



Bulletin

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CANADA'S ECONOMY IN 1970 AND THE OUTLOOK FOR 1971

The following is a year-end statement issued by Mr. Jean-Luc Pepin, Minister of Industry, Trade and Commerce:

Economic growth in Canada slowed in 1970. The gross national product in real terms rose by about 3 per cent, a somewhat greater advance than was realized in the United States and Britain, but smaller than in most other industrialized countries. At the same time, Canada's exports surged ahead, rising by \$2 billion in the one year to reach almost \$17 billion. Canada's surplus on merchandise trade in 1970 far exceeded that of any previous year.

One salutary aspect of the reduced momentum in the Canadian economy was the dampening effect it had on inflation. The rate of advance in Canadian prices was significantly less in 1970 than in either of the two preceding years. The price component of the gross national product, for example, rose by about 3.5 per cent in 1970 compared with 4.75 per cent in 1969. However, there is continuing upward pressure from the cost side which has yet to be adequately contained. Nevertheless, Canada's price performance did compare favourably with the ex-

perience this year (1970) of other industrialized countries of the world. Most countries of the Organization for Economic Co-operation and Development will have witnessed a rise in their general price level of at least 5 per cent in 1970 - more than double the average rate in the early 1960s.

As the year 1970 draws to a close there are increasing signs in the Canadian economy of lessening inflationary strain and of renewed growth momentum. The effects of earlier expansionary fiscal and monetary measures are beginning to show in the underlying trends of employment and unemployment. Further expansionary impetus has been added by recent budgetary measures. These measures were of a "selective" nature designed to stimulate those sectors of the Canadian economy, where stimulation is needed most, and to provide relief from economic hardships, without at the same time upsetting the hard-won improvement in price performance now under way.

SOARING TRADE SURPLUS

The outstanding feature of Canada's economic performance in 1970 has been the spectacular increase in Canada's merchandise trade balance. This has come about as a result of buoyancy in Canadian merchandise exports (up more than 14 per cent) coupled with virtually no change in the level of imports.

On the basis of nearly complete data for 1970, Canada appears headed for a merchandise trade surplus approaching the \$3-billion mark. This is an amount almost four times as large as the export surplus achieved in 1969 and more than twice as large as the previous record high surplus of about \$1.25 billion recorded in 1968. The unprecedented rise in Canada's merchandise trade surplus was an important element in cushioning the economy from the effects of the marked slow-down in domestic demand.

Another noteworthy result of the record-breaking achievement in external trade is that Canada will

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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.

