

although almost equally large increases in the labour force prevented the unemployment rate from falling significantly. The expansion of production was accompanied by renewed price pressure.

Gross national product at market prices rose by 10.7% in 1972 to reach a level of \$103,407 million. This advance, the largest since 1966, compared with a 9.1% increase in 1971. Nearly half of the dollar gain reflected higher prices, particularly evident in the food, construction and some merchandise exports components of demand, rather than rising volume of production. The rise in the implicit price index for GNP of 4.6% compared with a rise of 3.1% in 1971 and of 4.6% and 4.4% in the inflationary years 1970 and 1969, respectively.

In a continuing climate of expansionary fiscal and monetary policies, the forces of demand and production in 1972 generally followed the pattern of the previous year. Consumer outlays accelerated sharply in both years, in line with unusually strong growth in personal disposable income which was again boosted by record increases in transfer payments in 1972. Housing outlays continued very strong as did government current expenditure, while increases in business investment on plant and equipment remained relatively modest. Domestic demand again outpaced production in 1972, resulting in a further deterioration in the balance of transactions in goods and services with non-residents, from a reduced surplus in 1971 to a deficit in 1972. Highlighting the income side in both years were very sharp increases in corporation profits and accelerated rises in labour income.

Although the economy has been growing strongly in the last two years, the quarterly distribution of the gains has been rather erratic. In 1972, the strength of demand was largely concentrated in the second and in the fourth quarters, which showed volume gains of 1.9% and 2.9%, respectively. These gains were in especially sharp contrast to the marginal increase of 0.2% shown by the third quarter estimate. Much of the volatility in aggregate demand was apparently due to merchandise exports, which were affected by strikes at home and abroad and by other work interruptions and to the uneven pace of consumer purchases of durable goods, especially automobiles.

### **21.1.2 Consumer demand**

In 1972, consumers spent \$6,288 million more on goods and services than in 1971 — an increase of 11.6%. This was greatly in excess of any gain recorded in the 1960s and compared with a 7.8% increase in 1971. Even after removing the effect of increasing prices — up 3.5% after a small 2.2% increase in 1971 — the volume gain of 7.8% was the strongest since 1955. This upsurge in consumer spending was very widely based as all major categories of personal expenditure showed unusually high rates of increase, ranging from 9.7% for services to 16.1% for durable goods. The goods categories as a whole showed a 12.9% increase. The growth in consumer outlays, spectacular as it was, fell short of the 11.8% growth in personal disposable income, resulting in a small increase in the already historically high personal saving ratio (personal saving as a proportion of personal disposable income) from 7.6% to 7.7%.

As in the previous year, expenditure on durable goods paced the advance, but the gains within that group were much more widespread in 1972. Expenditure on new passenger cars continued to increase strongly, up 15.5% after a 27.0% increase in 1971; most other durable goods showed sharp rises, in particular, furniture and household appliances, in line with the continuing boom in new housing. Widespread increases in expenditure were noted in semi-durable goods, up 12.3%, and in non-durable goods, up 11.7%. In the latter group, a 13.0% increase in food outlays was due largely to sharp price rises.

### **21.1.3 Government demand**

Government current spending on goods and services rose by 11.1%, about the same rate as in 1971. The major increases took place at the provincial and local levels and reflected mainly higher wage and salary payments, including substantial retroactive amounts. The increase in capital outlays of governments, on the other hand, was much smaller than in 1971.

Increases in government transfer payments to persons, mainly at the federal level, had a sharp expansionary effect on the economy. Unemployment insurance benefits more than doubled in 1972.

### **21.1.4 Business fixed capital outlays**

The housing sector, supported by continuing favourable financing conditions, was another factor contributing strongly to the current economic expansion. Housing starts realized a new record at almost 250,000 units. Outlays rose by 17.5% in 1972, following a 26.2%