

leather footwear trades have experienced a moderate rise in business volume, but in all major categories except woollens, imports have increased more than domestic shipments. Operations in the food and beverage industries continued to expand during the past year with the sharpest increases occurring in meat packing and soft drinks production.

Among Canada's equipment-producing industries, output of farm implements moved up substantially to continue the recovery which started in 1957. Sales rose sharply in both the domestic and American markets. More recently, production in industrial and business machinery lines has shown improvement following the upturn in business investment. On the other hand, activity in railway equipment industries has been at a relatively low level. Output of heavy electrical apparatus has declined for the second consecutive year, but the commencement of several new expansion projects in the electric power field suggests an early improvement in the order position of this industry.

Meanwhile, activity in the service trades has been expanding steadily, and it is here that the principal increase in employment has taken place.

Prospects for the Coming Year

After moving sharply ahead in the early part of the year, the tempo of economic activity in Canada slackened somewhat in the summer months. Subsequently, the pace of advance has again quickened, and key economic indicators are presently pointing toward further expansion.

The international economic climate at this time appears particularly favourable. There is general expectation that the American economy will move ahead with renewed vigour, providing the steel strike is not resumed. In other industrial countries, business activity continues to advance after a year of steady expansion. The balance of payments positions of these countries have strengthened and their reserves have increased substantially. The world's main trading currencies are now convertible and discrimination against dollar area exports is being progressively eliminated. Import restrictions are being relaxed and removed. Moreover, with the vulnerability to balance of payments difficulties greatly reduced, the growth of internal consumption and investment levels in many foreign countries is no longer subject to the same limitations as previously. Meanwhile, under-developed countries have benefited from a moderate improvement in world commodity markets. These developments have already resulted in a considerable increase in the level of international trade.

In the early stages of this world expansion, the major material-consuming countries, such as the United States, relied to a large extent upon available domestic capacity to