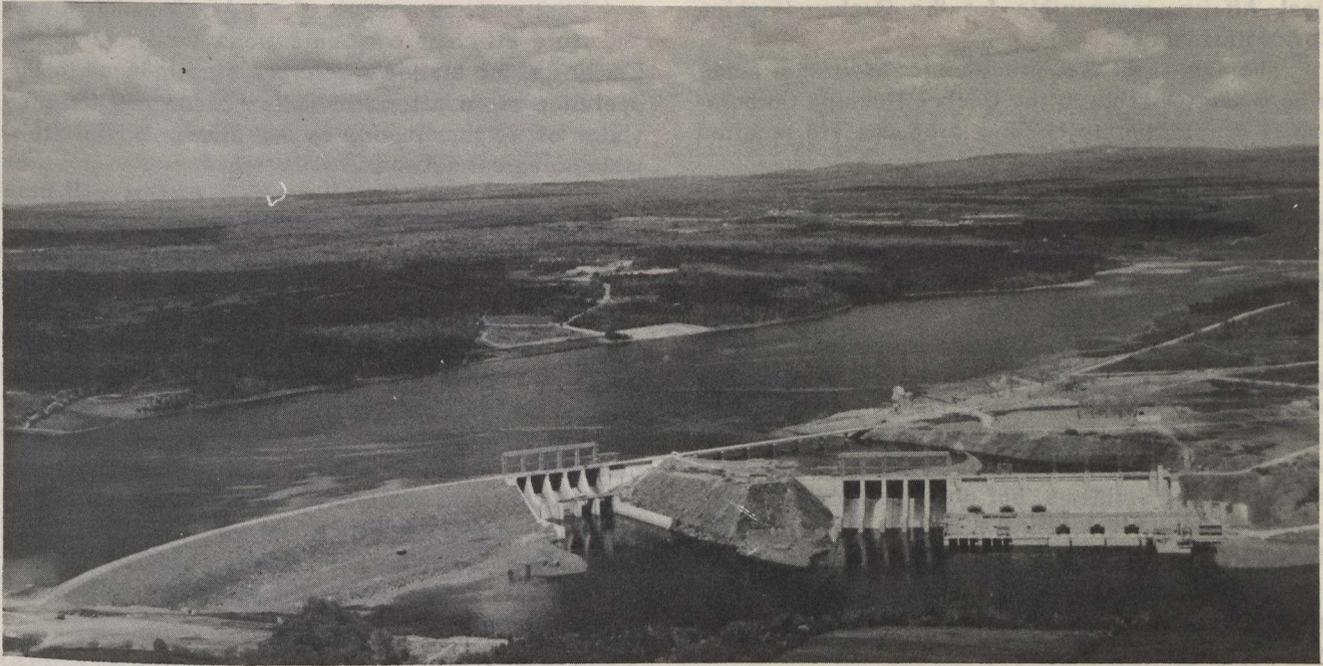
The flattening out of business investment and weakness in housing were responsible for a difficult and uncertain year for the construction industry. The industry continued to be faced with major increases in wage demands and there were widespread strikes in the building trades and consequent delays in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



MACTAQUAC POWER STATION

Sizable hydro-electric stations built recently in Canada include the New Brunswick Electric Power Commission's Mactaquac Station on the Saint John River. Three 100,000 kilowatt units are already in operation and three more will be installed as required. The Mactaquac dam is a compacted rockfill

structure, 1,700 feet long and 180 feet high. The concrete intake structure, two spillways and the powerhouse are incorporated in rock on the left bank of the river. The dam provides a net head of 116 feet and has created a reservoir with total storage capacity of more than a million acre-feet.

RELIEF TO PAKISTAN

The freighter *Malam Jabbar* left Montreal recently carrying about 3,000 tons of relief supplies to Chittagong, East Pakistan as part of the second stage of Canada's \$2-million program to help disaster victims in that region.

Its cargo included corrugated-steel sheets, nails, blankets, evaporated and powdered milk, baby food, canned beef, and medical supplies sent by the Canadian International Development Agency to support the work of recovery and rehabilitation among survivors. Space was also made available for several hundred tons of supplies contributed by voluntary agencies working across Canada.

The cyclone and tidal wave of November 12 and 13 affected about a quarter of East Pakistan's 70 million people, taking a heavy toll of life and ruining crops, fields and homes over a wide area of the coast region. In the days following this massive tragedy, the Canadian Armed Forces carried out a 200-ton airlift as the first stage of Canada's emergency relief program, designed by CIDA to meet immediate needs of the survivors. By the end of November, 13 Canadian flights had rushed top-priority items, including urgently-needed blankets, medicines, food

and drugs from Trenton, Ontario halfway around the world to Dacca, East Pakistan's capital.

Canada's relief effort includes, besides official grants of cash and shipments of supplies, many kinds of help provided by individual Canadians and a large number of voluntary organizations. Important contributions have been made by the Canadian Red Cross Society CARE, UNICEF, World Vision of Canada, OXFAM, provincial governments and many church organizations.

FEDERAL AID FOR QUEBEC HOUSING

The Federal Government and the government of the province of Quebec have concluded administrative arrangements for the Federal Government to make available \$150 million during the fiscal year 1970-1971 to enable Quebec to undertake a number of housing projects for families of low and moderate income, the elderly and handicapped children. The total cost of the programs is estimated at \$180 million.

The announcement was made recently by Mr. Robert Andras, federal Minister responsible for Housing and Mr. Maurice Tessier, Minister of Muni-

cial Affairs, responsible for the Quebec Housing Corporation Act.

