



CANADIAN WEEKLY BULLETIN

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

CANADIAN ECONOMY CLOSER TO BALANCE

Vol. 12 No. 31

July 31, 1957

As the Canadian economy enters the second half of the year, it is abundantly clear that the expansionary forces which produced the marked upswing of the past two years are still being felt in some degree and are giving rise to the same outstanding features that dominated the economic scene during 1956 it is reported in the Bank of Montreal's "Business Review" for July. But the pace of expansion is much less rapid than it was a year ago, and for some industries the sales curve has levelled out and even, in a few instances, taken a downward slant.

The most important factor in the over-all buoyancy of business activity continues to be the large and still rising volume of capital investment in new plant, equipment and housing. A recently published official check on the original survey of capital investment intentions for 1957 indicates that the total value of work put in place may amount to \$8,776 millions, \$243 millions more than was estimated in the preliminary survey published in February, and \$876 millions more than was actually spent last year.

HOUSING

Much of this upward revision is concentrated in non-residential construction, notably uranium and petroleum development and pipelines. But the estimates were also raised in the one sector, namely housing, in which construction activity has declined noticeably from last year. In 1956, expenditures on new

housing construction amounted to \$1,575 millions and it was originally thought that such outlays in 1957 would drop to \$1,283 millions. Subsequently, it was generally believed that even this figure might be an over-estimate, for on a seasonally adjusted annual basis housing starts fell from 132,000 in the third quarter of 1956 to 73,000 in the first quarter of this year. It was against this background that the Bank of Canada made a special exception to its monetary policy and undertook to increase the resources of the chartered banks during the year by an amount sufficient to enable them to enter into commitments for new housing loans under the National Housing Act amounting to at least \$150 millions. Partly in consequence of the chartered banks being in a position to expand their mortgage loans, there has been more than a seasonal recovery in residential construction during recent weeks and it is officially estimated that new housing expenditures for the year as a whole may amount to \$1,351 millions.

INFLATIONARY PRESSURE

In all other respects, the Bank of Canada has held firm to its policy of monetary restraint in the belief that this policy is still necessary in order to contain inflationary pressures arising from the heavy volume of capital investment and the over-all strength of demand for goods and services. Certainly, from the consumer's point of view, there is impressive evidence to support this contention

(Over)

CONTENTS

Canadian Economy Closer To Balance	1	City Homes	5
Last Canadian Troops Return From Korea	3	Arts Festival	5
Rotate UNEF Troops	4	Wren Chief Retires	5
New Jet Engine	4	Exports Climb	5
PC's Gain Seat	4	Visit Cancelled	6
Lines Busy	4	New Cuban Ambassador	6
Vancouver's Airport Busiest	4	Royal Visit Stamp	6
Petroleum Products	5	Foreign Vehicles	6

for the consumer price index has continued to rise and at latest report at the beginning of June stood at a record of 121.6 (1949 = 100), 3.2 per cent higher than a year earlier. In the wholesale price index, also, many of the components have continued to edge upwards, but the effect of these increases has been offset by reductions in a growing number of items, notably steel scrap and some non-ferrous metals, with the result that the over-all index has remained fairly stable throughout the first half of the year.

Further evidence of inflationary pressure is to be found in Canada's balance of merchandise trade with other countries. The strong demand for materials and equipment has continued to raise the level of imports which, in the first five months, were valued at \$2,457 millions, \$102 millions more than in the same period of 1956, with the major increases occurring in such capital goods as pipes, tubes and fittings, engines and boilers, and machinery. In the same comparison, Canada's merchandise exports rose by only \$61 millions to \$1,936 millions as a result mainly of higher shipments of petroleum, seeds, aluminum and uranium. In two important commodities, wheat and lumber, exports were noticeably lower than a year earlier, largely in consequence of reduced shipments to the United Kingdom. The deficit in Canada's balance of merchandise trade thus amounted to \$521 millions in the first five months of the year, \$41 millions more than in the corresponding period of 1956.

