

INTRODUCTION

THE CANADIAN ECONOMY IN 1953*

Since 1950, Canada's national output has been increasing at an annual rate of about 6 p.c., nearly double the rate of earlier post-war years. The increased level of activity began with the broad expansion in demand that accompanied the defence build-up in NATO countries following the outbreak of hostilities in Korea. The effect on the Canadian economy was to increase the demands on certain end products immediately required, to increase exports of basic materials, and to accelerate the expansion of defence and defence-supporting industry and resource development. These demands, together with a temporary surge of precautionary buying on the part of both consumers and business, had an inflationary effect on prices that diminished as speculative influences subsided and as production increased.

By late 1952, defence demands were levelling off, exports, apart from grain shipments, had lost their previous buoyancy, and non-defence activity such as housing was resuming importance in the capital expenditure program. The high and rising level of domestic consumer demand was becoming an increasingly important stimulus to the continued growth of the Canadian economy, while the level of imports was rising to supplement expanding domestic production.

Although the nature of the stimuli has been changing, the strong expansionary trend of the previous years has continued in 1953. National output in 1953 has increased by about 5 p.c., in both value and volume, over that in 1952. Increased production has been accompanied by higher employment and income levels. The labour force, augmented by a sustained flow of new immigrants, has continued to expand. Yet, on the whole, manpower has been fully employed. At the same time, prices have remained generally stable with only limited variation in certain of the principal price indexes since mid-1952. The General Wholesale Price Index held within a range of 1.5 p.c. for a year after September 1952, and except for the two extreme months, May and August, the range in that period was 0.5 p.c. The Consumer Price Index declined 3.2 p.c. between January 1952 and May 1953, then rose very moderately until October when it again turned downward. The price index of merchandise exports fluctuated less than 2 p.c. from August to August, and the import price index rose 3.5 p.c. in the same period.

The Consumer Market.—The wave of consumer buying which commenced in the latter part of 1950 levelled off early in 1951. The apparent high level of personal stocks, resistance to rising prices, the growing realization that shortages would not be as severe as first anticipated, increased taxes, and the adoption of credit controls were all factors in curtailing consumer demand. During 1952, however, most of these influences disappeared. As *money* incomes continued to increase, declining retail prices, especially of foods, were raising *real* incomes. Credit restrictions were suspended in May 1952.

By the beginning of 1953, therefore, the domestic consumer market had strengthened appreciably. This strength was to be one of the dominant features of the Canadian economy throughout the year. In the first ten months, for example, retail sales reached a total of \$9,920,338,000, some 5 p.c. above the level of the corresponding period in 1952. This reflected a slightly greater increase in volume, since retail prices were lower in the second period.

* Prepared in the Economics Division, Department of Trade and Commerce, Ottawa.