The agreement also provides for additional funds to be made available to the Quebec Housing Corporation if supplementary housing programs are required before the end of 1971.

Moreover, in keeping with decisions reached by the Prime Minister of Canada and the Premier of Quebec, the agreement provides for the establishment of a committee to study techniques and procedures of housing and related programs.

Mr. Andras and Mr. Tessier both mentioned the agreement was the result of the closest co-operation between the two governments. The objectives, they said, were intended not only to improve the housing conditions of individuals and families faced with severe housing problems, but also, in the short term, to provide major investments to help combat unemployment.

The ministers acknowledged that housing was a priority item for both governments and that, within available financial resources, every effort would be made to deal with existing problems not only at the governmental level but also in co-operation with the various private institutions that traditionally invest in housing. Both ministers appealed to private enterprise stressing that the role of government was residual and that the dominant role was usually played by industry and the lending institutions.

The federal funds will be made available by the Quebec Housing Corporation directly to municipalities, non-profit organizations, universities and other authorized institutions.

FIRST ESKIMO WEATHER STATION

Four young Eskimos, members of the West Baffin Eskimo Co-operative, started operation last September of the Ministry of Transport's first all-Eskimo meteorological station at Cape Dorset, Baffin Island. The men are Kardik Samuellié, Isaaci Osowetok, Sailar Osoochiak and Mathewsie Igiu, all of Cape Dorset.

The men began a-one-and-a-half-month training program at Frobisher Bay in July, which included three weeks of classroom training, two weeks on-the-job instruction at the Frobisher Bay station, and a final two weeks of classroom work. They are now stationed at Cape Dorset in a new and well-equipped meteorological station.

WORK OF THE STATION

The new station is designed to handle the meteorological tasks that in the past have been performed at the Transport Ministry's marine radio station on Nottingham Island, in the entrance to Hudson Bay. Since 1928, and until last year, this station provided both communications and meteorological services for shipping.

Last year, as a result of the development of new and more efficient communications facilities in the Far North, the station's services were reduced to the operation of an automatic radio beacon and the provision of weather reports to the Transport Ministry's meteorological network.

The new Cape Dorset weather station will provide reports to shipping but its program will be of special importance to the rapidly growing air traffic over the Arctic and sub-Arctic regions. It will be an important new component of the nation-wide meteorological observing network.

The Eskimo staff will make 14-hourly surface weather observations each day, including such things as wind direction and speed, temperature, humidity, barometric readings, cloud ceiling and quantity, precipitation and visibility. At six-hour intervals a synoptic weather report will be made, thus rounding out a broad recording and reporting program for use by forecasters throughout the Ministry's meteorological network.

CANADIAN FISH CLEAN

Fish caught in Canadian coastal waters have been given a clean bill of health in the inspection program to test their mercury content.

Fisheries Minister Jack Davis has stated that canned salmon is well below the permissible level of .5 parts in a million and that all fresh and frozen marine species from both coasts show no mercury problem to date. Samples of fresh salmon, groundfish and shellfish were taken from commercial fishermen's catches for tests.

There is a mercury problem in canned imported tuna and all lots are detained and checked for contamination.

"Saltwater fish, both canned and fresh, are absolutely safe," the Minister said. "Our intensive inspection program is a guarantee to all consumers."

RIGHT DOWN OUR ALLEY

Pedestrians in Moose Jaw, Saskatchewan, are now liable to a maximum fine of \$100 or 30 days in jail if they don't walk on the righthand side of the sidewalk and crosswalks. A recent amendment to the city's traffic bylaws, submitted by Alderman Raynell Andreychuk and passed by the Moose Jaw City Council earlier this month, is intended to prevent walkers from colliding. The minimum fine for an offence is \$10.

"I just can't see any sense keeping to the right at the corner of 16th Avenue and Grandview Street," said Mr. Gordon Pritchard, one of four aldermen who opposed the motion. "You would," retorted Miss Andreychuk, "if I was coming from the other direction."

