

In sharp contrast to the stimulus provided by the external sector, there was distinct hesitancy both in consumer-spending and capital-investment trends in Canada throughout most of 1970. The strong growth of incomes that had been a highlight of the second half of the sixties slowed down considerably in 1970, with disposable income per person increasing very slightly in real terms compared to the previous year.

The slow-down in consumer spending appears to have been the most pronounced in the durable and semi-durable goods categories this year. Consumer outlays on durables will probably show a decline in 1970 compared with a 7.5 percent advance in 1969, no doubt reflecting in large part the reduction in housing activity. Production declines have occurred for major household appliances, household furnishings, radio and TV receivers.

Passenger-car sales in Canada have declined sharply also. Nonetheless, prior to the General Motors strike beginning in mid-September, factory levels of motor-vehicle production were maintained at the record high rate of the preceding year. The sourcing in Canada of an important part of small-car production for the North American market, for which demand has been better sustained, contributed to continuing high activity in the Canadian automotive industry during the first three quarters.

As regards capital investment, there appears to have been an appreciable cut-back in the actual level of spending by business firms in 1970 from the level indicated on the basis of the mid-1970 capital-investment survey.

The flattening-out of business investment and weakness in housing were responsible for a difficult and uncertain year for the construction industry. The industry continued to be faced with major increases in wage demands and there were widespread strikes in the building trades and consequent delays in construction schedules.

With two key elements of domestic demand showing little buoyancy in 1970, there was only a modest increase in total industrial output and industrial performance was more uneven in 1970 than in most recent years. Among important industrial sectors that continued to show strong advances were mining, primary metal manufacturers, services and energy-producing industries.

Mineral-production gains were impressive, led by iron ore, nickel, copper, petroleum fuels, asbestos and coal. Higher output of iron ore and base metals was in part a reflection of successful efforts to catch up on production losses due to strikes in the preceding year. On the "down" side, conditions of over-supply have persisted in world markets for potash, sulphur and uranium.

Some major manufacturing industries continued to expand production, although total manufacturing output rose very little, if at all, following a moderate increase in 1969. Primary steel production advanced strongly to a new high and prospects are favourable for a continuing high trend in 1971, with strong stimulus expected from major oil and natural-gas pipeline projects under development. Machinery industries, other than farm implements, had another good year, though the rate of increase was less than in 1969. Growth also continued in important non-durable manufacturing sectors such as food, beverages, tobacco and chemicals.