

Regionally, the outstanding feature of Canadian trade in 1969 has been the continuing strong growth in sales to the United States. Exports to this market are up 16 per cent in 1969 from the preceding year, notwithstanding the slowing pace of advance in the United States economy. United States purchases from Canada have been increasing nearly twice as rapidly as their total imports, and Canada's share of the U.S. import market is now higher than ever before.

In Britain, policies of restraint, including a temporary deposit scheme applied to imports, have had a slowing effect on British purchases. These restraints, together with scarcity of nickel and copper supplies, have led to a modest decline from last year's record level of sales to Britain. Commonwealth countries have about maintained their last year's level of purchases. Exports to Japan have gained with the continuation of Japan's economic boom. Sales to the European Economic Community were higher, largely due to increases to France and Western Germany. On the other hand, exports to state-trading countries have declined, primarily as a result of sharply lower purchases of wheat and wheat flour.

Canadian imports have increased sharply in 1969, more even than exports. The merchandise trade surplus has declined by about \$.5 billion from the record \$1.2 billion achieved last year.

Meanwhile, current payments for non-merchandise services have risen faster than receipts, reflecting in large part a further sharp increase in Canadian tourist spending abroad. Thus, with a narrowing in the merchandise trade surplus, and a higher deficit in the service sector, Canada's deficit on all current transaction is well above last year's low figure but compares favourably with the performance over the past decade.

The Canadian economy enters the New Year with considerable forward momentum. The underlying expansive thrust in the economy is reflected in the renewed growth of business capital spending in 1969 following two years of approximately level outlays. The realization of expansion programs in 1969 has been hampered by work stoppages, but the delays encountered have added to the carry-over of work into the New Year. A recent survey of capital-spending intentions indicates that large companies plan to spend 14 per cent more on new capital facilities in 1970 than in the preceding year. Much of this increase is expected to take place in manufacturing, particularly metal-refining, chemicals and a number of durable goods industries. In other major investment sectors, spending increases are expected to be relatively moderate. The evidence at hand suggests that total capital outlay in 1970, both public and private, is likely to provide significant forward impetus to the economy, without placing excessive demand pressures on capital-goods-producing industries and other investment resources.

Meanwhile, indications of a continued upward trend of personal incomes will provide the basis for continued growth in consumer spending.