



CANADA

CANADIAN WEEKLY BULLETIN

INFORMATION DIVISION · DEPARTMENT OF EXTERNAL AFFAIRS · OTTAWA, CANADA

Vol. 19 No. 3

January 15, 1964

CONTENTS

Canada's Economy in 1963 and the Outlook for 1964	1
RCN Reductions	3
Famous Stamps to Disappear	3
Anglers Plumb Great Bear	3
Canadian Labour Force	4
Centennial Grants to Provinces	4

All Workers to be Registered	4
Labour Attaché to Brussels	5
Federal Employment	5
British Army Units to Canada	5
Life Expectancy 1960-62	5
Commercial Failures	6

CANADA'S ECONOMY IN 1963 AND THE OUTLOOK FOR 1964

The following year-end review was recently released by the Minister of Trade and Commerce, Mr. Mitchell Sharp:

...It appears that Canada's Gross National Product has increased by 6 per cent between 1962 and 1963 and total output in real terms by more than 4 per cent. A record grain crop has contributed to this advance, but non-farm output also is up by about 4 per cent. This growth has increased the earnings of all major income groups. Total personal income is up by 6 per cent and *per capita* real income has advanced to a new high.

Total employment in Canada has been more than 2 percent higher on average in 1963 than in the previous year and unemployment has been 4 percent lower. This margin of improvement has widened toward the end of the year. In November, 226,000 more persons were employed than a year ago, an increase of 3.6 per cent, and 39,000 fewer persons were without jobs. After adjustment for the usual seasonal variation, jobless persons now comprise 5.1 per cent of the labour force, the lowest figure in more than six years.

Influences contributing to sustained expansion in 1963 include strong international demand, giving rise to sharply-rising exports, increased business outlays for plant and equipment and an unusually strong market for consumer durable goods. In the latter part of the year, an up-surge in new house building, along with the emergence of large market

outlets for Canada's record wheat crop, gave new stimulus to the economy.

SECONDARY MANUFACTURES

In 1963, as in the previous year, Canada's industrial growth has been spearheaded in large part by the strong advance in secondary manufacturing. Motor vehicles produced in Canada exceeded 600,000 units this year, after reaching the half million mark for the first time in 1962. This has led to sharply higher levels of output in the automotive-parts and rubber industries. Steel-ingot production is up year-over-year by 14 per cent, to a total annual output of more than eight million tons, double the level of a decade ago. The agricultural-implement industry has had a notable resurgence, as have a number of other machinery producers. Other secondary industries to achieve substantial gains this year include textiles, clothing, electrical apparatus and a number of chemicals.

Among Canada's major industrial materials, notable production increases have been achieved in iron ore, aluminum, lumber, kraft pulp and plywood. Higher sales of copper and nickel were accompanied by a reduction of excess stocks and some decline in operating levels. The newsprint industry, though hampered by the early-year newspaper strikes in the United States, has nevertheless recovered to its previous high level of annual production and sales. Good progress has been made in the development of market outlets for sulphur, which, along with

(Over)

potash, has assumed importance in Canada's export trade. Oil and natural gas have advanced in line with demand growth in available markets. Electric-power generation has attained a new high level, whereas coal output has averaged a little higher in 1963 than in the preceding year.

Total industrial production has increased by 5 per cent between 1962 and 1963, bringing the cumulative advance for the last three years to 16 per cent. This gain is the result not only of growing demand but also of increased penetration by Canadian producers into both the domestic and foreign markets.

BALANCE OF PAYMENTS

The generally improved competitiveness of Canadian producers is reflected also in Canada's trade and balance-of-payments position. Exports this year have increased much more than imports. This has resulted in an upward shift of \$275 million in the merchandise trade balance in the first ten months of the year, while further substantial gains are anticipated in ensuing months, due to unusually heavy grain shipments. Most of the improvement in the trade balance this year reflects the further increase in Canada's surplus with overseas countries, particularly Britain. Canada's deficit with the United States is down moderately, but still amounts to \$450 million in the ten-month period.

Exports within each of the major commodity groups are higher this year. Most notable in this respect is the continuing rapid expansion in sales abroad of secondary manufactured products, reflecting new and growing markets in many parts of the world for a wide range of machinery and equipment items and consumer products. Exports of capital goods under long-term financing arrangements, mainly to less-developed countries, are of growing importance in this trade.

