

seems likely that the present economic climate is at least as favourable to investment as that prevailing a year ago.

Other elements of the domestic market situation seem reasonably steady. Import competition will continue to pose difficulties for some manufacturing industries, but probably to no greater degree than in the year just ended. Inventory liquidation is not likely, in the year ahead, to constitute as much of a drag on activity in manufacturing industries as during 1954. There seems to be little in sight to interrupt the gradual upward trend of personal income. Even allowing for diminishing replacement demand for some durable items, per capita outlays on consumer goods and services are likely to be maintained.

Taking into account both external and domestic influences, it would appear that the upturn which has already begun will continue into 1955. Although there may continue to be some trouble spots, there is good reason to expect a growth in markets at home and abroad commensurate with the rise in the nation's productive capacities.

DEFENCE PRODUCTION

The high level of defence expenditures in 1954 continued to be a sustaining, though not an expansionist factor in the Canadian economy. Defence procurement and construction, in terms of work done during the year, was below the peak level reached in 1953. Sizeable declines were registered in such fields as aircraft and defence construction. The value of orders placed, however, was up substantially over the previous year, but well below the 1951 and 1952 levels. This increase in orders placed in 1954 was due mainly to increased orders for CF-100 and F-86 aircraft and to engineering, tooling, and production contracts for the Bristol "Britannia". Capital assistance expenditures were down significantly in 1954, as most of the necessary key facilities had been established by the beginning of the year. Defence industries were able to obtain their requirements of essential materials and manpower without the need for government controls.

The major activities of the aircraft programme during 1954 have included production on schedule of an advanced mark of the CF-100 all-weather jet fighter and quantity output of the F-86 Sabre single-engine jet interceptor fighter. An improved version of the F-86, the "Sabre VI", came into production. Advanced series of the "Orenda" jet engine, required to power these two fighter aircraft, were produced according to schedule. Deliveries of the T-33 jet trainer to the R.C.A.F. continued satisfactorily. A quantity of T-34 single-engine primary trainers was also delivered to the R.C.A.F., and deliveries of this aircraft to the United States Air Force began. A notable feature of the year was the termination of the "Harvard" trainer programme. Engineering and tooling necessary to convert the Bristol "Britannia" to a military maritime reconnaissance aircraft got well under way during the year, as did tooling for the Grumman S2F carrier-borne anti-submarine aircraft. Aircraft repair and overhaul activities increased in 1954 because of the larger number of aircraft in operation. This repair and overhaul work takes place in many sections of the country.