

In the first ten months of 1954, the value of Canadian merchandise exports declined by \$274 million, or about eight per cent, from the corresponding period of 1953. Imports also diminished, a little more in fact than exports, but the difference was not sufficient to cause much reduction in the current account deficit. A sustained net inflow of capital has kept the Canadian dollar at a premium in the international exchange market.

Prospects for 1955

So far as export markets are concerned, the signs are now reasonably encouraging. The adverse influences mentioned above, which contributed to the decline in exports during the last two years, are for the most part no longer of consequence. In the United States, there is now clear evidence of at least a temporary strengthening in economic conditions. This should result in some increase in Canadian exports to that important market, reversing the moderate decline which occurred in 1954. The generally prosperous conditions which now prevail in the United Kingdom and other Commonwealth countries and in Western Europe give promise of sustained markets for Canadian products in those overseas countries. Raw materials in particular may be needed in increasing quantities to service the rising volume of industrial production in the resource-deficient countries of the old world. Generally speaking, the present firm trend of production and trade throughout the world will in all probability provide an important stimulus for the Canadian economy.

Within Canada, a high level of investment, particularly new construction, should continue to stimulate production and employment. It will be some time yet before information is assembled on investment intentions for 1955. There is, however, no present indication of any significant abatement in the trend of investment activity. In fact, the large carry-over of unfinished work from 1954, and what is already known of new projects planned for 1955, both suggest the possibility of an increase in the volume of construction work to be carried out in 1955, though there may be some further decline in outlays for machinery and equipment.

To some extent, new opportunities for further investment in Canada will depend upon the continuation of prosperous conditions in foreign markets. Extensive new facilities will also be required, however, to provide for rising demands in this country. To cite but one example, it now seems evident that Canada's resources of oil and natural gas justify eventual net self-sufficiency in fuels. The extent of the development required to reach this end, together with all its ramifications, will constitute a major expansive force in the economy for years to come.

More generally, it should be remembered that in finally deciding on their 1954 investment plans, business men were in the midst of a downturn in economic activity. Having in mind the subsequent improvement in confidence, both in the United States and Canada, and also the improved conditions in other parts of the world, it