

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.

As 1970 draws to a close, there is evidence of new thrust in several important demand sectors, reinforced by the stimulus afforded by more expansionary fiscal and monetary policies.

Stronger demand trends are now apparent in housing in the consumer sector and in business capital spending.

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 to 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. The available evidence suggests a relatively strong forward thrust in this key sector.

A recent survey of capital-spending intentions indicates that the 200 largest companies in Canada plan an 11 percent increase in capital spending in 1971. The main strength is expected to come from significant increases in oil and gas pipelines, mining and electric-power industries, with more moderate spending increases expected for the manufacturing sector. The evidence at hand suggests a generally sustained expansion of business facilities in 1971, which should contribute importantly to the forward impetus of the economy without placing excessive demand pressures on capital-goods-producing industries and other investment resources.