CANADIAN MUSIC IN CANNES

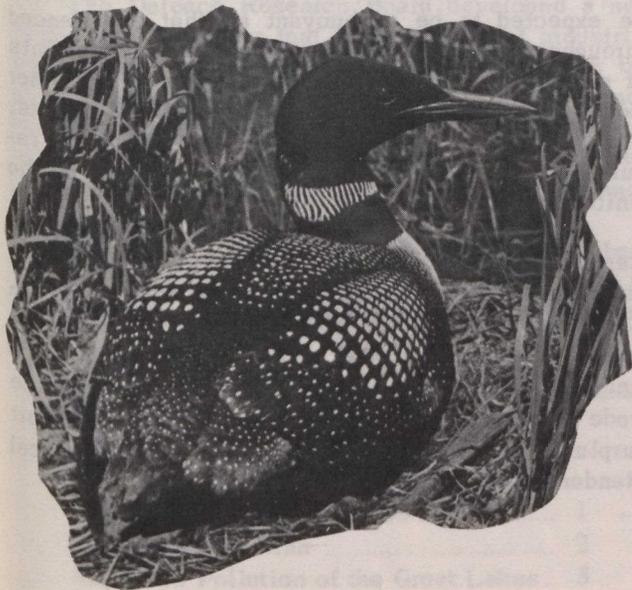
Eight major Canadian suppliers of music copyright will take part in a Department of Industry, Trade and Commerce exhibit at the International Record and Music Publishing Market (MIDEM) in Cannes, France from January 17 to 23.

Canadian record album sales, are *per capita*, the highest in the world, and *per capita* dollar sales are second only to those in the United States. Canadians average 1.07 albums *per capita* each year, spending \$3.75, compared to 0.96 albums at a cost of \$5 in the U.S.

A large percentage of the records bought in Canada are by Canadian artists, composers and poets, many of whom have attained international recognition. Conversely, there is a market in Canada for European records. Canadian exhibitors at MIDEM are prepared to buy copyrights from European publishing and recording-houses for production in Canada.

LOONANTICS

After a stormy night recently in Vienna (a hamlet near Aylmer, Ontario), a provincial Department of Lands and Forests game-management officer received a telephone call from an excited gentlemen who had found a "mystery bird as big as a goose" shivering on the shoulder of a road in Elgin County.



On arrival at the scene, staff officers discovered that the bird was a common loon, which was no longer chilled and shivering but quite comfortable and ready to do battle. It struck viciously with its beak and challenged its would-be rescuers with its eldritch laugh. After much kicking, flapping of wings and snapping of beak, the big bird was carried into the Department's car, in which it was driven safely to a wildlife preserve near St. Thomas and released into a

sizable body of water. The loon immediately dived and swam out to join a flock of Canada geese resting in the sanctuary.

It has since left the preserve, and has probably continued its southward migration. Lands and Forests officers say that, though it is rare, during darkness in wet weather, the common loon sometimes mistakes wet pavement for water and, once it lands, there is no way this large bird can take off, since it needs a water runway and is completely unable to become airborne from land.

Aylmer's fish and wildlife staff believe that it pays to help a tourist – even if he doesn't appreciate it at the time.

FOREIGN FIRMS IN NOVA SCOTIA

Industries recently established in Nova Scotia include surprises – such as the only North American auto-assembly plant at Sydney, of the Japanese firm Toyota; a Volvo assembly plant at Halifax, which turns out 8,000 cars a year; a \$65-million Gulf Oil refinery; two heavy-water plants, including a locally-owned one and a \$65-million Canadian General Electric plant; a Kaiser strontium plant under construction; two French Michelin tire plants; and a combined British and American carpet factory (Crossley Karastan Carpet Mills Ltd.) at Truro which has doubled employment (to 250) since starting in 1965.

JAPANESE BEACHHEAD

The Toyota plant in Sydney, near the Eastern tip of Cape Breton, employs only 49 workers, who build five to six cars daily. But it is a Japanese beachhead in Canada.

