



CHARTING CHANGE: 1935–2010

Canada's Economy since the Founding of the Bank of Canada

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The Bank of Canada, born in 1935 out of the Great Depression, celebrates its 75th anniversary in 2010.

The following graphs chart 75 years of economic change during which the Bank of Canada has played a major role in conducting monetary policy—regulating money and credit to preserve the value of the nation's currency and generally to promote the economic and financial welfare of Canadians.

But that's only part of the story. Many changes in the economy have been closely interwoven with radical shifts in Canadian society. Think “baby boom,” “suburban dream,” “multiculturalism,” “women's lib,” “knowledge economy,” “Internet,” “bling.”

Count the cars, the houses, the household debt. Factor in free trade. Add in GDP per person, which has grown almost sixfold since 1935.

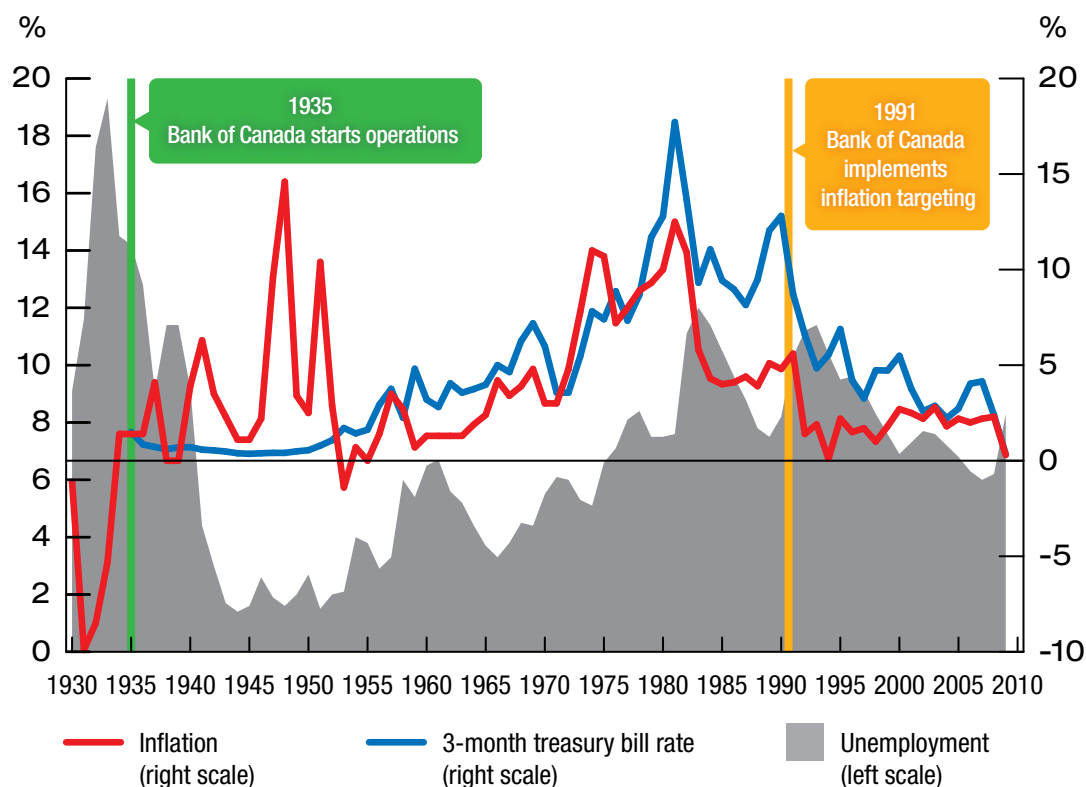
And ponder what the next 75 years hold for Canada's economy, society, and central bank.



Since the 1990s, the Bank's focus on low inflation, supported by public deficit reduction, has led to lower interest rates and generally lower unemployment.

Chart 1: Inflation, interest rates, and unemployment^a

Annual averages



a. The 3-month treasury bill rate influences the interest rates charged on business and household borrowing. For 2009, the rate is 0.33 per cent.

Sources: Statistics Canada, Bank of Canada

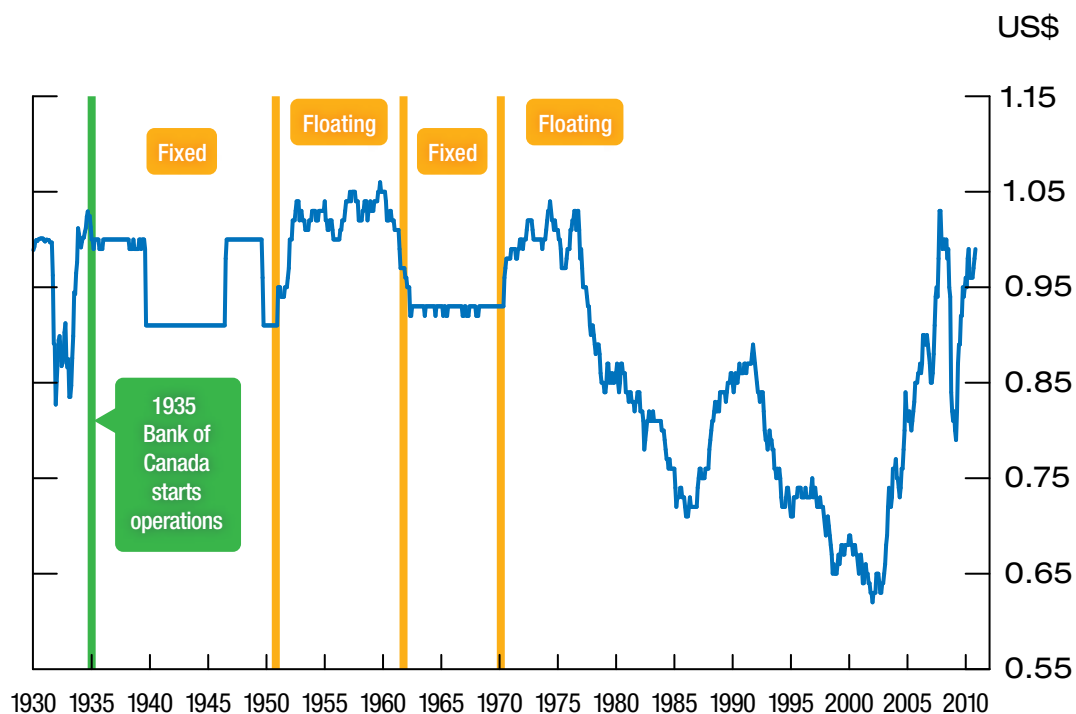
Last observation: 2009



For most of the past 75 years, the Canadian dollar has floated, its value determined in the foreign exchange market. The floating Canadian dollar acts as a “shock-absorber,” helping the economy adjust to major unexpected events.

