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CONTENTS

"Higher Ground Ahead"	1
Sugar Refining Industry	2
Mineral Production	2
Air Traffic Aid	2
Revised House Standing	2
The Golden Geese	3
Appointments and Transfers	4

New Airport	4
New Windows To Outer Space	4
Colombo Plan Aid	5
Helicopters In Vital Role	5
Lieutenant-Governor	6
Best Christmas Presents	6

"HIGHER GROUND AHEAD"

Although the Canadian economy has moved onto a plateau this year in comparison with its swift climb of 1955 and 1956, the country should nevertheless take confidence from the long-range prospects of higher ground ahead, according to the Bank of Montreal's Business Review for December.

The Review says that despite this year's levelling-off, "the inflationary exertion" of 1955 and 1956 has lessened considerably, although there "may have been a psychological change in that there is a natural tendency for the exhilaration of climbing to drain away as the terrain flattens out". Further, there are undoubtedly "dips and hummocks" ahead which call for caution, the Review warns.

In the final quarter of 1956, the gross national product was running at an annual rate of \$30.9 billions, 10.7 per cent higher than a year earlier, the Bank says, while in the first half of 1957, the figure was down slightly to \$30.7 billions, and there are grounds to believe there has been little change in the second half of the year.

Farm output is down substantially, and this accounts mainly for the reduction, but there have also been declines in minerals and in durable goods; non-ferrous metal products, lumber, iron and steel products and motor vehicles were all produced in smaller quantities during the summer than a year earlier, the Review says.

Retail trade increased 7.5 per cent in 1956 over 1955, and this rate of increase continued to April 1957, but from May to September there was only a 0.1 per cent gain.

In the field of employment, the Bank of Montreal says there was "an exceptionally large expansion" of the civilian labor force, which increased 233,000 in the 12-month period ended in Mid-October, or 4.2 per cent, compared with an increase of 153,000 in the preceding 12 months. While the number of persons with jobs increased by 123,000, those without jobs and seeking work more than doubled in the recent period to reach 208,000, and should these trends continue, the post-war peak of 401,000 unemployed recorded in March 1955 could be exceeded in the winter months ahead, the Review says.

Following the general trend, there has been little change in the picture of Canada's foreign trade, with the merchandise deficit standing at \$738 millions in the first ten months of the year, or \$17 millions less than in the same period of 1956.

But, the Review adds, this heavy deficit continued to be offset by the heavy inflow of foreign investment capital and the Canadian dollar remained at a premium.

The Review says its analogy of a plateau can be applied to almost all sectors of the economy, although within each sector there have been contrasting movements.