

Economic Review, 1956

THE following are excerpts from the year-end review of Canada's economy by Mr. C. D. Howe, Minister of Trade and Commerce and Minister of Defence Production.

The economic upswing of 1955 has continued with sustained vigour throughout the current year. The result has been a period of accomplishment in many ways without equal in Canadian history. In the brief space of two years, overall physical output has risen by about one-sixth. This is the equivalent in dollar terms of roughly six Canadian wheat crops or one-third the output of the entire North American automobile industry.

More fundamental even than the rise in output has been the tremendous strides toward further development of Canada's resources and widespread additions to productive capacities generally. Industries based on the newly developed resources of oil, natural gas, iron ore and uranium have continued their meteoric advance, and now hold positions of ever-increasing prominence in both national and continental markets. Production of these key materials within our own borders adds tremendously to Canada's industrial stature and to the solidity of the economy. Yet, outlays in these fields, though large, constitute but a minor part of the overall volume of resources directed toward expansion of capital facilities. Capital expansion in 1956 has been proceeding, not only on a broader scale, but is actually increasing at a more rapid rate than at any previous time in the post-war period. Opportunities for new investment in Canada have become increasingly attractive, not only to Canadians but to business interests the world over. Industrial growth has, therefore, been facilitated by a record inflow of capital in the form of both direct investment in specific undertakings and security purchases, attracted by prospective yields in the Canadian market. This external participation in Canada's development has been a key factor in sparking the currently high rate of expansion. At the same time the accompanying capital inflow has provided the means to pay for the tremendous upsurge in imports needed to service this expansion.

With the aid of this influx of resources from abroad, the substantial step-up in capital outlays has been achieved alongside a continuing rise in exports and a further improvement in the living standards of Canadians. Moreover, in the face of a generally strong demand situation, increased imports and a strong Canadian dollar have helped to counteract upward pressure on prices. Although the consumer price index has been rising for some months, the rate of increase has been moderate and of about the same magnitude as that occurring in the United States. In short, increased foreign participation in Canada's development has made possible a rate of growth which, to achieve otherwise, would have involved substantially more dislocation in our business life and extensive sacrifices on the part of Canadian consumers . . .

Foreign Trade

Canada's unparalleled expansion of the past year has been taking place against a background of sustained prosperity in other parts of the Western World and expanding international trade. Production levels in