

the case of wheat, exporting countries continue to hold large unsold supplies. Good crops have been harvested in Europe, limiting the volume of supplies required in Canada's largest market. Even so there is a good possibility that markets will be available for a normal Canadian crop during the current crop year. The deterioration in the balance of payments position of the United Kingdom appears on the way to being met successfully without any serious repercussions as far as Canada's trade is concerned. Elsewhere in overseas markets, the means for payment for dollar goods, as reflected in hard currency holdings, has continued to improve.

Neither domestic or external economic prospects seem likely to halt the upward trend of capital spending which has been underway during 1955. Comprehensive information on 1956 investment plans is not yet available. However, development in industries dependent on Canada's natural resources seems still to be gathering momentum and it is quite possible that this factor will spark still another year of unprecedented expansion. The way is now clear for all-out construction of at least one major gas pipe line. Work on the St. Lawrence Seaway is increasing. Preliminary indicators point to considerably larger capital outlays in mining, mineral, forest and chemical processing and in a number of utilities. The much larger carry-over of uncompleted houses suggests a high level of residential construction at least during the early part of the year. In fact there is presently little evidence of significant decline in any major sector of investment. It is quite possible, therefore, that the aggregate program will be considerably higher. A tight order position on steel, stretching well into the year, tends to confirm this conclusion. It is quite possible in fact that availability of materials and other supply factors will be an important limiting factor on the size of the 1956 capital program. Both new construction and machinery and equipment are likely to participate in the overall increase.

In these circumstances it seems reasonable to conclude that Canada's present expansion still has some way to go. The evidence at hand gives no indication of any general slackening and seems to point to the continuation for some time to come of all-out operations throughout at least the major portion of Canadian industry. Whether or not speculative excesses and other dislocating influences will enter the situation to cause an eventual reaction would seem to depend very largely on the future attitudes and decisions of individual consumers and businessmen. Nevertheless, in its progress to date, the current economic upswing seems solidly based. Given appropriate restraint on the part of all groups in the economic community, prospects for a relatively prolonged period of economic expansion appear bright indeed.

Defence Production

Defence procurement continued at a high level in 1955, expenditures being approximately equal to those of the previous year. This stability in the general level of activity may be attributed largely to programs launched in earlier years, which offset a drop in the value of new orders placed in 1955. At the same time, the striking increase in the Canadian gross national product during the year has meant that the overall impact of the defence procurement program on the economy has been slightly reduced.