

## CANADA'S ECONOMY IN 1965 AND THE OUTLOOK FOR 1966

The following review was made recently by Mr. Mitchell Sharp, Minister of Finance:

The strong upward course of world production and trade in recent years slowed somewhat in 1965. Economic activity in Canada, on the other hand, has continued to advance strongly. In terms of the pace of national economic growth, Canada has maintained a foremost position among the countries of the world.

Canada's gross national product, which measures the value of all goods and services produced, was about 9 percent higher in 1965 than in the preceding year. With price effects excluded, national output in real terms has risen by approximately 6 per cent. This follows real increases of 6.5 per cent in 1964 and 4.5 per cent in 1963. Each of the major regions of Canada has participated in the general advance. The sharpest increases in employment have occurred in British Columbia and Quebec, but increases in other regions are also close to the national average.

Gains in production in 1965 have been widely distributed throughout all major industrial sectors. Goods-producing industries, as a group, have shown stronger advances than services. This year's bumper grain crop is reflected in a new record level of agricultural production. Other resource-based industries showing notable gains include electric power, base metals, pulp and paper and potash.

Perhaps the most remarkable advances, as in 1963 and 1964, have occurred in secondary manufacturing. Motor-vehicle production in 1965 has exceeded the 800,000 mark, a fifth higher than last year and more than double the number produced four years ago. Automotive-parts production also is up sharply. Other industries showing particularly strong growth include primary iron and steel, electrical apparatus and supplies, chemicals and textiles.

#### STRONGER LABOUR MARKET

This rapid growth in production has been accompanied by further strength in the labour market. New job openings have more than kept pace with the growing influx of new entrants into the labour force. Total employment has been 3.7 percent higher on average this year than last, whereas unemployment has been 14 percent lower. For the year as a whole the number of jobless persons has amounted to scarcely 4 per cent of the labour force and, in recent months, has been significantly below the 4 percent mark.

Expansion has been accompanied by additional pressure on resources in some sectors of activity. The price component of national production has increased on average by about 3 per cent between 1964 and 1965, and the consumer price index is up by 2.5 per cent. At the same time, the growth in personal income has kept well ahead of the rise in prices and *per capita* real income has advanced by more than 5 per cent.

A key feature of Canada's expansion in 1965 has been the further upsurge in spending on capital facilities. Even allowing for some short-fall in spending plans outlined in the mid-year survey of

investment intentions, it is clear that this year's rise in total outlays will at least match the 15 percent advance realized in 1964. Substantial increases have occurred in both private and public sectors of the economy. Within the business community, the largest additions to expansion programmes have occurred in pulp and paper, iron and steel, chemicals, transportation equipment, certain distributive and service trades, electric power and some other utilities. The creation of this new capacity, while adding to current demands on productive resources, also provides the means for increased output and greater productiveness in the future.

In order to reduce the pressure on physical resources in construction and related capital goods industries, the Federal Government announced in August its intention to stretch forward a number of less urgent federal projects.

#### MODERATE EXPANSION IN EXPORTS

The present forward momentum of the Canadian economy has reflected, to an important extent, the strong performance of Canadian producers in international markets. Exports have expanded remarkably in recent years, although the irregular movement of certain important commodities has contributed to uneven year-to-year growth. Following the spectacular 19 percent advance realized in 1964, total exports have shown a further moderate expansion in 1965. The pace of export growth in the past year has been dampened by less active demand conditions in some overseas markets and, to some extent, by supply limitations in Canada. Sharply increased demands for certain items in Canada have tended to restrict the amount of production available for export. In addition, the smaller movement of wheat following the completion of deliveries under the first major contract with Russia in the summer of 1964 has had a major effect on the overall trend of total exports for most of the current year. Consequently, for the first nine months of 1965 total exports are but slightly above the 1964 level. Commencement of wheat deliveries under the current Russian wheat contract has given new impetus to export growth in the latter part of the year. Export figures for the full calendar year are likely to show an increase of 4 or 5 per cent.

#### MAJOR COMMODITIES

Among the major commodity categories, external sales of secondary manufactured products have again shown the sharpest rise. Exports of this kind about doubled in the three-year period from 1961 to 1964, and, along with the farm, forest and mineral groups, at present constitute one of the four main categories making up Canada's exports. The growth of sales of manufactured products in 1965 has been made up mainly of various types of machinery and equipment and automotive products. Exports of automotive goods exceeded \$200 million in the first nine months of 1965, and have increased threefold in the last two years. Further substantial growth can be anticipated as rationalization proceeds under the new automotive programme.