Chart 2: Canadian dollar

Noon rates, average monthly data



Source: Bank of Canada

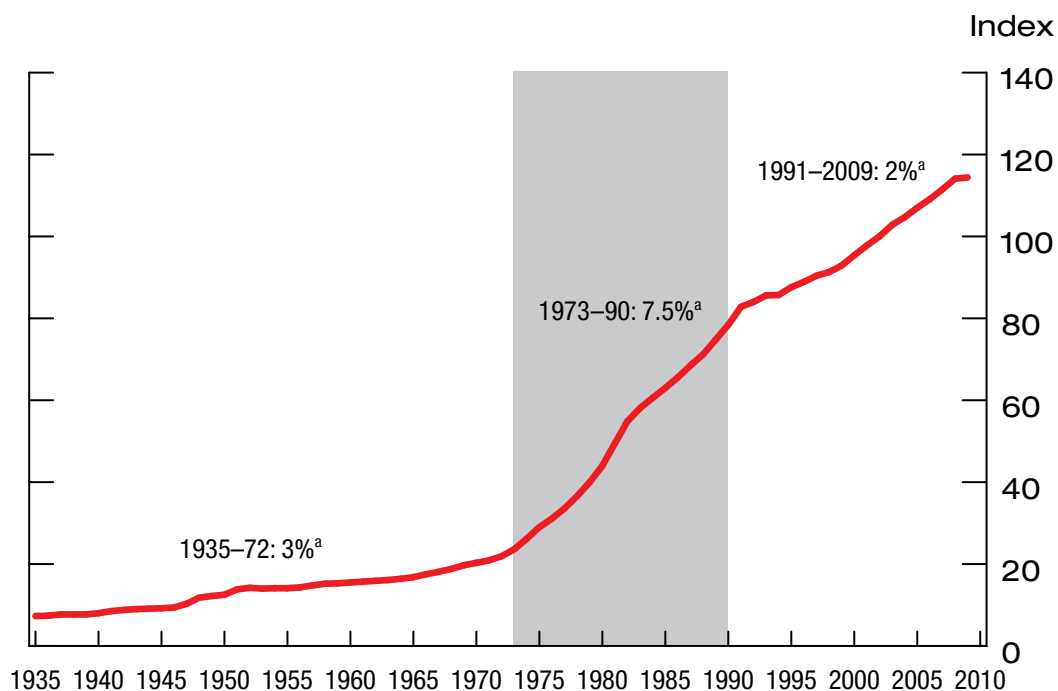
Last observation: November 2010





Consumer prices have risen steadily in the past 75 years, with a particularly sharp increase in the 1970s and 1980s. The rate of inflation averaged between 2 and 3 per cent annually, with the exception of the 1973–90 period, when it surged to 7.5 per cent.

Chart 3: Consumer price index (2002=100)



a. Average annual inflation rate

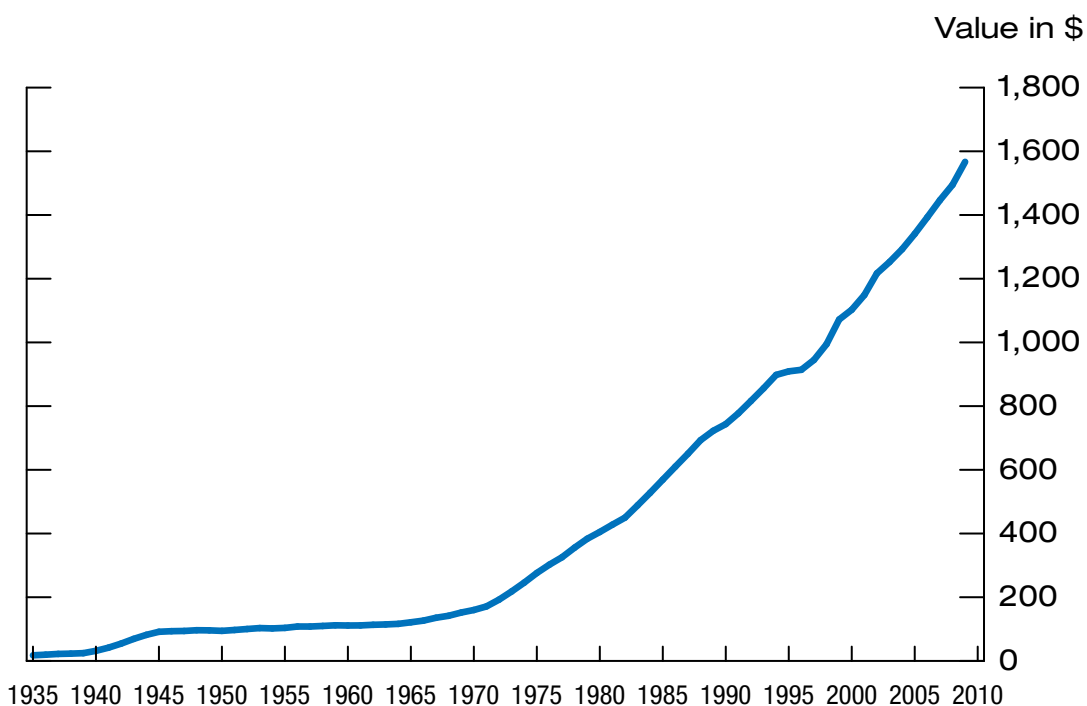
Source: Statistics Canada

Last observation: 2009



The demand for cash (bank notes) continues to increase along with prices and economic activity, despite the recent growth in other means of payment.^a

Chart 4: Value of bank notes in circulation per person^b



a. Such as cheques, credit and debit cards, and online banking

b. Including notes issued by chartered banks before 1944

Sources: Bank of Canada; *Historical Statistics of Canada* (M.C. Urquhart, Toronto: Cambridge University Press, 1965); and Statistics Canada