The Swedish firm of Volvo has a considerably larger plant in Halifax, which assembles about 8,000 cars a year. To qualify for duty exemptions, 40 per cent of content is Canadian manufacture, principally wheels, tires, batteries, window glass, headlights and other easily attached parts. Major body components come in by ship from Sweden as knocked-down sub-assemblies.

CANADIAN GLASS TO SWEDEN

As a corollary, Duplate Canada Ltd. of Toronto, which started supplying window-glass for Volvos made in Halifax, now also supplies the main plant in Sweden because the quality at Halifax was good. Windshields go to Sweden as a back haul on the ships that bring in the car bodies.

AUSTRIANS AND ITALIANS

Many small industries have been locating in Nova Scotia. Most have had loans and other assistance from Industrial Estates Ltd., a Crown corporation that promotes secondary manufacturing, and the Department of Trade and Industry.

Chester Plastics Ltd. at Chester, started by a Viennese, manufacturer, makes plastic containers for cosmetics and is finding a ready market in the U.S.

Donato, Faini & Figli (Canada) Ltd. at Stellarton was started ten years ago by Italian interests to make women's fashion knitwear and has opened up major markets in New England.

Buckingham Mills Ltd. at Springhill also was started by Italian interests at an investment of \$1 million. It makes carpeting.

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(Continued from P. 2)

strongly to a new high, and prospects are favourable for a continuing high trend in 1971, with strong stimulus expected from major oil and natural gas pipe-line projects under development. Machinery industries other than farm implements, had another good year, though the rate of increase was less than in 1969. Growth also continued in important non-durable manufacturing sectors such as food, beverages, tobacco and chemicals.

Several other important manufacturing industries experienced a slowing in demand contributing to layoffs and a rise in idle plant capacity. Among these were aircraft, farm machinery, shipbuilding, boots and shoes, cotton yarn and cloth, synthetic textiles, knitted goods and clothing.

Forest industries have not been able to maintain the vigour of growth reached in 1969. Output of pulp and paper mills has slowed and newsprint production was down slightly. Lumber and plywood levels were reduced with weaker demand in which a major part was played by the drop in housing construction in Canada and the United States. In the later months of 1970, housing trends have sharply improved in both countries with attendant improvement in the prospects for lumber and plywood producers during the coming year....

OUTLOOK FOR 1971

A marked improvement is indicated in the housing sector, Housing starts in both October and November 1970 were running at a seasonally-adjusted annual rate of 269,000 units. With large volumes of CMHC-

financed units reinforcing the strength in privately-financed starts, total housebuilding activity in Canada should continue at this unusually high level for a number of months. Total investment activity in housing could run up to one-fifth higher in value in 1971 compared with 1970.

In 1971, consumer spending seems likely to be a much stronger element in the economy than was the case in 1970. The saving rate of the Canadian consumer has been unusually high during the past year and a return to a more normal savings pattern would suggest a stronger market for consumer goods generally. The increase in housing starts now under way will encourage consumer demand for home appliances and home furnishings. With easier credit conditions and settlement of the major 1970 strike, higher automotive sales are also in prospect.

There is also reason for optimism regarding renewed growth of activity in business capital spending in 1971, following four years of relatively flat or declining spending activity in this sector. The delays encountered in the realization of intended capital expansion programs in 1970 caused by work stoppages and the squeeze on corporate liquidity and profits, appear to have resulted in a considerable carry-over of work into 1971....

A recent survey of capital spending intentions indicates that the largest 200 companies in Canada plan an 11 percent increase in capital spending in 1971....

The external economic climate for 1971 cannot be expected to be as buoyant as that experienced throughout most of 1970. However, there are elements of strength which permit the expectation of a further moderate expansion in Canada's merchandise exports. In particular, 1971 appears likely to witness the resumption of more vigorous economic growth in the United States....

On balance, a further moderate increase in Canada's exports can be expected in 1971. At the same time, there is likely to be renewed growth in Canadian imports, given the recovery anticipated for domestic demand in the period ahead. While continuation of the unprecedented Canadian merchandise trade balance of 1970 cannot be expected, the export surplus will probably remain large by historical standards....