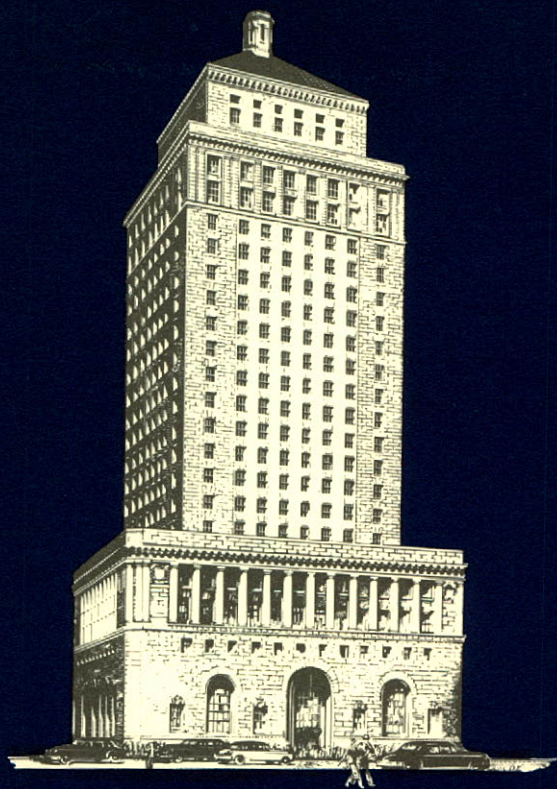


SUPPLEMENT TO THE REPORT OF THE PROCEEDINGS AT THE
EIGHTY-SIXTH ANNUAL MEETING, JANUARY 13, 1955



Review of Conditions
in Canada
and other countries

THE ROYAL BANK OF CANADA

R E V I E W O F
C O N D I T I O N S



I N C A N A D A
A N D O T H E R
C O U N T R I E S

SUPPLEMENT TO THE REPORT OF THE PROCEEDINGS
AT THE EIGHTY-SIXTH ANNUAL MEETING OF
THE ROYAL BANK OF CANADA
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***T**his 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 86th 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

ON THE WHOLE, 1954 has been a progressive and prosperous year for Newfoundland, and indications point in the same direction for 1955. Although there was considerable unemployment in the early part of the year, the situation improved during the summer. Employment in the lumber camps and the two paper companies increased. The number employed at Bell Island remained high and most of the other mines operated full-time. Prosperous conditions which have existed for construction in the last few years continued. Fish filleting plants increased in number during the year, providing additional jobs. American military bases in the province also continued to employ many people, either on the permanent staff or on construction projects.

The economy of the province is based mainly on fishing, mining, and pulp and paper. In 1954, codfish, which constitutes the most important segment of the fishing industry, was more plentiful. Market conditions and prices were about the same as in 1953, except that a greater proportion of the catch was sold to Puerto Rico, the British West Indies (especially Jamaica), Italy and Spain. All the 1953 production of dry-salted cod, with the exception of a few hundredweight, have now been sold and shipped. The 1954 catch was much larger than the previous year's, in both the light-salted and heavy-salted grades, and marketing, which started in August, is proceeding smoothly. A large number of wet days during the spring and summer hampered drying and consequently curing was four to six weeks later than usual. The market for Newfoundland salted cod in Brazil was again closed, due chiefly to the dollar shortage there.

The year's production of herring was almost the same as in 1953, with the market about average. Although apparently all stocks have been sold, production costs were a little higher due to the increased costs of barrels.

Lobster production was also greater in 1954, but a shortage of lobsters from Nova Scotia kept prices fairly firm. The catch of seals was probably the lowest on record, but a better price was obtained than in the previous year. The whale catch was also considerably lower and only one whaling plant operated in 1954.

Newfoundland's two pulp and paper companies operated on a full-time basis in 1954. World markets remained very strong and production of both companies was higher than in 1953.

Mining also was carried on at a high level. Iron-ore production from the Bell Island mines is expected to exceed the record established in 1953. During the last few years considerable progress has been made in mechanizing and modernizing these mines. This program has involved the installation of the world's largest conveyor belt system, and further improvements should continue to result in greater iron-ore production.

The base metal mines of the province are expected to have produced in 1954 about as much as they did in 1953, as the mines are being continually expanded. Two fluorspar-producing mines at St. Lawrence, on the south coast, are likely to top their 1953 production. Fluorspar from one company is shipped to Quebec where it is processed for aluminum manufacture, while production from the other is sent to the United States.

During 1954, the economic development programme of the provincial government concentrated on consolidating industries already established. There was an increase in employment and the outlook is encouraging.

Weather conditions were good for crop growth and development until late in the season, when wet weather interfered with harvesting. Consequently, a large percentage of the crop was spoiled and had to be destroyed, which means many farmers will have to import hay this winter. Pasture conditions generally were satisfactory, although many of the improved pastures showed evidence of over-grazing during the mid-summer season. Blueberries are at present about the only agricultural crop exported from the province. Estimates place the 1954 production at 2,500,000 pounds, compared with 3,000,000 pounds shipped in 1953 to the American market.

