

which had declined in 1954, increased sharply as from the beginning of 1954.

### Canada as a Source of Production Materials

To a large extent, the expansion now underway in Canada stems from the increasing world dependence on Canada as a source of industrial materials. This growing dependence has accounted for the rise in exports, the high level of activity in natural resource industries and for a major portion of the expansion in capital facilities.

Growth based so largely on expansion of capacity for the production of materials destined mainly for the export market may raise questions about the trend of Canada's industrial development. It is relevant to observe that for the last 15 to 20 years expansion in material exporting industries, particularly mineral and forest products, has, in fact, fallen behind the general rate of industrial expansion in Canada. For example, from pre-war to date, output in these export industries has a little more than doubled. Over the same period, output in all other types of manufacturing has increased by about two and one-half times, while production in durable manufacturing alone has tripled. The fuel and energy group of industries has also achieved a tripling in its output during this period.

Consequently, the current shift toward export industries does not necessarily mean a one-sided development of the Canadian economy. In fact, expansion in export industries is very likely to be associated with continuing growth in secondary manufacturing and tertiary industry. This comes about because any growth in the overall Canadian market, irrespective of the cause of that growth, broadens the range of goods that can be economically produced here in Canada. It would seem, therefore, that rising exports of materials are favourable to the further growth and diversification of the Canadian economy.

Nor should it be overlooked that, within the international community of which Canada is a part, the mineral and forest resources which we possess in abundance are becoming increasingly scarce in the highly populated industrialized nations. In this situation, products based on these resources cannot help but continue to bulk large in Canada's export trade.

### Incomes and Consumption

Notwithstanding the strong pull on resources exerted by export and investment demands, the Canadian consumer fared exceptionally well during the past year. On the one hand, rising incomes accompanied by stable prices enhanced the buying power of his earnings. On the other hand, rising production in consumer industries and larger imports of consumer items substantially increased the volume and variety of goods and services available. This generally plentiful supply, in turn, contributed to the stability of prices. The result has been an improvement in living standards seldom surpassed in peace-time circumstances.

Nearly all groups participated in this year's income rise. In the case of wage-earning groups, a very