In non-merchandise transactions, Canada's tourist account has shown continued improvement — from a deficit of more than \$200 million in 1960 and \$50 million last year to what promises to be at least an even balance this year. There is, however, no evidence of significant or continuing improvement in other current-account items, which means that the deficit on all current non-merchandise transactions remains close to \$1 billion annually. Consequently, even with the improved balances in commodity trade and tourism, Canada still has a large imbalance in current transactions as a whole, which, in the 13-month period ending September 1963 (the latest figures available), amounted to \$542 million.

FURTHER INCREASES PREDICTED

Nevertheless, the chances of a further increase in the surplus on merchandise trade appear good. The existing strong trend of exports has been reinforced by large sales of wheat to mainland China, the U.S.S.R. and other Eastern European countries. These greatly-increased shipments to Communist countries, together with the heavy movement to traditional customers, is expected to raise wheat exports in the current crop year to 550 million bushels,

about 150 million bushels above the previous annual record. Also of major significance is the atmosphere of sustained expansion which at present characterizes Canada's principal foreign markets. In the United States, the expectation is widespread that the current up-trend of activity will continue in 1964. Following several years of slow advance, Britain is now experiencing a considerable economic resurgence. In Japan also, growth trends have strengthened following a brief slow-down last year. Economic activity in Western Europe continues on an upward course, accompanied, nevertheless, by inflationary pressures in some countries. Strengthening now under way in a number of international commodity markets will add to the buying power in under-developed areas which rely heavily upon exports of raw materials and food. While Canadian export prices, on average, are at about the same level now as a year ago, there are indications of firming in the prices of a number of export commodities.

These conditions suggest the likelihood of a quite substantial increase in Canada's exports in 1964, which would be the fourth consecutive year of strong advance.

DOMESTIC EXPANSION

Significant expansionary forces are also apparent within the domestic economy. While the return to more normal weather conditions in 1964 would entail a year-to-year decline in grain output, the additional spending power generated by this year's record production and exports will be a source of new stimulus in the economy as a whole for some time. In the West there is a new optimism associated with the disappearance of conditions of burdensome over-supply in Canada's grain-growing industry and the expectation that a high level of exports will continue at least through the next two crop years.

Preliminary indications of capital-spending plans for 1964 suggest that this year's rate of advance in business outlays on plant and equipment will be fully maintained. Significant increases in capital programmes are indicated in manufacturing, electric power and transportation. In housing, the large carry-over of unfinished houses virtually assures a high volume of house building next year, even in the event of some decline in starts from this year's high level. The trend of public construction will be influenced by the advanced stage of the technical-school building programme, but some continuing increase in total outlays is, nevertheless, indicated. In short, there is every indication that total private and public capital spending will be higher in 1964 than in 1963.

While it would be hazardous to try to assess the future trend of consumer spending on durable goods, nevertheless the continuing growth of incomes should provide firm underpinning to the consumer market generally.

INITIATIVE ESSENTIAL

All in all, demand prospects appear good in both home and foreign markets. Strong overall demand means increased production, more jobs and higher

(Continued on P. 6)

RCN REDUCTIONS

In order to reduce operation and maintenance costs in the Royal Canadian Navy it was recently decided to take out of service three destroyers of Second World War vintage and certain other ships. Canada's commitment, in an emergency, to the Supreme Allied Commander Atlantic (SACLANT) will remain at one carrier and 29 escorts. The reductions are an essential first step toward providing a more effective contribution to collective security from the available resources.

DETAILS

The reductions that will be effected in the RCN, in consultation with Canada's allies, are as follows:

- (1) Three destroyers of the "Tribal" class now in service in the Atlantic Command - the "Nootka", "Cayuga" and "Micmac" - will be paid off and declared surplus. There will continue to be qualitative improvement in anti-submarine escorts, resulting from modifications to post-war ships; and two ships of the new "Mackenzie" class will come into service in 1964.
- (2) The escort-maintenance ship "Cape Breton" will be paid off and placed in reserve at Esquimalt, British Columbia. This vessel was originally constructed during the Second World War for the Royal Navy and saw service in the Pacific. After the war, she was paid off and placed in reserve. She was turned over to the RCN in 1951, and reactivated as a training ship for technical apprentices in 1953. In 1958 she was converted to maintenance.
- (3) The minesweeping squadrons on the East and West Coasts, ten ships in all, will be paid off and the minesweepers placed in reserve at Halifax, Nova Scotia, and Esquimalt, B.C.. Without extensive modification, these sweepers are not effective against modern mines. In addition, for a country in Canada's geographic location, minesweeping is not considered to be a high-priority task in relation to anti-submarine warfare.

