

Canadian exporters and should go far to fulfil the goal of the Montreal Conference, "an expanding Commonwealth in an expanding world economy".

To obtain a perspective on developments during 1958, it is necessary to refer very briefly to the overall economic trends during recent years. The record-breaking expansion in Canada in 1955 and 1956 had been characterized by an immense business capital investment boom which had its origin in a rapidly rising world demand for industrial materials. In early 1957 it became apparent that many commodity markets were moving into a position of over-supply. This had the effect of dampening plans for further expansion in the resource industries, and as the mood of caution developed it spread to other industries. By the end of 1957, inventory liquidation began to make itself felt, with the result that a portion of total demand was being met from existing stocks rather than from new production.

These developments led to a noticeable decline in economic activity, particularly in the durable goods manufacturing sector. By December 1957, industrial production had fallen 7 per cent below peak levels. After a short period of hesitation, output began to show some strengthening in April 1958, and in the third quarter of 1958 industrial production was at a level about 2 per cent above the previous low point. Industrial employment, after adjustment for seasonal variation, declined between August 1957, and March 1958, but gained during the succeeding six months.

The inventory liquidation which prevailed in 1957 gave way in recent months to inventory accumulation.

Canadian experience was, to a marked extent, influenced by economic conditions abroad. The industrial countries of Western Europe underwent a period of slackening growth in 1957 and 1958, and there was a short but relatively sharp economic recession in the United States. These factors were reflected in a reduction of the demand for raw materials from third countries, and the consequent decline in foreign earnings, particularly for countries dependent on primary production, had an adverse effect on the international trade in industrial goods.

Events in the United States have, of course, an important bearing on world economic conditions and especially on Canadian economic developments because of the large-scale movement of goods, services and capital between our two countries. It is therefore reassuring to see that during the course of 1958 the United States economy has been making a firm recovery, and it is encouraging to note that qualified commentators in