be helpful.

From within the Canadian economy, it is evident that new growth impetus will be provided by the currently rising trend of capital investment. A recent survey of investment intentions of large companies indicates that capital spending in the business sector will rise by something like 8 per cent in 1969, compared to 2 per cent in 1968. House-building activity also continues to point upward. In the consumer sector, a firm trend of personal incomes will provide underpinning for sustained growth of spending on consumer goods and services.

It is quite possible that any slowing-down in export growth will be offset by stronger domestic demands, with the result that an active tempo of business activity will be sustained. How close the economy comes to realizing its full growth potential will depend on how Canadians respond to the exacting challenges ahead.

One worrisome feature of our current economic performance is the persistent upward movement of costs and prices. The price component of the gross national product increased by 3.9 per cent in 1967 and has increased only slightly less this year. Consumer prices rose by 3.5 per cent in 1967 and in 1968 are up by more than 4 per cent. This degree of price increase places cumulative strains on the economy. It creates inequities in the distribution of income (particularly for those on fixed money incomes), it disrupts the investment process by adversely affecting savings, and it erodes our competitiveness in international markets, which for a trading nation, such as Canada, is basic for sound growth and sustained prosperity. To date, the rise in prices has not prevented a good performance in foreign markets. However, in achieving this good showing, prices of Canada's exports in recent years have risen less than domestic prices generally. Clearly, there is a limit to the amount by which domestic costs and prices can rise before they start to impinge on exports.

If increases in the general price-level are to be held in check, income returns must be in line with the improvement in national productivity. Widespread efforts to achieve gains over and beyond the improvement in national productivity serve simply to erode the value of the dollar and disrupt the economy, and, in the end, are self-defeating. Real income gains for the whole community come only through the more effective use of the nation's resources. It is by directing our efforts to real, as opposed to illusory, gains that Canadians will make the most of the promising opportunities which lie ahead.

The new department combining the functions of Industry and Trade and Commerce will direct its efforts to the improvement of the productive capabilities of Canadian industry and the extension of the benefits accruing from international specialization and trade. In this endeavour, it will seek the co-operation of all Canadians, who can contribute to the achievement of the goal of sound and balanced growth and the expansion of our trade. Only by the constructive and purposeful pursuit of this objective by all concerned can we be assured of a truly prosperous New Year.