

result of the upsurge in activity during the latter part of 1952. Nevertheless, conditions in some manufacturing industries are not presently as buoyant as they were earlier in the year.

In some industries notably appliances, textiles, clothing and some machinery lines, a larger proportion of the increased demand has been met through imports and accordingly domestic industry has not had the benefit of the rise in final purchases. In a number of lines, during the early part of the year, both production and imports tended to run ahead of sales. As a result there has been an accumulation of inventories which, for the time being, is having a retarding effect on production levels.

In the farm implements industry also activity has run counter to the general trend. Even with the bumper crops harvested in 1952 and again this year, sales of farm equipment in the North American market have moved in line with the moderate decline in farm incomes. The downward trend of production in the industry has been accentuated by lower shipments to other foreign markets and also by a high inventory position. It should be borne in mind, however, that the decline this year is from the near record level of output achieved in 1952; and apart from fluctuations based largely on changing crop conditions, longer-run prospects in this industry are reasonably good.

These industry situations illustrate the type of adjustment which cannot be avoided in a free enterprise economy even in conditions of general prosperity. To a large extent the current difficulties reflect a transition to more competitive markets, both domestically and internationally. They should not, however, be taken as indicating any decline in the general level of demand.

Prospects for the Coming Year

Looking to the year ahead there seems to be little indication of any serious interruption in the generally prosperous conditions now prevailing. In the United States there have been numerous predictions of a moderate decline in activity in 1954. The basis for these expectations has been explained in terms of lower defence outlays, reduced capital spending, inventory liquidation, a decline in housing, softening in the automobile market and a number of other reasons. Without trying to evaluate the significance of each of these factors it is, perhaps, worth emphasizing that in the United States as elsewhere there appears to be a significant absence of conditions normally characteristic of a pre-recession boom. By and large, speculative excesses have been absent since 1951. Commodity prices have been following a steady to slightly downward trend and business sentiment, seemingly influenced by off-stated reminders of the dangers of a post-defence let-down, has remained on the cautious side. In such circumstances, there is little tendency for businesses to become over-extended and vulnerable.

The present situation would appear to be one in which adjustments could occur in one or in several sectors without any danger of these multiplying into a general collapse.