

Supply—Trade and Commerce

billion, slightly below the \$8.4 billion expended in 1958. The customary mid-year review of spending plans is now under way. Although the final figures will not be available for another two weeks or so, the results to date indicate upward revisions in anticipated outlays sufficient to raise total projected spending for the year up to and probably a little above the actual outlays in 1958. This improvement is indicated despite the present decline in housing starts which had been indicated in the earlier estimates. Realization of these revised investment plans would entail a rising volume of work on construction projects and machinery and equipment orders during the balance of the year. In other words, aggregate demands arising from capital spending are likely to be another important expansive influence in the economy in the months ahead.

The favourable effects of the current strengthening in market conditions are already evident in most sectors of Canadian industry. Among the material-producing industries notable advances have been made; in primary iron and steel, where output is up 20 per cent so far this year; in lumber products and wood pulp, and in various chemical fields. The growth in automobile sales, while still favouring European-type cars, has nevertheless brought a nine per cent rise in domestic passenger car production in the year to date. The increase in output of commercial vehicles has been more pronounced at about thirty per cent. Home appliance trades have been unusually active with sales of larger items such as refrigerators and freezers, stoves and washing machines, up by substantial percentages. Clothing and textile industries, though slack in some areas, have been operating at considerably higher levels than last year. The present resurgence in industrial construction along with continuing growth in commercial and public building should mean another very active year for the construction industry and related trades despite the current fall-off in housing.

Competition from imports continues to cause difficulty for a number of Canadian industries. In addition to automobiles, clothing and textile trades, rubber footwear and some other sectors have experienced a diminution in their share of the domestic market. For a majority of lines, however, shipments from domestic sources have been rising more than imports during the initial phase of the current upswing.

In the trade field the department's annual report indicates that a high level of exports over the course of the 1957-58 recession was an important sustaining influence in the Canadian economy. This stability in total exports in the face of a general decline in

world trade was a notable achievement, especially when considered in the light of Canada's dependence upon traditionally volatile world food and material markets. This achievement can be interpreted as a reflection of the diverse nature of Canada's trade and of the broadening out into new export fields, which has proceeded at an accelerated pace during the present decade. As a result of this diversification, declines in the sales of industrial materials were offset last year by increases in other items, including newly developed export lines such as uranium.

For the first five months of 1959 total sales abroad have held within three per cent of last year's high level. This slight decline in exports so far this year is not to be considered as indicative of an underlying weakness in Canada's export prospects. Quite the reverse would seem to be the case. Rising production in the United States and in other countries has yet to exert its major impact upon material requirements from Canada. Sales of certain items, such as lumber, chemical pulp and iron ore have strengthened materially. In the case of a number of other commodities, however, the initial increases in material requirements arising from the world upswing in production are being met through the utilization of idle capacity within consuming countries themselves. The current increase in aluminum consumption in the United States, for example, is being supplied from domestic sources, a development made possible by extensive additions to capacity within the last few years. A somewhat similar situation applies in the case of newsprint. As the current upswing broadens, greater reliance on Canadian sources of supply can be anticipated.

Meanwhile some of the special market situations which had contributed to the high volume of exports in 1958 have been changing. Wheat exports in the current crop year are a little below the unusually high sales of 1957-58 but are still at a good level; higher, in fact, than the average of the last five years. Following the completion last fall of deliveries of military aircraft under certain NATO contracts, exports in this category so far this year are down by \$35 million, accounting for most of the decline in total exports. However, these figures do not tell the whole story. Large orders recently placed from the United States for Canadian transport aircraft will give an immediate lift to the industry even though this new business will not appear in trade figures until shipments are under way. The success achieved in this highly competitive field is further indication of the opportunities open to Canadian manufactured products in export markets.