It is planned that the ships concerned shall be paid off before March 31, the end of the current fiscal year.

ADVANTAGES

The foregoing changes have been agreed on as part of the total objective of enabling the armed forces to carry out their primary roles effectively, while, from the savings achieved, both providing a greater proportion of funds for new equipment and holding defence expenditures at an acceptable level.

The resultant reduction in personnel strength will be achieved through normal attrition and a temporary slow-down in recruiting.

In the Royal Canadian Navy, one important effect of the economies described above, and of those announced last December, will be a better balance between manpower and commitments. Of particular benefit will be a pool of trained men, especially in the technical trades, to meet the existing requirements of the Navy's modern destroyer escorts.

FAMOUS STAMPS TO DISAPPEAR

Canada's famous "G" stamps, specially overprinted postal issues designed for official mail of the Federal Government, will gradually disappear from use during the next few years, it was recently announced by the Post Office Department.

The "G" stamps, regular postage stamps perforated and overprinted with the letters "OHMS" and "G", have been in use in various forms since 1939. In addition to their normal use on official mail, they have become popular with many philatelists. The Philatelic Section of the Post Office Department will continue to stock these stamps for some time after they cease to be used officially, for sale to collectors by mail order.

The use of "G" stamps is being discontinued as a result of a recommendation of the Glassco Royal Commission suggesting that federal departments and agencies pre-pay their postage by means of a bulk payment to the Post Office based on the volume of their mail. This recommendation is being adopted and introduced early this year.

ANGLERS PLUMB GREAT BEAR

Bigger lake trout have been caught, but none at the float-popping depth at which a specimen was taken in Great Bear Lake last summer. The 5-pounder, caught just inside the Arctic Circle in a fisheries scientist's test net, was hauled out of 1,350 feet of water, straight up.

The angling scientists were sure the net had fished at the bottom of the lake because of the large amount of mud still clinging to it when it was brought to the surface. Plastic floats on the net were broken by the pressure; the type used apparently flew apart at about 600 feet.

Only Great Slave Lake, also in Canada's Northwest Territories, has depths rivalling the more northerly Great Bear, on the shores of which, at Port Radium, there was until recently a thriving uranium-mining industry. The mine has closed down, but outdoorsmen have struck a new, ever-popular "lode" in the sport fishing Great Bear provides.

The work of depth-probing and surveying the fish stock of Great Bear Lake was described recently in Montreal at the annual meeting of the Fisheries Research Board of Canada by scientists of the Board's Arctic Unit.

SIZE RECORDS

Whether caught below or above float-popping levels, Great Bear trout run to eye popping sizes. One angler, using light spinning tackle, caught four in one afternoon, the largest tipping 30 pounds. The largest netted by fisheries scientists scaled 40 pounds, and there are reports of 60-pounders having been taken.

Prospects for a commercial fishery on Great Bear Lake are dim, but the native population at Fort Franklin looks to the vast body of water for a major part of its food supply and, of course, it is an angler's paradise, boasting several lodges.

CANADIAN LABOUR FORCE

Employment followed the usual seasonal pattern during October and November 1963. An estimated 6,496,000 persons held jobs in November, 80,000 fewer over the month. Unemployment increased by 38,000, to 303,000, in the same period, a rise smaller than the seasonal average.

Compared with a year earlier, employment was up 226,000, or 3.6 per cent, and unemployment was down 39,000. The labour force, at 6,799,000, showed an increase of 2.8 per cent over the year.

EMPLOYMENT

After an above-average increase in the previous month, employment in non-farm industries declined seasonally by 33,000 in October and November. With the completion of harvesting operations, employment in agriculture decreased by 47,000.

