

and the extended municipal winter works programme.

"A key feature of the current economic expansion has been the strengthening in Canada's trade position. Exports have been increasing at a faster pace than imports, resulting in a further improvement in the merchandise trade balance. It is now evident that a trade surplus has been realized in 1961, compared with deficits of \$97 million in 1960, \$369 million in 1959, and \$713 million in 1956. On the other hand, Canada has been running an 'invisible' deficit in excess of \$1 billion annually. Therefore, the deficit on all current transactions, though less than last year, remains large.

EXPORT EXPANSION

"Much of the increase in exports this year reflects higher wheat shipments. At the same time, there has been an encouraging growth in exports of manufactured products. Despite lower sales abroad of farm implements and automotive products, total exports of manufactured goods, on the basis of figures available to date, are up about 10 per cent. In addition to large deliveries on aircraft orders, significant increases have occurred in such categories as industrial machinery, electrical apparatus, cotton products, and manufactured wood products. Industrial material exports were adversely affected early in the year by the economic slowdown in the United States economy. More recently, however, sales of mineral and forest products have been moving ahead in response to the upturn in factory output south of the border.

IMPORT LEVEL

"Imports are higher this year compared with last, but the increase is moderate in relation to the general expansion in activity. There has, in fact, been increased reliance upon domestic, as opposed to foreign, sources of supply in a number of fields, including automobiles, appliances, textiles, and iron and steel products. All in all, trade figures for 1961 show that Canadian producers are making headway to an encouraging degree in the further penetration of both home and foreign markets.

"New federal measures of a far-reaching character have been implemented to help Canadian producers extend their markets and expand production. Of major importance has been the change in exchange rate policy, resulting in a lower external value of the Canadian dollar. For the last six months, the Canadian dollar has been at a discount with the United States dollar, amounting, on average, to 3.3 per cent compared with an average premium of 3 per cent during 1960. In the prevailing conditions of intensive international competition, an exchange rate shift of this magnitude provides an important lift to the wide range of Canadian industries competing with foreign goods, both domestically and abroad.

"The new credit facilities available to capital goods exporters have brought an energetic response. Projects in eight countries, involving the possible sale of Canadian capital equipment, ag-

gregating \$82 million, are under active consideration, while five other proposals are being studied - a total of \$214 million.

TRADE CONFERENCES

"Throughout the past year, the Department of Trade and Commerce has made an all-out effort to bring to the Canadian businessman a greater awareness of opportunities in foreign markets, and also to help in the search for new avenues of economic production and development. To this end, the trade conference of late 1960 has been followed up by a series of provincial conferences, aimed at fostering, at the local level, the necessary sense of urgency in the drive for new markets.

"Other new measures contributing to business growth include the provision of guaranteed bank loans to small business; extension of the operations of the Industrial Development Bank; the provision, under income tax regulations, of accelerated depreciation for specified categories of capital outlays; and the establishment of new arrangements providing for increased attention to product design...."

COAL IN 1960

Marketing problems resulting from high mining and transportation costs and ever-increasing competition from other sources of energy continued to plague Canada's coal-mining industry in 1960. A gain in exports took up part of the year's small increase in production, and government assistance made it possible for Canadian coal to compete with other fuels in markets where, without such aid, competition would have been impossible. Nevertheless, consumption was lower than in the previous year.

In 1959, recognizing the importance of the coal industry in the national economy, the Federal Government appointed a Royal Commission on Coal to investigate the industry's problems and make recommendations for their solution. The Commission's findings were published in September 1960, and it is generally hoped that its recommendations, when carried into effect, will bring an improvement.

PRODUCTION

A sign of possible recovery was the increase of 3.6 per cent that raised output from the 1959 level of 10.6 million tons to a 1960 total of more than 11 million. This left production still far below the 19.1 million tons obtained in 1950, but it was the first significant gain in 10 years. Furthermore, it occurred despite a general slackening in the expansion of Canada's economy.

The greatest interest in output was the 11.5 per cent gained by lignite, all of which was mined in Saskatchewan. The production of bituminous coal rose by 4.1 per cent. Subbituminous coal, mined solely in Alberta, decreased by 11.2 per cent.

Nova Scotia was the leading producer, 41.5 per cent of Canada's output coming from that province, Alberta produced 21.7 per cent, Saskatchewan 19.7 per cent, New Brunswick 9.3 per cent, and British Columbia and the Yukon Territory the remaining 7.8 per cent.