



STATEMENTS AND SPEECHES

INFORMATION DIVISION

DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

No. 72/1

REVIEW OF CANADA'S ECONOMY IN 1971 AND OUTLOOK FOR 1972

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Performance of Major Indicators in 1971

Canada's economy has moved forward more strongly in 1971 following a phase of slower growth in 1969 and 1970. National output rose by about 6 per cent, compared to increases of 3 per cent in 1970 and 5 per cent in 1969. This is a faster rate of growth than is expected this year in any of the industrial countries of the Western world, including Japan. Stronger growth in production and sales has been reflected in the labour market and the employment trend has strengthened notably. Nonetheless, some slack has persisted in certain industries and regions and unemployment has continued at unacceptably high levels. The achievement of strong and sustained growth sufficient to reduce unemployment and take up the slack in the economy is the primary aim of Government economic policy at this time.

The increase in Canadian prices in 1971 was again the lowest among the major industrial countries, with the broadest measure of price movements, the GNP price deflator, showing an increase of 3.2 per cent. While the average price rise for the year was relatively moderate, there has been a stronger upward tendency for much of 1971 after the visible slowing of price increases during the preceding year. There has been little indication of deceleration in unit labour costs as average wage-rate increases continued to exceed gains in productivity by a wide margin. In the movement toward higher levels of activity and fuller utilization of resources during the months ahead, upward pressure on prices is likely to remain a matter of serious concern.

There has been an encouraging rise in new job opportunities as the economy gathered renewed momentum. Employment for the year rose more than 2½ per cent, which was twice the rate of increase in 1970. Moreover, employment trends have continued to strengthen as the year progressed and the number with jobs was moving up at an annual rate of 3 per cent in the final quarter. The Canadian labour force in 1971 has grown very rapidly, to a major extent because the youths of the postwar "baby boom" are now entering the labour market at full flood. The increase in jobs, large as it has been, has not been sufficient to reduce unemployment, and the seasonally-adjusted rate of unemployment was about 6½ per cent in the final quarter of 1971.