

## FORECASTS HIGH INCOME LEVEL FOR 1950

**MR. HOWE'S YEAR-END REVIEW:** The Minister of Trade and Commerce, Mr. Howe, concluded his 1949 Year-end Review, issued on December 30, as follows:

"...The Canadian economy in 1949 enjoyed another year of prosperity. There was in Canada nothing to compare with the recession in the United States, the exchange crisis in the sterling area, or the continuing economic difficulties and hardships of Western Europe. We have, however, passed out of the postwar inflationary period of steadily rising levels of production and income into a levelling-off period. But it has been at a level slightly above that of 1948 and therefore at a very high and favourable level indeed. There are, however, a number of soft spots in the economy, due to increasing international trade difficulties as well as the re-emergence of various chronic regional and industrial disabilities.

"In real terms, the 1949 gross national product of about \$16 billion will be 2 or 3 per cent higher than in 1948. Part of this increase has been due to the sustained strength of domestic as opposed to foreign demand. Prosperity at home has meant that the domestic market has been able to fill some of the gaps caused by restrictions in foreign markets. In motor vehicles, in cotton textiles, in electrical equipment, the increase in domestic sales has made up or even surpassed the decline in exports. In many branches of manufacturing such as farm implements and office equipment exports as well as domestic sales have risen in recent years.

"The improvement in consumption levels last year, compared with 1948, was one of the significant developments of the Canadian economy. More goods were available on the market, and such factors as lower tax rates, contributing to larger personal incomes, meant an increase in the amounts spent on staples as well as on durable goods. On the production side, industrial output was higher, particularly in petroleum, gold mining, base metals and durable manufactured goods. There was some decline in agricultural output due to poorer crops and lowered production in some of the secondary agricultural industries. The British food contracts helped to sustain the market for several key commodities, although U.S. surpluses reduced the amount of E.C.A. dollars available for goods purchased by Western European countries. With farm prices sustained during the year, farm income was near record levels, due to participation payments on western wheat and the government's price support policy for a number of commodities. Once again, investment in Canada was at a high level adding to our industrial plant and equipment, to our private and public utilities, as well as to the development of our natural resources....

"Today, Canada with a population of some 13 million people is one of the leading trading nations of the world. On a per capita basis our trade is double that of the United Kingdom and about four times that of the United States. Industrially, Canada has come of age. We are today among the first half dozen countries in commercial agricultural production, in fisheries, in metal mining, in forest industries and in manufacturing. Our present level of domestic investment, including housing, is not only the highest in our history, but highest in terms of gross national product of any country of which we have any record. Our increased productivity - that is, output per man-hour - compares favourably with that of any country in the world, including the United States. In short, when we review the situation in other countries, we have much for which to be thankful.

"The outlook for 1950 suggests an intensification of the present pattern, i.e. a continued high level of national employment and income but with some decrease in the special areas and localities that will be under economic pressure. The most important factor will of course be the international situation; the level of economic activity in the United States; the effect of devaluation on world trade; the measures adopted in overcoming the world wide dollar shortage. Our policy will be to co-operate to the fullest extent with the British export drive; to divert imports from U.S. dollar markets to sterling and other non-dollar sources wherever economically feasible; and at the same time take full advantage of the reciprocal Trade Agreements Act and other means to expand Canadian exports to the United States....

"In 1950, the full effect of devaluation should be felt. Its effect on Canada is illustrative of the divergent pulls and cross currents in our economy and of the role we play in our trading relationships with the United Kingdom and the United States. The 30 per cent drop in the pound sterling will have a deflationary effect on some sectors of the economy - on those exporting to sterling areas; and on those competing, at home and abroad, with sterling industries. The 10 per cent devaluation in our own currency will have some inflationary effect, particularly in industries dependent upon the United States for materials. At the same time it will give Canadian producers some advantage over American producers in Canada, in the States, and overseas; it will also cushion the full impact of pound devaluation.

"In several regions of Canada economic activity will be stimulated by the developments that are taking place in the opening up of new resources. Investment in these new developments, including related utilities and secondary industries promises to be well main-