

The decline in defence procurement in Canada was not as important economically as in the United States. Nevertheless, there were other adverse influences which had some effect on business confidence.

Probably the most important of these was the gradual intensification of international competition in manufactured goods. For the Canadian manufacturer, this meant increased difficulty in selling goods in the foreign market and keener competition from imports in the home market. Industries most affected included textiles, electric appliances, and most types of electrical and industrial equipment. For most of 1954, compared with 1953, Canadian producers increased their share of the domestic market in refrigerators and some other durable goods, but to a limited degree they lost further ground in textiles. In the case of machinery and equipment, the domestic market contracted owing to moderate declines in this form of investment. This contraction resulted in reduced imports, but these constituted a larger share of the domestic market. Exports of many types of machinery and equipment also suffered as a result of more intensive international competition.

Another influence of general importance in the Canadian economy was the decline in the cash income of western farmers. With all available commercial storage filled up, farmers' deliveries were limited by the volume of domestic and export sales, the latter being below the unusually high level of preceding years. With some improvement in wheat sales presently taking place, no further decline in farmers' cash receipts should occur in spite of the disappointing crop of 1954.

Special market difficulties appeared in the farm implement and automobile industries. In North America, the increasing volume of equipment on farms, reflecting high sales in previous years, coupled with a downward trend in farm incomes, brought a sharp contraction in demand during 1953 and 1954. At the same time, export sales in Latin American markets were curtailed by exchange difficulties. Hence, output in the farm implement industry in the present year has been running more than one-third below the level prevailing two years ago. In the automobile industry, the suspension of consumer credit restrictions in May 1952 had been followed by a credit induced wave of buying, which had diminished to more normal proportions by the end of 1953. Purchases of automobiles and most other durables (except television sets) in 1954 have been running ten to fifteen per cent below the abnormally high levels of 1953. Taken as a group, sales of consumer hard goods, though high by long-run standards, have been below the peak levels of a year ago.

While these adverse influences have affected durable and semi-durable manufacturing and directly related fields, such as primary iron and steel, activity in other sectors of the Canadian economy has been well maintained. This is particularly true of the material-processing industries and the production of food and beverages. Demand for metals declined last fall but later recovered. Total mineral output in September was running 13 per cent above that of a year before. Activity in forest industries has been well supported by strong markets both at home and abroad. Sales of agricultural products other than grain, and of fish products, have been well maintained.