



Bulletin

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CANADIAN ECONOMY IN 1971 AND OUTLOOK FOR 1972

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

Canada's economy has moved forward more strongly in 1971 following a phase of slower growth in 1969 and 1970. National output rose by about 6 per cent, compared with increases of 3 per cent in 1970 and 5 per cent in 1969. This is a faster rate of growth than is expected this year in any of the industrial countries of the western world, including Japan. Stronger growth in production and sales has been reflected in the labour market and the employment trend has strengthened notably. Nonetheless, some slack has persisted in certain industries and regions and unemployment has continued at unacceptably high levels. The achievement of strong and sustained growth sufficient to reduce unemployment and take up the slack in the economy is the primary aim of Government economic policy at this time.

The increase in Canadian prices in 1971 was again the lowest among the major industrial countries, with the broadest measure of price movements, the GNP price deflator, showing an increase of 3.2 per cent. While the average price rise for the

year was relatively moderate, there has been a stronger upward tendency for much of 1971 after the visible slowing of price increases during the preceding year. There has been little indication of deceleration in unit labour costs as average wage-rate increases continued to exceed gains in productivity by a wide margin. In the movement toward higher levels of activity and fuller utilization of resources during the months ahead, upward pressure on prices is likely to remain a matter of serious concern.

There has been an encouraging rise in new job opportunities as the economy gathered renewed momentum. Employment for the year rose more than 2.5 per cent, which was twice the rate of increase in 1970. Moreover, employment trends have continued to strengthen as the year progressed and the number with jobs was moving up at an annual rate of 3 per cent in the final quarter. The Canadian labour force in 1971 has grown very rapidly to a major extent because the youths of the postwar baby boom are now entering the labour market at full flood. The increase in jobs, large as it has been, has not been sufficient to reduce unemployment, and the seasonally-adjusted rate of unemployment was about 6.5 per cent in the final quarter of 1971.

Strengthening of the Canadian economy in 1971 has taken place under conditions of considerable uncertainty in world trading and financial markets. The economic program announced by President Nixon on August 15 to stimulate domestic growth and redress the persistent U.S. payments-imbalance created major difficulties for Canadian industries affected by the new restrictions and added greatly to uncertainty throughout the business world. The adverse effects of the U.S. measures on Canadian industry were mitigated by prompt ameliorative actions, including the enactment and implementation of the Employment Support Act. Then, in December,

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the Group of Ten reached agreement on the broad lines of a currency realignment designed to restore better underlying balance to international payments together with the immediate elimination of the U.S. "temporary" restrictions. While other trade issues have still to be resolved, the December arrangements have done much to lift the veil of apprehension which had enveloped the world business community and should open the way to more vigorous economic advances in North American economies and throughout the world.

MAJOR DEMAND STRENGTHS

The main source of strength in the national economy in 1971 has been the renewed advance of consumer-spending, reinforced by a vigorous upsurge in residential building. Higher consumer-spending has been spurred by strengthening in personal income and greater availability of consumer credit. The improvement in personal income has been widely based. Gains in employment and continuing large increases in wage rates have combined to strengthen labour income. Non-wage earnings have also shown improvement - corporation profits which declined in 1970 have turned upward and there have been increases in farm and other business sectors. *Per capita* disposable income in real terms has risen significantly, exceeding the small increase of the previous year.

Spending on consumer durables made the most impressive gain in recent years. The increase was at least 15 per cent in value terms following a pronounced weakening, a decline of 5.5 per cent, last year. A substantial rise in auto sales was a principal factor. New-car sales exceeded last year's level by a wide margin, in both years a sizable proportion of the market being captured by imported overseas models. In addition, there have been major increases in purchases of home appliances and recreational equipment. Trends in purchases of non-durable goods and services have also shown improvement, though less dramatically than in the case of durables.

1971 was a buoyant year for housing. An estimated 235,000 new homes were started, well above last year's total of 191,000 and the previous record of 210,000 in 1969. Continued strong expansion in residential construction has been encouraged by greater availability of mortgage credit and by the provision of additional loan funds by the Federal Government during the course of the year.

FOREIGN TRADE

External trade has provided less stimulus to the Canadian economy in 1971 than in the preceding year. Canada's exports rose 5 per cent in 1971, following an increase of 13 per cent in the preceding year. Meanwhile, stronger demand conditions in

Canada brought a sharp resurgence in imports, which were 12 percent higher than in 1970. The sharper rise in imports than in exports has reduced Canada's merchandise trade surplus from the 1970 record high of \$3 billion to something in excess of \$2 billion. Canada's balance on all current transactions will still show a surplus for calendar year 1971, though small compared with the \$1.1-billion figure realized in 1970.

