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## ECONOMIC AND FINANCIAL REVIEW OF 1956

In his annual report to the Minister of Finance, the Governor of the Bank of Canada, J.E. Coyne, made a review of significant trends in the Canadian economy in 1956 and reported on general financial developments during the year.

The report read, in part, as follows:-

By the latter part of 1955 the Canadian economy had recovered completely from the mild recession of 1954 and was once again operating at virtually full capacity. During 1956 demand continued to grow rapidly and, after allowance for normal seasonal movements, employment and output rose continuously. For the year as a whole output in physical terms was about 7 per cent greater than in 1955.

Compared with the average annual increase in physical output of about 4 per cent from 1947 to 1955 the growth of 7 per cent from 1955 to 1956 was very substantial. In part this was due to the fact that the 1956 grain crop was even larger than the above-average crop in 1955. In part it was due to some under-employment of resources in the early months of 1955. However, most of the extra increase in output was possible only because many persons who formerly had not been seeking work, as for example many married women and retired people, were drawn into employment by an exceptionally strong demand for manpower.

The main cause of the strain on the country's physical resources was an unprecedented increase in business investment in plant and equipment. The total of such new fixed assets

put in place was about 25 per cent larger in physical volume than in 1955 and there is every indication that business investment would have increased even more if additional materials and manpower had been available.

Behind this increase in business investment lay a rapid growth in the rate of development of Canada's natural resources. Through 1955 and 1956 demand from abroad for many of our primary commodities--particularly forest products and minerals--was very strong. At the same time the demands on most of our energy sources--notably crude oil, natural gas, and hydro-electric power--were growing rapidly. The tempo of resource development activity, already high, increased dramatically and investment expenditure on projects associated with resource development was about 60 per cent larger than it was in 1955. About one-half of the 1956 total of business investment in fixed assets was in the secondary and service industries. Investment in these fields increased by about 20 per cent.

The high rate of business investment in fixed assets stimulated demand elsewhere in the economy. Personal incomes rose rapidly and demand for almost all consumer goods and services was strong. Consumer expenditures on durable goods rose by 10 per cent, and on non-durable goods and on services by 7 per cent each. Business inventories rose appreciably. Expenditures for housing construction continued at the very high rate achieved in the latter part of 1955 (although in the latter

(Over)

### CONTENTS

Economic And Financial Review Of 1956 .....	1	At Tunis Ceremony .....	5
Vocational Training For Eskimos .....	3	More At Work .....	5
Fisheries Meetings .....	3	Housing Loans .....	5
Canadian Travellers Spend More .....	4	Canada's First .....	5
B.C. Road Building .....	4	Senior Appointments .....	6