

GOVERNMENT



CANADA

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## WEEK'S EVENTS IN REVIEW

**ECONOMIC OUTLOOK 1954:** A capital expenditure programme in Canada for 1954 of \$5.8 billion, roughly three per cent above the previous record achieved last year, is indicated in a survey soon to be tabled in the House of Commons, the Minister of Trade and Commerce, Mr. C.D. Howe, announced on February 15.

Speaking in the House to a motion calling for a select committee to report and make recommendations as to methods for dealing with the unemployment situation, Mr. Howe said the Government believed that as the 1954 season opened up "we can expect a return to the employment conditions that we have had for the last several years".

In an analysis of economic conditions and outlook he spoke, in part, as follows:

"What then is the nature of the economic climate in which we now find ourselves? Is it a relatively minor adjustment or, as some would apparently have us believe, is it the beginning of a major decline? No one, of course, can answer this question categorically or with complete certainty of being right. This, however, does not mean that we should not look over the evidence systematically and make as sound judgment as possible.

"Toward the latter part of 1953 those indicators which gauge the over-all level of activity in the economy began to level off, and in a few cases have declined slightly. This change in trend reflects largely a reduction in the pressure of demand rather than any de-

cline in over-all volume. In other words requirements, which in the past two or three years have been mounting rapidly, are now simply not expanding at the same rate. This applies to expenditures for defence and for other government requirements, purchases by consumers and also outlays for investment. In each of these instances the rate of expansion has slowed down. The important exception is exports, which are now running moderately below the levels of one year ago.

"This levelling off in demand, taken in conjunction with the moderate decline in activity in the United States economy, has brought a change in the tempo of business activity in Canada. This type of situation is invariably accompanied by a hesitancy on the part of business in placing orders, more hand-to-mouth buying, and a tendency to reduce inventories. This causes a temporary slow-down in the pace of business which in the present instance has coincided with the seasonally slack period in the economy.

"Such a situation admittedly gives rise to a good deal of anxiety and, I think, has been prematurely interpreted by many as the beginning of a recessionary trend. Before coming to any such conclusion it is necessary to look carefully at the more basic determinants of the level of economic activity.

"In this connection current and prospective levels of investment spending are of utmost importance. At the beginning of each year a

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