Canada's sales to the United States, which account for more than 2/3 of total exports, were up 11 per cent, a substantial gain after only a marginal increase in the previous year. This strengthening hinged in considerable part on the recovery in the U.S. economy. It reflected, in particular, a higher level of automotive exports with the boost in trans-border shipments of automotive goods that followed settlement of the General Motors strike late in 1970. Large increases have occurred also in exports to the United States of rolling mill products, petroleum, natural gas, fertilizers, chemicals and lumber.

The trend of sales to overseas markets has moderated in 1971, following the unusually sharp gains of the preceding year. The pace of economic expansion has fallen off in several industrial countries, the result in some measure of policies aimed at containing serious inflationary trends in wages and prices. Uncertainties created for international business by the floating of major currencies, and the new United States economic program, have also had a dampening effect on sales. Principal overseas markets for Canadian products which have experienced a slowing in growth include Britain, West Germany, Italy, Sweden, Belgium and the Netherlands, as well as Japan. In some of these countries stocks were being reduced during 1971, particularly in the case of metals such as nickel, copper, aluminum and iron ore, which had been acquired in exceptional volume in the previous year. Exports to state-trading countries were somewhat higher than in 1970, largely as a result of increased grain deliveries under major contract agreements with the U.S.S.R. and China. Apart from state-trading countries, exports to overseas markets declined in 1971.

INDUSTRY CONDITIONS

Industrial production has increased moderately supported by a growing improvement in manufacturing. The auto industry has returned to a high-output level following the strike in late 1970 and sparked by stronger North American consumer markets. Increased consumer-spending also has contributed to important gains in production of household appliances and recreational equipment. Several non-durable industries have shown strengthening trends, including foods, textiles, knitted goods, chemicals and petroleum products. Principal primary metal, machinery, and industrial equipment industries have remained

CANADA'S GROWING FILM INDUSTRY

The Canadian feature film industry has experienced an impressive growth over the past ten years.

In the early Sixties, except for a few long documentaries produced by the National Film Board for public-owned Canadian Broadcasting Corporation television, very few feature films were made in Canada.

This era has come to an end: in 1969, 33 feature films were produced in Canada, 22 in the private sector, ten by the National Film Board and one by the Canadian Broadcasting Corporation. Of this number, 19 were in French and 14 in English; 21 were produced in Montreal.

Feature-film production continued to increase in 1970 and although the distribution of Canadian features (either French or English) can still cause serious problems, several of these new films have already met with commercial success in Canada. Indeed, in some regions of Quebec, the biggest box-office draws are now Canadian features and some have already been purchased by foreign distributors.

REASONS FOR INCREASE

Several factors account for the sudden growth of a Canadian feature-film industry. Film-makers wanted to express themselves in feature films; and the demand for television commercials has made Toronto one of the largest film-production centres in North America and enabled several companies to acquire the background necessary to undertake feature-film production. The development of audio-visual facili-



Genevieve Bujold and Donald Sutherland in a scene from The Act of the Heart, written, directed and produced by Paul Almond and distributed abroad by Universal Pictures, London. A devout young girl from rural Quebec finds work singing in a Montreal church choir. Her friendship with the priest gives rise to serious conflict.

ties in education has also played a part. Large government expenditures have been made in this field, which offers an excellent training school for Canadian film-makers. Finally, there was the creation by the Federal Government in 1967 of the Canadian Film Development Corporation, the first concrete step taken by any government in Canada to support a feature film industry in the private sector. This agency, within a very short time, has provided the impetus for the production of 20 feature films.

There are now about 60 production companies in Toronto, Montreal and Vancouver, with modern studios, up-to-date equipment and above all a pool of experienced technicians and film-makers.

The National Film Board too has already enabled several young film-makers to make their first feature films. In addition to its major short-film program, the National Film Board produced more than ten feature films in one year.

The Canadian Broadcasting Corporation produced short and long films in co-operation with the National Film Board and allocates many contracts to the private film industry. However, it has not undertaken a program of feature films that could also be shown in commercial theatres and abroad.

To meet the challenge of a film industry in the making, Canadian film-makers and producers have already begun to create a style of Canadian film-making to produce some films of high quality which should lead to a genuine contribution to world cinema.



