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ECONOMIC REVIEW--1956

(By the Rt. Hon. C.D. Howe, Minister of Trade and Commerce)

The economic upswing of 1955 continued with sustained vigour throughout 1956. The result was a period of accomplishment in many ways without equal in Canadian history. In the brief space of two years, overall physical output rose by about one-sixth. This is the equivalent in dollar terms of roughly six Canadian wheat crops or one-third the output of the entire North American automobile industry.

More fundamental even than the rise in output were the tremendous strides toward further development of Canada's resources and widespread additions to productive capacities generally. Industries based on the newly developed resources of oil, natural gas, iron ore and uranium continued their meteoric advance, and now hold positions of ever-increasing prominence in both national and continental markets. Production of these key materials within our own borders adds tremendously to Canada's industrial stature and to the solidity of the economy. Yet, outlays in these fields, though large, constitute but a minor part of the overall volume of resources directed toward expansion of capital facilities. Capital expansion in 1956 not only proceeded on a broader scale, but actually increased at a more rapid rate than at any previous time in the post-war period. Opportunities for new investment in Canada became increasingly attractive, not only to Canadians but to business inter-

ests the world over. Industrial growth was, therefore, facilitated by a record inflow of capital in the form of both direct investment in specific undertakings and security purchases, attracted by prospective yields in the Canadian market. This external participation in Canada's development was a key factor in sparking the currently high rate of expansion. At the same time the accompanying capital inflow provided the means to pay for the tremendous upsurge in imports needed to service this expansion.

With the aid of this influx of resources from abroad, the substantial step-up in capital outlays was achieved alongside a continuing rise in exports and a further improvement in the living standards of Canadians. Moreover, in the face of a generally strong demand situation, increased imports and a strong Canadian dollar helped to counteract upward pressure on prices. Although the consumer price index has been rising for some months, the rate of increase has been moderate and of about the same magnitude as that occurring in the United States. In short, increased foreign participation in Canada's development has made possible a rate of growth which, to achieve otherwise, would have involved substantially more dislocation in our business life and extensive sacrifices on the part of Canadian consumers.

(Over)

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