As was the case last year, this mounting trade deficit and the almost equally large deficit arising from non-merchandise transactions have been counter-balanced by the inflow of long-term capital from abroad. The movement of funds from non-resident concerns to their Canadian subsidiaries appears to have fallen somewhat, the inflow of \$100 millions in the first quarter being \$21 millions less than a year earlier. But with interest rates in Canada continuing to be significantly higher than in the United States, there has been a strong inducement for Canadian borrowers to turn to the New York market for capital funds. Net sales of new issues of Canadian securities abroad in the first quarter of the year amounted to \$205 millions, the largest quarterly figure yet recorded. Preliminary evidence suggests that in the second quarter, also, Canadian borrowings in the New York market were in large volume. The conversion of heavy blocks of foreign exchange, representing proceeds from the sale of security issued in New York, has been instrumental in raising the exchange value of the Canadian dollar to a premium of more than 5 per cent in terms of United States funds.

One effect of the strength of the Canadian dollar on the exchange market has been to lower the domestic price of imported goods below what they would otherwise have been and

thereby to hold down the rise in Canadian costs and prices generally. But it has also affected adversely the earnings of Canadian exporters selling at prices determined in foreign markets. In some instances, notably copper, lead and zinc, and exchange rate has aggravated the effects of a sharp drop in prices on world markets.

RETAIL TRADE

At home, demand for most products has been buoyant. Retail trade was 6.6 per cent higher than last year in the first five months' comparison, with the western provinces showing exceptionally large increases ranging from 14.4 per cent in Saskatchewan to 8 per cent in British Columbia. Above-average gains were recorded by grocery and variety stores, shoe stores, fuel dealers and motor vehicle dealers and service stations. At the other end of the scale, the decline in housing construction resulted in a 5.3 per cent drop in sales by lumber and building material dealers, while the turnover of furniture and appliance stores was only moderately above a year earlier. But the outstanding feature of retail trade was the dramatic rise in sales by motor vehicle dealers in the Prairie Provinces which were nearly a quarter again as large as in the corresponding period of 1956, and which contributed to a nationwide gain for such outlets of 7 per cent.

That sales by motor vehicle dealers should compare so favourably with last year is of considerable interest since they are the second largest single component of retail trade, and they are susceptible to relatively large fluctuations. A comparison of the first five months is to some extent misleading, however, for the increase was concentrated in the first quarter of the year. Not only are January, February and March low-volume months in the demand for passenger cars compared with the late spring and summer, but the comparison with a year earlier is distorted by the fact that in the winter of 1955-56 a strike halted output of one of the major producers. In April dealers' sales were only 2 per cent above a year earlier, while in May there was a decline of 10.2 per cent. At the manufacturing level, the number of passenger cars shipped to domestic dealers in April and May was down 13.2 per cent from the corresponding months of 1956 while June shipments also are believed to have been in lower volume.

Other industries producing consumer durables, such as refrigerators, washing machines and television sets, have reduced their output in the face of a decline in factory shipments and relatively high inventories. As already noted, lumber production has also been lower than a year earlier as a result of reduced demand in overseas markets, while other industries, such as gypsum and clay products, have been adversely affected by the housing situation. For the most part, however, the strength

LAST CANADIAN TROOPS RETURN FROM KOREA

Twenty-nine members of the Canadian Army, the last of more than 22,000 to serve in the Far East since the Korean War began seven years ago, are scheduled to return to Canada by air today, Army Headquarters has announced. Two other flights returned earlier this month.

Withdrawal of the remaining Canadian Army personnel is in line with action taken by other nations that have contributed to the Commonwealth Contingent. Their return to Canada marks the official end of an era that cost Canada nearly 300 lives but enhanced the reputation of Canadian soldiers.

Their departure from the Far East leaves only one Army officer still serving in Korea. He is Major Gordon Douglas Cochrane, CD, 41, of New Glasgow, N.S., the Canadian Representative with the Advisory Group, United Nations Command, Military Armistice Commission at Munsan-Ni, Korea.

The men returning home are members of the Canadian Medical Detachment, Korea, which has been providing medical and dental care for remaining British Commonwealth troops in the theatre.

North Korea invaded South Korea June 25, 1950 and within two weeks Canada announced formation of the Canadian Army Special Force for service in Korea in support of the United Nations. A month later the Regular Forces of Canada were placed on active service to meet the emergency.

