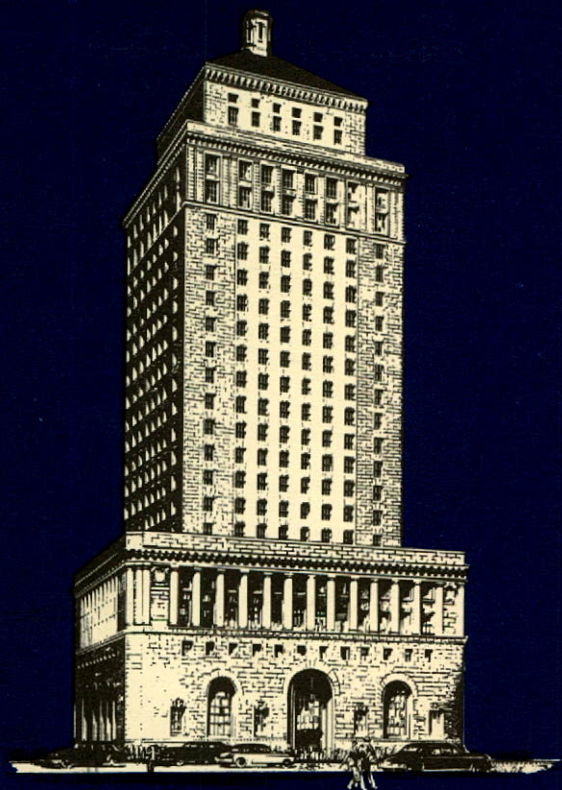


SUPPLEMENT TO THE REPORT OF THE PROCEEDINGS AT THE
EIGHTY-FIFTH ANNUAL MEETING, JANUARY 14, 1954



Review of Conditions

*in Canada
and other countries*

1952-53

THE ROYAL BANK OF CANADA

REVIEW OF CONDITIONS



IN CANADA AND OTHER COUNTRIES

SUPPLEMENT TO THE REPORT OF THE PROCEEDINGS
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THE ROYAL BANK OF CANADA
JANUARY 14TH, 1954

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*This booklet contains a review of conditions
in Canada and in the countries abroad
where The Royal Bank of Canada operates branches.
It is supplementary to the Report of the
Proceedings at the bank's 85th Annual Meeting
which contains the addresses of the President
and General Manager dealing with the general
economic and financial conditions
in Canada and abroad.*

T H E R O Y A L B A N K O F C A N A D A

NEWFOUNDLAND

GENERAL ECONOMIC ACTIVITY in Newfoundland during the past year remained at a satisfactory level. Employment increased from 104,000 in June, 1952, to 111,000 in June, 1953, reflecting exceptionally good demand for labour. Preliminary estimates show that the gross value of manufacturing and mineral production for 1953 will be above the corresponding values for 1952.

While the situation on the whole appears healthy, there are some uncertainties. Difficulties have appeared in the marketing of salted codfish. As a source of income, fishing is declining in importance but it still employs about one-fifth of the labour force in the province, and of this figure nearly 75% is engaged in the production of dried-salted codfish. Markets for this product are uncertain. Foreign exchange difficulties abroad and quality difficulties at home are restricting the market for Newfoundland codfish. The difficulties in quality are said to arise from insufficient technical improvements within the codfish industry plus a shortage of large size fish. Larger fish are being diverted into the fresh fish channels, or into the salt bulk market which has appeared recently in Halifax. As a result, markets, such as Portugal, where large fish are preferred, have been either lost or partially closed to the dried-salted codfish trade.

Because of uncertain markets, fish buyers this fall lowered their price for salted codfish. This started a series of complaints, and requests for price supports. A three-way argument developed among the Fish Trade Association (representing the buyers), fishermen, and the provincial government. Out of the confusion arose a provincial scheme for paying a deficiency bonus to fishermen supplying the salt fish industry. The trade has objected to this scheme. Indications are that when the matter is finally settled, the fishermen will receive about the same price as last year.

Early this year the Newfoundland Fisheries Development Committee, which spent two years investigating the fisheries, brought down the Walsh Report. A Fishery Development

Authority has now been set up to implement the recommendations of this report: better boats for fishermen, improved fishing gear, larger fishing centres, and plants with artificial dryers.

The pulp and paper industry, which accounts for about 70% of the net value of manufacturing production, experienced another successful year in 1953 and activity in 1954 is expected to reach still higher levels.

In mining, another very important contributor to the economy of Newfoundland, there should be an increase in production in 1953 over 1952. Exploration activity was the greatest ever, with several companies in the field both in Labrador and on the Island. In the famous Bell Island iron mines, production reached an annual rate of 2,000,000 tons in October 1953, and is now running at well over 200,000 tons per month.

The Island's fluorspar mines, an important part of the province's mining industry, have long-term contracts from the American government, which are good for three more years. These contracts are keeping the mines busy; but long-term prospects are uncertain due to increased competition from Mexico.

Newfoundland's economic development program continued during the year, and raised to 25 the total of new industrial plants sponsored by the provincial government.

Construction activity and U.S. defence expenditures constitute the second highest source of income in Newfoundland, with pulp and paper the first. Some reduction in these expenditures is expected in 1954; but with a high level of activity in the pulp and paper mills and in the mines, small declines in expenditures elsewhere should not be too serious.

MARITIME PROVINCES

GROSS VALUE of manufacturing production in each of the three Maritime provinces is expected to be higher in 1953 than in 1952. The value of construction work within the whole area for 1953 is an estimated \$10,000,000 above the previous

year, the increase being due to an expected \$16,000,000 rise in Nova Scotia. New Brunswick is expected to show a \$6,000,000 drop from the 1952 figure, while no change is expected in Prince Edward Island.

The same sort of uneven situation is revealed in the estimates for capital expenditures. In Nova Scotia a 13% increase over 1952 is forecast for 1953 capital expenditures, while in New Brunswick a 9% decrease is predicted. No year-to-year change is expected in Prince Edward Island.

For the first nine months of 1953 the value of fish landings was just about the same as for the same period in 1952. The figures for New Brunswick were down a little, but they were up slightly for Nova Scotia and Prince Edward Island.

In agriculture, conditions were not as good as in 1952 judging by farm cash income for the first six months of 1953. For the area as a whole, it was down \$6,500,000 in the first half of 1953 compared with the same period of 1952.

For the other important activities—forestry production and tourist business—conditions in 1953 were also less favourable than in 1952. Difficulties were encountered in marketing lumber, pulp and pitprops. And, although all reports indicate an increase in the number of tourists in 1953 as compared with 1952, actual tourist expenditures seem to be lower. However, up until late in 1953, retail trade for the area as a whole was running about 4% ahead of 1952.

Those special conditions which kept the Maritime fishing industry in a prosperous state for the last few years—namely, low European fish production, Marshall-aid dollars, and high meat prices—do not now apply. Instead, there is now greatly increased competition from other countries, especially Iceland and Norway. Increased exports from these two suppliers temporarily upset the fresh and frozen fish market in 1953. The United States market is now so important to the East Coast fisheries that the outlook for 1954 depends on how well the United States demand for fish holds up. This in turn will depend in large measure upon United States tariff policy.

The lumber and forestry situation in 1953 was less favourable for Maritime producers than in 1952. Lumber production in the area has been running ahead of 1952 mainly because of a shift from pulp-log and pit-prop production into lumber. New Brunswick producers lost a large part of the United Kingdom pit-prop market, at least temporarily. This has encouraged them to cut logs for lumber. In addition, the pulp industries of New Brunswick had to slow down activities for a while during 1953, driving still more producers into the lumber market. This increase in lumber production comes at a time when the United Kingdom market is weakening. The fall in Maritime lumber exports to the U.K. has coincided with increased competition from British Columbia producers, who have been forced to divert lumber sales from the U.K. to the Eastern seaboard.

