

- 2 -

ECONOMIC REVIEW 1955

Even by comparison with previous expansionary eras, 1955 has been a year of remarkable achievement. Not only has it been a period of record activity but production has increased more rapidly than in any other post-war year. It is now estimated that the Gross National Product exceeded the previous year's mark by 10 per cent. The rise in the physical volume of production was almost as great, prices having risen but slightly. The sharpest year-to-year rise in physical output hitherto achieved within the past decade amounted to 6 per cent. Employment also has shown the largest increase in years, and in the last half of 1955 has been 3 per cent above the level of the corresponding period of the previous year. Unemployment has receded sharply. By and large the slack which had appeared in some industries during 1954 has disappeared.

Industrial Conditions

The improvement has been widely diffused. Secondary manufacturing industries have experienced a substantial recovery from the relatively depressed conditions of 1954. Textiles, electrical machinery, household appliances and some industrial equipment lines are operating well above last year's levels, although most of these industries remain below their earlier peaks. Though handicapped by strikes, output of motor vehicles has almost reached the record volume of 481,000 units produced in 1953. Passenger car production has set a new record. Production of farm implements and a few other machinery lines has remained low, although there is evidence of some improvement in recent months.

The extent of the pick-up in durable goods industries as a whole is illustrated by the trend of operations in primary iron and steel. A year ago, Canada's steel mills were operating at less than 70 per cent of capacity. Production rose sharply in the early part of 1955 and at the present time full capacity is booked for several months ahead. Production in 1955 was roughly 4.4 million tons of steel ingot, about 42 per cent more than in the previous year and 10 per cent above the previous record in 1953. On the other hand, for the greater part of 1955, imports of steel were substantially below the level of recent years, with the result that the total supply of steel did not keep pace with demand. Operations in a number of industries are presently handicapped for lack of this basic material. Although a tight supply situation in the United States and Europe limits the extent to which imports can be increased, there has been a noticeable pick-up in import shipments in the last few months.

Unlike steel, the output of most other material processing industries underwent little or no decline during the 1954 adjustment period. Production in these and related industries was running close to capacity even at the beginning of the current upswing. In response to the renewed upsurge in world demand during 1955, new production records have been set in such industries as pulp and paper, lumber, nickel, aluminum, petroleum and chemicals. In spite of the large increases in capacity in many of these industries, pressure for additional output has continued to mount.