

Chester Plastics Ltd. at Chester, started by a Viennese, manufacturer, makes plastic containers for cosmetics and is finding a ready market in the U.S.

Donato, Faini & Figli (Canada) Ltd. at Stellarton was started ten years ago by Italian interests to make women's fashion knitwear and has opened up major markets in New England.

Buckingham Mills Ltd. at Springhill also was started by Italian interests at an investment of \$1 million. It makes carpeting.

CANADA'S ECONOMY IN 1970 AND THE OUTLOOK FOR 1971

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strongly to a new high, and prospects are favourable for a continuing high trend in 1971, with strong stimulus expected from major oil and natural gas pipe-line projects under development. Machinery industries other than farm implements, had another good year, though the rate of increase was less than in 1969. Growth also continued in important non-durable manufacturing sectors such as food, beverages, tobacco and chemicals.

Several other important manufacturing industries experienced a slowing in demand contributing to layoffs and a rise in idle plant capacity. Among these were aircraft, farm machinery, shipbuilding, boots and shoes, cotton yarn and cloth, synthetic textiles, knitted goods and clothing.

Forest industries have not been able to maintain the vigour of growth reached in 1969. Output of pulp and paper mills has slowed and newsprint production was down slightly. Lumber and plywood levels were reduced with weaker demand in which a major part was played by the drop in housing construction in Canada and the United States. In the later months of 1970, housing trends have sharply improved in both countries with attendant improvement in the prospects for lumber and plywood producers during the coming year....

OUTLOOK FOR 1971

A marked improvement is indicated in the housing sector, Housing starts in both October and November 1970 were running at a seasonally-adjusted annual rate of 269,000 units. With large volumes of CMHC-

financed units reinforcing the strength in privately-financed starts, total housebuilding activity in Canada should continue at this unusually high level for a number of months. Total investment activity in housing could run up to one-fifth higher in value in 1971 compared with 1970.

In 1971, consumer spending seems likely to be a much stronger element in the economy than was the case in 1970. The saving rate of the Canadian consumer has been unusually high during the past year and a return to a more normal savings pattern would suggest a stronger market for consumer goods generally. The increase in housing starts now under way will encourage consumer demand for home appliances and home furnishings. With easier credit conditions and settlement of the major 1970 strike, higher automotive sales are also in prospect.

There is also reason for optimism regarding renewed growth of activity in business capital spending in 1971, following four years of relatively flat or declining spending activity in this sector. The delays encountered in the realization of intended capital expansion programs in 1970 caused by work stoppages and the squeeze on corporate liquidity and profits, appear to have resulted in a considerable carry-over of work into 1971....

A recent survey of capital spending intentions indicates that the largest 200 companies in Canada plan an 11 percent increase in capital spending in 1971....

The external economic climate for 1971 cannot be expected to be as buoyant as that experienced throughout most of 1970. However, there are elements of strength which permit the expectation of a further moderate expansion in Canada's merchandise exports. In particular, 1971 appears likely to witness the resumption of more vigorous economic growth in the United States....

On balance, a further moderate increase in Canada's exports can be expected in 1971. At the same time, there is likely to be renewed growth in Canadian imports, given the recovery anticipated for domestic demand in the period ahead. While continuation of the unprecedented Canadian merchandise trade balance of 1970 cannot be expected, the export surplus will probably remain large by historical standards....