

January 1980

Jan. 22, Cabinet approved a 30% increase in the export price of natural gas sold to the United States. Canadian gas sales were reportedly slipping in the Pacific Northwest where hydroelectric power and high-sulphur fuel oils had been substituted for natural gas while in the midwest coal was being used increasingly. The price hike for natural gas was expected to hurt some export markets.

Jan. 25, After moving down in November and December, US interest rates began to rise again; Citibank raised its prime lending rate from 15% to 15.25%. Beginning January 31 and continuing for an unspecified limited time, Chrysler Canada Ltd. offered a 30-day money-back guarantee to car buyers; Chrysler would also pay \$50 to anyone test driving a Chrysler product and buying a car within 30 days, either from Chrysler or its competitors, a move designed to restore public confidence in Chrysler products.

Jan. 31, Ontario Treasury Minister Frank Miller announced that consumers who purchased 1979 model cars in February would receive a rebate of up to \$700 on the 7% Ontario retail sales tax; the program was intended to clear out the inventory of 1979 cars so dealers could place orders for 1980 models.

February 1980

Feb. 5, Algeria raised the price of its crude oil by \$4.21 to US\$37.21 a barrel, the highest price in OPEC; Indonesia raised its price by \$2 to \$29.50 a barrel. General Motors announced a US\$500 rebate to help move a stockpile of 75,000 1979 cars and vans.

Feb. 8, The Toronto-Dominion Bank raised all its mortgage rates by between .25 and .75 percentage points; most mortgage lenders followed these increases, and raised rates paid on deposits.

Feb. 11, The federal government raised the subsidy on imported crude oil by 70 cents a barrel as a result of price increases by foreign suppliers, bringing the average compensation a barrel to a minimum of \$18; at the current rate, import compensation would cost \$2.6 billion in the next year, according to analysts.

Feb. 12, Ford of Canada spokesmen said the company was giving dealers price reductions up to \$500 in place of the \$300 to \$500 rebates being offered directly to US consumers to stimulate car sales.

Feb. 15, In the United States, a FRB decision to raise the discount rate from 12% to 13% sent a number of commodity prices tumbling in world spot markets: in the following week copper prices fell 15 cents, lumber prices fell by their one-day limits, and prices of agricultural products and precious metals also slipped lower. Analysts interpreted the FRB move as a signal to investors who had fled the money markets to invest in commodities that the board's resolve to fight inflation and rein-in the money supply would not be eroded by the planned increase in defence spending. The

Central Bank of Japan raised its lending rate from 6.25% to 7.25% in response to US moves.

Feb. 18, The Liberal party led by Pierre Elliott Trudeau won a majority in the federal election, following nine months of Conservative government; standings were: Liberals 146, Progressive Conservatives 103, New Democratic Party 32, and there was one vacancy. The OECD forecast zero real growth in its 24-member countries in 1980, down from a prediction of 1% made in December; the OECD said the recent OPEC price increases led to the more pessimistic forecast.

Feb. 22, The prime lending rates in the United States rose for the second time in a week; some banks raised their prime lending rate by half a percentage point to a record 16.25%; others, including the Bank of America, raised their rate by three-quarters of a point to 16.5%; the move was encouraged by the FRB following the increase in the discount rate and news of an acceleration in both consumer and producer prices in January.

Feb. 27, A second round of mortgage rate increases in the month began, as the Bank of Montreal and the Toronto-Dominion Bank raised their five-year mortgage rate to 14.5%, up half a percentage point. Steel companies informed their customers that prices would rise 7% on April 1, comparable to the semi-annual increases in 1979. The Conference Board in Canada estimated a 7% increase in steel prices would boost consumer prices for durable goods by 1%, and by slightly more for capital goods.

Feb. 29, Key interest rates in the Federal Republic of Germany, Switzerland and France rose by 0.5 to 1.5 percentage points in the latest round of worldwide credit-tightening to dampen inflation. Encouraged by the success of the Ontario sales tax rebate, the Ford Motor Co. of Canada Ltd. announced rebates of \$300 and \$500 on passenger car purchases during March. Most major US banks raised their prime rate to a record 16.75%; the prime rate, which had never before exceeded 12% had risen 1.5 percentage points in the previous two weeks.

March 1980

Mar. 5, The US prime rate rose to 17% in the first of a series of hikes this month.

Mar. 7, Citing rising costs of funds, Citibank led an increase in the US prime rate to 17.75%.

Mar. 10, The Bank of Canada announced that it would revert to tying the bank rate to a level one-quarter of a percentage point above the rate set at the weekly auction of 90-day treasury bills; a similar formula had been used from 1956 to 1962.

Mar. 11, The British Columbia budget was introduced; main features included a balanced budget with spending increasing 26% and tax breaks for energy conservation and forestry management.

Mar. 13, In Washington the commerce department reported that United States business spending on plant and equipment was scheduled to rise 1% to 2% in volume in 1980, following a gain of 5% to 6% in 1979.