

potash, has assumed importance in Canada's export trade. Oil and natural gas have advanced in line with demand growth in available markets. Electric-power generation has attained a new high level, whereas coal output has averaged a little higher in 1963 than in the preceding year.

Total industrial production has increased by 5 per cent between 1962 and 1963, bringing the cumulative advance for the last three years to 16 per cent. This gain is the result not only of growing demand but also of increased penetration by Canadian producers into both the domestic and foreign markets.

BALANCE OF PAYMENTS

The generally improved competitiveness of Canadian producers is reflected also in Canada's trade and balance-of-payments position. Exports this year have increased much more than imports. This has resulted in an upward shift of \$275 million in the merchandise trade balance in the first ten months of the year, while further substantial gains are anticipated in ensuing months, due to unusually heavy grain shipments. Most of the improvement in the trade balance this year reflects the further increase in Canada's surplus with overseas countries, particularly Britain. Canada's deficit with the United States is down moderately, but still amounts to \$450 million in the ten-month period.

Exports within each of the major commodity groups are higher this year. Most notable in this respect is the continuing rapid expansion in sales abroad of secondary manufactured products, reflecting new and growing markets in many parts of the world for a wide range of machinery and equipment items and consumer products. Exports of capital goods under long-term financing arrangements, mainly to less-developed countries, are of growing importance in this trade.

In non-merchandise transactions, Canada's tourist account has shown continued improvement — from a deficit of more than \$200 million in 1960 and \$50 million last year to what promises to be at least an even balance this year. There is, however, no evidence of significant or continuing improvement in other current-account items, which means that the deficit on all current non-merchandise transactions remains close to \$1 billion annually. Consequently, even with the improved balances in commodity trade and tourism, Canada still has a large imbalance in current transactions as a whole, which, in the 13-month period ending September 1963 (the latest figures available), amounted to \$542 million.

FURTHER INCREASES PREDICTED

Nevertheless, the chances of a further increase in the surplus on merchandise trade appear good. The existing strong trend of exports has been reinforced by large sales of wheat to mainland China, the U.S.S.R. and other Eastern European countries. These greatly-increased shipments to Communist countries, together with the heavy movement to traditional customers, is expected to raise wheat exports in the current crop year to 550 million bushels,

about 150 million bushels above the previous annual record. Also of major significance is the atmosphere of sustained expansion which at present characterizes Canada's principal foreign markets. In the United States, the expectation is widespread that the current up-trend of activity will continue in 1964. Following several years of slow advance, Britain is now experiencing a considerable economic resurgence. In Japan also, growth trends have strengthened following a brief slow-down last year. Economic activity in Western Europe continues on an upward course, accompanied, nevertheless, by inflationary pressures in some countries. Strengthening now under way in a number of international commodity markets will add to the buying power in under-developed areas which rely heavily upon exports of raw materials and food. While Canadian export prices, on average, are at about the same level now as a year ago, there are indications of firming in the prices of a number of export commodities.

These conditions suggest the likelihood of a quite substantial increase in Canada's exports in 1964, which would be the fourth consecutive year of strong advance.

DOMESTIC EXPANSION

Significant expansionary forces are also apparent within the domestic economy. While the return to more normal weather conditions in 1964 would entail a year-to-year decline in grain output, the additional spending power generated by this year's record production and exports will be a source of new stimulus in the economy as a whole for some time. In the West there is a new optimism associated with the disappearance of conditions of burdensome over-supply in Canada's grain-growing industry and the expectation that a high level of exports will continue at least through the next two crop years.

Preliminary indications of capital-spending plans for 1964 suggest that this year's rate of advance in business outlays on plant and equipment will be fully maintained. Significant increases in capital programmes are indicated in manufacturing, electric power and transportation. In housing, the large carry-over of unfinished houses virtually assures a high volume of house building next year, even in the event of some decline in starts from this year's high level. The trend of public construction will be influenced by the advanced stage of the technical-school building programme, but some continuing increase in total outlays is, nevertheless, indicated. In short, there is every indication that total private and public capital spending will be higher in 1964 than in 1963.

While it would be hazardous to try to assess the future trend of consumer spending on durable goods, nevertheless the continuing growth of incomes should provide firm underpinning to the consumer market generally.

INITIATIVE ESSENTIAL

All in all, demand prospects appear good in both home and foreign markets. Strong overall demand means increased production, more jobs and higher

(Continued on P. 6)