Total employment in November was 3.6 per cent higher than a year earlier, compared with an average annual increase of 2.1 per cent over the past decade. Employment increases continued to be mainly in the service, manufacturing, trade and construction industries. There was no appreciable change in other industries.

Employment of young people in recent months has shown a significant increase over a year earlier. In November, 583,000 persons from 14 to 19 years of age were employed, 50,000 more than in November 1962. In the 20-24 age group, 811,000 had jobs, an increase of 41,000 over the year.

Employment was up considerably from the previous year in all regions except the Atlantic region, where there was no change. The largest percentage increases were in Quebec and British Columbia - 4.8 per cent in both regions.

UNEMPLOYMENT

Unemployment rose from 265,000 to 303,000 in October and November, a relatively small increase for this time of year, and nearly all among men.

Of the 303,000 unemployed, some 227,000 had been unemployed for three months or less. An estimated 34,000 had been seeking work from four to six months and 42,000 for seven months or more.

Unemployment in November represented 4.5 per cent of the labour force, compared to 5.2 per cent a year ago and 5.4 per cent two years ago. Unemployment rates were lower than a year ago in all five regions. Seasonally adjusted, the unemployment rate was at its lowest since the summer of 1957, at 5.1 per cent.

CENTENNIAL GRANTS TO PROVINCES

Additional financial assistance of \$2,500,000 to each of eight of Canada's ten provinces for capital projects marking the centennial of Confederation was announced on January 8 by Mr. Maurice Lamontagne, President of the Privy Council, the Cabinet Minister charged with responsibility for centennial planning.

The \$20 million approved for provincial cultural centres will extend to provinces other than Prince

Edward Island and Quebec. It represents a federal offer of 50 per cent of the costs of projects comparable to the buildings to be constructed in Quebec and Charlottetown, up to a maximum of \$2,500,000 in each case. "It should be made clear," Mr. Lamontagne said, "that no further assistance will be available for capital projects to commemorate the centennial, except in the national capital."

A CONSISTENT THEME

This new programme, he added, would, with the National Centre for the Performing Arts in Ottawa, provide a consistent theme for federal participation in the centennial. The capital works, he added, would be almost exclusively cultural in nature, which would give a clear relevance to the current problems of Confederation, which are basically cultural.

Projects for the eight provinces would be limited, Mr. Lamontagne said, to cultural centres like those in Charlottetown and Quebec City, but not necessarily in the provincial capitals. "It is possible," he pointed out, "that, in British Columbia and New Brunswick, the provincial governments might wish to have the centres in Vancouver and Saint John."

ALL WORKERS TO BE REGISTERED

Labour Minister Allan J. MacEachen has announced that the Government intends to establish a new system for maintaining the records of individuals required by various federal departments. The first step will be to register all employed persons in Canada; plans are under way to begin this registration on April 1.

At present, for unemployment-insurance purposes, the Unemployment Insurance Commission keeps a register of all persons working in insured employment. Each person is assigned an individual number, so that appropriate records may be maintained with accuracy.

With the growth of the labour force and the increasing use of electronic data-processing equipment for government record-keeping, the registration system employed by the Unemployment Insurance Commission is becoming obsolete. In view of the recommendation of the Glassco Commission that a single numbering system should be established by the Government to replace the multiplicity of systems now in effect, it was felt that a good start would be to introduce a new method that would be applied at first to the operations of the Unemployment Insurance Commission. The new numbering system will be introduced in conjunction with the annual renewal of unemployment-insurance books that will take place, as usual, this spring.

The new system includes issuance of a social-insurance card to all employed persons, whether they are covered by unemployment insurance or not. It will be broad enough and flexible enough to be adapted to the record-keeping required for the proposed pension plan and other social-security measures.

LABOUR ATTACHÉ TO BRUSSELS

Mr. Allan J. MacEachen, Minister of Labour, recently announced the appointment of Dr. Robert McDonald Adams of the Department of Labour as Labour Attaché at the Canadian Embassy in Brussels. Robert Adams succeeds John Mainwaring, who has returned to Ottawa to become director of the department's International Branch.

Mr. Adams has been with the Economics and Research Branch of the Department of Labour since 1958, and since 1960 has been chief of the Labour-Management Division of that branch. Before joining the department he was with Canadian Industries Limited in Montreal as an economist and later as an industrial relations specialist.

