

Hope for reversal of economic decline

The long-awaited turnaround in the Canadian economy may finally be in the offing, according to the September edition of the Bank of Montreal *Business Review*.

But, it cautions, some moderation in wage and cost increases must be attained if the recovery is to be sustained and long-range growth achieved.

The *Review* notes that preliminary data indicate that the lengthy decline in economic activity is easing. The index of industrial production rose in June after a long series of declines, while strength in other areas of the economy produced a fractional gain in real domestic product in the second quarter.

Housing starts increase

Housing starts also showed renewed strength, with an encouraging 10.5 per cent gain in July. "For the first seven months of the year," the *Review* says, "starts have averaged an annual rate of about 190,000 units, raising some hope that if the July rate can be maintained through the balance of the year, starts for 1975 would total in the area of 205,000 units, well down from recent years, but above many previous expectations."

The "very robust" performance of new expenditure in non-residential construction could well be maintained throughout 1975, the *Review* comments. The mid-year survey of capital-spending intentions points to a real gain in construction, after price increases, of more than 13 per cent.

Caution high labour costs

Despite this and other good economic news, however, unemployment remains relatively high, and the *Review* expresses concern about poor export prospects and the high level of wage increases.

It says that Canadian unit labour costs advanced significantly more than they did in the United States last year, and indeed have done so for the past several years.

"Looking at the recent severe deterioration in Canada's merchandise trade balance in fully-processed goods, one suspects that our poor cost performance has been a factor," the *Review* comments.

With the U.S. recovery likely to bring about significant gains in productivity, and the rate of wage increases there apparently lower than in Canada, our relative unit cost performance could worsen further in 1975 and 1976, even taking into consideration the recent weakening in the Canadian dollar," it says.

"This tends to suggest a continued large current-account deficit, implying, in turn, relatively high interest rates to attract inflows of funds to balance the nation's books. Clearly, if the recovery in economic activity and renewed round of long-range growth is to be achieved, some moderation in rising wages and costs, must be attained as soon as possible."

Current-account deficit reduced

Canada's current-account deficit, seasonally adjusted, was reduced by almost half a billion dollars to \$1,061 million in the second quarter of 1975. This was a major contributor to the general performance of the economy which, as measured by the change in the gross national product, grew in volume by 0.3 per cent, the first perceptible growth to occur in over a year.

The principal factor in this change was a sharp fall in the merchandise-trade deficit which was augmented by a decline in the deficit on non-merchandise transactions. Merchandise exports recovered somewhat from the strike-affected level of the first quarter, while merchandise imports fell after reaching a record quarterly level in the previous quarter. The main change in the non-merchandise balance was a smaller deficit on travel account as Canadian expenditures abroad dropped sharply following an unusually high first quarter.

New fisheries chart

Canadian fishermen may soon be using new fisheries charts that are probably the most advanced of their kind in the world.

As a result of an extensive survey, the Canadian Hydrographic Service has produced two prototype charts covering the Browns Bank area off southwest Nova Scotia. The new charts are being circulated among fishermen in the

Maritimes for their comments.

Basic changes in the prototypes (identified as charts 15124-F and 15134-F) involve the use of metric contour lines and colour shading to portray deep and shallow features of the sea floor, a coded-number method of indicating bottom roughness and composition, and the combined use of both Loran-A and Loran-C lattices as an aid to electronic positioning.

Being able to quickly pinpoint shallow or deep waters and knowledge of the composition and topographic character of the sea bed are matters of vital concern to fishermen in setting their nets.

Questionnaires, together with free copies of the prototype and existing fisheries charts, are being distributed to chart users from the Fisheries and Marine Service regional headquarters at Halifax, N.S. Future production and possibly modifications to the prototype charts will depend largely on the results of the survey.

Conservatives re-elected in Newfoundland

Voters in Newfoundland returned to office the Progressive Conservative Government of Premier Frank Moores in the province's general election on September 16.

At dissolution, with two vacancies, the Conservatives had held 32 seats in the 42-seat Legislature, the Liberals eight. Changes in the electoral map created 51 seats for this election, of which the Conservatives won 30, the Liberals 16, Liberal Reform 4, and 1 Independent. Recounts are expected in several ridings.

Mr. Moores was re-elected in his riding of Humber West. The leader of the Liberals, Edward Roberts, kept his seat in the new riding of Strait of Belle Isle, and Joseph Smallwood, leading the Liberal Reform Party, was elected in Twillingate.

Mr. Smallwood — Joey —, who had been the Liberal premier in Newfoundland for 23 years, before the Conservatives won in 1971, retired from politics but decided to form the new Liberal Reform Party and run again. The night before the election he told a crowd of supporters: "No man should retire until he is buried. And when they bury me they'd better put a few tons of rock on top or I'll be back."