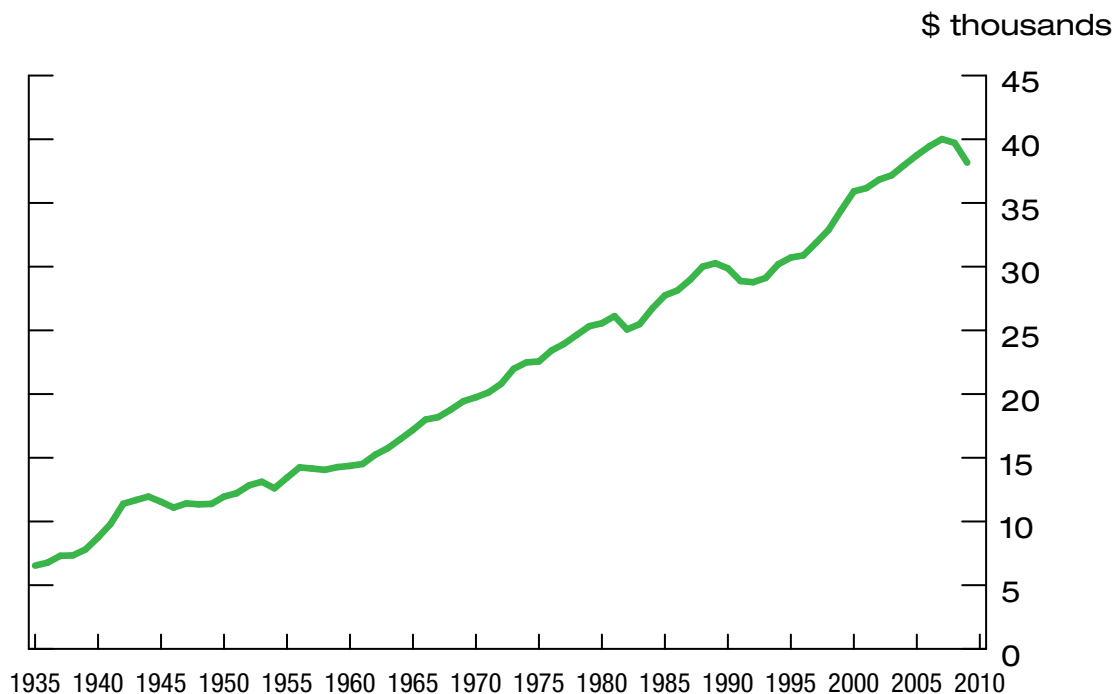
Last observation: 2009





Real gross domestic product per person has grown almost sixfold over the past 75 years—an indication of improved economic well-being.

Chart 5: Real GDP per person



Sources: Statistics Canada, Bank of Canada calculations

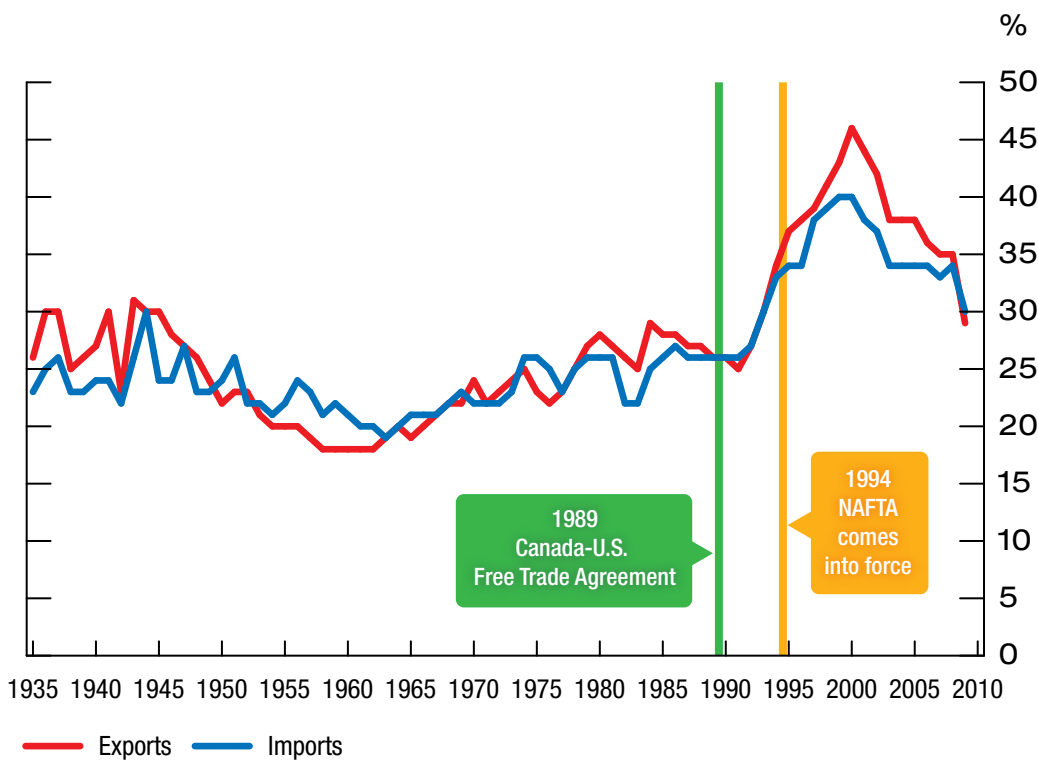
Last observation: 2009



Canada is a very open economy and is thus affected by economic developments in the rest of the world, particularly in the United States.