Born in London, Ontario, in 1928, he graduated from the University of Western Ontario in 1951, and from Queens University in 1952 with an M.A. in labour economics and international economics. Between 1952 and 1957, he studied at the London School of Economics and Political Science and at the University of Chicago, and received his Ph.D. in London in 1957.

DUTIES

In his new post, Robert Adams will report on labour developments in Europe and their political and economic effects, particularly as they relate to programmes of the Labour Department but also with reference to those of other federal departments. He will be accredited to such bodies as the European Economic Community and the European Coal and Steel Community, and will maintain a close liaison with international union and employer groups.

FEDERAL EMPLOYMENT

The Government of Canada, including its corporations and agencies, had a staff of 348,510 at the end of August 1963, a decrease of 1,966, or 0.6 per cent, from that of July 1963, and a decrease of 3,341, or 1.0 per cent, from August a year earlier, according to advance figures that will be contained in the August 1963 issue of the report entitled "Federal Government Employment" prepared by the Dominion Bureau of Statistics.

The total earnings of these employees in August aggregated \$137,740,000, down \$15,351,000 from the previous month but up \$3,144,000 from the figure for August 1962. The August 1963 decrease is largely due to the fact that the July 1963 report included approximately \$12 million in retroactive salary increases to employees in departments and departmental corporations.

AGENCIES AND CORPORATIONS

Employees of agency and proprietary corporations and other agencies numbered 141,921 at the end of August 1963. This was a very slight increase from the previous month, but a decrease of 2,653, or 1.8 per cent, from August 1962. Earnings of these employees amounted to \$60,081,000 in August,

compared to \$63,160,000 in July and \$60,406,000 a year ago.

Employees in departments and departmental corporations at the end of August 1963 totalled 206,589, a decline of 2,276, or 1.1 per cent, from July, and of 688 from August 1962. The total earnings of these employees amounted to \$77,659,000 in August 1963 versus \$89,932,000 in July and \$74,190,000 a year earlier.

BRITISH ARMY UNITS TO CANADA

The Canadian Government has again invited the British Army to send units to train in Canada. The scale of the 1964 exercises will be the same as for those held during 1963.

A company from the 1st Battalion, The Royal Scots, will train at the Canadian Army Arctic Training Establishment at Fort Churchill, Manitoba, this month and next. The advance party for this exercise has already arrived.

During the summer, a British infantry battalion will visit Camp Wainweight, Alberta, for about six weeks. They will be followed by a squadron of Royal Engineers, which will once again exercise in Camp Gagetown, New Brunswick.

LIFE EXPECTANCY, 1960-62

At present mortality rates, a newborn male infant, born during the 1960-62 period, can expect to live an average of 68 years and four months, and a newborn infant girl 74 years and two months, according to a new Canadian life table published recently by the Dominion Bureau of Statistics. This table is based on deaths occurring in Canada during the three-year period round the 1961 census, and replaces similar life tables published following the 1931, 1941, 1951 and 1956 censuses.

The new figure for male life-expectancy at birth represents an increase of three quarters of a year over the corresponding figure of 67.6 in 1956, two years over the 1951 figure and about eight and a third years higher than that of a newborn male infant of 30 years ago (1931). Similarly, the life-expectancy of a newborn infant female is one and a third years higher than in 1956, almost three and a half years higher than in 1951 and 12.1 years higher than that of a 1931 newborn infant girl.

Once an infant survives its first year of life, its future life-expectancy increases appreciably. At one year of age, a male child, at present mortality risks, may, on the average expect to live an additional 69½ years, and a female, 75 years, representing for an infant boy a gain of 1.2 years more than his expectation at birth, and for a girl four fifths of a year. For a 20-year old boy, the present future life-expectancy is an additional 51½ years and, for a 20-year old girl, 56.7 years. A man who has survived to 40 can, on the average, expect to reach age 73, and a woman, 77½.

COMMERCIAL FAILURES

Business failures recorded under the provisions of the Bankruptcy and Winding Up Acts numbered 824 in the third quarter of 1963, an increase of 5.6 per cent from the 1962 revised third-quarter total of 780. Defaulted liabilities were estimated at a value of \$42,656,000, a sharp rise (39.4 per cent) from the year-earlier total of \$30,600,000. The average failure liability advanced significantly (32.0 per cent), to \$51,767 from \$39,231.

