

Supply—Trade and Commerce

indicates that world production and trade declined in 1958. There were, however, encouraging signs of general recovery by year-end. Since then, expansionary forces have broadened and gained further momentum.

In the United States, economic activity has been expanding steadily since the spring of 1958. Aggregate production in that country regained its previous maximum by the beginning of 1959 and has subsequently moved into new high ground. By May industrial production had increased 20 per cent from the recession low and was four per cent above the previous peak of early 1957.

Recovery in the United States has had a stimulating effect upon conditions in other parts of the world. A rising level of purchases by the United States in other countries has helped to stimulate physical activity, and has contributed to a further strengthening in the balance of payments and reserve positions of overseas areas. Sterling area reserves have continued to mount since the end of the year.

Recovery in other industrial countries has lagged behind that in North America. Nevertheless recessionary trends were checked during 1958, and there is now a clear indication of renewed expansion in the United Kingdom, West Germany and Western Europe generally, and also in Japan.

Meanwhile, the less developed areas of the world, though still handicapped by foreign exchange limitations, stand to benefit from the moderate improvement under way in world commodity markets and from greater availability of funds from international financial institutions and other sources. An increasing supply of foreign earnings and capital funds will permit more rapid development in these countries and this, in turn, will stimulate world production and trade.

In general, the international economic climate is better now than a year ago and is improving steadily. In Canada the pace of activity picked up sharply in the closing months of 1958. Previous peaks in aggregate production and employment were surpassed even sooner here than in the United States. This upward movement in general activity has continued in the current year. The improvement under way is forcibly illustrated in recent economic statistics. Figures on Canada's gross national product recently released by the dominion bureau of statistics show that the value of national output in the first quarter of 1959 increased by two per cent from the previous quarter and by six per cent from the corresponding quarter of 1958. Industrial production, which for the most of 1958 was below the level of the previous year, is, on the basis of the latest figures available, running nine per cent higher than

a year ago. Total employment, which had remained fairly stable during 1958, showed a stronger trend than usual in the early months of the current year. In May, 100,000 more persons held jobs than in the same month last year, an increase of about two per cent. Unemployment has been declining and is now appreciably below the recession level.

Widespread increases in operating rates throughout Canadian industry have brought a simultaneous pick-up in both business and employee earnings. By the first quarter corporation profits had increased by one-fifth from the recession low and were already up to the maximum level reached in the previous boom. Labour income, which had declined briefly during the business slow-down, has moved sharply ahead since last fall and by March was seven per cent higher than in the same month last year. So far in 1959 returns to farmers have held to the sharply improved levels of the previous year.

These indicators of general activity reflect a substantial and continuing improvement in economic conditions in Canada. The current upswing to date has been relatively free of physical dislocation and strain and the general level of prices has remained steady.

A major stimulus underlying the current expansion has been a freer spending attitude on the part of the Canadian public. Consumer incomes had continued to rise even during the recession, and this upward movement has been reinforced by the recent upsurge in employee earnings. For a time spending lagged behind incomes. However, new consumer interest, particularly for automobiles and other durables, appeared in the closing months of 1958 and has been maintained throughout the early part of the present year. This pick-up in consumer spending appears to have been based, in large part, on cash sales. Increases in instalment credit have so far been quite moderate, indicating sustained strength in the financial position of the Canadian consumer.

Another important expansionary influence has been the change in business attitudes toward inventory holdings. Substantial liquidation of stocks in the early part of 1958, followed by a general strengthening in sales, has led to a renewed build-up of inventories. Since the beginning of 1959 this inventory accumulation has added materially to the flow of new orders.

Favourable market prospects both at home and abroad are also having their effect upon the capital investment climate. The year-end survey of investment intentions for 1959, which became available early in March, indicated a projected level of capital outlays, both private and public, amounting to \$8.3