Chart 6: Exports and imports as a percentage of GDP

In current Canadian dollars



Sources: Statistics Canada and Bank of Canada calculations

Last observation: 2009

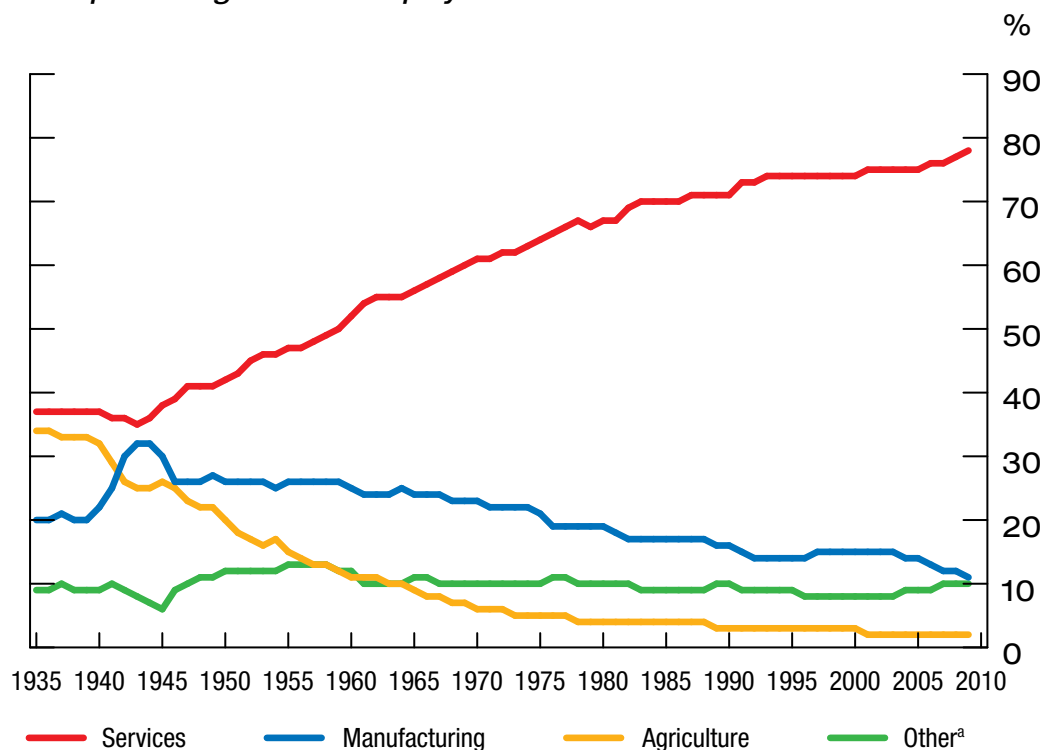




As in other developed economies, the services sector in Canada has increased in relative size, more than doubling since 1935.

Chart 7: Employment, by sector

As a percentage of total employment



a. Includes forestry, fishing, mining and quarrying, oil and gas extraction, public utilities, and construction

Source: Statistics Canada

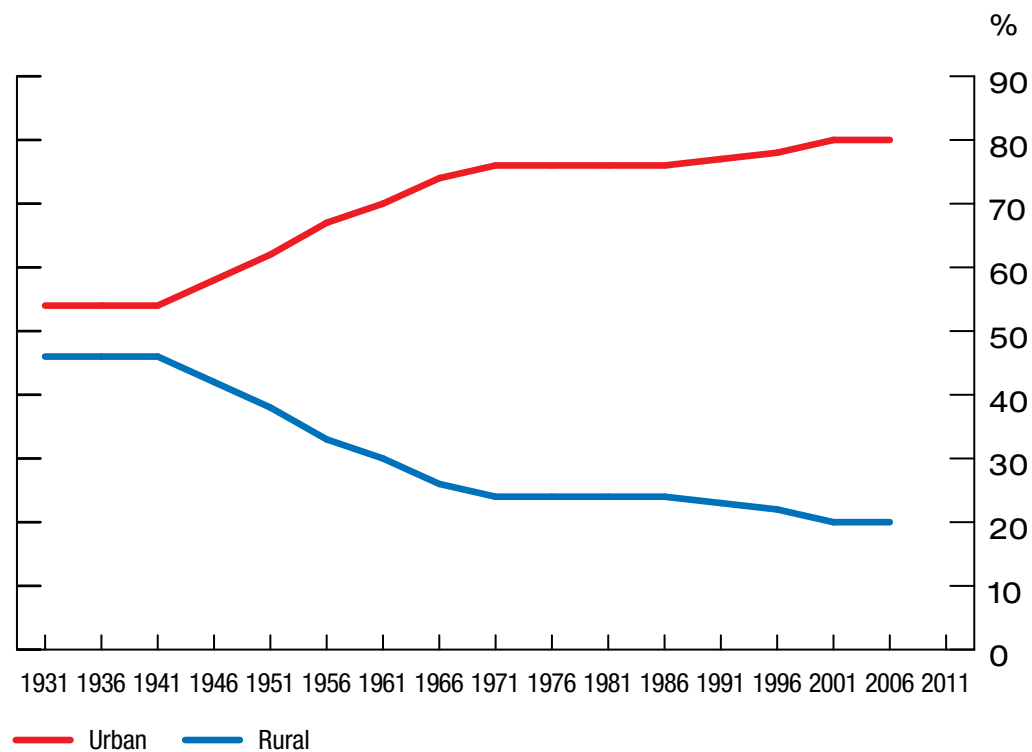
Last observation: 2009



Postwar economic development has drawn people into urban centres.