Failures in the trade sector, where the largest number occurred, numbered 327 in the third quarter, down from 368 in the third quarter of 1962, while estimated liabilities increased to a value of \$12,612,000 from \$11,866,000. Failures increased in construction to 170 from 143, with liabilities of \$7,289,000 against \$7,549,000, and rose in manufacturing to 86 from 74, with liabilities of \$8,618,000 versus \$3,629,000. The large increase in liabilities in the manufacturing sector was due largely to failures in primary and fabricated metal, machinery and miscellaneous industries.

PROVINCIAL FIGURES

There were 447 bankruptcies in Quebec in the third quarter of 1963 compared to 419 in the same period of 1962. Estimated liabilities rose to \$18,612,000 from \$14,124,000, average liabilities increasing to \$41,638 from \$33,709. In Ontario the number of business failures increased to 311 from 292 and average liabilities to \$63,829 from \$49,134. The number of bankruptcies in the Prairie Provinces decreased to 33 from 47, but average liabilities increased to \$40,121 from \$33,830. In British Columbia the number of failures was unchanged, while average liabilities advanced to \$89,750 from \$25,750.

CANADA'S ECONOMY IN 1963 AND

THE OUTLOOK FOR 1964

(Continued from P. 2)

incomes. Such conditions could be short-lived, however, unless they are accompanied by the kind of initiatives which will ensure a continued strengthening in our position in both home and foreign markets. In Canada's open economy, mounting prosperity can all too readily bring a resurgence of imports and strain in our balance of payments. Such an eventuality will be avoided only by pressing forward in our efforts to expand existing markets and develop new ones wherever there are opportunities for economic production. From this point of view, Canada supports and looks forward to participation in next year's important round of trade and tariff negotiations.

Continued competitive ascendancy in traditional export lines is, of course, tremendously important to our national well-being. However, this in itself is not enough. Even in the best of circumstances, proceeds from the sale of our major food and industrial-material exports are not likely to be adequate, in the longer run, to meet the ever-mounting foreign-exchange requirements of a prosperous

Canada. No lasting solution to our balance of payments and related problems is likely to be achieved except through the further substantial broadening and filling out of Canada's industrial structure on a competitive basis.

MAINTAINING MOMENTUM

Canada's current-account deficit has been reduced from a high of \$1.5 billion in 1959 to scarcely more than one third of this amount in the 12 months ending September 1963. The promising outlook for exports in the ensuing year might seem to bring us within sight of balancing our external accounts for the first time in a decade. In the interim, however, imports also are rising and further progress in reducing Canada's reliance on net foreign borrowing might yet prove ephemeral unless we are able to sustain our present momentum toward broader participation in both home and foreign markets. With the more limited availability of foreign capital following upon recent taxation proposals in the United States, this is no time to risk a reversal in our external-payments position. This is why it is so important to press ahead with the task of filling existing gaps in our industrial structure.

International competitiveness has a special significance in Canada's present economic circumstances. Improved performance in internationally competitive lines means, at one and the same time, a stronger external-balance position with less reliance on foreign borrowing, increased employment and further absorption of slack, and finally higher production and incomes with favourable consequences for the budgetary position of governments and private bodies alike. In short, it is the key to further progress in resolving the paradox in recent years of excessive reliance on foreign resources at a time when domestic resources are not being fully utilized.

It should be remembered, of course, that internationally-oriented industries make up the lesser part of the total structure of industry and cannot, therefore, be expected to provide all, or even most, of the new employment opportunities necessary to absorb a growing labour force. Moreover, productivity is improving especially rapidly in this segment of industry, which means that substantial increases in production can be achieved with relatively little additional employment. Export and import competing industries can make their most vital contribution to the national well-being by giving sufficient viability to our external financial position to support adequate growth in the economy at large. Growth in domestically-oriented sectors of the economy, where most of Canada's labour force is employed, can proceed in a sound and healthy fashion only if the economy is made free of vulnerability to balance-of-payments strain. This is why the further strengthening in our external-payments position is so important at this time. All-out economic growth is not only fostered by, but is also conditional upon, a strong external financial position.

Canadians can never afford to forget that the economic health of a trading nation depends primarily upon the strength of its performance internationally.