

record its first surplus in current payment transactions with other countries since 1952. Moreover, the surplus in the 1970 current account could approximate \$1 billion.

The achievement of a record export surplus in 1970 is all the more remarkable since it was accomplished largely as a result of gains in Canadian exports to overseas countries, where the value of exports was almost two-fifths higher in 1970 than in 1969.

Among the factors contributing to this buoyancy were:

(1) The exceptional strength in the economies of European Economic Community countries and Japan thus far in 1970, which has greatly stimulated demand.

(2) The catching-up of strike-delayed Canadian exports of nickel, copper and iron and steel products.

(3) The resumption of large volume deliveries of wheat to state trading countries (especially the Soviet Union), in recent months, coupled with unusually large shipments of barley and rapeseed.

(4) The greater Canadian export penetration in a number of smaller overseas markets.

OVERSEAS TRADE

These developments have overshadowed greatly the marked slow-down in Canadian exports to the United States in 1970, where the annual gain in sales may show an increase of only about 4 per cent from comparable 1969 levels. In all of 1970, the gain in Canadian exports to the United States may account for less than one-fifth of the total increase in Canadian exports. By contrast, the United States accounted for seven-eighths of the advance in the total value of Canadian merchandise exports in the period 1965 to 1969 inclusive. The changed picture in 1970 was a reflection mainly of general economic conditions in the United States, together with a marked slow-down in automotive sales in the United States, accentuated in recent months by the strike at General Motors. The upward change in the Canadian dollar, which so far appears to have affected Canadian secondary manufactured exports to the United States, more than overseas shipments, was also a significant factor.

The much sharper rise in Canada's exports to overseas markets than to the United States has increased the share of Canada's exports going to overseas countries from 29 per cent in 1969 to 35 per cent in 1970, while the share going to the United States has declined correspondingly from 71 per cent to 65 per cent.

CONSUMER SPENDING

In sharp contrast to the stimulus provided by the external sector, there was distinct hesitancy both in consumer spending and capital investment trends in Canada throughout most of 1970. The strong growth of incomes that had been a highlight of the second

half of the Sixties slowed down considerably in 1970, with disposable income per person increasing very slightly in real terms, compared with the previous year.

The slow-down in consumer spending appears to have been the most pronounced in the durable and semi-durable goods categories this year. Consumer outlays on durables will probably show a decline in 1970, compared with a 7.5 percent advance in 1969, no doubt reflecting in large part the reduction in housing activity. Production declines have occurred for major household appliances, household furnishings, radio and TV receivers.

Passenger car sales in Canada have declined sharply also. Nonetheless, prior to the General Motors strike beginning in mid-September, factory levels of motor vehicle production were maintained at the record high rate of the preceding year. The sourcing in Canada of an important part of small car production for the North American market, for which demand has been better sustained, contributed to continuing high activity in the Canadian automotive industry during the first three quarters.

CAPITAL INVESTMENT

As regards capital investment there appears to have been an appreciable cutback in the actual level of spending by business firms in 1970 from the level indicated on the basis of the mid-1970 capital investment survey.

The flattening out of business investment and weakness in housing were responsible for a difficult and uncertain year for the construction industry. The industry continued to be faced with major increases in wage demands and there were widespread strikes in the building trades and consequent delays in construction schedules.

With two key elements of domestic demand showing little buoyancy in 1970, there was only a modest increase in total industrial output and industrial performance was more uneven in 1970 than in most recent years. Among important industrial sectors that continued to show strong advances were mining, primary metal manufacturers, services and energy-producing industries.

Mineral production gains were impressive, led by iron ore, nickel, copper, petroleum fuels, asbestos and coal. Higher output of iron ore and base metals was in part a reflection of successful efforts to catch up on production losses due to strikes in the preceding year. On the "down" side, conditions of over-supply have persisted in world markets for potash, sulphur and uranium.

MANUFACTURING INDUSTRIES

Some major manufacturing industries continued to expand production although total manufacturing output rose very little, if at all, following a moderate increase in 1969. Primary steel production advanced