

MR. HOWE HERALDS MAINTENANCE OF PROSPERITY IN 1953

YEAR-END ANALYSIS: In a year-end review and forecast of Canada's economic situation, the Minister of Trade and Commerce and Minister of Defence Production, Mr. C.D. Howe, heralded a prosperous 1953 during which the defence preparedness programme would enter a phase of large-scale production of complex military equipment.

Of prospects for 1953, he said:

"While economic events during the coming year are subject to developments in the field of international relations, present prospects show little indication of any major change in 1953 from the generally favourable conditions that have prevailed in 1952.

"Production for defence purposes will continue as a significant factor in the economy. Strategic resource development may absorb even more resources than in 1952. Total capital expenditure will continue at a high level.

EXPORT FIELD

"Prospects in the export field are more difficult to predict. During the first nine months of 1952, Canada's exports to countries other than the United States showed an increase of 34 per cent over the like period in 1951. Because of exchange difficulties, it would not be surprising if sales to some overseas countries were not fully maintained at the exceedingly high levels realized in 1952. At the same time, present prospects would appear to indicate the continuation of a firm market in the United States, our largest customer. On the whole, foreign demand is likely to remain firm for most of Canada's leading export items such as wheat, newsprint, base metals, and other raw and processed materials required to support the generally rising level of industrial production in other western nations.

"While there could be soft spots, prospective demands for defence, for capital expansion, and for exports, when taken in conjunction with the present strengthening in the domestic consumer market, suggest the maintenance in 1953 of a generally high level of activity and continued moderate upward movement in incomes and employment."

Under the heading of Defence Preparedness, Mr. Howe said:

"The Canadian defence production program is now approaching the end of its second year. The first year was one of preparation, of designing and constructing plants and equipment, of determining types of military goods to be produced, of undertaking developmental work, and of placing some of the most important contracts. At the same time there were purchases of many miscellaneous items for which no special facilities were required. The current year may be regarded as one in which many of the specialized facilities have been

put into place and the production of various complicated items commenced. Large scale production of complex equipment should characterize next year, while minor programs will tend to fall off.

"A significant indication of the progress of defence procurement is the changed position of Canada-United States mutual procurement. During 1951, the value of Canadian Government defence orders placed in the United States was nearly two and one half times as large as corresponding United States orders placed in Canada. In 1952, on the other hand, the situation altered so radically that the total for the two years should be approximately in balance. This development has taken place for several reasons. The United States has become increasingly aware of Canadian facilities, while Canada has been able to depend more fully upon its own sources of supply and, in some cases, to reduce or cancel orders already placed in the United States. During the first year, in particular, the United States was the only available source for U.S.-type equipment. An illustration of Canada's increasing capacity to supply its own needs is the decision to use the Orenda engine produced by A.V. Roe (Canada) Ltd. to replace the U.S. J-47 in the F-86 sabre fighters.

DEFENCE PROGRAM

"Canada's defence program is one of preparedness, and the international situation suggests that the need for such a program may continue for a considerable time...."

Capital Investment- "Canada's total investment program in 1952, including outlays for defence installations, the development of strategic resources, and all other purposes combined, is expected to reach \$5.2 billion. Even after allowance for higher costs this represents an increase of about eight per cent over the volume of work realized in 1951."

Foreign Trade- "The high level of demand in foreign markets has led to substantial expansion in exports of Canadian products. The value of commodity exports for 1952 will reach about \$4½ billion, the highest level in history. With only minor changes in export price levels, most of the increase in the value of exports resulted from an increase in unit volume. During the first nine months of 1952 the actual volume of exports was more than twelve per cent higher than during the same period of 1951. The largest items in these increases were among such traditional export products as wheat and other grain, newsprint, and base metals, together with such manufactured products as automobiles and farm implements."

Employment and Wages- With high levels of employment and rising wage rates, labour income has reached record levels. In July, labour