Chart 8: Percentage of population living in urban and rural areas

Census data



Sources: Statistics Canada, Bank of Canada calculations

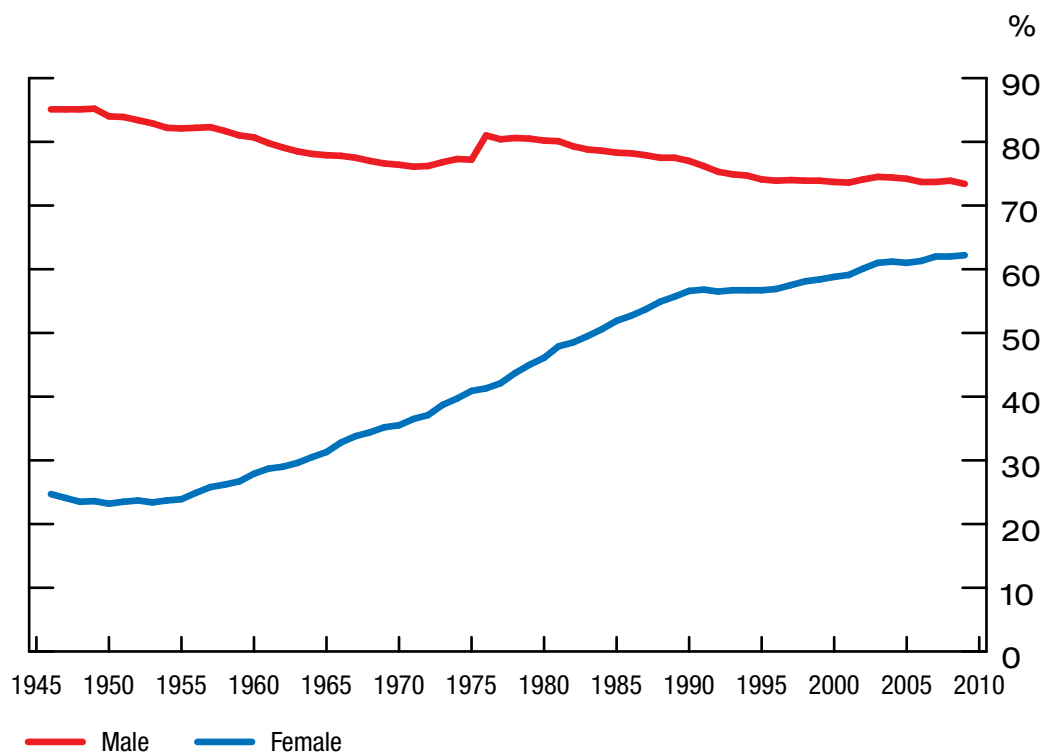
Last observation: 2006





The postwar period has been marked by a sharp increase in the number of women working outside the home.

Chart 9: Labour force participation rates, by gender



Note: In 1976, labour force population was redefined as persons 15 years of age and older from 14 years of age and older.

Sources: Statistics Canada, Bank of Canada calculations

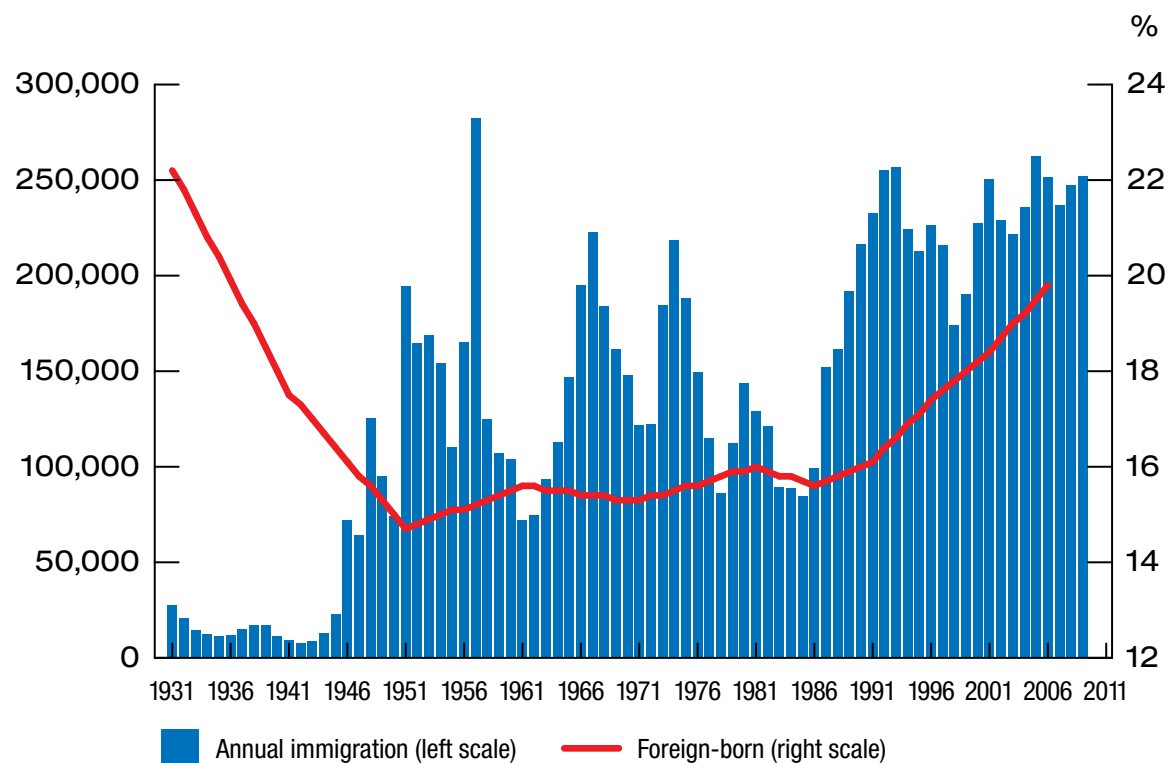
Last observation: 2009



After a lull in immigration during the Great Depression and World War II, Canada reopened its doors to immigrants, who form an increasingly large part of the population.

Chart 10: Annual intake of immigrants and share of total population that is foreign born

Census data



Sources: Statistics Canada

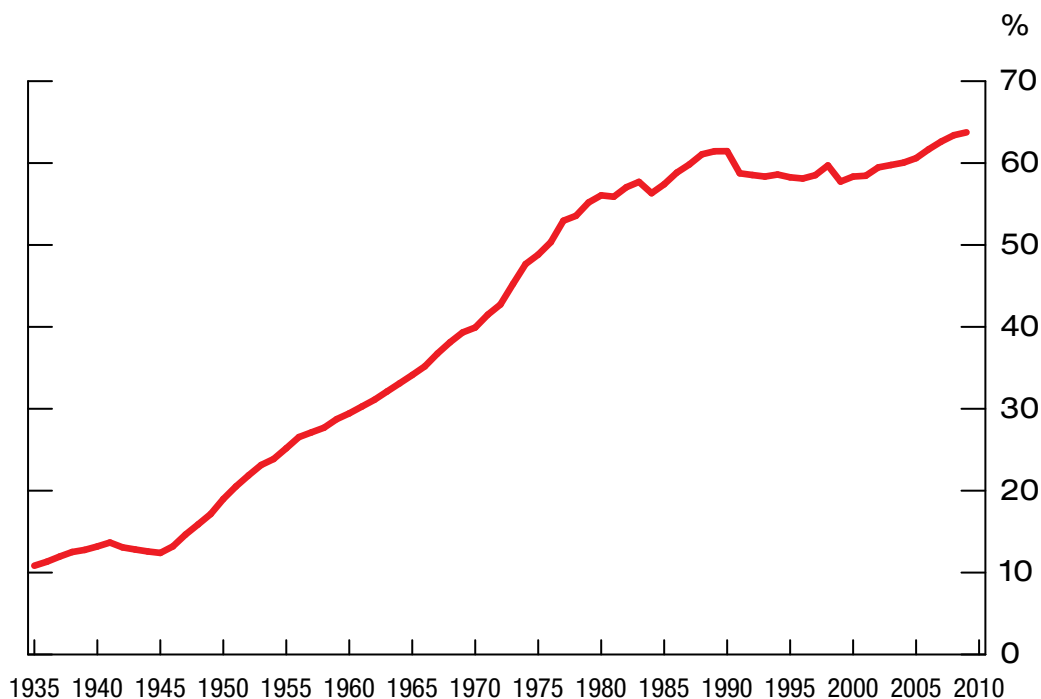
Last observation: Immigration, 2009;
foreign born, 2006





