

pace involving extensive reliance upon foreign resources. The premium on the Canadian dollar has been higher, on the average, than in the preceding year.

INDUSTRY CONDITIONS

"The general economic improvement during the past year has been accompanied by widespread increases in activity throughout all major sectors of Canadian industry. Within the home market, shipments from domestic producers have, for the most part, kept pace with imports; although there have been notable exceptions, particularly in certain consumer goods lines where import competition has been intense.

"Recovery in material-producing industries has been led by primary iron and steel, which has experienced the dual stimulus of rising consumption and restricted North American supply resulting from the shut-down of United States mills. The Canadian industry has been operating at full capacity for some months and production has risen nearly two-fifths in the current year. Iron ore output and exports have also increased by about 40 per cent. Non-ferrous metal producers have, for the most part, witnessed a general improvement in market conditions despite adverse influences affecting certain items. The uranium industry has had a year of high operations but now faces a period of adjustment.

"Within the fuel group, petroleum production and refining have increased moderately in response to rising domestic consumption and larger exports, following the removal of American restrictions against Canadian oil. A continuing expansion in distributive outlets has been accompanied by a substantial increase in the production of natural gas. On the other hand, operations in the coal industry have continued downward in the face of strong competition from other fuels. Lumber products had experienced an early recovery in 1958, which continued into the current year. Despite the moderating trend in housebuilding in both Canada and the United States and the late summer work stoppage in British Columbia mills, total production in 1959 has held to about last year's level. Canada's newsprint industry tended to lag behind the general recovery in its early stages but, with the continuing rise in North American consumption, has subsequently been moving steadily ahead. By October, operations in the industry had risen to 90 per cent of capacity while production in the year to date is up by 4 per cent.

"Woodpulp output has shown a stronger year-to-year advance, reflecting principally the strong demand for kraft pulps. Chemicals production, which had continued to advance during the 1957-58 business contraction, has remained roughly unchanged during most of 1959. Early-year weakness in paints and fertilizers has offset gains in other products. With construction work at a record level,

building material producers have had an unusually active year.

"Consumer-based industries, though in some cases facing stiff competition from imports, have had the benefit of a stronger trend of consumer spending. In the case of automobiles, from last year to this, the proportion of European-type cars in the Canadian market has increased from 20 to 25 per cent. Nevertheless domestic production of passenger cars ran well ahead of last year's level until the recent shut-downs caused by shortages of parts from the United States. To mid-December, production is slightly up compared with the 1958 position. In the commercial vehicle field, where imports are relatively small, output is up by 15 per cent. In most electric appliance lines there has been a pronounced increase in both production and sales.

"Imports of some items, such as refrigerators and freezers, have fallen sharply mainly as a result of curtailed production in the United States. Textile, clothing and leather footwear trades have experienced a moderate rise in business volume, but in all major categories except woollens, imports have increased more than domestic shipments. Operations in the food and beverage industries continued to expand during the past year with the sharpest increases occurring in meat packing and soft drinks production.

"Among Canada's equipment-producing industries, output of farm implements moved up substantially to continue the recovery which started in 1957. Sales rose sharply in both the domestic and American markets. More recently, production in industrial and business machinery lines has shown improvement following the upturn in business investment. On the other hand, activity in railway equipment industries has been at a relatively low level. Output of heavy electrical apparatus has declined for the second consecutive year, but the commencement of several new expansion projects in the electric power field suggests an early improvement in the order position of this industry.

"Meanwhile, activity in the service trades has been expanding steadily, and it is here that the principal increase in employment has taken place.

PROSPECTS FOR THE COMING YEAR

"After moving sharply ahead in the early part of the year, the tempo of economic activity in Canada slackened somewhat in the summer months. Subsequently, the pace of advance has again quickened, and key economic indicators are presently pointing toward further expansion.

"The international economic climate at this time appears particularly favourable. There is general expectation that the American economy will move ahead with renewed vigour, providing the steel strike is not resumed. In other industrial countries, business activity con-

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