

shows a moderate increase. Capital expenditure in all forms, both private and public, has increased about 4 per cent in 1967, scarcely one-quarter of the advance realized in 1966.

At the same time, additions to business inventories have been much smaller than in 1966, and this in turn has contributed temporarily to a slower tempo of industrial activity while, at the same time, being a factor which will contribute to future demand.

An important positive element of demand strength in 1967 has been the continuing vigorous growth of sales in foreign markets. Merchandise exports have increased by 11 per cent in the first ten months of this year, compared to last, and over the full 12 months are expected to reach the \$11.25-billion centennial target.

This export target was announced in the autumn of 1966 to emphasize the need for sustained export growth and to give a sharper focus to trade-promotion programmes. An appeal was made individually to each exporter and potential exporter in Canada to reassess his export activity with a view to making the maximum contribution to the attainment of this target.

In the spring, trade commissioners from all parts of the world held briefing meetings right across Canada to advise Canadian businessmen of current market developments and opportunities in their territories. In the autumn, regional seminars were conducted in major centres to help familiarize the business community with the implications and opportunities following upon the conclusion of the Kennedy Round of trade negotiations.

The targeted increase of close to \$1 billion in merchandise exports in 1967 has been realized, despite the slackening of demand conditions in major foreign markets. Canada's sales to the United States, for example, are up by 17 per cent. While total United States imports from all countries have increased by only 5 per cent, Canada's share of the U.S. import market has increased rapidly. Canada now supplies more than 26 per cent of all United States imports, compared to 22.5 per cent just two years ago. But exports to Britain show little change for the third consecutive year, and sales to most Western European countries also reflect the softer market conditions in that area. The sharpest percentage gains in export sales in the past year have been realized in those countries experiencing strong domestic expansion, such as Japan, Australia and Italy.

Widely divergent conditions have characterized the market for Canada's major exports in 1967. Above-average wheat crops, particularly in the main importing countries, have brought about a pronounced softening in the world wheat market in the latter part of 1967. Consequently, the value of wheat and flour exports in the past year is well below the record \$1.14 billion level of 1966. The two-million ton contract just negotiated with mainland China should help to strengthen Canadian and world marketing of wheat.

Much the largest single increase in export sales has occurred in automotive products. Continuing rationalization of the Canadian and United States industries, arising from the Automotive Agreement, has been accompanied by a substantial boost in two-way trade. Exports of automotive products in 1967 are more than half as high again as the \$1-billion figure attained in 1966.