Rachel Cailhier and Jacques Thisedale in Those Damned Savages, directed by Jean-Pierre Lefebvre, distributed by Faroun Films (Canada) Ltd., Montreal. It is the story of Thomas Hébert, coureur-des-bois, fur-trader and hard-core individualist who lived in 1670. The setting is now but present-day figures appear both in 1670 and 1970.

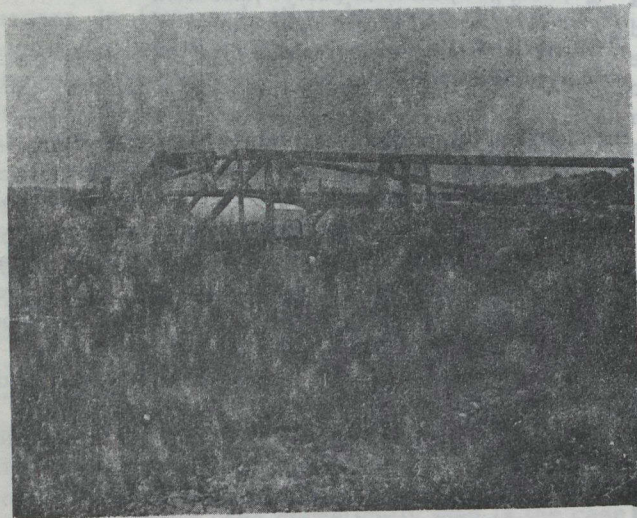
PESTICIDE REVIEW PROGRAM

The Canada Department of Agriculture is giving increased attention to the management of pesticides through the expansion of its pesticide-review program, carried out by the Control Products Section under the Pest Control Products Act. This act requires that products must be registered before they may be offered for sale in Canada.

The purpose of the program is to re-evaluate all pesticides in the light of current criteria and data and to provide for the orderly modification of the uses of pesticides in Canada.

Many compounds in use for a number of years have become part of pest-control programs in agriculture, forest-management and public health, and in structural domestic and industrial situations.

The order of review of compounds is determined in consultation with advisory agencies. The scheduled lists reflect the various disciplinary and regulatory concerns. The review program therefore involves the co-ordination and evaluation of information from industry and agencies involved in pesticide research, environmental control, wildlife and health in both the federal and provincial governments.



This machine is applying pesticides, which have become an integral part of Canadian agriculture.

Virtually all pesticides are developed, manufactured and distributed by private companies. The economies that produce registered products scheduled for review are alerted at the outset so that they have the opportunity to participate fully in the program.

Requests for review from provincial authorities are directed through the regulatory officials of the provinces concerned, and through their interdepartmental committees to the Control Products Section. These committees usually include health, wildlife, water and forestry as well as agricultural interests, so there is a multi-disciplinary approach at the regional level.

At the federal level, the advisory agencies include the Food and Drug Directorate of the Department of National Health and Welfare, the Department of the Environment and the Pesticide Technical Information Office of CDA's Research Branch.

The national committees on pesticide-use in agriculture, weeds and grain diseases are also consulted in the review of products that fall within their terms of reference.

The review program is an expanding one. In response to the increased workload, the Control Products Section has added staff, changed its organization and adopted new procedures to expedite the processing and assessment of information related to the program.

In 1970-71, 21 compounds were reviewed – hexachlorobenzene, quintozone, endosulfan, carbaryl, malathion, diazinon, azinophosmethyl, dicofol, arsenical herbicides, chlorobenzilate, Perthane, Strobane, calcium arsenate, lead arsenate, captan, Thiram, folpet, metiram, 2,4-D, 2,4,5-T and fenoprop. About 20 compounds are scheduled for review during 1972.

NEW GAZETTEERS OF CANADA'S NORTH

Seventy-Seven Pup, Deadmans Gulch, Tinhorn Gulch, Headless Creek, Tenderfoot Creek, Pickhandle Lake – where would one find names like that but in Canada's fabled North, the land of Dawson City, the Klondike, Whitehorse, Coppermine and Yellowknife?

They can all be looked up, along with thousands of others, in two new gazetteers published by the Department of Energy, Mines and Resources, one of the Yukon and the other of the Northwest Territories, the first since 1958. Published by authority of the Canadian Permanent Committee on Geographical Names, the new gazetteers contain the names of more than 11,000 places, with their precise latitudes and longitudes.

