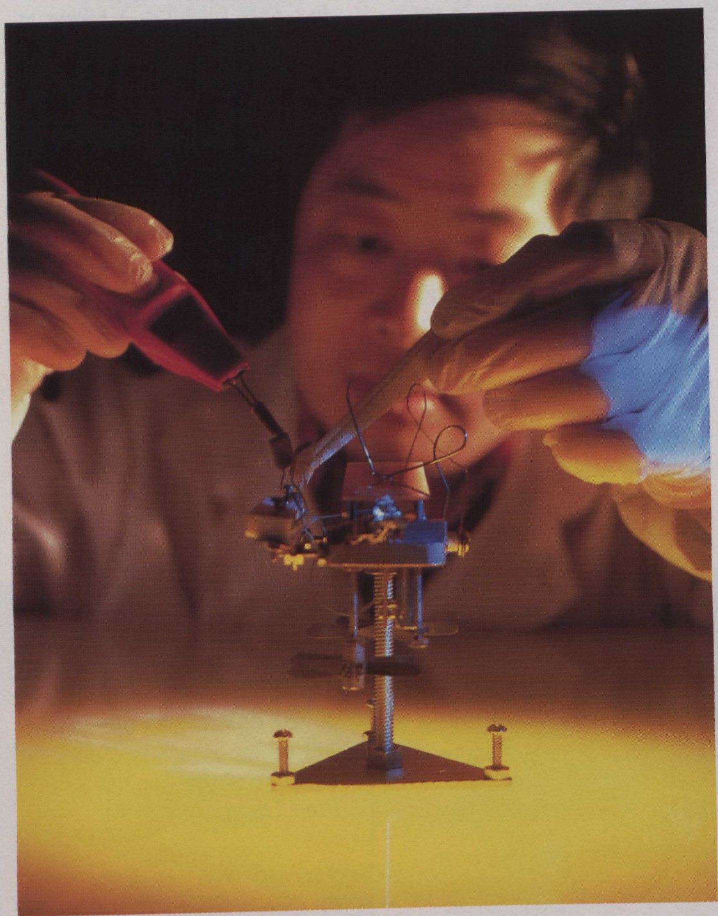
The upturn, which began in 1983, was buoyed largely by resumed growth in U.S.-related consumer demand, which fed directly into Canada's industrial heartland, especially the auto-related industries of Ontario and Quebec.

Then, starting in 1986, as worker recalls spread and domestic consumer confidence returned, Canadian demand kicked in. As a result, Canada realized a growth rate in the early and middle phases of the recovery which was the highest average one achieved in the industrialized world.

Indeed, Canada has emerged more competitive and more efficient. More than a million jobs have been added to the economy since 1983. At the same time, corporate debt levels have been brought down significantly and industrial productivity has been improving as plants and equipment have been more fully utilized. Average labour productivity, reflecting output per hour of work, has improved at an average annual rate of 2.2 per cent since 1983, having remained roughly static during the inflationary 1970s.

Canada's new technology means increased employment, profits and investment opportunities.



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The Bank of Canada: trying to contain worrisome inflationary pressures.

Inevitably, growth created some problems as well. Real estate demand grew, to the point of speculative frenzy in Toronto, Ontario, and Vancouver, British Columbia. As capacity utilization reached historic highs and unemployment declined, inflationary pressures built — but not everywhere. Continuing oil-patch doldrums overshadowed Alberta. And a two-year drought, at a time of low world grain prices, ravaged the rest of the western Prairie economy. Nationally, growth figures were phenomenal. Regionally, the boom was uneven until 1988 when forestry, fishery, minerals, metals, petroleum and grain prices rose, ensuring that all parts of the Canadian economy shared in the overall growth.

A More Sophisticated Economy

Underlying these trends is the fact that the structure of the Canadian economy is itself changing. Over the past quarter-century, resource exports have become a less important part of Canada's trade mix, representing just over one-fifth of Canadian exports now compared with 40 per cent in 1963. Fewer than 13 per cent of Canadian workers are now employed in primary industries, compared with 29 per cent in 1946. Remarkably, a similar trend has been taking shape in manufacturing.

In 1963, the services sector accounted for only 51.7 per cent of Canada's GDP; in 1988 it produced 60.5 per cent. Today, the services sector is king, employing over 70 per cent of the Canadian work force (accounting for 9 out of every 10 new jobs over the decade) and creating major demands for new skills and for reallocation of capital. The growing role of knowledge-based activity, either within existing industry or as self-sustaining business, is forcing re-examination of educational priorities and retraining programs.