The number of road motor vehicle registrations per person has surged since 1935.

Chart 11: Road motor vehicle registrations^a
As a percentage of population



a. Excludes trailers and off-road, construction, and farm vehicles.

Sources: Statistics Canada, Bank of Canada calculations

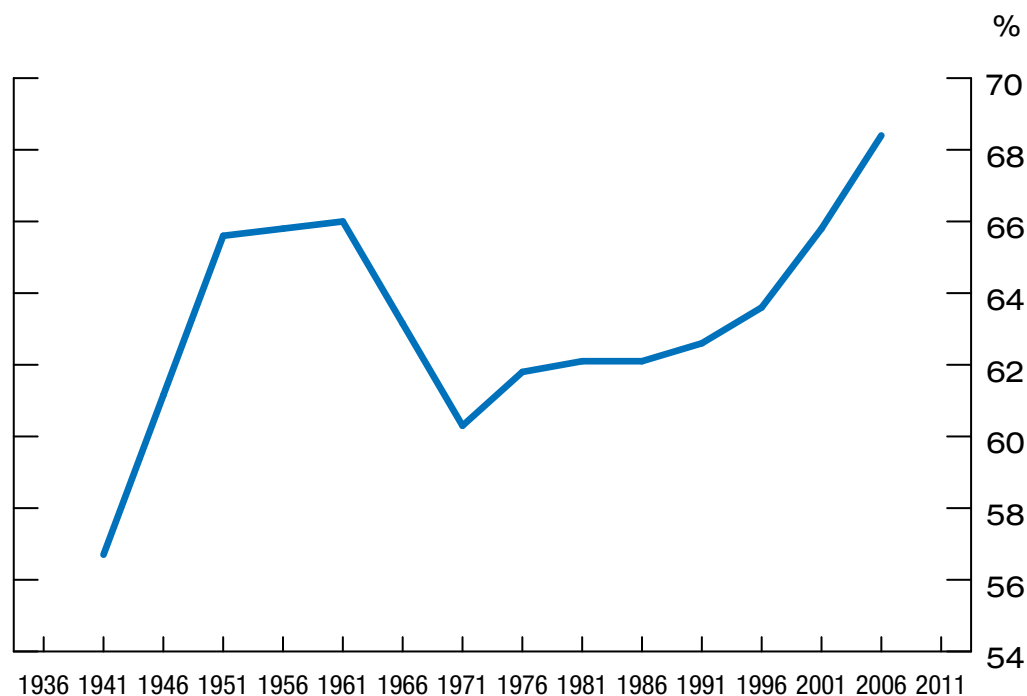
Last observation: 2009



Rising incomes, access to credit, and government programs have encouraged home ownership.

Chart 12: Home ownership rate

Percentage of homes owned by their occupants



Source: Canada Mortgage and Housing Corporation

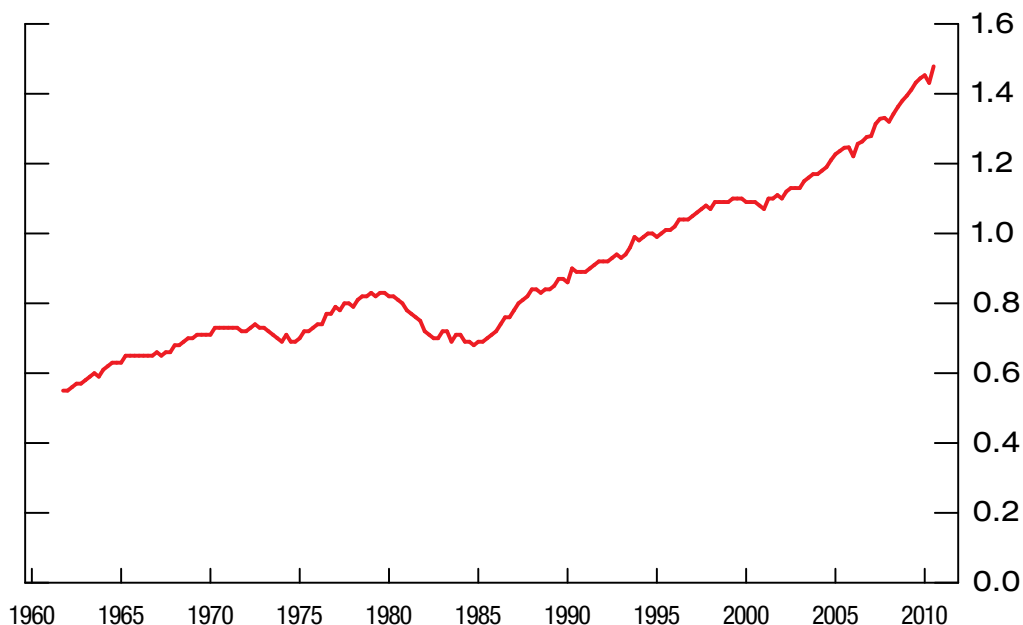
Last observation: 2006





Canadian households have been assuming more and more debt relative to their disposable income, particularly since the 1980s.

