to this is spread over a wide range of consumer, capital and producer goods, with higher purchases of automotive goods and farm implements particularly prominent in the total. However, certain important basic materials, such as coal and petroleum products, have lagged behind the general upward trend. To some extent, this is a result of temporary influences, but it also reflects a lessening dependence upon foreign sources for this type of product. Geographically, purchases from each of the major trading areas have risen, but in percentage terms the increase is greater for the United Kingdom and other overseas sources combined than for the United States. Consequently, Britain's share in Canada's import market has continued to expand and presently stands at 10.4 per cent, compared with 9.3 per cent in 1957. Over the same two-year period, the United States share has declined from 71.1 per cent to 68.3 per cent.

Because of the sharper rise in total imports than in exports, Canada's imbalance on merchandise trade is presently higher than in 1958, but remains below the levels reached in the two preceding years. Most of the rise in the merchandise deficit this year compared with last appears in the form of a lower surplus with overseas countries. The deficit with the United States has changed but slightly. Canada's imbalance on non-merchandise items, such as tourist expenditures and interest and dividend payments, has continued to increase. For the first nine months of 1959, Canada's deficit with the rest of the world on all current transactions amounted to $1119 million, compared with $788 million in 1958 and the record of $1171 million reached in 1957.

This deficit on current account has been covered by an inflow of capital funds. Even with the high volume of domestic saving, Canada's expansion continues to proceed at a pace involving extensive reliance upon foreign resources. The premium on the Canadian dollar has been higher, on the average, than in the preceding year.

Industry conditions

The general economic improvement during the past year has been accompanied by widespread increases in activity throughout all major sectors of Canadian industry. Within the home market, shipments for domestic producers have, for the most part, kept pace with imports, although there have been notable exceptions, particularly in certain consumer goods lines where import competition has been intense.

Recovery in material-producing industries has been led by primary iron and steel, which has experienced the dual stimulus of rising consumption and restricted North American supply resulting from the shut-down of United States mills. The Canadian industry has been operating at full capacity for some months and production has risen nearly