FIRST ENGAGEMENT

First Canadian unit to reach Korea was the 2nd Battalion, Princess Patricia's Canadian Light Infantry, which landed at Pusan, December 18, 1950. The battalion moved into front line positions as part of the 27th British Commonwealth Infantry Brigade February 19, 1951, and two days later made its first contact with the enemy.

The Patricia's had fought in several bitter engagements with the enemy by the time the remainder of the 25th Canadian Infantry Brigade Group sailed from Seattle April 19, 1951. While other units of the Brigade were at sea the Patricia's became involved in heavy fighting that at one time saw the unit surrounded by the enemy. The Patricia's fought their way free and, for their part in the bitter fight April 24-25, were awarded the U.S. Presidential Citation.

Remainder of the Canadian Brigade arrived at Pusan, Korea, May 4, 1951, and on May 20 relieved elements of the 25th U.S. Infantry Division east of Seoul. The 2nd Battalion, PPCLI, then fighting as part of the 28th British Commonwealth Infantry Brigade, rejoined the 25th Canadian Infantry Brigade on May 27, 1951.

COMMONWEALTH DIVISION FORMED

A few weeks later the now-famous 1st Commonwealth Division was formed with the Canadian force comprising one of its three infantry brigades.

Despite the fact that truce talks had begun at Kaesong, near the 38th Parallel July 10, the fighting continued throughout the summer and early fall.

The beginning of November saw the enemy putting in numerous attacks against the Commonwealth Division. On November 4, an estimated 10,000 enemy shells fell on the Commonwealth Division's sector. The heavy shelling indoctrinated members of the 1st Battalion, PPCLI, newly arrived from Canada to relieve the 2nd Battalion which was being sent home after a year in action. Throughout the next few weeks all three Canadian infantry battalions fought one furious battle after another to repel repeated Chinese attacks.

Armistice delegates at Panmunjom reached an agreement for a "Demarcation Line" November 27, 1951, but the agreement was not signed for another 20 months. The fighting continued.

The war now had become "static" but constant patrolling behind enemy lines cost the Canadian brigade a number of casualties in the ensuing months. Late in April, 1952, the majority of the personnel of the 25th Canadian Infantry Brigade were relieved by fresh troops newly arrived from Canada.

In late October, the Royal Canadian Regiment fought its now famed battle for Hill 355, known to the troops as "Little Gibraltar". Communist gunners rained 4,000 shells on the Canadian positions in a 12-hour period and Canadian losses were heavy.

The third big replacement in the 25th Canadian Infantry Brigade was begun in November 1952 when the 1st Battalion, PPCLI was replaced by the regiment's 3rd Battalion. The remainder of the brigade was relieved by fresh troops in the Spring of 1953.

An exchange of sick and wounded prisoners was begun at Panmunjom in April 1953. Two Canadians were among the first prisoners to be exchanged. In August, the Chinese returned 30 more Canadian prisoners of war.

KOREAN TRUCE SIGNED

The Korean truce was signed at Panmunjom July 27, 1953, and, their fighting done, Canadian Brigade took over for a period the responsibility of guarding the entire sector held by the 1st Commonwealth Division.

A fourth major turnover of 25th Canadian Infantry Brigade personnel was effected in 1953. In all, 12 Canadian infantry battalions, of four infantry brigade groups with artillery,

armour, and supporting units served in the Korean war.

Canada's casualties in the Far East since 1950 totalled 1,511 officers and men. This figure includes 309 killed and 1,101 wounded. In addition, 101 were injured in battle. Thirty-two prisoners were returned. Almost 100 more died as a result of training accidents, vehicle accidents or natural causes. Some 350 Canadian soldiers won individual decorations for gallantry or outstanding service in Korea.

Canada decided to reduce her contribution to the United Nations forces in Korea in September 1954 and almost immediately began returning the bulk of the 25th Canadian Infantry Brigade to Canada. The 1st Commonwealth Division was disbanded in May 1956 and passed into history as the first such division of its type.

* * * *

ROTATE UNEF TROOPS: First rotation of more than 800 Canadian troops serving in the Middle East with the United Nations Emergency Force will begin this fall and continue throughout the winter, Army Headquarters announced. Selection of the new Canadian UNEF contingent is already underway.