For Maritime lumber operators the prospects for 1954 are not promising. They will be forced to sell a large part of their production to the United States where the demand for lumber may not be as high as in 1953. Many of the small operators are unable to sell to the United States because of inability to meet the specification requirements of that market, which differ from those of the United Kingdom. The pulp market is beginning to improve, but so far this has not affected the smaller pulp wood producers.

The low price for potatoes now prevailing has adversely affected agriculture in both Prince Edward Island and New Brunswick. Present low prices are expected to continue through the remainder of the 1953-1954 marketing season. This will be felt especially in Prince Edward Island, where agriculture, and the potato in particular, is such an important source of income. According to estimates, the 1953 potato crop in Prince Edward Island will be 150,000 bushels below 1952. However, in New Brunswick the estimated crop is 3,000,000 bushels higher; and, if realized, this increase may be sufficient to compensate for lower prices.

In Nova Scotia, agricultural conditions in 1953 appeared to be more favourable than in the other two provinces. However, the

apple crop was disappointing. A hurricane in September removed about 35% of the expected crop from the trees and very little of the fallen fruit could be salvaged. Higher prices for apples are expected to compensate to some extent for the reduced crop.

Other events of economic significance relate to the Nova Scotia coal mines and to the New Brunswick mining industry. The increasing use of fuel oil in place of coal, both by the railways and by householders, has forced some of the Nova Scotia coal mines to close and has brought hardship to mining areas. However, the discovery of base metal deposits in New Brunswick early this year led to a wave of prospecting and exploration which has spread through the whole province. At least 75 companies are engaged in this work, and prospects are very encouraging for the future of mining in New Brunswick.

QUEBEC

DURING 1953, a very high level of activity prevailed throughout Quebec. Aside from textiles there was no slackening of industrial production. The gross value of manufacturing production for the year is expected to be over \$5,000,000,000: slightly above the figure for 1952. A heavy construction programme also contributed to the expansion of business. Total value of construction within Quebec is estimated at over \$1,000,000,000, up some \$30,000,000 from the 1952 level. Estimated lumber production for the first nine months of 1953 was about 10% greater than that for the same period in 1952.

The province's leading industry, pulp and paper, had another successful year. Newsprint continued to experience boom conditions, without any let-up in sight. In fact, larger shipments to the United Kingdom are anticipated in 1954, and the American market seems secure. Pulp did not fare so well, partly owing to depressed conditions in the textile industry, which is a large user of pulp. During the early part of the year the demand was very poor. Some improvement appeared later, but there was no substantial increase in price.

The Quebec chemical industry also did well in 1953. Post-war conditions have been very favourable for industrial chemicals and as a result the industry has been expanding rapidly. This year five new chemical plants were completed.

Quebec's big textile industry remained hard-pressed. The exceptionally fine weather experienced throughout most of Canada in October and November added to the difficulties by slowing down retail sales of fall and winter clothing. Some relief is expected from the recent Customs Act provision raising the valuation of certain textile imports and thereby lessening foreign competition.

Quebec's consumer goods industry had a satisfactory year, but the lag in demand for durables makes uncertain the immediate prospects for the industry.

Agricultural activity during 1953 showed little change. The fruit crop suffered from unfavourable weather during the growing season. In dairying, butter production is running ahead of 1952, while cheddar cheese production is down slightly. The number of hogs on farms as at June 1, 1953, totalled 867,000 as compared with 1,312,000 a year ago. This year's maple syrup output was the lowest since 1945, amounting to only a third of the pre-war (1935-39) average. Weather conditions were responsible for this year's low output.

The value of mineral production this year is expected to be below 1952 owing to strikes which have affected mainly gold and copper. The province's most important mineral, asbestos, continues to have a good market despite some slight competition from Russia and South Africa. This year's production will be slightly below the 1952 level. Nevertheless the outlook appears good and the industry continues to expand as a result of plans initiated two years ago by several producers. The whole mining industry in Quebec is growing because of new discoveries and projects. Some of these include iron ore deposits at Knob Lake, titanium mines at Allard Lake, copper mines in the Gaspé Peninsula and Chibougamau, and nickel deposits at Montmagny. The most important of these projects is in the Knob Lake area. Early in 1954 the 360-mile railroad, now under construction

to carry iron ore from Burnt Creek to Sept Iles, should be completed. Shipments are expected to start in the latter part of 1954.

The short-term prospects for Quebec's economy are uncertain, but the rich resources of the province assure a healthy future.

ONTARIO

INDUSTRIAL ACTIVITY has been at a very high level in Ontario throughout 1953. In the important manufacturing sector of the province's economy, the gross value of production is expected to be even higher than it was in 1952. However, during the year some industries experienced difficulty. The textile industry fared poorly with no signs of improvement yet. The farm implement industry continued to face declining sales. Activity in the large iron and steel industry is beginning to slacken. Conditions in the electrical supplies and apparatus industry remain sound. The pulp and paper industry is doing well and should continue to do so. There is, however, some uncertainty as to the future prospects of those firms producing for the market in consumer durables. Factory stocks of items such as washing machines and refrigerators are well above what they were a year ago. Shipments of new automobiles for the past three months have been running behind last year, although total automobile production and shipments will set new highs this year. But there has been a definite slackening in the demand for consumer durables which would seem to indicate that producers in this field may not do as well in 1954 as they did in 1953.

Meanwhile plant expansion continued through 1953, with new factories for automotive, chemical, and electrical apparatus production leading the way. Partly because of continued plant expansion, construction activity is expected to be \$80,000,000 higher in value this year than it was in 1952. Value of contracts awarded for construction during the first ten months of 1953 was 17% above that for the same period of 1952. This will help to bolster construction work in 1954.

Mining has not had too good a year. Gold mines continue to suffer from high costs, and strikes have affected many northern Ontario communities. In base metals there have been some price declines, but the demand for nickel is still strong, making it one of the few important metals selling at higher levels than a year ago. A strengthening of metal markets may be hoped for as industrial stockpiles are gradually depleted and buyers begin to respond to lower prices. With such a strengthening in sight, the mining industry may have a better year in 1954.

Farm cash income for the first six months of 1953 was about 3% below that for the same period last year. Nevertheless, 1953 should be another good year for Ontario farmers. Grain crop production was greater than in 1952; the soya bean crop was higher than ever; the tobacco crop was the third highest on record; and butter and cheese production were running ahead of 1952. Cheese prices have risen for the last three months, and now the United Kingdom has bought 10,000,000 pounds of cheddar cheese from Ontario producers, which will reduce the carry-over of cheddar this year. Most of the fruit crops are below their 1952 level; and prices for all fruits (except grapes) are also slightly lower, although these prices are considered satisfactory. Livestock marketings are expected to exceed those of last season and no let-up is foreseen. Predictions are that cattle prices will remain stable and that the present strong market in hogs will continue.

The probable slackening off in defence expenditures will affect Ontario, particularly since it has benefited so much from them in the past. A slow-down in defence spending, coupled with a poorer market in consumer durables, may mean a dip in industrial activity in 1954. However, some believe that business activity in Ontario will continue strong into the spring, and that even if a dip does come, 1954 will still be a busy year.

PRAIRIE PROVINCES

FOR THE THIRD CONSECUTIVE YEAR the Prairie Provinces have produced a bumper wheat crop. Estimates made on November 1st placed it at 584,000,000 bushels, which is just

80,000,000 bushels below last year's all-time record of 664,000,000.

