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THE PICTURE IN RETROSPECT

It is attractive to chart current business conditions at a time when, and illustrating, to plot the economy's position in relation to its income over the years. Since the last time most people have seen the picture, the decade of the 1950's, for all the hopes and fears that have been expressed, has been a period of relative calm. And the apparent failure of the economy to increase at the pace to which business had become accustomed, has raised many questions and opened new lines of inquiry.

The purpose of our Review this month is not to supply from the long-term past what may be in store for the long-term future, but has too often proved to be a misleading exercise. It is rather to portray reality, by means of the charts in the accompanying Supplement, the essential business trends of the 1950's, and to comment on some of the national and international economic changes that underlie them.

In the report, two statistical techniques that help to clarify long-term perspective may be mentioned. Firstly, the increase of price, which is shown in Chart IV, inevitably affects the movement of business indicators expressed in dollars. Price changes are accordingly eliminated by use of constant price indicators in dollars of constant purchasing power. Secondly, the use of base rates, to which lines of equal slope reflect equal percentage rates of decline, makes it possible to compare the rate of change of any indicator with that of any other, throughout the charts.

During the 1950's, the annual output of the Canadian economy more than doubled in value from \$16 billion to \$33 billion. As is apparent from Chart I, however, the expansion was neither uniform nor uninterrupted during the decade. Gross national product rose quite simply in the seven years 1949-56, despite the setback in the recession of 1952-54. But since 1956 the rate of expansion has been definitely slower. When allowance is made for price changes, the trend in the total of national production is even more pronounced. Real output in terms of constant dollars rose by 31%, or at a compound annual rate of 4 1/4%, during the ten years, from 1949 to 1959, however, the average rate

was 3 1/4%, and from 1956 to 1959 only 1 1/4%, a real increase, when the steady population growth of 2 1/4% per annum during the decade is taken into account, real national output per capita was enlarged by close to 3% per annum in the seven years through 1956 but actually declined by over 1% per annum in the subsequent three years.

The upturn in growth during the early 1950's was not exceptional of the way in which Canada has historically grown. Since the turn of the century, two periods may be singled out—1904 to 1909 and 1924 to 1929—in which Canada's real output expanded at average rates of 4% and 3 1/4% a year respectively. Economic history does not necessarily repeat itself but each of these former expansions was followed by quite different conditions and it may well be that the years following 1959 were such a period of reaction.

An analysis of the principal factors that comprise total demand reveals that within the over-all picture there were diverse trends. Expenditures by consumers for goods and services constituted the major source—nearly two-thirds—of total domestic demand and are that by their very nature an important determinant of the level of economic activity. They rose consistently in both value and volume throughout the 1950's as shown in Chart II and were a major factor in Canada's expansion. The decade began with consumer buying continuing at a high level, with backlogs of demand and inventories of goods still in excess from the war. To this was added a wave of anticipatory buying in the latter part of 1949 and 1950 and an increasing rate of replacement of worn-out goods continued to mount rapidly in the next few years.

But, while continuing to be a major influence in maintaining business activity, the volume of consumption increased much less rapidly after 1956. Indeed, real consumption per capita declined in 1957 and 1958 and by 1959 was only fractionally higher than in 1956.

Part of the explanation for the less buoyant trend of consumer spending in more years undoubtedly lies in the absence of many of the aforementioned stimuli to spending that had characterized the early part of the decade. Also mixed in the more rapid rise in the

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