

VERNMENT



CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 50/1

BUSINESS HIGHLIGHTS OF 1949

An address by Mr. Graham Towers, Governor of the Bank of Canada, to the Canadian Exporter's Association, in Toronto, Canada, on January 11, 1950.

In thinking of what I might say today, it occurred to me that I could suitably begin with some remarks on Canada's domestic business situation. I am sure there is no danger that speakers at your Association meetings will overlook the subject of export trade or of external developments which may affect that trade. However, the domestic market is also an important and growing factor in the fortunes of many if not most of your members, and some consideration of it may therefore be useful on this occasion.

I realize it is customary for various authorities at this time of the year to review at considerable length the business events of the preceding twelve months. Scores of articles in newspapers and periodicals bear witness to this fact. For that reason, I do not propose to make detailed remarks about the state of business last year, but to refer only to a few of the main features.

Everyone will remember that early in the year there was some fear that the pace attained in 1948 would not continue. These fears were particularly strong in the United States, and in fact in that country there was a noticeable decline in activity during the first seven months of 1949, mainly associated with a sharp contraction of buying for inventory. Recovery set in after July, but on the average most indicators of United States economic activity will have been lower for 1949 than for 1948. In Canada, on the other hand, almost all indices of production and sales compared favourably in dollar totals and in terms of physical volume with the figures of the year before. It is probable that for 1949 as a whole the volume of Canadian production will show a slight but worth while increase - dollar totals will, of course, be up somewhat more because our average price level was higher than in 1948.

While I am on the subject of price levels, I may say that the inflationary pressures which had been so strong all during the war and post-war period ceased their upward thrust last year. The index of wholesale prices at the year-end is likely to be slightly lower than in December, 1948, although the decline in Canada has been noticeably less than in the United States. The cost of living index will probably show no marked change.

The overall picture then is one of a country which enjoyed a very high level of output - the highest in our history - with resources of men, materials and machinery about in balance with requirements so that we had a comparatively stable price