Total supplies of Canadian wheat for the crop year 1953-54 (August 1st-July 31st) are estimated at 977,000,000 bushels. This is 72,000,000 more than was available in 1952-1953 and only slightly below the record of 980,000,000 in 1942-1943. In the four major wheat-exporting countries, including Canada, supplies available for export and carry-over on October of this year amounted to 1,862,000,000 bushels, or 23% more than last year. Further, because of good wheat crops and large stocks in importing countries, the world wheat trade in the marketing year 1953-54 is expected to drop below the post-war average of 900,000,000 bushels. Exports of Canadian wheat and flour in the period August 1st to November 18th, 1953, were equivalent to 91,000,000 bushels as compared with 123,000,000 in the same period of 1952. However, foreign buyers are probably delaying purchases, waiting for a better price, and it is not expected that Canadian wheat will lose any important markets.

Other grain production in the Prairies this year, though high, is below last year's levels. The oat crop is now estimated at 276,000,000 bushels compared with 346,000,000 last year. However, during the next twelve months, a Canadian-imposed quota on oat exports to the United States will be in effect, and this will cut sales to the United States by one-half. The 1953 barley harvest is estimated at 250,000,000 bushels, or 30,000,000 below the previous year's record.

With these large grain crops choking elevators and distribution channels, farmers will have to store a lot of grain, mainly wheat, on the farms. A bill has been placed before Parliament to amend the Canadian Wheat Board Act to permit payment to farmers in designated areas of the regular storage charge, even though the grain is stored on the farm. Aside from this measure, no other aid in financing farm-stored grain is likely to come from the Dominion Government.

Seeding was late getting started in 1953 because of unfavourable weather conditions earlier in the year. But once seeding was

under way the weather became so favourable that the disadvantages of a late seeding were largely overcome. Again, insect damage to the western grain crop was small, but damage from hail and rust was more serious.

Saskatchewan, which used to lead all other provinces in the production of flaxseed, has now fallen behind Manitoba. Saskatchewan's flaxseed crop in 1953 is only 3,500,000 bushels, which is second to Manitoba's crop of 4,500,000. In Alberta, wet weather at planting time reduced the acreage in canning and other specialty crops in irrigated districts. But on the whole, the 1953 yield and grades of specialty crops appear satisfactory.

Oil production in western Canada in 1953 has been estimated at 80,000,000 barrels, or about 31% higher than the record for 1952. Alberta is still the leading petroleum province. In June, Alberta had 3,639 of the 4,039 producing wells in western Canada. Proven oil and gas reserves for the three provinces at the same date were reported to be 2,041,000,000 barrels and 9,000,000,000 cu. ft. respectively.

Oil production in Alberta is running just about 31% ahead of 1952, while natural gas is up about 17%. The oil pipeline from Edmonton to Vancouver was completed in October. It was expected that the throughput of this pipeline would reach 120,000 barrels per day shortly after completion, on the assumption that a minimum of 50,000 barrels per day could be marketed by tanker to California. However, with the present reduction in U.S. defense demand for oil, and at the prevailing low tanker rates for hauling oil from the Middle East, it is now cheaper to bring foreign crude to California from the Middle East than from Canada by pipeline and tanker. However, the full capacity of the new pipeline will ultimately be used, not only for servicing the Pacific Northwest but also for export by tanker from Vancouver.

On December 3, 1953 the Alberta Government announced its decision to permit export of natural gas to the east. Its recommendation calls for the merging of the proposed projects of two eastern pipeline applicants, (Trans-Canada Pipe Lines

Ltd., and Western Pipe Lines Ltd.) and the constructing of a gas pipeline running from southern Alberta through Regina and Winnipeg to markets in Ontario and Quebec, with a spur line from Manitoba south to the Minneapolis market area in the United States. This would be the largest natural gas pipeline in the world. Decision from the United States Federal Power Commission is now being awaited to permit export of gas into the northwestern States from northern British Columbia and Alberta. This project has already received the consent of both the Dominion and Provincial Governments.

Meanwhile Alberta coal production continues to decline as competition from oil and natural gas increases. The only solution for the present slack in the coal mining industry appears to be the long-run possibility of using coal in thermo plants for power production within the province.

In contrast to Alberta, where the rate of development in oil during 1953 is perhaps 10% below 1952, Saskatchewan has witnessed the most active oil development programme in its history. Total footage drilled in 1953 was double that of 1952. In November there were 26 geophysical crews and 35 drilling rigs operating within the province. In the first nine months of this year, crude oil production was 1,900,000 barrels as opposed to 1,700,000 barrels for all of 1952. Eleven natural gas fields have been discovered so far.

Oil development in Manitoba is also progressing rapidly. During the first nine months of 1953, crude oil production reached 359,000 barrels as compared with only 34,000 barrels in 1952. Most of the production has come from the Daly Field near Virden, site of Manitoba's original commercial discovery.

Manufacturing activity is becoming increasingly important in the Prairies but it has a long way to go before it catches up with agriculture. In Manitoba, especially in Winnipeg, where the clothing industry has expanded rapidly in the last few years, there has been a temporary set-back due to generally soft conditions prevailing in the textile industry. Many new industries continue to be attracted to Alberta. A current list shows some twenty-six firms which have either established themselves

there or contemplate doing so. Throughout Saskatchewan, construction was very active and business for all lines was brisk during the year.

BRITISH COLUMBIA

THE WEST COAST had another prosperous year in 1953, with activity generally above last year's level. However, some of B.C.'s major industries encountered marketing problems. The salmon packers still have surplus stocks to worry about and the lumber producers have seen log inventories climb and prices drop. The base metal mining industry presents the blackest picture. Some twenty or more base metal mines had to close down during the year, while others had to curtail their production because of low prices.

In the fishing industry the problem of surplus salmon, which arose when the important United Kingdom market was lost in 1951, is still unsolved. The canned salmon carry-over was down to a little less than a quarter of a million cases (48 pounds each) at the start of the 1953 season in July. This is a fairly large carry-over and it was prevented from being larger only by a below-average canning pack (1,293,435 cases) in 1952, unusually good sales to the United States, and the return of the United Kingdom to the market with a small order. This year the canned salmon pack is bigger than ever at 1,821,269 cases, or almost 50% greater than 1952. Fortunately, exports of B.C. canned salmon to the United States should hold at the present high level, since the Alaska pack has again fallen below normal, and United States buyers will have to meet their commitments out of British Columbia supplies. Thus the prospects are that in the 1953-1954 marketing season, British Columbia canned salmon exports to the United States will be as high, if not higher, than in 1952-1953. Should the United Kingdom repeat last year's order, and should a good domestic demand continue, the carry-over next July may not be any higher than it was in July, 1953. Indeed, the trade expects it to be much lower.

The herring fisheries entered 1953 in a rather depressed state, with the price for meal 30¢ below the 1952 level and the oil price up only a cent. However, the catch for the 1953-54 season may be one of the largest on record.

The halibut fishery seems to be the only one on the West Coast free of trouble.

In lumbering, markets have deteriorated from the boom conditions of 1951 and log inventories have been piling up. Although logs and shingles are at present doing as well as last year, prices are down considerably from the 1951 peak. Part of the trouble stems from reduced United Kingdom orders. A major shift of British Columbia lumber exports towards the United States' market in 1953 has been a factor of strength, but one that may weaken in 1954. Offsetting this prospect is the possibility that the Canadian demand for lumber will remain high in 1954 and the United Kingdom demand improve.

So far, lumber production has been running ahead of 1952, mainly because unusually favourable weather conditions have permitted almost continuous cutting. However, a strike, which has been on since September in the lumber camps of the interior, will keep down the final total for lumber production in 1953.

