

## CANADIAN ECONOMY IN 1971 AND OUTLOOK FOR 1972

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close to their 1970 production levels, with little indication of an early return to a strongly-upward trend. Aircraft and parts-manufacture have continued the fairly sharp decline evident in the previous two years.

Mining activity has increased further, though more slowly than in 1970, with the largest gains in crude petroleum, natural gas and coal. Metal mining has increased only slightly after a very strong rise in 1970. Demand for the major metals has been sluggish with reduced prices, leading to curtailment of operations by several companies. In the forestry sector the highlight has been the marked upswing in lumber and plywood output in response primarily to the upsurge in residential construction. On the other hand, the pulp and paper industry has continued relatively slack, its output lagging behind for the second consecutive year. Although more adversely affected than most pulp and paper products, the newsprint industry appears to have picked up moderately toward the end of the year, after operating well below capacity for a considerable period of time.

Service-producing industries have shown somewhat faster growth than last year. The strongest rise has been achieved in the distributive trades, which of course have benefited from the strong stimulus to consumer-spending. Community, business, financial, and personal services, and public administration have again moved moderately higher.

### PROSPECTS FOR 1972

Underpinning economic prospects for 1972 is the continuing strength of consumer-demand supported by the sustained rise of personal incomes and reinforced by reductions in personal taxes. Additional stimulus will come from the new programs announced by the Minister of Finance in October, providing increased funds for capital purposes and for housing. While a further sharp increase in housing starts is unlikely, the high level of starts in the current year has resulted in a record carryover of uncompleted houses, ensuring a high rate of completions in the months ahead.

An October survey of capital-spending intentions of large companies indicated an anticipated increase in outlays of 3 per cent in 1972, following upon an increase by those same firms of 10 per cent in 1971.

However, since the survey was made spending plans have probably been bolstered by the stimulative measures contained in the October budget, including a lower corporate tax rate, by the current uptrend in profits generally and by the salutary effects on the business climate arising from the Group of Ten agreements in December. Thus, total private and public investment is likely to be a significant source of growth stimulus in the coming year.

Canada's export prospects for 1972 are buttressed by an expanding U.S. economy, which has been given new impetus by the competitive lift arising from realignment of world currencies. At the same time, the presently high exchange-rate applicable to the Canadian dollar relative to the U.S. dollar will make it more difficult for Canadian exporters to maintain their share of the expanding U.S. market.

A slower tempo of business activity in some other major industrial countries may continue for a time to exert a dampening effect on Canadian sales to overseas markets. On the other hand, a more favourable exchange-rate with major overseas customers opens up new opportunities for the alert and enterprising exporter.

To help Canadian exporters penetrate new foreign markets the Department of Industry, Trade and Commerce has initiated a program which provides for Government funding of half of new market development costs. Successful exporters are required to pay back the Government contribution at 1 per cent of the value of sales to the new market.

Meanwhile, imports are likely to continue to rise sharply in line with mounting demands in the domestic market. Even a vigorous and sustained export effort may not prevent some further diminution in Canada's balance in trade and other current transactions.

The over-all effects of these demand influences, together with an improving international environment, provide grounds for optimism concerning the pace of economic advance in Canada during the coming year. As always, much will depend on how Canadians respond to the challenges of the new year. As the economy moves to higher rates of expansion and fuller use of resources, special care will be needed to maintain a strong competitive stance in world markets and to guard against any renewal of the hazards of inflation. Given proper vigilance Canadians can look forward to sustained improvement in economic conditions in the year ahead.

### Corrigendum

Statistics Canada have corrected their figure of "1,000" to "100,000", which appeared in *Canadian Weekly Bulletin* dated December 29, 1971, third last line, column 1, Page 6 in the article entitled "Births and Deaths".