Chart 13: Household debt as a share of personal disposable income



Note: Data not available before 1961

Sources: Statistics Canada, Bank of Canada calculations

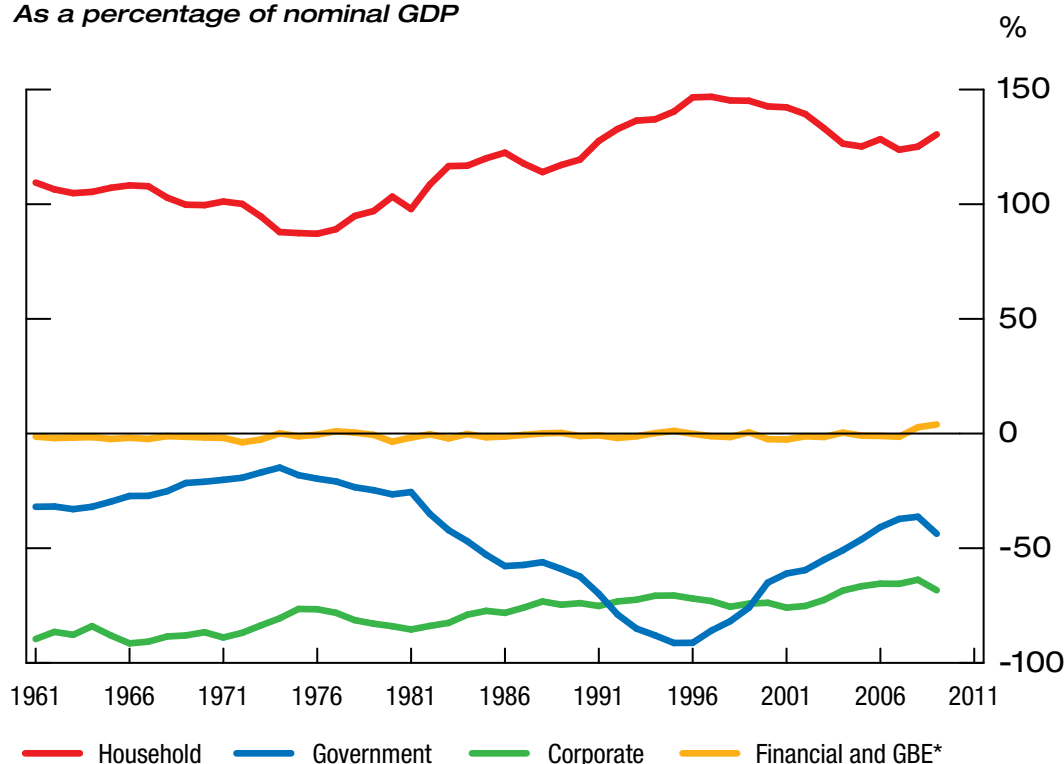
Last observation: 2010Q3



Canadian households have been net savers and net lenders to the corporate and government sectors over the past 75 years, while the latter two sectors have been net users (borrowers) of funds. Since the mid-1990s, however, the government's net debt position has improved substantially. . . .

Chart 14: Net financial assets, by sector^a

As a percentage of nominal GDP



a. Assets less liabilities (domestic and foreign). An excess of liabilities over assets indicates a net debt position.

* Government Business Enterprises (e.g., Canada Post)

Source: Statistics Canada

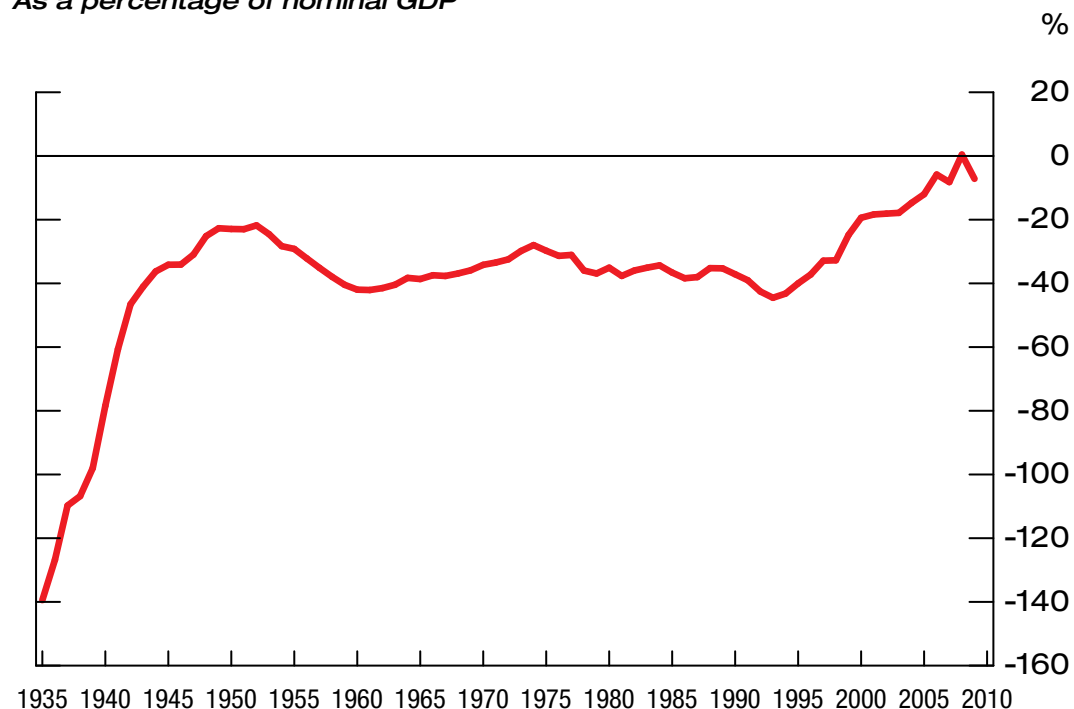
Last observation: 2009





... These developments have also been reflected in Canada's net foreign asset position, which is still slightly negative (as a nation, we owe foreigners more than they owe us), but much better now than it has been in years, thanks mainly to the improvement in the government's net debt position.

Chart 15: Net foreign assets^a
As a percentage of nominal GDP



a. Foreign assets less foreign liabilities. With liabilities exceeding assets, this can also be referred to as Canada's net foreign debt position.