Mineral production is expected to be down in value and volume from 1952, due in most part to the recent decline in base metal prices. Mines producing zinc and lead have been affected most. Copper producers, despite large price reductions, have managed to continue operating with some success. The gold mines are still producing, and their 1953 output may exceed that of 1952. The two open-pit iron mines are producing at capacity with all their output going to Japan. Production of asbestos was started in July. Coal mining in the province continues to decline. Aluminum production at the gigantic Kitimat project is scheduled to start early in 1954.

Agricultural conditions have been fairly favourable. The apple crop, although slightly below 1952, is a good one and its sale at satisfactory prices is expected, even though the United Kingdom market is out. About two-thirds of the crop will go into the domestic market and one-third to the United States.

The pear, cherry, and apricot crops appear satisfactory, but those for peaches and prunes are disappointing.

Construction continues at peak levels and activity in this industry has done much to keep a large percentage of the labour force employed in spite of an influx of new workers.

To sum up, while the fishing, mining, and lumbering industries are passing through a rather difficult period, the general outlook for the economy is not disheartening. Employment levels and business activity were high in 1953 and the prospects for 1954 do not indicate much slackening from the present pace.

YUKON AND NORTHWEST TERRITORIES

THE YUKON AND NORTHWEST TERRITORIES, Canada's last remaining frontiers, continued to be opened up during 1953. This development has been aided greatly by the network of roads built since the end of the war. The area has considerable mineral resources and it is through mining that future growth will take place. Mining activity remains vigorous, with production increasing annually both in the Northwest Territories and the Yukon.

According to preliminary figures for the first eight months of 1953, the Northwest Territories' three gold mines at Yellowknife produced 193,546 ounces of gold, as compared with only 176,814 ounces in the first eight months of 1952. During the same period in 1953, silver production amounted to 44,830 ounces, compared with 42,690 ounces for the corresponding period of 1952. Petroleum production in the first half of 1953 fell to 157,575 barrels from 167,088 barrels produced in the first half of 1952. However, intensive exploration for oil in the Northwest Territories continues. The number of oil and gas exploratory permits issued totalled 527 by the end of September. Uranium production in the Great Bear Lake area continued at a normal rate while prospecting for uranium was actively carried on in several parts of the Territories.

During the first six months of 1953, mineral production in the Yukon increased greatly compared with the same period in 1952.

The output of zinc in the first half of 1953 rose to more than double the figure for the same period in 1952. Lead production for the first half of 1953 increased more than 3,000,000 pounds over production for the corresponding period of 1952, and silver production increased more than 75%. Even gold production showed a large increase. Oil exploration was carried on within the Yukon as well; and at the end of September, twenty permits, covering about 2,000 square miles, had been granted to explore for oil and natural gas.

The hydro-electric power potential of the Yukon and Northwest Territories is estimated at around 4,500,000 horsepower. It is reported that a Canadian company is about to build a pilot plant as a preliminary step towards a one billion dollar power development in the Yukon.

THE ARGENTINE

ARGENTINA'S FOREIGN-TRADE position improved during 1953. In November, 1952, the adverse balance of foreign trade became favourable, and for the first seven months of 1953 there was a surplus in trade amounting to Arg.\$1,698,500,000 as compared with a deficit of Arg.\$3,193,500,000 for the same period of 1952. As a result, Argentina had more than tripled her exchange reserves by September, 1953, as compared with the same date in the previous year.

Improvement in trade and payments reflected increased exportable surpluses available from the 1952-53 harvests as well as the limitation of imports through the very selective issue of import permits.

During 1953, new bi-lateral trade and payments agreements, or extensions of those already in force, were made with several countries. Some of these agreements involve straight barter deals. It has been reported that thirteen compensation and barter agreements were concluded in 1953 and that these will affect more than 60% of the country's trade. Most of the agreements provide for term credits to finance the purchase of capital goods such as railway, oil drilling, and other heavy

equipment. Imports from Canada during the first five months of 1953 were about 30% less than for the same period last year.

Exportable surpluses of grain are still fairly substantial but most of it is committed in bi-lateral agreements and should move out steadily. In spite of efforts during 1953 to reduce consumption at home, beef shipments to foreign countries were behind schedule and it was not expected that Argentina could fulfil her commitment to the United Kingdom by the end of the year. The wool clip, estimated at 190,000 tons, was coming on the market in late 1953, but export sales were slow. However, there was practically no carry over of exportable wools from 1952 production.

There is now a new capital law on the books designed to attract new foreign investment in industry and mining. The principal provisions are: (1) a maximum return of 8% of earnings on the registered capital remittable two years after registration; or, alternatively, (2) registration as capital of the earnings which could have been transferred; and (3) permission for the investor to withdraw his capital from the country, in quotas of from 10 to 20% annually, ten years after registration. There is also to be a survey of capital already in the country the date of entry of which precedes August 26, 1953.

The 1953 wheat crop is estimated at 5,500,000 tons as compared with the previous year's crop of 7,800,000 tons. Wheat requirements for internal consumption, seed requirements, and reserve stock have been estimated to be as high as 4,800,000 tons but 4,000,000 tons would seem to be a more realistic figure. Maize plantings were delayed by drought but were well under way late in the year under favourable weather conditions. No estimates of yields were available in late 1953; but the seeded area was estimated to be about 5% above the previous year's acreage, which yielded a harvest of 3,700,000 tons. The area devoted to linseed dropped from over 1,000,000 hectares in 1952-53 crop year to 854,000 hectares for 1953-54. This is attributed to heavy and persistent rains in 1952-53 which retarded wheat sowings in certain areas where it was

possible to take advantage of land prepared for wheat to sow linseed.

Lack of natural pasturage due to the dry winter and spring resulted in a reduction of the rye, barley, and oat crops. The sugar crop in 1952 was low owing to unseasonable frosts, and 30,000 tons of sugar had to be imported. The 1953 sugar crop is estimated at 710,000 tons, or 115,000 tons over the average for the previous seven years. The cotton crop should be about the same size as the 1952 crop of 125,000 tons, but its quality may be slightly lower. Domestic cotton consumption amounts to about 80,000 to 85,000 tons, with the rest of the crop available for export or carry over. Export quotas for the 1952 crop totalled 40,000 tons, and by late 1953, 26,000 tons had already been authorized out of the current crop. The olive crop is expected to be higher than ever. Fruit crops are expected to be very poor because of frost and hail damage.

The downward trend in industrial production and employment continued in 1953 owing to consumer resistance to high prices; shortages of imported raw materials, equipment replacement, and spare parts; and credit restrictions. There was some improvement in the retail and wholesale trade during the first part of the year, largely as a result of increased income of the agricultural community following the good harvests. However, the upward trend in agricultural income was soon stopped as repayments on loans contracted during the drought years became due, and as the need arose to meet expenses for the new crops. In general Argentine industry continued to suffer from high costs; however, wages have tended to level off and there has been some shift in the labour force from industrial employment into agricultural employment.

The textile and clothing industries continued in a depressed condition during the year. In an effort to stimulate trade, retailers held sales on various pretexts but without any noticeable success. Prices were lower in most lines; and by government decree of December, 1952, the maximum prices imposed on clothing articles and textiles were abolished. However, since prices were already below the ceilings, this decree had no effect.

Building construction fell off in 1953 owing to lack of credit, high costs, and the discouragement of investment in housing as a result of the rent control law. The slump in the building trade coupled with a reduction in government expenditure on public works affected lumber dealers and producers. Many of the smaller saw mills and plywood manufacturers were forced out of business.

