

CANADA'S ECONOMY IN 1964 AND THE
OUTLOOK FOR 1965

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A NEW CONFIDENCE

The continuing forward surge of the Canadian economy, backed up by improved performance in world markets and the promise of further gains, has given rise to a new-found confidence within the Canadian business community. In this environment, the dominant feature of the domestic market outlook for 1965 is the expectation of a further substantial rise in capital spending. Information at present available on business investment plans for 1965 indicates a level of outlays from 10 to 15 percent above actual expenditures in 1964. Industries planning substantial programmes in 1965 include electric power, pulp and paper, chemicals and financial and commercial services. If allowance is also made for a sustained upward trend in public and institutional construction and a further moderate rise in housing, total private and public investment would be up nearly 10 per cent.

This continuing strength in capital investment, while itself contributing new demand stimulus, is, at the same time, a reflection of the future market expectations of the business community. A capital programme of the magnitude now in prospect bodes well indeed for both the near and longer-term future. Meanwhile, the steady upward trend of personal incomes adds to consumer demand and further reinforces the forward momentum in the economy.

Prosperity, of course, is not without its own special challenges. Traditionally, economic development has seldom proceeded smoothly, and periods of rapid expansion have usually been followed by contraction. The current expansion has already lasted beyond the normal span of a cyclical upswing. Thus, as growth proceeds, it will be important to avoid the kind of unfounded optimism and speculative excess which so often in the past have lead to maladjustment and decline. Yet there is no need to assume the inevitability of cyclical fluctuation to the degree experienced in the past. Growth can be sustained through constant vigilance and sufficient readiness on the part of all groups in the community to adapt to changes in the economic environment.

A HAZARD OF PROSPERITY

For the Canadian economy an additional obstacle to sustained growth is its vulnerability to external

imbalance in conditions of mounting prosperity. There is a strong tendency in the Canadian economy for rising incomes to bring a more than proportionate increase in imports. In recent years of rapid growth, this propensity toward external imbalance has been held in check by special measures and far-reaching programmes designed to improve competitive performance in both domestic and foreign markets. Nevertheless, in 1964 imports rose more than domestic shipments for the first time in several years. This diminution in the share of the overall domestic market supplied by domestic producers was offset by a truly remarkable performance in foreign markets. Prospects of a larger investment programme next year and increased domestic demands generally could result in a sharper rise in imports than is likely to occur in exports. In fact, a continued upward trend of economic activity in Canada may well entail a larger deficit in our external balance on goods and services.

A larger external deficit on current account serves a constructive purpose if it is required to support a more rapid pace of sound economic development. On the other hand, growing external imbalance could also reflect an inability to adapt to the changing market patterns which emanate from our own prosperity and from new developments affecting both the needs and productive capabilities of our trading partners. For Canadian producers fully to exploit available opportunities, especially in the more dynamic manufactured-product markets, new and sustained initiatives are required on many fronts. The Department of Trade and Commerce, in cooperation with provincial departments and trade associations, has broadened and intensified its promotional work with the business and export community. Improved access to external markets is a key factor in the future expansion of Canadian exports. The Canadian Government therefore attaches much importance to a successful conclusion of the "Kennedy-round" trade negotiations as a whole, and to its objective of achieving greater Canadian participation in the North American automobile market.

In recent years great economic advances have been made by Canada. The task now at hand is to sustain this growth and avoid those imbalances and maladjustments which can so easily and imperceptibly infiltrate and undermine the sinews of prosperity. Substantial as our recent achievements have been, the greater challenge still lies ahead.

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DISASTER AID TO INDIA, CEYLON

The Secretary of State for External Affairs recently announced that the Canadian Government would make available to India and Ceylon through the Canadian Red Cross Society \$40,000 in relief assistance to help these countries repair the damage done by the recent cyclone and tidal-wave disaster. In addition to this assistance, the Canadian Government is investigating the possibility of providing further help to Ceylon and India possibly in the form of building materials for reconstruction and rehabilitation.

Washington, D.C., an outstanding authority on allocation of natural resources for recreational use. Individuals and agencies working independently had done limited work on the subject of sport fishing on the economy, but this work had never been coordinated. The recent symposium provided for an exchange of ideas and served as a starting point for future investigations and discussions on the evaluation and other economic aspects of sport fishing. The symposium was held in Washington, D.C., and was sponsored by the U.S. Fish and Wildlife Service. The symposium was held in Washington, D.C., and was sponsored by the U.S. Fish and Wildlife Service. The symposium was held in Washington, D.C., and was sponsored by the U.S. Fish and Wildlife Service.