## CANADIAN ECONOMY IN 1971 AND OUTLOOK FOR 1972

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close to their 1970 production levels, with little indication of an early return to a strongly upward trend. Aircraft and parts have experienced the fairly sharp decline evident in the previous two years.

Mining activity has risen much more slowly than in 1970, with the largest gains in crude petroleum, natural gas and coal. Metal mining has increased only slightly after a very sharp rise in 1970. Demand for asbestos has been sluggish with reduced prices, leading to curtailment of operations by several companies. In the forestry sector the highlight has been the marked slowing in lumber and plywood output, apparently attributable to the upsurge in housing starts. On the other hand, the pulp and paper industry has continued relatively slack, its output lagging behind the second consecutive year of decline. Universally affected by the slowdown in housing starts, the manufacture of kitchen and bathroom units moderately toward the end of the year, after operating well below capacity for a considerable period of time.

Sales of new cars have shown somewhat faster growth than last year. The strongest rise has been achieved in the distributive trades, which of course have benefited from the strong stimulus to consumer-spending. Community, business, financial, and personal services and public administration have again moved ahead at a fast pace.

PROSPECTS FOR 1972

Underlying the continuing strength of consumer-demand supported by the sustained rise of personal incomes and reinforced by reductions in taxes, the stimulus will come from the budget delivered by the Minister of Finance. Increased funds for capital purposes and for housing. While a further sharp increase in housing starts is unlikely, the high level of starts in the year has resulted in a record carryover of uncompleted houses, ensuring a high rate of housing activity in the ahead.

An October survey of business intentions of large companies showed an increase in outlays of 8% in 1971. Spending plans have probably been bolstered by the stimulative measures contained in the October budget, including a lower corporate tax rate, by the current uptrend in profits generally and by the salutary effects on the business climate arising from the restoration of confidence in the economy and public investment. Capital spending will be a major source of growth stimulus in the coming year.

Canada's exports in 1972 are buttressed by an expanding U.S. economy, which has been lifted arising from realignment of the same time, the presently high exchange-rate applicable to the Canadian dollar relative to the U.S. dollar will make Canadian exporters to maintain their share of the expanding U.S. market.

A slower tempo of business activity in some other major industrial countries may continue for a time to exert a depressing effect on Canadian sales to overseas markets. On the other hand, a more favourable exchange rate between customers opens up new opportunities for the alert and enterprising exporter.

Mr. Sharp reports on visit to foreign markets the Department of Industry, Trade and Commerce has initiated a program which provides for Government financial assistance to pay a substantial portion of the value of the goods.

Mr. Sharp's year-end review, released export effort may not prevent some further diminution in Canada's balance in trade and other transactions.

The over-all effects of these demand influences, together with an improving international environment, provide a basis for a further advance in the pace of economic advance in Canada during the coming year. As always, much will depend on Canadians in regard to the climate. Recent trends in the economy have been in the direction of expansion and fuller use of resources. Canada's prospects in world markets are good. The stage is set for a further advance in the economy in 1972.




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