Even though there was a reduction in government expenditure, especially on public works, figures on bank advances, deposits, and the Central Bank's note issue showed further increases. The increases were attributed in part to generous credit facilities granted to farmers to assist them after the recent drought years.

During the year there were no labour disputes or disturbances of importance. As industrial employment fell the agricultural labour force expanded. The government continued to adhere to its price and wage stabilization policy. On this issue President Peron is quoted as follows: "Wages should only be raised when we are able to raise them; and to be able to authorize a new round of wage increases we have to work in order to produce the means whereby the increases may be granted."

BRAZIL

ECONOMIC CONDITIONS IN BRAZIL during 1953 were characterized by: (1) an improved foreign-trade position; (2) expanding industrialization, limited to some extent by shortages of electric power and of certain raw materials; (3) mixed developments in the production and sale of agricultural goods; and (4) continued inflationary pressure on wages and the cost of living. The chief innovations in Brazilian economic policy were the introduction of new foreign-exchange regulations, and the creation of a government corporation to explore for oil and natural gas and to refine Brazilian and foreign petroleum.

Brazil's international-payments position was greatly strengthened in 1953 by movements in commodity trade. In the first

eight months of the year the value of exports fell by 4%, but the value of imports fell by 43%. As a result, Brazilian trade with the world showed a surplus of 329,263 cruzeiros for the period as compared with a deficit of 11,296,453 cruzeiros for the same period in 1952. The swing in trade with the dollar area was even more marked: in the first seven months of 1953 a 10% drop in the value of exports to the United States, compared with the same period of 1952, was overwhelmed by a 65% drop in imports from the United States, thus converting a dollar gap of 4,500,000,000 cruzeiros in the first seven months of 1952 into a surplus of 2,300,000,000 cruzeiros for the same period in 1953.

The marked improvement in her international-payments position made it possible for Brazil to reduce the commercial arrears, payable to the dollar area, that have accumulated over recent years. Part of the dollar surplus was used to cover oil imports from Venezuela along with miscellaneous freight, insurance, and other services payable in dollars. The rest, augmented by credits from U.S. banks and by a loan from the Export-Import Bank, was used to reduce Brazil's commercial arrears in dollars. Return to and maintenance of a 90 day basis for dollar payments will require a continuing dollar surplus sufficient not only to cover current transactions but to reduce credit lines from U.S. banks in 1954 and to repay the Export-Import Bank loan by September, 1956. There was little change in Brazil's sterling commitments in 1953; but a new agreement was concluded with Great Britain for the payment of sterling commercial arrears, and it was hoped that this would soon make possible the gradual release of sterling cover by the Brazilian exchange authorities.

One of the most important policy changes in 1953 took the form of new exchange regulations introduced late in the year. The free exchange market inaugurated in February 23, 1953, was greatly restricted owing to the absence of cover. Import licenses, issued before the latest exchange regulations, varied independently of the amount of exchange which the authorities could make available at the official rate. There was

great pressure on the free market as well, especially from those wishing to transfer funds abroad, and rates in that market were subject to fairly wide fluctuation. The new regulations signed October 9, 1953, combine a multiple-premium system on the import side with a subsidy system on the export side, based respectively upon the official selling and buying rates. All foreign funds entering the country that do not arise from export may be sold in the free market and exchange for remittance of profits, royalties, travelling expenses, etc., may be acquired only in that market.

After retaining 30% of all exchange receipts for official purposes, the government releases the remainder in varying amount for auction under five categories ranging from No. 1, comprising essential imports only and receiving the largest allocation of exchange, through progressively less important categories to No. 5, comprising the luxury group and receiving the smallest allocation of exchange. Auction certificates, representing foreign exchange in the various categories, are sold only to the legal representatives of professional groups or to industrial and commercial firms duly registered as importers.

The possession of an auction certificate entitles the holder to apply for an import licence, the granting of which is subject to certain stipulations; but the method of allocating the exchange among the various import categories makes it inevitable that auction certificates covering "less essential" imports will command the higher prices, or premiums, thereby raising the relative cost of importing those commodities. The total cost of exchange to the importer is the official rate plus the premium required to purchase the auction certificate for the appropriate import category.

On the export side, all exchange earned from exports must be sold to the Bank of Brazil, either directly or through authorized banks, at the official rate; but exporters receive a subsidy from the government fixed at five cruzeiros per dollar (or equivalent) for coffee and ten cruzeiros per dollar (or equivalent) for all other goods. Thus the discouragement of imports, through higher prices for exchange in various categories, is accompanied

by the encouragement of exports through what is, in effect, an export subsidy.

Many new industrial concerns opened up in Brazil during 1953, among which are many well known American and British companies. The new Ford assembly plant was opened during the month of April, and it is said to be one of the largest and best equipped plants in the world for the assembly of cars and trucks. Unfortunately, a combination of inadequate generating capacity and a prolonged spell of dry weather brought on a crisis in the production of electric power. As a result of the power shortage many plants were obliged to shut down a number of hours each day. However, it was hoped that, with the end of the dry period, the electric power situation would improve. In addition to the power shortage, import restrictions have also hampered production by making it difficult for many plants to get all the raw materials they require for normal operation. The effect on industry of the new exchange policy is uncertain. Exporters, primarily agricultural, receive a subsidy under the new system; but industry, dependent upon foreign sources of supply for raw materials, will have to pay premiums over the official rate except for imported wheat and newsprint. However, "essential" imports are classified in the high priority list and it is expected that they will enjoy correspondingly favourable premiums in the auction markets.

The past year has been one of the most difficult ones ever experienced by coffee shippers. The higher cost of coffee has required greater amounts of working capital to maintain the required stocks, and the borrowing required for this has added considerably to operating expenses. Nevertheless, the continued high price of coffee and the large amount available for export, kept coffee receipts at a high level, and contributed greatly to Brazil's improved foreign-trade position.

In recent years attempts have been made to find new ground suitable for coffee plantations. Coffee growers have tended to spread more and more to the south; but, as a result of heavy frost early in July, large areas of coffee trees were ruined in the

southern areas — which indicates that there is an additional risk in planting in this southern region.

According to reliable estimates, the 1953-54 cotton crop will be one of the lowest for many years. In addition to the incoming crop, the government in late 1953 still held a large carry-over from previous years. Domestic cotton prices were still well above world levels; but one effect of the new exchange regulations was to make possible a competitive price in the world cotton market. With a large amount of cotton available for export and in view of her stronger competitive position, Brazil's cotton sales, especially to soft currency countries, were expected to maintain the firm condition attained in late 1953.

Continued inflationary pressure on wages and the cost of living led to a tighter monetary policy. Loaning and discount rates were quoted at a relatively steady level during the year; but, with the introduction of the new exchange regulations the money market tightened considerably, and there is every indication that it may remain tight for some time to come. Both the new exchange regulations and the tighter internal monetary conditions should tend to maintain the improved international-payments position achieved in 1953.

On October 3, 1953, Law No. 2004 establishing "Petroleo Brasileiro Sociedade Anonima" (Petrobras) was formally approved by President Vargas. Under the terms of this law the corporation will control all oil development, as well as all refining beyond existing private capacity. It will be jointly owned by private parties and the Government, but no foreign capital can participate.

COLOMBIA

COLOMBIA'S ECONOMY showed strength during 1953 in three main ways: (1) an improvement in trade and payments; (2) continued progress in the production and processing of industrial raw materials and finished goods; and (3) the maintenance of balance in the economy through the expansion of agriculture in pace with industrial development.

