

It was inevitable that the economic pressures stemming from the Korean war would create maladjustments in a number of industries which would later require correction. 1953 and 1954 were the years in which the subsequent corrections took place.

Business had built up inventories in expectation of rising prices and shortages of materials; governments had stock-piled materials as a national defence measure; consumers, with similar expectations, purchased expensive durable goods and clothing in unusually large quantities.

With rising prices, Canadian producers, in many cases, let their costs get further out of line. Other countries required increasing quantities of Canadian raw materials.

This economic flood was bound to ebb. During 1953 and 1954 Canadian producers began encountering increasing competition not only in export, but in domestic markets as well. To meet this threat employers sought ways and means of bringing their costs into line. In many cases they tightened up on their utilization of manpower and so were able to produce more output with fewer men following mid-1953.

Similarly, inventories were reduced in an effort to get stocks down to more manageable proportions. Consumers shifted some of their expenditures from durable goods, clothing and textiles to services.

Businessmen spent less heavily on machinery and equipment, while the resources development programme slackened. With a poor grain crop in 1954, farm cash income fell by some fourteen per cent. At the same time, government defence expenditures, instead of continuing to expand reached a plateau.

All of these factors led to reduced employment and increased unemployment. These developments began in mid-1953. Over the 12 months from July 1953 to July 1954, total employment declined by some 80,000 while those without jobs and seeking work increased by about the same amount.

Fortunately, we were able to weather this adjustment without setting in motion a downward spiral of falling expenditures, income, and employment.

In the United States, similar developments were taking place, but a couple of months in advance of their occurrence in Canada. As the United States is our largest customer, the developments there had an important effect on the Canadian economy.

Since the summer of 1954, the level of economic activity in the United States has shown a marked recovery from the depressing effects of the adjustment process.

Similarly, there have been increasing signs of recovery in Canada since the autumn of 1954. Industrial production in February of this year was eight per cent above last year while labour income was up by some \$34,000,000. Our exports are showing a very noticeable improvement. Total exports in March of this year were 10.5 per cent higher than a year ago. I am glad to report that by mid-April employment was 117,000 higher than in April last year, while the number of those without jobs and seeking work had declined to 327,000 or only 21,000 higher than a year ago.

In other words, there is very little doubt that the Canadian economy is on the road to recovery. As my Colleague, the Minister of Finance, predicted, we should have an increase in national production this year of five to six per cent over 1954.