* * * *

NEW JET ENGINE: Last week at Malton, Ontario Defence Minister George R. Pearkes unveiled the "Iroquois", Orenda's new jet engine designed to power the supersonic Avro Arrow. The minister was accompanied by Air Marshal C. Roy Slemmon, Chief of the Air Staff. The party toured the Orenda plant before the unveiling ceremony.

* * * *

PC's GAIN SEAT: A Progressive Conservative Party spokesman announced last week that Mr. Henri Courtemanche, who was elected as Independent Progressive Conservative member for the riding of Labelle, Quebec, in the federal election of June 10, had been accepted into the party caucus. This increases the strength of the progressive Conservative party in the House of Commons by one seat to 111.

As a result of the announcement party standings are as follows:

Progressive Conservative	111
Liberal	106 (1)
C.C.F.	25
Social Credit	19
Independents	2
Ind. Liberal	1
Vacant	1 (2)

(1) Includes one Liberal-Labour member

(2) By-election to be held September 9 for Lanark, Ontario seat.

LINES BUSY: Number of telephones operated by the 15 largest telephone systems in Canada increased 9 per cent in 1956 to 4,182,488 from 3,837,235 in 1955, according to a preliminary report released by Dominion Bureau of Statistics. An increase of almost 14 per cent was registered by telephones on individual lines which numbered 1,426,198. Private branch exchange and extension telephones numbered 1,022,341, an increase of 11 per cent. Almost 32 per cent of the total (1,310,762 telephones), were on two and four-party lines, an increase of nearly 3 per cent. There were 58,097 public pay stations, an increase of 4 per cent, while telephones on party lines of more than four parties increased 8 per cent.

Cost of property and equipment rose 14 per cent in 1956 to \$1,609,137,767 from \$1,413,651,371 in 1955. Revenues totalled \$397,449,777 compared with \$355,092,373 in the preceding year, an increase of almost 12 per cent. Expenses also rose 12 per cent and the net operating revenue rose 11 per cent to \$115,071,858 from \$103,411,014. Net income for the year amounted to \$53,526,261, up 16 per cent from \$46,064,480. Employees numbered 58,022, an increase of 8 per cent over the 53,708 in 1955, while salaries and wages rose nearly 12 per cent to \$188,390,888 from \$168,729,471.

Conversations, estimates of which were only available from 12 systems, increased nearly 13 per cent to 7,441,864,000 in 1956, an average of 1,816 calls per telephone. Included in this estimate was a total of 163,851,993 completed long distance calls, 7 per cent above the 1955 count of 153,087,485.

* * * *

VANCOUVER'S AIRPORT BUSIEST: Vancouver's airport was the busiest in Canada in terms of the number of landings and take-offs during the second quarter of this year, according to Department of Transport statistics.

The Department's air traffic controllers handled 94,580 landings and take-offs at the Vancouver airport and seaplane base during April, May, June. Second place went to Montreal's Dorval airport with a total of 65,894. Ottawa ranked third with 61,873. Next were Cartierville, 56,591; Toronto's Malton airport 56,326; Edmonton, 53,263 and Winnipeg 46,728.

Local and itinerant civilian aircraft accounted for 72,783 landings and take-offs at the Vancouver airport.

In terms of scheduled airline landings and take-offs, included in the above figures, Montreal led with 13,151, followed by Malton 12,719; Vancouver, 8,830; Edmonton, 7,299; Winnipeg, 5,527 and Gander, 5,032.

Airport traffic controllers of the Department of Transport at the 26 main airports under review supervised 751,400 landings and take-offs as compared with 593,235 for the same period last year. This represents an increase of 26.7 per cent.

PETROLEUM PRODUCTS: Canada's refineries produced a record amount of refined petroleum products in 1956 at 234,331,436 barrels, a rise of almost 20 per cent from 1955's previous high of 195,992,634 barrels, according to Dominion Bureau of Statistics. Receipts of crude oil advanced nearly 21 per cent in the year to 231,897,606 barrels from 191,801,691, domestic crude rising nearly 23 per cent to 125,592,074 barrels from 105,050,563 and imported crude nearly 23 per cent to 106,305,532 barrels from 86,751,128.