For the first nine months of 1953, Colombia's exports amounted to \$432,000,000, her imports to \$354,000,000; the resulting trade surplus allowed her to increase her exchange reserves. About 80% of Colombia's exports are sold in the U.S. market, and of this amount coffee accounts for almost 90%. With coffee in good demand at high prices in New York, it is expected that coffee exports in 1953 will exceed those of 1952. Altogether, Colombia's strong export position indicates that her commitments in foreign currency should continue to be covered without difficulty.

Crude oil production ranks second to coffee in export value. Oil production in 1953 continued at a steady level. A new refinery is expected to come into operation in 1954, doubling refined production; the oil pipe-line system is being extended to connect all the more important centres; and a moderate exploration programme is at present underway with four companies in the field.

Work on the government-sponsored steel plant progressed satisfactorily in 1953; and it is hoped that this plant will be in partial production by mid-1954.

With few exceptions, factories operated normally; and essential raw materials were imported without difficulty. However, wholesale and retail sales in 1953 tended to slow up and inventories were heavy at the end of the year.

The cattle industry in Colombia continues to be hampered by hoof-and-mouth disease. However, measures are being taken to control the disease and interest in the cattle business is beginning to revive.

The output of many agricultural products in 1953 was generally higher than in 1952; but production of some basic foodstuffs still falls short of domestic needs. The country still requires imports of wheat, cocoa, dairy products, and cotton. The government is trying to diversify exports and increase production of all commodities required at home. To this end special attention is being given to the improvement of the country's transportation system. Contracts have been awarded to foreign firms for work on improving the country's roads and

railways. Colombia has received a loan from the International Bank of Reconstruction and Development to help finance the purchase of the required transportation equipment.

PERU

PERU'S ECONOMIC POSITION IN 1953 reflected a number of difficulties in domestic and foreign trade. It would appear, however, that these are essentially short run in nature, and that the Peruvian economy should show considerable strength in the long run.

The short-run difficulties in domestic trade included: high inventories of consumption goods, especially electrical apparatus such as radios, refrigerators, and household appliances; a slowing down in wholesale and retail sales; and rising prices, especially for foodstuffs. In foreign trade, the deficit for the first seven months of 1953 was \$65,400,000, or almost twice the deficit for the same period of 1952. This reflected a small rise in imports plus a fall in the value of exports. Export volume was actually higher in 1953 than in 1952; the fall in value was due entirely to the fall in export prices.

Government policy to meet these short-run difficulties has apparently put most emphasis on correcting the trade balance. In April the legal cash requirements of the banks were increased; and, as this did not have the desired effect, a further increase in legal cash requirements of the banks was introduced, along with an embargo on the importation of luxury cars and station wagons and increases in import duties.

These measures, though not calculated to stimulate domestic demand, should have a salutary effect on Peru's foreign-trade position, tend to reverse the rising cost of foreign exchange in terms of soles, and increase the official reserves of foreign exchange. Another development tending in the same direction is the government's conservative fiscal policy which is expected to result in a small budgetary surplus.

Among specific commodities, all the 1953 cotton crop and some 30% of the crop to be harvested in 1954 have

already been sold. There has been no difficulty in placing the exportable surplus of sugar, but sugar prices are low. Mineral exports so far in 1953 seem to be running ahead of those in 1952. While the major exports have been well maintained, the cost of imports has been increasing greatly, owing to the depreciation of the sol, and the value of foreign collections awaiting remittance is steadily climbing higher. Neither the government's monetary and fiscal policy nor the recently imposed restriction on imports have had time yet to have their full effect; but when they do Peru's trade difficulties should be greatly eased.

The rayon industry in Peru is having a difficult time owing to keen competition from imported textiles; but, otherwise, industrial development seems to be proceeding steadily. A new cement plant, at present under construction, is expected to be producing in 1954. Other developments include expansion in petroleum, zinc, and iron ore production. Apart from several minor strikes which were settled by the authorities, granting most of the strikers' demands, the labour situation has remained fairly quiet. Altogether, the prospects of a stronger export position and for general economic development appeared promising at the end of 1953.

URUGUAY

BUSINESS CONDITIONS IN URUGUAY remained fairly satisfactory throughout 1953. However, the severe restrictions imposed during the year on imports caused some unemployment. The foreign meat packing plants which closed down during the latter part of 1952 owing to delay in collecting subsidy payments on exports, were reopened in April after a settlement had been reached, and thereafter operated normally.

During 1951 and 1952, Uruguay had deficits on its balance of trade; but for the first six months of 1953 there was a favourable balance, achieved largely through the drastic curtailment of imports. During 1953 the authorities were extremely sparing in the issue of import permits in dollars; nevertheless, trade with

Canada during the first six months of 1953 was greater than in the same period of 1952. Imports from Canada in this period increased by more than 50% while exports to Canada more than tripled.

In the money market the demand for funds let up after February as a result of declining inventories and of general inability to obtain import permits. The placing of the 1952-53 wool clip, along with the previous season's carry-over, at favourable prices tended also to make money more plentiful. However, loan and discount rates remained unchanged. Import permits granted during the second half of the year were not distributed in sufficient volume to have any significant effect on the money market; but some tightening could be anticipated if, in view of the favourable trend in trade, a larger distribution of import quotas should take place. The market for bonds and shares, except for slight fluctuations, was steady throughout the year.

Weather suitable for agricultural products and cattle raising prevailed throughout most of the year. Drought conditions developed at the beginning of the year in the northwest part of the country, but subsequent heavy rains partially remedied the situation. Agriculture held its own during the year, exceeding the previous year's level with respect to area under cultivation and to harvests reaped. In the 1952-53 crop year exportable surpluses of linseed, sunflower seed, wheat, and rice were harvested. However, most of the agricultural produce was destined for the home market. Grazing lands are reported to be in fine condition, and there seems to be an ample supply of natural pasturage.

The meat-packing industry remained subject to government restrictions on its activity during 1953. However, the system of meat export quotas, in effect since the end of the war, was modified during the year. The meat packers are now free to purchase livestock in the local market but their selling price in foreign markets is still subject to government control. During 1953 a National Meat Board was established to deal with the problems of the industry. It was estimated that Uruguay held

exportable surpluses of some 15,000 tons of chilled and frozen meats as at the end of October.

The 1952-53 wool season started in October, 1952, with a carry-over of about half of the last season's production; but this carry-over, plus most of this year's output, was easily sold over a period of six months. The new wool clip, which began to move in late September, is now reported to be the largest on record. Exports during the first month of the new wool year were considerably less than they were a year ago; nevertheless, producers are optimistic concerning the marketing of the 1953-54 clip.

VENEZUELA

BUSINESS CONDITIONS IN VENEZUELA DURING 1953 were on the whole satisfactory and compared favourably with the preceding year. Supplies were adequate, but without excessive inventories. However, there now appears to be excess capacity in the oil industry, especially in the production of heavy crude oil which accounts for over 50% of the industry's output.

Venezuela continues to be the second largest oil producing country in the world and the largest exporter of oil; but average daily production for the first ten months of this year dropped to 1,760,000 barrels as compared with 1,810,000 barrels for the same period in 1952. This reduction, of 2.8%, was due to the voluntary curtailment of output on the part of the industry in the face of threatened import restrictions in the United States. Oil production for 1953 was not expected to fall below a daily average of 1,750,000 barrels, as compared with a daily capacity of 1,900,000 barrels. Oil drilling has been active throughout the year and, as at July 8, there were 11,476 producing wells, of which some 7,600 were in Western Venezuela and some 3,800 in Eastern Venezuela. No important discoveries were made in 1953; but several of the larger U.S. oil companies are in the market for new oil concessions. However, the government did not grant any new concessions during the year.

