

Economic Digest

Employment

The unemployment rate in Canada fell to 4.9 per cent in June, its lowest level in more than four years, Statistics Canada reported at mid July. Jobless rates and employment levels showed the best improvements on the prairies while a double-digit unemployment rate remained only in the Atlantic region.

The June drop in the seasonally-adjusted unemployment level was a whopping six-tenths of a percentage point. There has not been an improvement that large in one month since October, 1966.

Regionally, the seasonally-adjusted unemployment rates were 10.3 per cent in the Atlantic provinces, 6.4 per cent in Quebec, 3.6 per cent in Ontario, 2.7 per cent in the prairie provinces and 5.3 per cent in British Columbia.

There was a sharp drop in the level of unemployed under 25 — down to 8.4 per cent from 9.7 per cent seasonally adjusted.

Total number in the labor force was 9,868,000 and the actual number of unemployed was 469,000 or 4.8 per cent of the total. The actual percentage of unemployed was down from 5.4 per cent in May.

By Province, the lowest seasonally-adjusted unemployment rate was 2.4 per cent in Alberta and the highest was 20.5 per cent in Newfoundland.

Part of the reason for the drop in unemployment during June was a decline in the number of job seekers. The participation rate — the proportion of population working or looking for work — was down to 57.8 per cent from 58.3 per cent in May. The size of the labour force shrank by 44,000.

Pension Rises

Increases in Old Age Security Pension and Guaranteed Income Supplement payments became effective in July, the third automatic quarterly escalation based on increases in the consumer prices index.

The basic Old Age Security pension rose to \$112.95 from \$110.09. The maximum Guaranteed Income Supplement for a single person or a married person whose spouse is not a pensioner went up to \$79.23 from \$77.22. Added to the basic OAS pension, this payment will produce a monthly total of \$192.18.

The maximum supplement for a married couple, both pensioners, was increased to \$70.36 each from \$68.58. Added

to the basic pension, this gave each pensioner \$183.31 for a combined payment to the couple of \$366.62.

Gross National Product

Preliminary estimates of the National Income and Expenditure Accounts indicate a continuation of strong economic growth in Canada in the first quarter of 1974.

The Gross National Product (at market prices) grew by 4.9% in the quarter to reach a level of \$132.1 billion, seasonally adjusted at annual rates. This followed a revised fourth-quarter 1973 increase of 4.4%.

The implicit price index for Gross National Expenditure rose at an accelerated rate of 3.2% in the latest quarter (compared with 1.8% in the preceding quarter). After discounting for price rises, the volume of production of goods and services rose by 1.7%, on the heels of an unusually large gain of 2.6% in the fourth quarter of 1973.

Some of the highlights of the economy's first-quarter 1974 performance:

Business investment in fixed capital goods showed an impressive increase as outlays rose by a 36.8% annual rate (compared with a 24.4% rate in the 1973 fourth quarter). Outlays on non-residential construction rose by a 34.8% annual rate in current dollar terms and by a 15.6% rate in volume terms — the largest gain since the first quarter of 1973. Machinery outlays surged in the quarter, rising by a 38.4% annual rate in current dollar terms and 24.4% rate in volume terms.

New residential construction showed continuing strength in the first quarter, prolonging the boom which started in mid-1970. Spending rose at 19.2% annual rate, following at 22.8% rate in the preceding quarter.

Consumer spending on goods and services, which has been a mainstay of the economic expansion under way since 1971, rose by an annual rate of 17.6% in the first quarter (compared with 15.6% in the 1973 fourth quarter). In volume terms, there was an acceleration to annual gain of 9.6% from 7.6%.

Total labour income rose at a 16.8% annual rate in the first quarter (compared with an 18.0% rate in the fourth quarter) because of a large increase in supplementary labour income.

Corporation profits (before taxes) rose at an annual rate of 24.8% in the 1974 first quarter (compared with an annual rate of advance of about 40% in the preceding four quarters).

Cost of Living

The Consumer Price Index (1961=100) for Canada rose 1.7% to 164.6 in May from 161.9 in April.

Though all major components moved up, most of the impetus behind the latest month's advance came from a 3% rise in the food index and a 1.7% hike in the transportation index that was fuelled by higher retail prices for petroleum products.

The housing component climbed 1.2% in May and the recreation, education and reading element advanced 1.1%. A rise of 0.9% was registered both for the tobacco and alcohol and the health and personal care elements, while that for clothing increased 0.7%.

Between May 1973 and May 1974, the All-Items Consumer Price Index advanced 10.9%.

During this period, the following index increases were recorded:

Food, up 18.3%; transportation, 10.0%; clothing, 9.5%; housing 8.0%; health and personal care, 7.7%; recreation, education and reading, 7.5%; and tobacco and alcohol, 4.8%.

Housing

Housing construction in Canada in 1973 broke all records. The 1973 annual report of Central Mortgage and Housing Corporation says housing starts reached a total of 268,529, an increase of 7 per cent over the previous record of 250,000, established in 1972. This performance was well ahead of the annual rate of 245,000 starts which the Economic Council of Canada forecast would be required to meet the needs of Canadians. The greatest increase in starts was in single-family dwellings, although starts on multiple units also rose.

The bulk of these housing starts, or 240,000 dwelling units, was financed by the private sector. This included 75,000 units built under the National Housing Act (NHA). In addition, some 30,000 units were financed directly by the Corporation under NHA programmes which provide low-cost loans and other assistance for low-income people in meeting their housing needs. ♦