

No. 55/17 CURRENT ECONOMIC TRENDS IN CANADA

An address by the Minister of Finance, Mr. Walter Harris, to the Canadian Club, New York, November 2, 1955.

To an audience made up almost entirely of former Canadians and persons who have more or less direct interests in Canada and Canadian affairs, it is natural, indeed almost inevitable, that I should talk about current economic developments and trends in Canada. It is also a convenient time to speak on this subject because we have just passed the halfway mark in our fiscal year and this is a natural point from which to look backward and forward to see to what extent the views we held last April seem to require re-appraisal.

The principal economic event of the past two years has been the recession of 1953-54 and the extraordinarily rapid recovery during the past twelve months. In Canada, we, like the United States, experienced this recession, but with some interesting differences. Most of you will recall that Canada almost wholly escaped the short and sharp recession which the United States went through in 1949. In that year, despite an almost 10 per cent dip in your principal economic indicators, all that we experienced was a moderate slowing down in the rate of our expansion.

In 1953-54 we were not quite so fortunate. 1949 had found us at the beginning, or in the midst of a number of major investment projects -- oil development in Alberta, Kitimat on the Pacific Coast, and Labrador Iron Ore far up in the northeast. 1953-54 caught us at a point where oil development and expansion had levelled off (though still running at a very high level); the first major phases of Kitimat and Labrador Iron Ore had been completed and the two major oil pipe lines running east and west from Alberta had also been completed. The next project of major expansion, (St. Lawrence Seaway) was not quite ready to go ahead. We were, so to speak, caught in a pause in our expansion and it was inevitable that the decline in business activity in the United States should be reflected in Canada.

The 1953-55 cycle of decline and recovery in Canada did not exactly parallel yours. We were later both in the downturn and in the upturn. In your country business activity started to slow down in mid-1953, while our downturn was not clearly evident until late in 1953. Your low point came in the first half of 1954 and rapid recovery began in the fourth quarter. Our low point came toward the end of 1954 and recovery did not begin to pick up rapidly until well into the spring of this year. In other words, we lagged four to six months behind you both on the downturn and the upturn.

On the other hand, the magnitude of the recession was somewhat less in Canada than in the United States. Your general index of production fell about 10 per cent. Ours on a comparable basis dropped about 7 per cent. Our rate of recovery, though it started later, has already caught up with