Expenditures for development in the mining field are beginning now to taper off. The iron ore mine that came into production in 1952 was expected to provide for export about 2¼ million tons of iron ore by the end of 1953; and it is expected that another iron ore mine will go into production early in 1954. Other U.S. steel companies have obtained concessions in the general iron ore area and are now engaged in surveys. Detailed studies are at present underway concerning the development of a domestic steel industry. Gold production within the country remains low as compared with past years. The principal gold mine, which has been inactive since its expropriation by the government in 1951, was recently reopened, and this should help to increase the output of the industry.

Tariff protection granted to domestic industries had its effect on production in 1953. As a result of this protection, many industries were enabled to increase output in response to increased domestic demand.

The government is continuing its policy of supporting agriculture by extending credits to farmers for the purchase of equipment and seed, and by supplying seasonal financing; nevertheless, the country has still failed to reach self-sufficiency in many basic foods. Satisfactory increases have, however, occurred in the production of rice, corn, sugar, and coffee. Beef and dairy herds are increasing and now exceed 6 million head. With the exception of ham and tinned meats, imports of meat, pork, and poultry products are still prohibited, but domestic supply is sufficient to meet demand. The quality of the herds is being improved through importing pedigreed stock much of which, in 1953, came from Canada. No further outbreaks of hoof and mouth disease were reported during the year.

Building activity within the country continued at a good pace. Most of the activity occurred in Caracas, where the population has almost tripled since pre-war years. Labour conditions were more or less satisfactory during 1953 with strikes few and of short duration; and there is practically no unemployment.

Oil continues to be the mainstay of the economy, accounting for more than nine-tenths of total exports; but the government

is proceeding with its programme of investing revenue from the oil industry in an attempt to make the economy more diversified. This programme is beginning to have effect, and in time Venezuela should be in a less vulnerable position with respect to world oil markets. In general, gold and foreign exchange reserves are ample for normal import requirements; industry and agriculture are expanding; and government financing has been kept in line with revenue.

CUBA

DURING 1953 business in Cuba generally showed a reduction in volume due mainly to restrictions imposed on the sugar crop, lower prices for sugar, and a curtailment of government expenditures for public works. Wholesalers and retailers in the textile and provision lines also experienced a decline in sales. On the whole, however, merchants appear to have adjusted their business to meet the lower level of demand. They have been generally successful in reducing inventories without any pronounced reduction in prices. The curtailment of expenditures for plant maintenance and cultivation in the cane fields has created some unemployment, offset to some extent by an increased demand for workers on the rice plantations.

In 1952 Cuba had a favourable balance in her foreign trade and during the first six months of 1953 exports continued to run well ahead of imports. Foreign exchange reserves have been ample throughout the year. The gold and United States dollar reserves required for the currency issue and the deposit liabilities of the Central Bank have also been ample and considerably in excess of legal requirements. The Central Bank's notes are now the only legal tender in the country, although United States currency is still in active circulation. The Cuban peso was at par with the United States dollar throughout the year.

The 1953 sugar crop amounted to 5,006,960 Spanish long tons as compared with 7,011,393 Spanish long tons in 1952. The drop was due to crop restriction imposed by the govern-

ment. It appears that the entire 1953 crop, together with that portion of the previous year's carryover released in 1953, will be disposed of without difficulty. In this Cuba was assisted through the purchase of 1,000,000 tons by the United Kingdom. There was a moderate improvement in the United States sugar price during the year as compared with 1952; but the world price fell off sharply.

On August 24, 1953, a provisional world marketing agreement for sugar was signed in London to run for five years; and all the important sugar exporting countries participated. Under the agreement Cuba was allotted a quota of 2,250,000 metric tons out of a world export quota of 5,390,000 metric tons. The agreement has provisions for the control of sugar crops in the participating countries, and for the adjustment in export quotas based on minimum and maximum world prices.

The 1953 tobacco crop is estimated at 609,000 bales as compared with 597,943 bales in 1952. Tobacco prices were somewhat lower in 1953, and in some parts of the country disposal of the crop was rather slow; but on the whole the tobacco industry had a fairly satisfactory year.

The cattle industry also had a satisfactory year and prospects for 1954 are considered to be good, even though prices may fall slightly.

The 1952-53 coffee crop amounted to 587,211 quintals as compared with an annual consumption in Cuba of around 720,000 quintals. It is generally expected that the next coffee crop will be around 700,000 quintals.

Rice growing in Cuba continued to show remarkable development. Production for 1953 was expected to be about 60% over 1952. Cuba's production is still, however, considerably below domestic requirements and large importations are necessary from the United States.

During the year there was not much change in the political situation. The powers of Congress continued under suspension with the Government of the country vested in a Cabinet of twenty Ministers, under General Batista as Prime Minister. New taxes were introduced during the year particularly affecting

corporations engaged in agriculture, which were previously exempt. In August the Financiera Nacional de Cuba was organized for the purpose of facilitating the financing of public works of a productive nature. During the year the government purchased a system of railways serving the western end of the island which were previously owned by British interests. These railways have been under the supervision of a government interventor for some time.

BRITISH WEST INDIES BRITISH GUIANA AND BRITISH HONDURAS

PRODUCTION OF SUGAR IN THE AREA amounted to about 1,000,000 tons in 1953, compared with 895,000 tons in 1952. Under the Commonwealth Sugar Agreement of 1951, global export quotas for the area total 925,000 tons. Of this 658,000 tons are sold to the British government at prices negotiated each year. Exports in excess of the negotiated-price quota, subject of course to the limitation set by the global quota, are sold in the open market at world prices; however, owing to Empire Preference, the bulk of the open-market sales are made to Commonwealth countries. The negotiated price in 1953 was higher than in 1952, and this coupled with the larger crops yielded a good return to producers within the area. However, the negotiated price for 1954 is slightly lower, reflecting the general trend in the world sugar market, and in commodity markets generally. Production of other staple crops within the area was satisfactory; but, with the exception of cocoa, there were slight reductions in price.

Bauxite mining is one of the major industries in British Guiana, and production there continued at a high level during the year. In Jamaica, bauxite mining is expanding, and in 1953 there were three companies operating there. One Company was already shipping out bauxite during the year, and it is expected that the refinery being erected by another company will be finished and in operation during 1954.

In Trinidad, oil production remains one of the major activities; but, in spite of continued exploration, no major new oil discoveries have been made, and output over the last few years has remained almost constant. Exploration for oil is also being carried out in Barbados, British Honduras, and the Bahamas.

In recent years there has been a considerable expansion in the tourist trade, particularly in the Bahamas and Jamaica, and to a lesser extent in Barbados. In Nassau it is now almost a year-round business. In Jamaica many new hotels have been built and the tourist business has expanded greatly. Results from the tourist trade in 1953 were good, and, according to reports, prospects for the 1954 winter season are very encouraging.

During the year there were sporadic strikes by labour in Jamaica; and in British Guiana there were serious and prolonged strikes on the sugar plantations during September and October. The strikes and political turmoil in British Guiana have been harmful to its economy.

The Colonial Development Corporation continues operations in the district; but reports indicate that during the coming year these will be on a somewhat reduced scale, particularly in British Honduras. In Jamaica the Industrial Development Corporation and the Agricultural Development Corporation, formed and sponsored by the Jamaica Government, are chiefly responsible for the development of local industry and agriculture. Tax and other concessions under Pioneer Industry Laws have attracted new industries to certain points in the district, more especially Jamaica and Trinidad, thus enabling new industries to enter soft currency and sterling markets. In Jamaica further development, along with a discussion of ways and means, is envisaged in the report submitted last year by a team of experts from the International Bank for Reconstruction and Development. To implement these recommendations the Jamaica Government has already floated a loan of £3,500,000 in the London market.