The 22-page, *Yukon Gazetteer* lists more than 2,500 names, including 550 official changes and additions. The 74-page *Gazetteer of the Northwest Territories* lists more than 8,500 names, including 4,550 official changes and additions.

A departmental spokesman says: "Administrators, traders, petroleum engineers, exploration companies, prospectors and police officers working in the North will find these updated publications invaluable, as will anyone anywhere doing business with the North or studying the geography or history of this part of Canada."

The Gazetteer of the Yukon sells for \$1, the *Gazetteer of the Northwest Territories* for \$2. Both are available from the Department's Map Distribution Office, 615 Booth Street, Ottawa. Cheques or money orders should be made payable to the Receiver General of Canada.

SEALING PACT WITH NORWAY

The agreement concluded between Canada and Norway on sealing and the conservation of the seal stocks in the Northwest Atlantic entered into force on December 22, when instruments of ratification were exchanged in Oslo by the Canadian Ambassador to Norway, Mr. G.K. Grande, and the Norwegian Foreign Minister, Mr. A.Z. Cappelen.

The agreement was signed on July 15, 1971, in Ottawa by Mr. Torfinn Oftedal, the Norwegian Ambassador to Canada and Mr. J.A. Beesley, Legal Adviser to the Department of External Affairs. It provides for conservation measures in the Northwest Atlantic to secure the protection of seal stocks as well as to ensure humane methods of catching. Under the agreement a joint commission will be established to make proposals on the conduct of the hunt and on their implementation and enforcement, as well as on scientific research on sealing and conservation.

NEW ARCTIC GAS FIND

The recent announcement of a new natural-gas discovery in the High Arctic by Panarctic Oils Ltd. was welcomed by Indian Affairs and Northern Development Minister Jean Chrétien as a significant advance in development of Canada's Far Northern resources.

The Federal Government has a 45 percent equity interest in Panarctic Oils.

The gas discovery, which was made at Kristoffer Bay, Ellef Ringnes Island (about 50 miles north of King Christian Island, site of earlier Panarctic discoveries), is in the first "wildcat" well drilled under a gas-development arrangement with Tenneco Oil and Minerals Ltd., the Columbia Gas System Inc., Texas Eastern Transmission Corporation and Northern Natural Gas Company.

While confirming the discovery, Charles R. Hetherington, Panarctic president, declined to discuss the gas volumes encountered or to speculate on the size of the field.

Mr. Chrétien said that Panarctic had signed a \$75-million loan agreement last July for a greatly-expanded program of gas exploration on Panarctic's permit holdings in the Arctic with Tenneco Oil & Minerals, Columbia Gas Systems, Texas Eastern Transmission and Northern National Gas Co. In return, these companies were to receive priority to negotiate purchase of any gas developed by this program and declared surplus to Canadian needs at a price satisfactory to Panarctic.

When production from reserves developed under the arrangement is sold, repayment of the funds expended will begin from a portion of the proceeds. On final payment, the participants will receive from

Panarctic a total of 1 percent interest in the developed gas reserves.

Panarctic's history of discovery in Canada's Arctic islands began in July 1969 with the discovery of gas at Drake Point on Melville Island, which resulted in a capped well. Panarctic later discovered gas on King Christian Island in October 1970 and the Panarctic King Christian D-18A well is now also listed as a successfully-completed and capped gas well.

The King Christian discovery was followed by a second successful well, Panarctic, Tenneco et al King Christian N-06, producing at rates up to 188 million cubic feet a day.

The most recent announcement gives the company its fourth well and its third successful wildcat. In addition to the Kristoffer Bay well Panarctic is drilling six other wells.

FEDERAL POLLUTION PROGRAM

Environment Canada will take the lead among federal departments in elimination of pollution by government installations across Canada.

In a house-cleaning program announced recently by Mr. Jack Davis, Minister of the Environment, the Department will spend an estimated \$2,208,000 in the next two years to eliminate water and air pollution in 33 of its facilities across Canada.

The scale of the program varies from a \$950,000-installation of biofiltration equipment for treating waste-water from the fish hatchery on the Capilano River in British Columbia to an \$8,000-incinerator to control air pollution at the Forest Research Station at Candle Lake, Saskatchewan.

Other major projects include a \$200,000-system for the treatment of potentially harmful substances in laboratory wastes at the Department's new Fresh-water Institute in Winnipeg and a \$100,000-secondary-treatment system for waste-water effluents from the Biological Station at St. Andrews, New Brunswick.

