

Employment in finance, trade and service industries, which together account for about one-third of total employment in Canada, shows a strong expansionary trend and is running about four per cent above the level of one year ago, as contrasted with a decline of six per cent in manufacturing, indicating a pronounced shift in the pattern of Canadian activity.

#### Capital Investment

There has been no significant change in the rate of expansion of capital facilities. At the beginning of 1954, investment plans called for outlays about three per cent above those realized in 1953 (six per cent higher for construction and three per cent lower for machinery and equipment). A review of intentions at mid-year showed no significant change in this programme. There were declines in manufacturing and agriculture: there were increases in institutions, services and housing. Expenditures in the goods producing industries were expected to be down by seven per cent as against an increase in all other sectors of about the same proportion. This change in the composition of investment continues a trend already evident in 1953.

Estimates of actual capital outlays during the year are not yet available, but there appears to have been some shortfall below earlier anticipations. Unfavourable weather conditions and other delays in getting new projects started have hampered construction activity. Many builders appear to be getting work done at a lower cost than originally estimated, thus reducing their dollar outlay. Since there is no evidence of any widespread cancellation of investment plans, any shortfall in work actually performed this year should be reflected in a larger carry-over into next year.

#### Foreign Trade

After increasing by 22 per cent between 1949 and 1952, Canada's exports declined by  $1\frac{1}{2}$  per cent in physical volume during 1953 and showed a further reduction in 1954. Three major influences have contributed to this downward movement.

Perhaps the most important has been the substantial drop in wheat and flour sales, which declined from 386 million bushels in 1952-53 to 255 million bushels in the subsequent crop year. During the two years prior to mid 1953, the combination of record crops in Canada and lower harvests in other major wheat-producing countries had raised Canadian grain sales to record heights. In 1953-54, there was a substantial increase in world wheat crops, particularly in importing countries, and this improvement in supplies in turn induced importers to withhold purchases in anticipation of lower prices. In recent weeks, however, there has been an increase in orders for Canadian wheat. This development indicates the likelihood of some recovering in sales above the volume realized in the 1953-54 crop year.

The second factor adversely affecting exports was the down-turn in the United States, which started to make its influence visible in Canada's trade figures