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UNEXCELLED FUTURE FOR CANADA

"The factors which caused a levelling out of economic activity in Canada are on the whole of a temporary nature, and most of them had their origins abroad. Canada has an unexcelled future in store."

These words keynoted an address given last week by Finance Minister Donald M. Fleming at a meeting of the Hamilton, Ont., Junior Chamber of Commerce.

Excerpts from Mr. Fleming's speech follow:

REVIEW OF 1957

"The statistical record of the Canadian economy for 1957 is now fairly complete with the recent release of the annual National Accounts by the Dominion Bureau of Statistics. It is important to examine the aggregates for the year as a whole despite the flood of monthly and even weekly figures with which we are blessed nowadays. By examining the record over a full year, we can more readily distinguish the enduring trends from the random ups and downs.

"Last year I suppose we all followed the current indicators with particularly close attention because it was a time of some uncertainty. The preceding year 1956 had been one of quite extraordinary growth. Gross national product in that year had risen more than 7 per cent in real terms compared with a long-run average of around 3 per cent. We all knew this rate of growth could hardly continue, if only because the labour force normally

increases by only about 2 per cent annually. We also knew that the growth rate of 1956 had been achieved at the expense of very heavy borrowing from abroad, inflation and other distortions of our growth record.

"These sober facts of life did not, however, allay our apprehension when adjustments began to appear in 1957. A number of factors combined to make 1957 a year of reckoning. United States industrial output began declining early in the year. The upward surge of output in Western Europe slackened, and in some cases turned downward. Efforts by the United Kingdom to curb rising prices had an adverse effect on imports of industrial materials. These developments were communicated to Canada in a number of ways, including a softening in the demand for our forest products and minerals. Capital expenditures in our resource industries, which had been a prime cause of the 1956 boom, began to level out.

"The climate of opinion in Canada changed from optimism to caution during 1957. This was reflected by movements in the stock market and by a reluctance of consumers to make major purchases which could be postponed. Production of consumer durables declined, and with it the demand for the products of your steel mills here in Hamilton. Indeed, the 1957 declines were largely in durable goods.

"The tight money policy of that period also had a depressing effect which could quickly be offset. While the effects of the credit res-