

It is anticipated that total capital spending by both government and business for the year will have risen by about 15 percent over that of 1972 to over \$25 billion, and may even attain \$26 billion.

Housing construction was the major element of strength with increased expenditures of more than 20 per cent. Housing starts reached a new record level of over 250,000 units. The level of housing investment in the third quarter of 1973 represented a higher proportion of GNP than in any period in the past decade.

Business expenditures on new machinery and equipment also increased strongly and at a rate not much lower than that of housing. This came after several years of comparatively modest increases.

Strong growth in trade

...Reinforced by major price increases for some of Canada's most important export products, the total value of exports rose to over \$24 billion, an increase of more than 20 per cent in 1973, a larger increase than in any year since 1951. Stimulated by an exceptional demand for food and industrial materials, Canadian export prices rose sharply and accounted for perhaps one-half the total rise in the value of Canadian exports. This still left the increase of exports in real terms well above the long-term growth pattern.

Export sales were higher to nearly all Canada's principal markets, led by major gains in automotive goods, lumber, crude petroleum, copper and wheat. The value of shipments to the United States, reflecting strong economic growth there, was up about 20 per cent, accounting for nearly two-thirds of the over-all rise in Canadian exports. Overseas sales rose rapidly accounting for a much larger part of the total increase in exports than in the preceding year. The sharpest gain was in exports to Japan, amounting to an increase of more than two-thirds over their 1972 level. The year 1973 saw Japan ascend to the rank of Canada's second largest trading partner. Exports to the six original members of the EEC were up very substantially, showing an increase of about one-quarter. While sales to Britain showed a smaller rise than this, sales to other Commonwealth countries rose close to one-third. There have been large in-

creases as well in exports to China and the U.S.S.R., mainly reflecting a large jump in their grain purchases from Canada.

High economic growth has meant a continuing strong demand for imports which increased about 20 per cent in the past year. Among commodities imported in substantially larger amounts were automotive goods, industrial machinery, crude petroleum, aircraft and food.

The stronger pace of exports in absolute terms contributed to an improvement in Canada's merchandise trade surplus, which rose to over \$1.75 billion. This was despite a major reduction in Canada's bilateral trade surplus with the United States. Nevertheless, Canada recorded a current account deficit in 1973 not much different than the \$600-million deficit of the previous year.

A feature of the year was the relatively sharp movements of major currencies which in general rose in relation to the Canadian and American dollars earlier in 1973. In the latter part of the year, a fall in major European monetary units and the Japanese yen moved world currencies part way back towards the position at the beginning of the year.

Expansion in industrial production

The volume of industrial production showed a major expansion in 1973 with an increase of 8.5 per cent over 1972 levels. Almost every division of manufacturing showed increased real output. The primary and resource industries showed a particularly marked increase in production.

The transportation-equipment industries rose particularly strongly in 1973. Once more the automotive sector reached a new record in production, turning out over 1.6 million vehicles. At the same time output of auto parts and accessories increased substantially. Many industries active in supplying construction materials and capital equipment have also moved up to higher production levels. Operations in the steel industry have advanced strongly to near capacity while order books have continued to lengthen. Meanwhile, there has been a substantial upswing in the manufacture of industrial machinery, lumber, cement and in other divisions of the building-products industry. Increases in consu-

mer incomes and the high level of housing construction has meant a continuing strong upward trend in the output of household appliances, furniture, recreational equipment and textiles.

Increases in metal mining and processing were spurred by a major upsurge in world demand and buttressed by the availability of new capacity. With world demands for energy resources higher than ever and the impact of the Middle East oil crisis, there has been a strong impetus to raise petroleum, natural gas and electric energy production in Canada. The pulp and paper industry, also, has been under marked pressure to expand output in the face of rising world demand and operated at about full capacity except for a period in late summer when output was adversely affected by strikes of pulp and paper and railway employees.

Economic outlook for 1974

The outlook is for a somewhat less aggressive tempo of economic activity in Canada in 1974. Nevertheless, in terms of real GNP growth, Canada's prospects suggest that it could again rank near the top among major industrial countries in 1974. During most of the past year the economy has operated at close to its full potential, and in some cases further major increases in output can only be achieved upon the completion of new investment programs designed to provide additional capacity. Over-all demand forces, while less uniformly favourable than at the same time a year earlier, are still expected to provide an important continuing stimulus for the Canadian economy. Of particular moment, the economy is expected to benefit from a rising tempo of business spending on new plant and equipment, already in progress during 1973.

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...The demand for Canadian exports in 1974 may contribute less to expansion than it has in the past year. A relatively stronger pattern in imports is expected to persist in the coming year. Among factors influencing the import trend, the major rise that now seems in the making in business fixed investment will probably draw imported capital goods into the country in greatly increased volume. The direct and indirect effects of sharply higher