

moderate increase in hourly earnings (2 to 3 per cent on the average for the year), with a longer work week and larger numbers employed, combined to give a year to year increase of 7 or 8 per cent in total labour income. In spite of existing surpluses of farm products, the farming community has done reasonably well compared with the previous year. Good crops have been harvested and livestock and dairy production has increased. Even though grain farmers still hold most of this year's crop, and in spite of the decline in farm prices, cash farm income has held almost even with last year. If one takes into account also the larger volume of farm stocks of grain, the position of the farming community is considerably improved. Investment income is up substantially. The reduction in income taxes, effective last July 1, increased the portion of personal incomes retained by individuals.

For the year as a whole total personal income, after deduction of direct taxes, increased by about 9 per cent. Consumer prices having remained unchanged, buying power on a per capita basis rose by something like 6 per cent within the brief space of one year. Even though personal saving has increased, per capita spending on consumer goods and services is also up significantly, more in fact than in any other single post-war year.

#### The Year Ahead

The general level of activity in Canada was already rising at the beginning of 1955 and the upward trend accelerated in ensuing quarters. At the end of 1955, most key indicators of economic activity are still pointing upward. The current direction of overall activity by itself, however, is not a very trustworthy guide to the future. An upswing in economic activity, especially at the rapid pace experienced in recent months, may itself, in certain circumstances, presage an early reaction. What then is the nature of the influences which underly the current expansion? The evidence at hand is, on the whole, reassuring.

Considering the recent tempo of activity, the surprising thing is the degree to which the economy has thus far been free of those strains and excesses which eventually lead to deterioration. Some materials are in short supply, credit is tightening and interest rates have risen. These factors, however, are simply a reflection of current market strength. In present circumstances they are not likely to dampen expansion but they may, on the other hand, provide a necessary means of regulating its pace. Except in the case of some materials, prices have remained fairly stable. Accordingly, buying habits have not been subject to the disruptions which stem from rising prices. Stable living costs have had a tempering effect on the upward trend of wage rates. At least to the end of the third quarter there has been no overall build-up of business inventories. In other words there is little to suggest that the present high rate of production is borrowing on future markets.

Nor is there evidence of any significant adverse change in the international economic climate. While the exact course of the United States economy is always difficult to predict, there is no sign of slackening, either in the United States or elsewhere, in the strong demand for industrial materials which has been a key factor in increased Canadian exports and in expansion generally during the past year.