DOMINICAN REPUBLIC

DURING THE YEAR the chief export items of the Republic, namely, sugar, cocoa, coffee and tobacco, were marketed without difficulty, and, with the exception of sugar, at good prices. However, since sugar is by far the most important crop, the fall in its price adversely affected government revenues and the economy as a whole. Consequently domestic trade tended to be sluggish in 1953 and collections were slow. However, inventories were worked down by the end of the year, and merchants in general seemed to be following a conservative merchandising policy.

The foreign trade of the Republic in the first eight months of 1953 showed a favourable balance; but imports were higher and exports lower than in the corresponding period of 1952. The higher value for exports of cocoa and chocolate was more than offset by a reduction in exports of coffee. There was also a drastic fall in the value of exports to the United Kingdom, reflecting not only the lower price for sugar, but lower United Kingdom purchases of Dominican sugars.

The 1952-1953 sugar crop exceeded the previous one by about 3%. Some mills failed to make their estimates owing to unfavourable weather conditions. Contrary to previous years the British Ministry of Food did not buy up the bulk of the sugar crop under contract executed before the start of the grinding season. Instead, the British Ministry contracted for only 300,000 tons of sugar for shipment between March and October. Exports to Canada and the United States accounted for another 100,000 tons of the crop. The balance of the exportable sugar was sold by individual mills in the free world market. The average price obtained for all sugar exported in 1953 was substantially below the average price in previous years. Molasses from the 1952-53 sugar crop amounted to over 31,000,000 gallons, most of which was shipped, as cattle feed, to the United States.

Weather conditions for 1953-54 sugar cane crop have been quite favourable. The acreage of some mills has been increased

and the output is expected to be larger than in 1952-53. The Dominican Republic entered into the new international sugar agreement which came into effect on January 1, 1954. The Republic's quota under the agreement was fixed at 600,000 metric tons although the possibility exists that this quota may be adjusted downward.

The 1952-53 coffee crop was a short one but of good quality and was marketed, mainly in the United States and Puerto Rico, at a satisfactory price. However, Holland, Italy, and Belgium took sizeable amounts in 1952 and did so again in 1953. Harvesting of the 1953-54 crop started in October and all reports indicate that it will be a large one. In anticipation of a good yield and on the basis of the continued steady price for coffee, substantial sums have already been advanced by exporters to coffee growers.

Owing to economies and to certain readjustments this year, the government was able to announce in August that the internal debt had been liquidated. The country now has no public debt, the external debt having been liquidated in 1947.

Private construction continued at a high level in 1953. Legislation permitting the Banco de Reservas to make mortgage loans to individuals should contribute to the maintenance of private building activity. Public construction also was fairly active throughout the year, especially in the construction of hospitals, schools, roads, and bridges.

HAITI

A VERY POOR COFFEE CROP and deterioration in the sisal market caused general business activity in Haiti to be at a reduced level in 1953 as compared with 1952. All commercial houses and businesses suffered a steady decline in sales until about the end of July.

The 1952-53 coffee crop was so small that carryover into the 1953-54 season is negligible. Demand continues strong and, with the prevailing high price, a good crop in 1953-54 should mean considerable improvement in the industry over the slack conditions prevailing in 1953.

Sisal, which up until recently was one of the main supports of Haiti's export trade, suffered a severe drop in price during 1952, and, since then, export value of the crop has been greatly diminished.

In foreign trade as a whole, the Republic had an unfavourable balance over the ten month period ending July, 1953, as compared with a favourable balance for the corresponding ten months ending in 1952.

Output of raw and refined sugar and of molasses was generally down in 1953 compared with 1952. Increased grinding capacity at Aux Cayes proved disappointing in its first year of operation, but may add more significantly to total output in future years. A new mill in the north of Haiti is well advanced and should be ready for the 1954-55 crop.

There was increased activity in mining and irrigation. Preliminary excavations at a new bauxite mine have been started by the Reynolds Mining Corporation; but it will be twelve to eighteen months before mining activities can get under way. In irrigation, construction at the Artibonite Valley Project has so far consisted primarily of homes for personnel and in necessary road building.

In government finance, the Treasury deficit on June 30, 1953, stood at 24,449,642 gourdes, as compared with 4,191,520 gourdes on June 30, 1952. The public debt rose from 33,730,687 gourdes on June 30, 1952, to 64,895,400 gourdes on the same date in 1953. The budget for the fiscal year October 1, 1953, to September 30, 1954, provides for expenditures of 129,196,899 gourdes, or 9,000,000 gourdes less than in the preceding year. Revenue to cover these expenditures must, as in previous years, come largely from import and export duties.

PUERTO RICO

The high level of business activity enjoyed by Puerto Rico in 1952 carried through into the first few months of 1953. Retail sales for the first quarter of 1953 were 21% higher than in the corresponding quarter of 1952. This increase was due in

part to higher prices but there was also an increase in volume in many lines. The value of construction in the first half of 1953 was also up slightly from the value in the same period of 1952. In the first six months of the year exports of raw and refined sugar to the United States were considerably higher than in the same period of 1952. In spite of all these favourable indications in the early part of the year there was a tendency later on towards a levelling off in activity. It is probable that the overall figures for 1953 will be generally higher than in 1952; but it is felt that the difference will be moderate, and will be due largely to the high level of activity reached in the early part of the year.

The mainstay of the island's economy is the sugar industry. In this important industry a record breaking sugar crop was harvested in 1952 and in the fall of that year there was a substantial carryover. The Federal Government introduced a system of individual production quotas in an effort to restrict the 1953 crop. As a result the production of sugar on the island that year was the lowest since 1948, although still fifth highest in the last 50 years. In fact, owing to the unusually dry weather, the 1953 harvest did not even reach the quota set for the island as a whole. Consequently, the carryover from 1953 operations was expected to be less than half the 1952 carryover of over 250,000 tons. The industry seems to have adjusted itself to smaller crops; and sugar operations for the coming year will continue to be on a reduced scale. However, continued industrial development should help to offset any resulting agricultural unemployment. In addition, other crops, such as coffee and tobacco, are on the increase as Puerto Rican agriculture becomes more diversified. Coffee production, for the harvest period begun in 1953, was expected to show a substantial increase over 1952, with an estimated 65,000 cwt. available for export. Tobacco production was also up substantially; and, with encouragement from the government's Land Authority, there was a slight increase in the output of pineapples. Prices for all these commodities were generally satisfactory.

Industrial activity continued to increase in 1953; and the government's efforts, through various agencies, to attract new

industries to the island continued to show satisfactory results. The government's campaign to attract manufactures to the island has been going on for some years now, aided since 1947 by special tax concessions which have recently been further liberalized, and by an industrial development bank which provides long-term credit to assist in the erection of factories. In the year ended June 30, 1953, 79 new industries were established on the island and 31 were in the process of construction. The Puerto Rican textile industry, contrary to trends displayed by industry in other countries, continued to expand during 1953. New textile plants established on the island this year total 29, and nine more are under construction.

The demand for credit has remained high all through the year and bank loans have continued to increase. Collections were reported by merchants to be slow and in part this was due to a general tightening of money. There has been a noticeable shortage of long-term loanable funds.

Puerto Rico's foreign commerce continued to expand in 1953. The continental United States is by far the largest of the island's customers as well as the largest source of imports. For the first six months of 1953, exports to the United States were up 37%, to \$155,842,000; imports were up 21%, to \$232,101,000. This deficit of \$76,259,000 plus the small deficit in trade with other countries were more than covered by invisible items such as tourist expenditure and by the inflow of new investment capital.



