

that this expansion is considerably more rapid than in the last similar period and that our international trade and payments are in better balance than they have been for many years; third, that measures taken by this Government are contributing constructively and decisively to these developments; and fourth, that given continuation and adaptation of these measures this new fiscal year, we have good reason to expect substantial further economic growth and prosperity.

"The increase in levels of economic activity during the course of 1961 has indeed been impressive. The Gross National Product, expressed at annual rates, increased from the first quarter of the year to the fourth quarter by \$2.4 billion, a gain of 7 per cent. From March to December 1961, the index of industrial output rose by more than 9 per cent. By the year-end it was nearly 5 per cent higher than it had ever been before. Particularly sharp advances were achieved in the output of certain types of heavy industry. For example, production of steel ingots in 1961 was 12 per cent greater than in 1960, and reached a record high of almost 6.5 million tons. Over the past five years output of this basic product has increased by 23 per cent, and the capacity of the entire industry has been expanded, broadened and diversified. Today this industry is meeting more of our domestic needs: in 1956 Canadian producers supplied 70 per cent of our steel requirements; since then this proportion has risen to approximately 80 per cent. A wide range of primary and secondary steel products previously supplied from abroad, such as heavy steel shapes and large-diameter pipe, is now being produced in Canadian mills. Our exports of steel products have also been higher. This is but one example of the many industries in Canada which have been progressing and developing notwithstanding the changing world economic environment.

"Mining output, too, has reached new peaks, rising sharply in the course of the past year. The largest increases have been in the production of nickel, asbestos, natural gas and petroleum.

"Exports of Canadian goods rose strongly in 1961, and in the fourth quarter of 1961 reached a level of \$6,256 million, seasonally adjusted at annual rates, 19 per cent above the level achieved in the fourth quarter of 1960. The House is well aware of the success which has crowned our efforts to expand sales of agricultural products, especially wheat. But the House may not be fully aware of the substantial increases which have taken place in sales abroad of other Canadian products such as livestock, cotton textiles, industrial machinery, electrical apparatus, petroleum, nickel, basic plastics, asbestos and chemicals. The increases in the exports of these products in 1961 over 1960 have exceeded \$150 million.

EMPLOYMENT

"In response to the quickened tempo of economic activity in 1961, employment increased substantially. In 1960, when all of the gain in employment took place in the service industries, women accounted for most of the increase; but in 1961 increased employment in manufacturing was particularly significant and it involved a substantial growth in male

employment. In February 1962 there were 196,000 more people employed in Canada than a year earlier, and of these 164,000 were men. Accordingly there was a significant drop in the rate of unemployment, particularly among men.

"Largely as a result of this increase in employment, labour income increased markedly during 1961. Over the eight months from April to December 1961, the increase in labour income equalled that of the 15 preceding months. Business profits increased sharply as well, and by the fourth quarter of 1961 had reached a new peak of \$3.8 billion, 4 per cent higher than ever before.

"Increased incomes encouraged increased consumer spending, which rose by over \$800 million during 1961. By the end of 1961, the level of consumer spending was nearly 8 per cent higher than it had been at the previous peak of business activity.

"This acceleration in the tempo of our economy is highly gratifying. The rate of expansion during the last nine months of 1961 was more rapid than in comparable stages of the preceding cyclical advance in 1958. During the first nine months of the previous expansion the volume of non-farm output increased by only about 3 per cent. During the first nine months of the present expansion, the increase has been almost 5 per cent. The expansion which we have enjoyed in 1961 has already taken the volume of non-farm output to a level 4 per cent higher than the previous peak. By a similar point in the previous expansion the volume of non-farm output was about 1.5 per cent above its previous peak.

"All too often in the past, a resurgence in economic activity has been accompanied by substantial increase in prices. Happily, this has not been our experience in 1961. During the last nine months of 1961 the Consumer Price Index increased by only half of 1 per cent, while in the comparable period of the previous advance it went up by 1.5 per cent. Having in mind our very proper concern over the dangers of inflation, I am sure the House and the people of Canada will welcome such striking evidence of price stability.

TRADE

"Imports of goods increased in 1961 by 3 per cent, amounting to \$5,717 million, with most of the increase occurring in the later months of the year. A substantial increase in imports is quite normal during a business upturn. But, contrary to previous experience, exports have increased much more rapidly than imports. As a result we were able to achieve a sizeable trading surplus on merchandise account totalling \$179 million. This is the first favourable balance of trade of any consequence that this country has achieved in the last ten years and is in contrast to a record deficit on merchandise account of \$728 million in 1956. This improvement in our trade position was more than sufficient to offset an increase in our deficit on non-merchandise account. Consequently the total current-account deficit in the balance of payments was reduced to \$989 million in 1961. This represents a 19 per cent reduction from the deficit in 1960 and a 28 per cent reduction from the deficit in 1956. In fact the deficit in 1961 was the lowest since 1955.

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