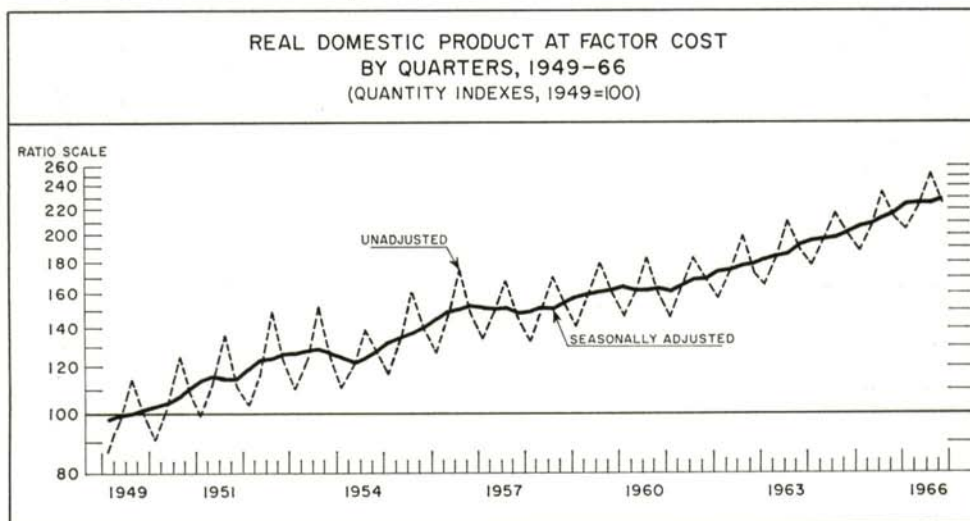


study of the cyclical behaviour of industries, short-term changes in production and, in fact, for most types of current analysis. Statistics computed for less than annual intervals, however, are frequently subject to strong seasonal influences, and variations in the number of working days during a quarter 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 quarterly chart for the period 1949-66.



**Factors Underlying Industrial Output Trends, 1946-66.**—The early postwar period was marked by several major expansions. The first was based on satisfying the backlog of war-deferred investment and consumer demand and on supplying the needs of the war-devastated countries, especially for various materials. This was followed by some slowing down in production but the requirements of defence-supporting industries after the outbreak of the Korean hostilities and stockpiling requirements at home and abroad introduced a second expansionary period. The third was the investment boom of the mid-1950s during which output reached a new high level. These strong demand influences combined to make most of this period one of fairly rapid and sustained growth. During the late 1950s the rate of increase diminished, as external sources of supply for many commodities multiplied and as competition intensified. At the same time, there was an absence of strong stimulants to domestic demand, such as the deferred demand and the population growth of the preceding period. During the 1960s, however, the first waves of the postwar generation exercised a growing influence on the demand for goods and services and this proved to be one of the major stimuli to the current expansion which began early in 1961 and continued into 1966. Other notable features of the expansion were: the relatively slow growth of imports compared with previous expansion periods, particularly after the stabilization of the Canadian dollar and other government measures undertaken in mid-1962 (although some acceleration took place in imports of machinery and equipment during 1964 and 1965 in response to the increased investment in construction and plant and equipment); the increase in exports, particularly during the latter part of 1963 and early 1964 when large amounts of wheat were sold abroad; the above-average output of the mining and agriculture industries since 1962; and the substantial gains in the production of the iron and steel and motor vehicle and parts industries throughout most of the period.

Along with the increases in total final demand, there were shifts in the composition of demand, which affected the output of the various industries. Imports retained roughly