Arrangements have been made to install suitable pollution-abatement equipment on two large Department of the Environment vessels—the C.S.S. *Hudson*, based at Dartmouth, Nova Scotia, and the C.S.S. *William J. Stewart*, stationed at Victoria, B.C. The equipment to be installed will control and treat sanitary wastes, prevent discharge of oily wastes, and compaction of solid wastes which have to be brought back to shore for disposal.

"This is stage one of a general de-pollution of departmental facilities," explained the Minister. "We intend to bring all our existing facilities up to a high standard. Any new installations will have these environmental-protection measures built into them from the start. As the Department entrusted with protection of the Canadian environment, we should set a shining example for other organizations."

CANADIAN ECONOMY IN 1971 AND OUTLOOK FOR 1972

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close to their 1970 production levels, with little indication of an early return to a strongly-upward trend. Aircraft and parts-manufacture have continued the fairly sharp decline evident in the previous two years.

Mining activity has increased further, though more slowly than in 1970, with the largest gains in crude petroleum, natural gas and coal. Metal mining has increased only slightly after a very strong rise in 1970. Demand for the major metals has been sluggish with reduced prices, leading to curtailment of operations by several companies. In the forestry sector the highlight has been the marked upswing in lumber and plywood output in response primarily to the upsurge in residential construction. On the other hand, the pulp and paper industry has continued relatively slack, its output lagging behind for the second consecutive year. Although more adversely affected than most pulp and paper products, the newsprint industry appears to have picked up moderately toward the end of the year, after operating well below capacity for a considerable period of time.

Service-producing industries have shown somewhat faster growth than last year. The strongest rise has been achieved in the distributive trades, which of course have benefited from the strong stimulus to consumer-spending. Community, business, financial, and personal services, and public administration have again moved moderately higher.

PROSPECTS FOR 1972

Underpinning economic prospects for 1972 is the continuing strength of consumer-demand supported by the sustained rise of personal incomes and reinforced by reductions in personal taxes. Additional stimulus will come from the new programs announced by the Minister of Finance in October, providing increased funds for capital purposes and for housing. While a further sharp increase in housing starts is unlikely, the high level of starts in the current year has resulted in a record carryover of uncompleted houses, ensuring a high rate of completions in the months ahead.

An October survey of capital-spending intentions of large companies indicated an anticipated increase in outlays of 3 per cent in 1972, following upon an increase by those same firms of 10 per cent in 1971.

However, since the survey was made spending plans have probably been bolstered by the stimulative measures contained in the October budget, including a lower corporate tax rate, by the current uptrend in profits generally and by the salutary effects on the business climate arising from the Group of Ten agreements in December. Thus, total private and public investment is likely to be a significant source of growth stimulus in the coming year.

Canada's export prospects for 1972 are buttressed by an expanding U.S. economy, which has been given new impetus by the competitive lift arising from realignment of world currencies. At the same time, the presently high exchange-rate applicable to the Canadian dollar relative to the U.S. dollar will make it more difficult for Canadian exporters to maintain their share of the expanding U.S. market.

A slower tempo of business activity in some other major industrial countries may continue for a time to exert a dampening effect on Canadian sales to overseas markets. On the other hand, a more favourable exchange-rate with major overseas customers opens up new opportunities for the alert and enterprising exporter.

To help Canadian exporters penetrate new foreign markets the Department of Industry, Trade and Commerce has initiated a program which provides for Government funding of half of new market development costs. Successful exporters are required to pay back the Government contribution at 1 per cent of the value of sales to the new market.

Meanwhile, imports are likely to continue to rise sharply in line with mounting demands in the domestic market. Even a vigorous and sustained export effort may not prevent some further diminution in Canada's balance in trade and other current transactions.

The over-all effects of these demand influences, together with an improving international environment, provide grounds for optimism concerning the pace of economic advance in Canada during the coming year. As always, much will depend on how Canadians respond to the challenges of the new year. As the economy moves to higher rates of expansion and fuller use of resources, special care will be needed to maintain a strong competitive stance in world markets and to guard against any renewal of the hazards of inflation. Given proper vigilance Canadians can look forward to sustained improvement in economic conditions in the year ahead.

Corrigendum

Statistics Canada have corrected their figure of "1,000" to "100,000", which appeared in *Canadian Weekly Bulletin* dated December 29, 1971, third last line, column 1, Page 6 in the article entitled "Births and Deaths".

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