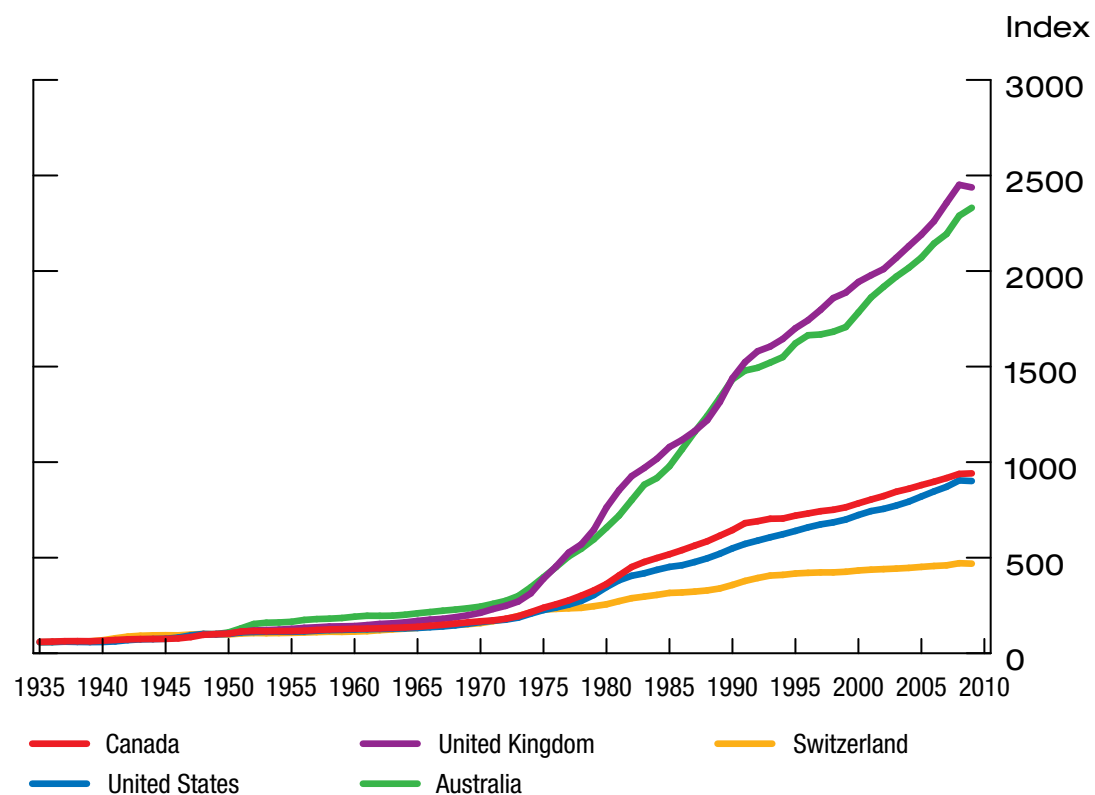
Source: Statistics Canada

Last observation: 2009



The general level of prices has risen at a significantly different pace across the major advanced economies, reflecting their relative success in controlling inflation.

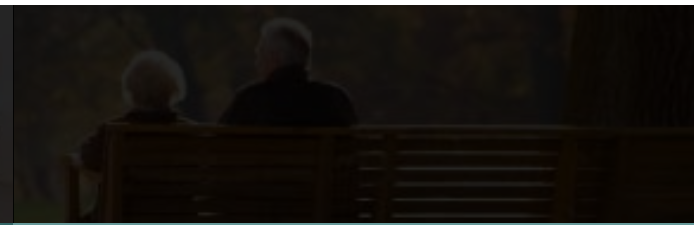
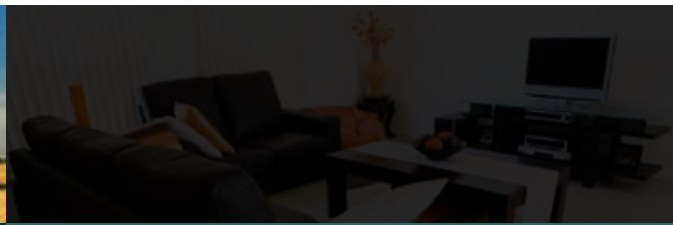
Chart 16: Consumer price index, selected countries (1949=100)



Sources: IHS Global Insight, Statistics Canada, and International Monetary Fund

Last observation: 2009





ADDING IT ALL UP

The story of Canada's economy over the past 75 years is one of generally increasing prosperity.

When the Bank of Canada was founded in 1935, the country was still widely regarded as a nation of “hewers of wood and drawers of water.” Back then, there were far more jobs in agriculture than in manufacturing. Today, four out of five jobs are in the services sector.

The increasing sophistication of our economy and its deepening linkages with the global economy have required ever-greater vigilance and deft economic management on the part of Canada's central bank. While the Bank's approach to monetary policy has changed significantly since 1935, its core aim of promoting Canada's economic welfare has remained the same.

Reaching for this goal has paid off for Canada, time and again.



ADDING IT ALL UP

Today's Canadians are wealthier than were previous generations. For example, since 1935 real income per person* has increased sixfold. The Bank's policy of keeping inflation low, stable, and predictable has helped to promote prosperity.

Low and stable inflation, sound economic growth, access to credit, and a reliable, well-functioning financial system have, among other ambitions, supported "the Canadian dream" of owning a home. Indeed, home ownership has increased since 1935, as has the average size of new houses.

Those same factors have also helped to make our lives more comfortable in other ways. In 1935, the average Canadian household was lucky to own a radio. Today, well over 90 per cent of households have TVs, refrigerators, microwaves, and landline phones; 80 per cent have cars, washers and dryers, computers, broadband connections, and DVD players.

*Defined as gross domestic income per person, adjusted for inflation



ADDING IT ALL UP

Long-term prosperity is one important reason why average life expectancy in Canada has increased from 60 years in 1935 to 81 in 2007.

As we look ahead, this important social shift towards a “greying” population highlights the need for the Bank of Canada to continue focusing on keeping inflation low, stable, and predictable.

Doing so will preserve the value of money and allow pensioners, as well as parents, students, businesses, and all levels of government in Canada, to plan for the future with confidence.

Sources for “Adding It All Up” section: Statistics Canada; Natural Resources Canada; Organisation for Economic Co-operation and Development



BANK OF CANADA
BANQUE DU CANADA

CELEBRATING 75 YEARS
CÉLÉBRONS 75 ANS



For further information about the Bank and its first 75 years, please visit
<http://www.bankofcanada.ca/en/about/about.html>

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