

Higher retail purchases of clothing and footwear and generally improved inventory positions have contributed to a significant betterment in the principal segments of the textile and leather industries. At the same time, the share of the market supplied from abroad continues to increase.

Food processing operations have continued to expand, reflecting the steady growth in domestic consumption and the generally ample supply of livestock, dairy and field products. Canada's rapidly growing chemical industry, which in terms of overall output continued its advance even during the recent recession, is showing further expansion in the current year.

Among the equipment producing industries, agricultural implement sales, responding to increased demand in both Canada and the United States, have continued the improvement which first became evident last year. Conditions in other machinery industries have been less favourable. Shipments of railway rolling stock, which declined by 20 per cent in 1958, have receded further in the first half of the current year. Although some pick-up in orders has occurred, the industry faces a further dislocating influence as railroads approach the completion of their major dieselization programme in 1960. Domestic shipments of industrial machinery and heavy electric equipment have been falling since 1957, but the presently increasing tempo of industrial expansion gives promise of a reversal in this trend. A continuing high rate of expansion in commercial and service establishments has resulted in a reasonably firm trend of activity among business equipment manufacturers. In equipment industries generally, domestic producers seem to be holding their own against competition from abroad. Moreover, in recent months there have been encouraging indications of new progress in foreign markets, which is evidenced by the placement with Canadian companies of large orders from the United States in the highly competitive fields of transport aircraft and electrical equipment. On this same theme, considerable success is being achieved by way of production sharing on North America defence contracts.

Forest Industries

The forest-based industries in Canada have experienced substantially improved conditions over the past year.

For wood products, the trend has been exceptionally favourable, reflecting the high level of building activity in North America. In the second quarter of 1959, production was more than 10 per cent above a year earlier. The upsurge of house-building in North America since 1957 first had the effect of reducing large inventories of both producers and consumers. Since mid-1958, production, total shipments and particularly exports to the United States have been high and firm. This brought operations in the interior of British Columbia to record rates, reversed the decline in activity in Eastern Canada and on the