

construction activity is likely to be higher than usual this winter, partly due to the record carryover of unfinished houses and also as a result of the special measures which have been taken to stimulate off-season work.

The strength of further recovery will depend in large part upon external influences. In this regard, recent economic developments in the United States are encouraging. Production, in that country, has already recovered nearly all of the previous decline, and employment, after making allowance for usual seasonal changes, is now moving upward. Moreover, the present upswing appears to be broadly based and prospects of sustained expansion are generally considered to be good. Increased activity in the United States will, in turn, reinforce measures being taken internally in other industrialized countries to stimulate stronger rates of growth. Recent additions to hard currency reserves means that, in a number of these countries, some rise in domestic consumption could occur without strain on foreign balance positions. In these circumstances, some upturn in world demand for industrial material is likely to occur during the coming year. With greatly increased capacity in export industries and expanded reserves of proven resources, Canada is better equipped than ever before to meet increases in requirements from abroad. For the present, many of the commodities of importance in Canada's export trade are in ample supply and this is being reflected currently in export levels. In general, export markets may be expected to strengthen as the year passes.

In recent months, new capital expenditure plans have been appearing in increasing volume. In terms of the actual amount of physical capital being put in place, this rising volume of new work may not for a time fully compensate for the termination of work on large projects now being completed. What is presently known of capital expenditure plans for 1959 indicates that business investment will be up in some sectors but moderately down in total. However, a period of improving business conditions tends to encourage the creation of new expansion programmes and the speeding-up of existing ones. In the current situation, there is likely to be a further filling out of business investment intentions affecting the short as well as the longer term. Meanwhile, outlays for institutional building and public projects are continuing to increase. In aggregate, capital spending in 1959 may be only slightly less than in the current year. A further rise in the proportion of total outlays spent on building construction, as opposed to engineering construction and industrial equipment, appears probable. This means that the domestic content of the programme will remain relatively heavy.

Perhaps the sharpest impetus to demand in the period immediately ahead will come from the consumer. This new punch may be sparked by the resurgence of consumer interest in durable goods, particularly automobiles, sales of which have been lagging in the last two years. Also, the rising volume of housing completions will give further momentum to the upward trend in