Year's production was greater for all major fuels except aviation gasoline. Output of motor gasoline increased to 82,399,508 barrels from 75,860,661 in 1955, heavy fuel oil to 48,311,553 from 38,649,765, light fuel oil to 35,572,056 from 28,425,608, diesel fuel to 22,011,927 from 16,284,641, kerosene and stove oil to 13,507,968 from 10,724,042, aviation turbine fuel to 4,026,539 from 2,621,560, and tractor fuel to 708,391 from 558,990. Output of aviation gasoline fell to 804,387 barrels from 933,482.

Alberta fields accounted for the major share of domestic crude received by refineries in the year at 111,081,494 barrels versus 93,558,527 a year earlier. Saskatchewan was next, accounting for 8,390,601 barrels against 5,874,868 followed by Manitoba at 5,101,446 versus 4,647,648, Ontario at 593,294 versus 565,285, Northwest Territories at 420,742 versus 404,235, and New Brunswick at 4,497 versus nil.

Imported crude oil from Venezuela climbed to 78,007,336 barrels from 68,425,876 in the previous year. Saudi Arabia to 11,877,403 from 8,423,767, Kuwait to 6,256,272 from nil, Trinidad to 3,338,547 from 2,773,759, and Iran-Iraq to 1,096,732 from nil. Imports from the United States dropped to 5,503,153 barrels from 7,277,726.

CITY HOMES: A larger proportion of Canada's population resided in incorporated urban places on June 1, 1956 than on the same date in 1951, according to a report based on the last national census. On June 1 last year the figure was 57.7 per cent versus 56.6 per cent in 1951.

Number of incorporated cities, towns and villages increased from 1,783 in 1951 to 1,873 in 1956 and their total population from 7,941,222 to 9,286,126. The report lists the incorporated centres alphabetically, with their populations at the 1956 and 1951 Censuses, and shows also the census subdivision (township, municipality, etc.), census division, and province in which each is located.

Provincially, the proportions of the population residing in cities, towns, or villages ranged from 33.4 per cent in Newfoundland to 69.9 per cent in Quebec. Proportions for the other provinces were: Prince Edward Island, 37.8 per cent; Nova Scotia, 45.7 per cent; New

Brunswick, 35.2 per cent; Ontario, 56.7 per cent; Manitoba, 53.1 per cent; Saskatchewan, 51.0 per cent; Alberta, 60.3 per cent; and British Columbia, 50.2 per cent.

Eleven centres were in the size group of 100,000 population and over in 1956 (10 in 1951), 823 were between 1,000 and 100,000 (724), and 1,039 were under 1,000 (1,049).

Included in the report are tables showing the 1956 population totals with comparative figures for 1951, of 15 Census metropolitan areas and of 19 localities classed in the census as "other" major urban areas. The last group possess characteristics of metropolitan areas, but in most cases the cities are smaller in size.

ARTS FESTIVAL: The Nova Scotia Festival of Arts at Tatamagouche from August 9 to 12 inclusive, this year will feature interpretation of all the arts - drama, ballet, vocal and instrumental, painting and photography, handicrafts, and old-time folk singing and dancing. Thousands of visitors are expected to attend this outstanding summer event.

Tatamagouche, midway between Picton and Oxford, Nova Scotia, was first settled by French Acadians who were expelled by the British in 1755. Visitors may still see relics of the old settlement including wells, dykes, a mill dam and a cemetery.

WREN CHIEF RETIRES: Commander (W) Isabel Janet Macneill, OBE, RCN(R), of Halifax, N.S. the first Canadian Wren officer to be decorated and the first and only woman in the Royal Canadian Navy to hold a command, will return to civilian life on July 31, 1957. Cdr. Macneill has been Staff Officer (Wrens) on the staff of the Chief of Naval Personnel since the summer of 1954.

Succeeding Cdr. Macneill as Staff Officer (Wrens) will be Lt.-Cdr. (W) Jean Crawford-Smith, RCN, of Toronto.

EXPORTS CLIMB: Canada's domestic exports increased slightly more than 2 per cent in May to \$437,600,000 from \$428,500,000 in the corresponding month last year, Dominion Bureau of Statistics reports in its regular monthly summary. The January-May value was 3 per cent larger than a year earlier at \$1,900,100,000 versus \$1,846,300,000. Volume accounted for practically all of the rise in May.

