

as the cyclical and irregular factors affecting the data. In general, the annual indexes are suitable for studies of production trends, growth rates and inter-industry comparisons, whereas monthly indexes provide a much better tool for the study of the cyclical behaviour of industries and short-term changes in production.

Spurred on by strong domestic and foreign demand for the goods and services produced by Canadian industries, total real output in the 1961-74 period achieved an average annual rate of gain of 5.6% in contrast to the average rate of growth of 4.7% in the 1946-61 period. Domestic demand has been influenced by demographic factors operating since World War II; younger age groups are displaying both their purchasing power and changing tastes. Buoyant foreign demand for Canadian commodities has been a dominant force since 1961, with sales of wheat and motor vehicles and parts having recorded the most dramatic gains. Within this period a generally healthy investment climate has prevailed. Both residential and non-residential construction made good gains. In the case of non-residential construction the rapid pace of activity peaked in 1966 and various inhibiting factors contributed to weakness in the industry into the early 1970s. Since 1971 the pace again increased, particularly in 1973, but slowed in 1974. The durable manufacturing sector was dynamic in response to both domestic and external demands.

The influx of the postwar generation is reflected in the rapid increase in the labour force. Over most of the period the expanding economy generated sufficient employment opportunities to adequately absorb these increases. In the latter part of the 1960s, this influx combined with slackness in the over-all economy to produce a lower rate of growth in labour force employment than in the labour force itself. By 1972, the trend had climaxed and by 1973 unemployment rates began to fall and continued at lower levels through most of 1974.

Real domestic product increased by 5.2% in 1972 following a rise of 5.9% in 1971. Further substantial growth occurred in 1973 when real domestic product rose by 6.9%. However, in 1974 the rate of growth slowed to 3.6% (Table 21.10).

Manufacturing, particularly durable goods manufacturing, has been a leading contributor to the growth of the Canadian economy over most of the period (Table 21.11). The burgeoning motor vehicles and motor vehicles parts industries have been prime movers in the rapid increase in the output of durables. A severe interruption in the strong upward trend in motor vehicle production occurred early in 1966 and persisted until the final quarter of 1966. It has been variously attributed to changes in the general economic conditions in North America and specifically to the 1966 credit squeeze and the upward climb of prices, combined with consumer concern about car safety. Since 1968 production has been hit, directly or indirectly, by strikes and parts shortages and in 1970 output declined markedly as a result of a slump in consumer spending compounded by the impact of the automobile strike in the latter part of that year. There was a strong recovery early in 1971 which raised the level for the year well above that for 1969. In 1972, 1973 and 1974 the industry continued to grow although at lower rates and in spite of some adverse influences. An interruption occurred in 1972 when a major producer altered its product lines. In 1973, production was affected by strikes in two important companies and in 1974 by a decline in consumer demand for durable goods. Canadian demand for automobiles was sustained despite reported shortages and rising prices for gasoline; sales by motor vehicle dealers increased strongly in 1973 but only slightly in 1974.

The performance of the construction industry has been a conspicuous feature of the economy. Heavy injections of industrial capital took place in the mid-1960s to develop additional facilities or expand capacity. Pace setters were such industries as petroleum and coal products, chemicals, pulp and paper, and electric power. Outlays for social capital such as hospitals and educational institutions also increased. Construction projects for Canada's Centennial and Expo 67 provided an extra stimulus. However, since 1967, tightened monetary conditions, rising costs, a mid-1969 decision to defer capital cost allowances on commercial projects in some areas and strikes in 1969, 1970, 1972 and 1974 all restrained output in this sector. Residential construction tends to be one of the more volatile sectors of the economy. The relevant demographic factors have indicated that a solid demand for housing exists. However, less favourable supply conditions such as scarcity of mortgage funds and rising interest rates and construction costs have from time to time adversely affected residential construction, particularly in 1966, the latter half of 1969 and the first half of 1970. Strikes in 1970 and, to a lesser extent in 1972, exacerbated the situation. However, both private and public mortgage funds had become increasingly available from the latter part of 1970 until