

## CANADA'S ECONOMY IN 1958

*(Continued from P. 2)*

about 4 per cent from the level of the previous year, reflecting mainly higher outlays for food and other soft goods, services, and certain durable lines. Of the major consumer items, automobiles is the only one to show a significant decline. While spending more, Canadians have also been saving more. As a proportion of disposable income, personal savings have increased from 7 per cent in 1957 to about 9 per cent in the current year, much of this in liquid form. This is one of the highest ratios on record for a peacetime year. The financial position of consumers, on average, has been strengthening while living standards have been maintained.

## INDUSTRIAL CONDITIONS

"The changing pattern of market demands during the past year has resulted in quite divergent conditions among Canadian industries. Many consumer lines, construction, and related material-producing industries have had a good year - in some cases a record one. On the other hand, most durable goods producers and export processing industries have experienced setbacks. In aggregate terms, shipments from domestic sources have declined less than imports, but in some manufacturing lines import competition has been felt keenly....

"A number of Canada's principal material-producing industries have had a lower level of output in 1958 because of declining export demand. These include pulp and paper, nickel, asbestos, petroleum and iron ore. For certain other items, such as copper, lead and zinc, output in tonnage terms has been maintained, but lower prices have meant substantially reduced dollar sales and profits to producers. The market for lumber products, on the other hand, has improved in 1958, mainly in response to the upsurge in domestic housing but also reflecting larger shipments to the United States. Some mineral industries also have done better. Gold production is up moderately. More natural gas has been needed to provide for expanding domestic and foreign outlets, and uranium output has moved up to the level provided for under-existing contractual arrangements....

"Conditions in Canada's major equipment industries reflect the decline in business investment and no significant increase in new orders has yet occurred....

## PROSPECTS FOR THE COMING YEAR

"Of the industries which had previously suffered a decline, most have experienced some degree of improvement by year-end. In aggregate terms the pick-up in production to date has been quite moderate. There is, however, strong indication of a further expansion in market demand. Partly as a reflection of this improvement and also contributing to it, is

the fact that inventory liquidation is now coming to an end. In the first part of 1958, the tendency to meet orders by a drawing down of stocks was quite prevalent throughout a broad segment of Canadian industry. Conditions in this respect still vary from one trade to another. On balance, however, it now appears that the full impact of market demands are being reflected in new orders at the producer level. Operating levels are rising in a number of industries and this, in turn, is having a favourable effect upon earnings. In the months immediately ahead, this underlying improvement will be masked by the customary winter slowdown in outside operations, accompanied by a relatively high level of unemployment. Nevertheless, construction activity is likely to be higher than usual this winter, partly due to the record carryover of unfinished houses and also as a result of the special measures which have been taken to stimulate off-season work.

"The strength of further recovery will depend in large part upon external influences. In this regard, recent economic developments in the United States are encouraging. Production, in that country, has already recovered nearly all of the previous decline, and employment, after making allowance for usual seasonal changes, is now moving upward. Moreover, the present upswing appears to be broadly based and prospects of sustained expansion are generally considered to be good. Increased activity in the United States will, in turn, reinforce measures being taken internally in other industrialized countries to stimulate stronger rates in growth. Recent additions to hard currency reserves means that, in a number of these countries, some rise in domestic consumption could occur without strain on foreign balance positions. In these circumstances, some upturn in world demand for industrial material is likely to occur during the coming year. With greatly increased capacity in export industries and expanded reserves of proven resources, Canada is better equipped than ever before to meet increases in requirements from abroad. For the present, many of the commodities of importance in Canada's export trade are in ample supply and this is being reflected currently in export levels. In general, export markets may be expected to strengthen as the year passes.

"In recent months, new capital expenditure plans have been appearing in increasing volume. In terms of the actual amount of physical capital being put in place, this rising volume of new work may not for a time fully compensate for the termination of work on large projects now being completed. What is presently known of capital expenditure plans for 1959 indicates that business investment will be up in some sectors but moderately down in total. However, a period of improving business conditions tends to encourage the creation of new expansion programmes and the

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