

could be traced to defence expenditure and to intensified world demand for strategic materials. Since that time, however, the main impetus has come from increased demands for consumer goods and services...."

Other excerpts from Mr. Howe's statement:

"An important influence contributing to Canada's current prosperity is the still increasing rate of capital expenditure. Total capital outlays in 1953 are now estimated at \$5.6 billion, 9 per cent above those of the previous year. With prices but little higher, this represents a further significant increase in actual new physical assets put in place. As regards the type of physical investment, construction has shown a slightly stronger trend than have purchases of machinery and equipment. Resource development outlays and expansion of basic material capacity have continued to make up a large part of the investment programme...."

NEW DEVELOPMENTS

"The limited evidence now available points to the continuation of a high level of investment spending. It is true that a number of large-scale projects have recently been completed or are now nearing completion. As a result, capital outlays in basic material processing industries are likely to be lower in 1953. At the same time major new developments are in sight. It now seems quite possible that outlays for development of new sources of hydro-electric power, oil, natural gas, and other minerals, will be higher than ever in 1954. There are also indications that expansion of secondary and service sectors is still on the uptrend. These circumstances would appear to indicate further change in the composition of investment during the coming year but probably no significant decline in total outlays.

"Defence procurement, in terms of deliveries of end items and work performed, was somewhat higher in 1953 than in 1952. As far as new orders in value terms are concerned, the programme, taken as a whole, has passed the peak and shows signs of levelling off...."

"Highlights of the individual production programmes included full-scale production of the "CF-100" twin-engined all-weather jet fighter, together with the development of a new version, and continued large deliveries of the "F-86 Sabre", jet, including planes which since July have been powered by the all-Canadian "Orenda" engine...."

"The output of guns and other weapons increased during the year, one factor being a substantial increase in output of the 3" 50-calibre twin naval guns and mountings...."

"Most of the new facilities required for a large-scale defence programme were established by the end of 1953. Canada is now able not only to maintain a larger production of defence items, but also to depend less on foreign suppliers...."

"The supply of essential materials in the free world improved so much during 1953 that it was possible to abandon all Canadian domestic controls on their use...."

"Procurement between Canada and the United States continued to be an important factor in purchasing by the Department of Defence Production, although the Department was less dependent on U.S. sources than before. Mutual procurement was carried out under the joint "Statement of Principles for Economic Cooperation", which was signed by Canada and the United States on October 26, 1950...."

"Our exports in 1953 have been running very moderately below those of the previous year. With prices slightly lower, export volume is relatively unchanged. The value of exports to the United States is up by about six per cent on the basis of figures for the first 10 months. Commodities showing increases include aluminum, copper, lumber, newsprint, barley and pork products...."

OVERSEAS MARKETS

"Total sales to overseas markets, which increased substantially in 1952, are down considerably this year. High stock positions for some items, together with increased availability of supplies from non-dollar sources, resulted in lower exports to the United Kingdom and some other European countries. Canadian exports seem also to have been affected by the slowing down of activity in certain European countries...."

"Perhaps the most striking feature of Canada's trade in 1953 has been the continued rise in imports which, in the first ten months of the year, were up twelve per cent in value and fourteen per cent in volume. This record volume of imports has occurred in spite of reduced dependence on foreign sources of supply for such materials as oil, coal and steel. It reflects both the strong consumer demand and the further expansion in Canadian capital investment...."

"Moderately lower exports and increased imports have resulted in a change from a positive merchandise trade balance in 1952 to a negative balance in 1953. This has been the principal factor contributing to the change from an international current account surplus of \$151 million in 1952 to a deficit amounting to \$386 million in the first 9 months of 1953. In the exchange market, however, this deficit on current account has tended to be offset by continued capital inflow, so that the Canadian dollar has been maintained at a premium over the American dollar. In comparing different areas, Canada's current account surplus with the Sterling Area and other overseas countries has been reduced substantially, while the deficit in dealings with the United States has increased...."

"Looking to the year ahead there seems to be little indication of any serious interruption in the generally prosperous conditions