Larger exports to the United States, the United Kingdom, Latin American countries and "other" foreign countries more than offset reduced shipments to the rest of the Commonwealth and Europe. In the January-May period larger shipments to the United States, Latin American countries, Europe, and "other" foreign countries more than counterbalanced smaller exports to the United Kingdom and the rest of the Commonwealth.

CANADIAN ECONOMY CLOSER TO BALANCE

(Continued from P. 2)

of demand for capital materials and equipment and the buoyancy of consumer spending and export sales have led to the maintenance of a high volume of production. In some instances, particularly where new capacity has been brought into production, output has risen noticeably; uranium, petroleum, iron and steel, rubber and tobacco products were all produced in significantly greater volume this year than last in the first four months' comparison. As a result of these offsetting trends, the index of industrial production, after being adjusted for seasonal variation, has followed a fairly horizontal trend in contrast to the marked growth that occurred from mid-1954 to mid-1956.

EMPLOYMENT

Similarly, industrial employment, on a seasonally adjusted basis, has been rising at only a moderate rate in comparison with that experienced throughout 1955 and the first half of 1956. As mentioned in our last month's Review, this trend, in conjunction with a sustained rate of growth in the labour force, has resulted in a larger number of persons without jobs and seeking work this year than last. The situation was at its worst during March and April, when unemployment was up by 49,000 over the corresponding months of 1956. In May, however, there was a noticeable improvement with the net increase in unemployment over a year earlier falling to 29,000.

The levelling out of industrial production and the tendency for unemployment to be in moderately higher figures this year than last may well, and indeed should, command close attention in the months ahead. But at the same time it is necessary to bear in mind that both output and employment are still significantly higher than they were a year ago. At latest report in April, the index of industrial production was 3.4 per cent above a year earlier, while with more people at work at higher rates of pay the total wage and salary income of employed persons was up by 8.1 per cent.

In point of fact, 1957 will probably see new records established in nearly every major sector of the economy, although not in every component product. The broad trend of business activity continues to be upward, but it is apparent that the momentum of advance has slackened and that in many lines demand is becoming more closely aligned with the increased

supplies available. With the economy approaching equilibrium in this respect, it is only to be expected that among the various industries the plus signs will tend to become less uniform and be counterbalanced by a growing number of minuses.

* * * *

VISIT CANCELLED: Prime Minister Diefenbaker last week announced that Prime Minister Suhrawardy of Pakistan had found it necessary to cancel his official visit to Canada which was to take place this week.

In his statement, Mr. Diefenbaker reported that the possibility of a later visit had been discussed with Mr. Suhrawardy and it was hoped that he would be able to come to Canada the next time he is in North America.

* * * *

NEW CUBAN AMBASSADOR: The new Cuban Ambassador to Canada, His Excellency Carlos Carrillo Y Gonzalez de Mendoza, presented his Letter of Credence to the Honourable Justice C.H. Locke, the Deputy Administrator, at a ceremony which took place last week at the Supreme Court of Canada.

Mr. Jules Léger, Under-Secretary of State for External Affairs, attended the Deputy Administrator, and Mr. Ph. Thibault, Deputy Chief of Protocol, presented the Ambassador to the Deputy Administrator. The Ambassador was accompanied by Dr. Julio Dumas Andreu, attaché of his Embassy.

Mr. Carrillo entered the Cuban Foreign Service in 1953 as Commercial attaché. In 1955 he was appointed Cuban Minister to the Far East (The Phillipines, China and India) and simultaneously as Ambassador to Honduras, a post he kept until his present appointment.

* * * *

ROYAL VISIT STAMP: A special postage stamp will be issued to commemorate the visit to Canada in October of Her Majesty Queen Elizabeth and Prince Philip, the Post Office Department has announced. Work is well advanced on the design and engraving of the stamp to be issued and details of the design will be announced at a later date.

* * * *

FOREIGN VEHICLES: Foreign vehicles entered Canada on travellers' vehicle permits in record numbers in June and the first half of this year, Dominion Bureau of Statistics reports. The month's total was up 3.6 per cent to 332,014 from 320,390 a year earlier, and the half-year's total increased 7 per cent to 830,083 from 775,484. Increases were posted in June for all provinces except British Columbia and in the half-year for all provinces except Newfoundland and Nova Scotia.