

# Canada Weekly

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## Year-end review of Canada's economy for 1978 and outlook for 1979

*"The performance of the Canadian economy during 1978 has, one could say, been somewhat mixed," stated Industry, Trade and Commerce Minister Jack Horner, in a year-end review. "There have been areas of strength and of weakness, successes and disappointments, and each should be kept in perspective."*

*Excerpts from the review follow:*

The major source of strength in the economy in 1978 was our export performance. Based on data for the first three quarters of the year, real exports of goods and services were up 8.7 per cent compared to an increase of 7.4 per cent in 1977. Real exports of merchandise alone were up 8.9 per cent, and the strongest category of exports was manufactured goods. End products rose 10.1 per cent and fabricated materials 17.1 per cent.

As a result of this strength in our merchandise exports, our merchandise trade surplus is almost certain to be substantially higher than it was last year. At the end of the first three quarters, the surplus was \$2.8 billion — only \$100 million shy of the \$2.9 billion recorded for all of 1977, and \$1 billion higher than it was in the first three quarters of 1977. A \$4-billion surplus for 1978 is a real possibility.

Admittedly, we will once again have a large deficit on service account: however, our strong merchandise trade performance should offset this sufficiently to provide some improvement in our current-account balance. Furthermore, for at least one component of services — tourism — things are starting to look up as the deficit on travel account was virtually unchanged between the first three quarters of 1977 and the same period in 1978.

Now, for the greater part of 1979, we are unfortunately not going to be able to rely on a repeat performance in our export sales to fuel our economic growth. All of the signs indicate a sharp slowdown in the United States economy. Being, as we all know, by far our largest trading partner, this is bound to have a negative impact on our export performance at least for one or two quarters. However,



Jack Horner

this should be mitigated to some extent by the enhanced position of our exports not only in the United States but throughout the world as a result of our lower valued dollar. Furthermore, the U.S. economy is expected to start its recovery in the fourth quarter of 1979, and from that point on Canadian exports will once again make a major contribution to our economic growth.

### Manufacturing

In the crucial area of manufacturing, 1978 saw a sharp turnaround in both output and employment. Capacity utilization is now on the rise, investment has started to take off and business income, particularly corporate profits, has strengthened appreciably.

After rising only 3.0 per cent in 1977, manufacturing output was up 6.5 per

*Three hundred and fifty-two years ago tomorrow... Apothecary Louis Hébert, believed to be Canada's first farmer, died.*