

INTRODUCTION

THE CANADIAN ECONOMY IN THE FIRST HALF OF 1960

The strength of expansionary forces in Canada waned in the first half of 1960, following two years of rising economic activity. The pace of advance slackened in the first quarter and the second quarter brought a small decline in the gross national product, when seasonal factors are taken into account. Nevertheless aggregative measures of activity were above the like period of 1959. Thus, the gross national product was running at a seasonally adjusted annual rate of \$35,336,000,000, which was more than 3 p.c. higher than a year earlier; about half the increase represented higher prices. At the same time employment was up about 2 p.c. but the gain failed to match the growth in the labour force, leaving an increased rate of unemployment.

The easing in activity during the first half of the year was related to a sharp reduction in house-building and to a declining rate of accumulation of stocks. Investment in plant and equipment remained fairly high but failed to exert the expansionary influence that had been anticipated early in the year. Consumer spending continued to rise but at a significantly lower rate than in the same period a year earlier; the contrast between the two periods in the consumer market for durables was particularly evident in purchases of automobiles.

Foreign demand for Canadian export products continued to increase and the vigorous expansion in sales to the United Kingdom and countries of the European Common Market was a notable development of the first half of 1960. At the same time, imports recorded a relatively small advance, reflecting the easing in demand in certain areas in Canada. Thus, the deficit on current international account was considerably lower than a year earlier.

This changing pattern of demand was mirrored in the flow of income. Business income, both corporate and unincorporated (non-farm), was adversely affected and rates of increase in personal disposable income were retarded. Government revenues were notably higher, thereby substantially reducing the deficit.

The following paragraphs describe in more detail the changes in the components of demand and in income flows and the movements in production, employment and prices associated therewith in the first half of 1960. Where available, additional information is presented on trends emerging in the second half of the year.

THE COMPONENTS OF DEMAND

While the consumer sector gave a forward impetus to the economy during the first half of 1960, its expansionary influence was not so strong as it had been in most of the years of the postwar period. Expenditure on consumer goods and services was at a seasonally adjusted annual rate of \$22,864,000,000, an increase of 4 p.c. over the same period of 1959, which compares with a gain of 6 p.c. in the first six months' comparison a year earlier. In real terms, the gain in 1960 was somewhat below the average for postwar years. A somewhat smaller-than-average rise in real disposable income was associated with this development in consumer spending. The rise in spending in the first half of 1960 considerably exceeded the gain in disposable income, thus reducing the rate of personal saving significantly below the relatively high level that had prevailed in the same period of 1959. At the same time, consumer credit outstanding at mid-1960 was notably higher than a year earlier.

An easing in demand for durable goods was an outstanding feature of consumer markets in the first half of 1960. Purchases of all major categories of durable goods were