

During the past six months the Canadian dollar has moved closer to a position of parity with the U.S. dollar. Last January the premium on the Canadian dollar was about $3\frac{1}{2}\%$ but by the end of March this had declined to about $1\frac{1}{2}\%$. The Canadian-U.S. exchange rate remained fairly constant from this point until about a month ago, at which time the American dollar strengthened rather rapidly and on October 19 our two currencies were quoted at parity with each other for the first time since March 1952. As you know, fluctuations in the past two weeks have operated very close to the par level. Our policy has been, and continues to be, to allow our exchange rate to be determined by the normal play of economic forces without official intervention except to ensure orderly conditions in our foreign exchange markets.

We have witnessed this year a very sharp increase in the rate of economic activity, all the more striking in contrast with the somewhat sluggish performance of 1954. Although our rate of activity is high, there appears to be no ground for assuming any change of direction in the predictable future. We have re-established the upward movement in investment and we can look for continuing strength in consumer spending based on rising labour income. In the export field, apart from wheat, there are no adverse clouds on the present horizon. We have as well the substantial underpinning of consumer demand by family allowances, old age security, and unemployment insurance, and these were, I am sure, important factors in minimizing the recession in 1954.

For anything but the immediate short run, it is, of course, most difficult to make any useful prediction. We have, however, recently appointed a Royal Commission to examine our longer term economic prospects and to take a careful look at the probable developments of the next twenty-five or thirty years. Already it has had a stimulating effect in focussing attention on the direction in which we are moving, or should move. A considerable part of the Canadian post-war development has centred around the discovery of new mineral resources and the development of other natural resources, particularly the resources of the forest and the resources of water power. The large amount of investment in resource development is one of the reasons why Canadian investment has absorbed a higher percentage of gross national product in the post-war period than has U.S. investment. For the period 1946 to 1954, 18% of Canadian gross national product was devoted to domestic investment compared with 14% in the United States.

Eighty-five percent of this investment has been financed from our own domestic savings, but we have also benefitted from and welcomed a heavy flow of investment from outside our country. Most of this foreign investment has come from the United States, but we have been glad to see a considerable renewal of investment in Canada from the United Kingdom and from several European countries. We, on our part, have also been investing money abroad in substantial volume, both directly and through various international agencies.

While we welcome our close economic ties with the United States, we are convinced that our interests cannot be limited to North America. We live by world trade, and that is why we have devoted so much effort and money to helping to restore the fabric of a multilateral and friendly trading world.