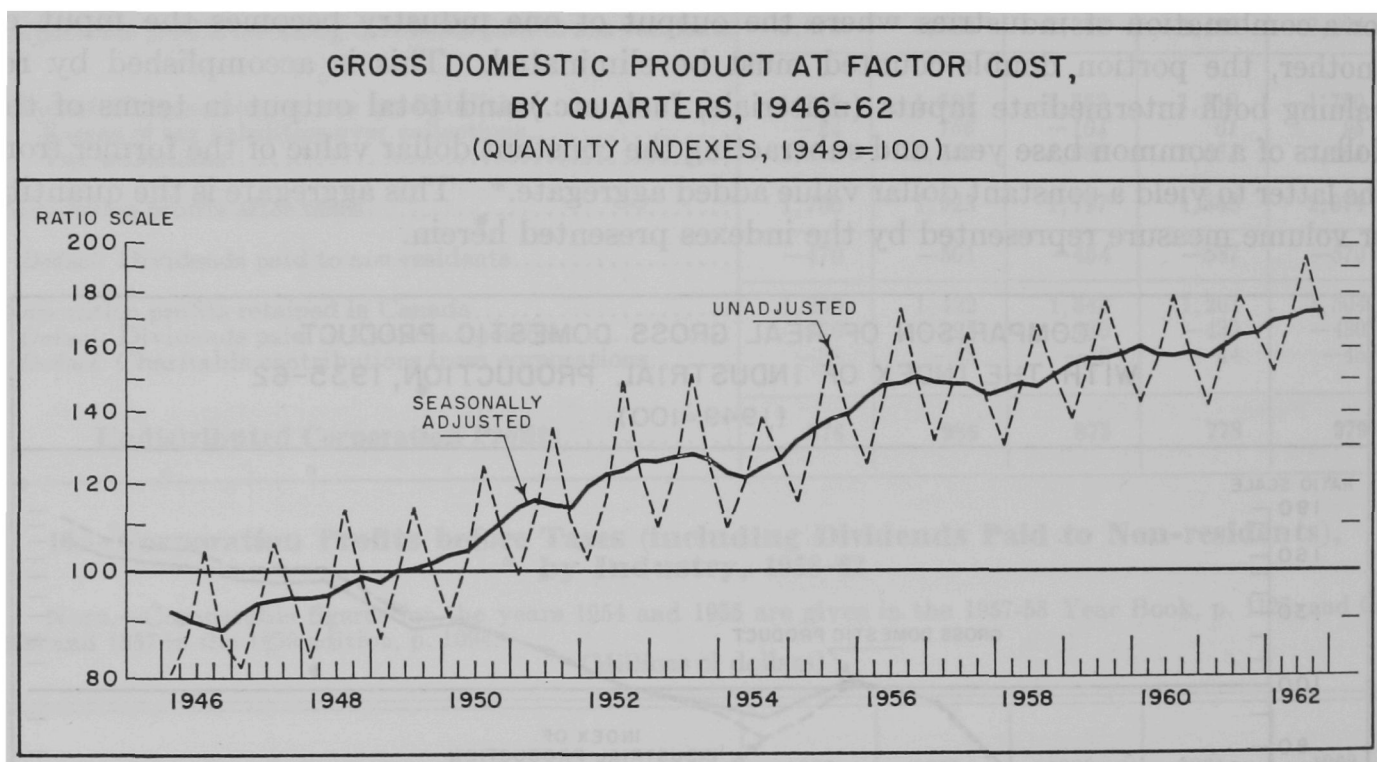


The annual indexes are well suited for studies of production trends, growth rates and inter-industry comparisons, but the quarterly indexes provide a much better tool for the study of the cyclical behaviour of industries, short-term changes in production and, in fact, for most types of current analysis. Statistics computed for less than annual intervals, however, are frequently subject to strong seasonal influences and variations in the number of working days during a quarter may cause differences in the levels of output between two quarters which otherwise would not exist. Accordingly, the quarterly real output indexes have been adjusted for both seasonal and calendar variation. The effects of the seasonal adjustment are shown on the following chart.



Factors Underlying Industrial Output Trends, 1935-62.—Over the course of the past three decades, the world has undergone profound economic changes, the more dramatic and far-reaching of which were: the depression of the 1930's and the subsequent slow recovery; the unprecedented upheaval of the Second World War; the emergence of new national and international spheres of influence in the postwar era, both on the political and on the economic fronts; the ever-present social flux with its attendant changes in mode of living; and the striking advances in the fields of science and technology—two forces which are themselves among the greatest contributors to change. Canada has not escaped these influences. Insofar as it has an open economy, sensitive to changes in world economic climate and affected in many ways by the powerful and technologically advanced economy of the United States, Canada may be said to be particularly susceptible to them. It is against this background that Canadian economic development during the 1935-62 period should be reviewed.

During this period, Canada's real domestic product more than tripled, growing at an average annual compound rate of 4.4 p.c. This growth resulted from the combined pressures brought to bear upon the various goods-producing and service-producing industries by the inter-related changes in demand (both domestic and foreign), technology, capital formation, marketing techniques and the labour force. The domestic market expanded considerably during this period, especially in the 1950's when immigration and net family formation reached a postwar peak. The population of Canada increased from 10,845,000 in mid-1935, through 13,712,000 in 1950 to 18,570,000 in mid-1962, an average annual compound rate of increase of 2.2 p.c.