

## INTRODUCTION

### THE CANADIAN ECONOMY IN 1955\*

During 1955 economic activity in Canada recovered sharply from the mild contraction that had characterized the period mid-1953 to mid-1954. The output of goods and services, which had begun to rise in the latter part of 1954, expanded rapidly throughout 1955 and for the year as a whole was approximately 10 p.c. higher than in the full year 1954. The up-swing raised the Gross National Product to \$26,600,000,000 in 1955 compared with \$24,100,000,000 in the previous year. Since final product prices remained relatively stable, the increase reflected almost entirely an expansion in the volume of production, which showed the largest gain of any single postwar year. It may be recalled that in 1954 the volume of output declined by 3 p.c. while some increases in the labour force and productive capacity were taking place. These developments made possible the sharp increase in the volume of output in 1955. The increase over 1953, the previous peak year in terms of volume of production, was about 6 p.c.

Several important expansionary factors contributed to the 1955 growth in output. A rise of \$1,000,000,000 in personal expenditures on consumer goods and services led the advance in final purchases and, while all segments of consumer outlays increased, the major advance was recorded by the durable goods group. It is interesting to note that per capita personal consumption in volume terms in 1955 was about 12 p.c. above the 1949 level and that one-third of this increase occurred between 1954 and 1955. Per capita consumption of durable goods was 40 p.c. above the year 1949. Accompanying the 1955 advance in the consumer sector, residential construction outlays showed a gain of \$300,000,000 or about 25 p.c., reflecting both the sharp rise in personal incomes and the ready availability of mortgage funds. Consumer outlays and housing expenditures together accounted for more than half the increase in Gross National Expenditure in 1955.

Exports of goods and services, which declined in 1954, recovered strongly in 1955 rising by \$600,000,000 or 11 p.c. This strength in foreign demand for Canadian goods and services was associated with the marked recovery of business activity in the United States and the rising level of activity in overseas countries. The bulk of the gain in exports was concentrated in wood and wood products, iron and its productions and non-ferrous metals, with declines occurring in the agricultural products groups.

Turning to the investment sector, business outlays for plant, machinery and equipment absorbed \$300,000,000 of the \$2,500,000,000 increase in total output in 1955. It may be recalled that business investment outlays for new construction and machinery and equipment declined late in 1953 and early in 1954, after which time they remained relatively stable. During 1955, in response to a sharp rise in profits and the growing pressure of demand on existing capital facilities, business investment outlays began to rise and were moving upward strongly at year-end. Imports of machinery and equipment items were especially heavy in the last half of the year.

There were other expansionary factors in 1955: government expenditures for goods and services rose \$300,000,000, with gains occurring at all three levels; the larger grain crop contributed about \$300,000,000 to the gain in total Gross National Product; and the swing in business inventories from liquidation in 1954 to net accumulation in 1955 amounted to \$400,000,000. Under these stimuli, Canadian production rose at an uninterrupted pace throughout 1955, although a considerable part of both final and inventory demand was channelled into imports which rose by more than \$700,000,000 during the year. In the first half of 1955 the increase in final demand was closely paralleled by the rise in Canadian production and imports showed only a moderate increase. In the last half of the year however imports rose very sharply and a substantial portion of the gain in final purchases as well as the stepped-up inventory demand were met from foreign sources of supply. Thus the rise in Canadian production in the last half of 1955 was somewhat smaller than that occurring earlier in the year. This development reflected the fact that

\* Prepared in the Research and Development Division, Dominion Bureau of Statistics.