Construction activity in the province was maintained at a high level in 1954. Work continued on the new ferry terminal facilities at Portugal Cove, the connecting point between St. John's and Bell Island. A considerable amount of progress was made on the Trans-Canada Highway. On the west coast 30 miles of the highway were constructed and graded, and another 20 miles have been prepared for completion next spring.

When this section is finished, a through, unpaved, highway will connect Port aux Basques, on the west coast, to Corner Brook, and Corner Brook to Gander and Gambo. On the eastern section of the highway 55 miles have still to be completed.

MARITIME PROVINCES

DURING 1954 AGRICULTURE in the Maritimes was affected by adverse weather conditions. In Nova Scotia, hurricane damage reduced the apple crop to an estimated 1,300,000 bushels of windfalls and 750,000 bushels left on the trees. However, arrangements have been made through the Agricultural Prices Support Board to pay the growers 90 cents per bushel, at the plant, for all windfall apples suitable for processing, and it is estimated that 1,170,000 bushels will qualify for such assistance. With these payments, plus fresh fruit sales, net returns to apple growers should be at least as good as last year and will probably be more widely distributed. A source of disappointment, however, is the fact that the Annapolis Valley will not be able to share fully in the newly re-opened United Kingdom market.

In Prince Edward Island, rainy weather hampered harvesting so much that it may be necessary to import a substantial amount of grain for livestock feed. There is some potato blight which will probably mean a big drop in the quantity of potatoes available for export. The American potato crop was smaller, however, and with the American import quota more than doubled, the market should remain strong. Potato production throughout the Maritimes in 1954 was expected to be about 30 per cent less than in 1953.

Growing conditions were also unfavourable in New Brunswick because of excessive rainfall, and the resultant reduction in the harvest of hay and grain is expected to affect feed costs in the province.

The situation in the fishing industry in 1954 was fairly satisfactory. The action of the President of the United States in rejecting a recommendation of the United States Tariff Commission that greater protection be granted the American fresh and frozen fillet industry has removed much uncertainty for the industry, which depends largely on the American market.

Popularity of the "fish stick" in the United States has provided a new outlet for fresh and frozen fish producers. So far their participation has been limited to producing frozen blocks of filleted fish from which the sticks are made. Shipment of pre-cooked "fish sticks" to the United States is not feasible because of the high duty.

Conditions in the salt and pickled fish trade were somewhat better than the previous year, despite continuing exchange difficulties abroad and the prevailing discount on the United States dollar. The 1953 stocks of salt fish were cleared out by government purchases for relief distribution in the Near East and Korea. Reduced catches of herring and spring mackerel have resulted in smaller supplies of pickled fish, and improved prices. Export prospects for salt fish were better, but it is still difficult to obtain the larger size of fish required for this trade. The lobster catch continued to account for a large share of the returns to fishermen in the Maritimes. New Brunswick's fish canning industry fared better in 1954 than in 1953, one reason being that foreign markets appear to be opening up more.

At time of writing the lumber industry seems to be undergoing a recovery from the somewhat depressed conditions of the previous year. In the early part of 1954 demand for lumber was light, but the market has since strengthened considerably. Demand from the United Kingdom is now fairly good and numerous enquiries from importers are being received. Buying for 1955 delivery opened up in 1954 and at prices higher than a year ago. In Nova Scotia it is expected that this winter (1954-1955) lumber production may increase substantially because of the great number of trees blown down in the September hurricane. A full-scale salvage operation could conceivably increase the output by 25 to 35 per cent.

Conditions in the pulp and paper industry in New Brunswick were favourable in 1954. A new \$2 million power unit, installed by the New Brunswick International Paper Company, went into operation at Dalhousie, and this addition to the plant should stabilize newsprint production, as power shortages have frequently interrupted operations in the past.

Pit-prop sales were better in 1954 than in 1953, with prices somewhat improved, the gain being due to overseas demand and

mining developments in New Brunswick. Metal mining in New Brunswick made good progress during 1954 on the three properties which have carried most of the development work in the past. Nothing has been done on any of the other numerous claims staked during the 1953 exploration boom. Drilling is being carried out on the claims of the American Metal Company at Newcastle.

Conditions throughout the major coal mining areas in the Maritimes improved greatly during the latter part of 1954. This was sparked mainly by new orders received by The Dominion Steel and Coal Corporation in Sydney. An order from the Mexican Pacific Railways for more than \$25 million worth of finished steel products will require over a million tons of Maritime coal.

An important development during the latter part of 1954 was the establishment of an Economic Council by business men of the Maritime provinces and Newfoundland. Its purpose is to study ways and means of improving the economic status of the area.

In New Brunswick, work on the construction of Camp Gagetown proceeded more slowly than anticipated, and the development is mostly in the land clearing and road building stage. Building construction, however, was started but will not get fully underway until 1955.

QUEBEC

QUEBEC ENJOYED ANOTHER fairly prosperous year in 1954, and industrial output is expected to have been as great as in 1953. The pulp and paper production probably set a new record, and the value of mineral production was also expected to be much higher. Even in agriculture, cash incomes for the first 9 months of 1954 were over 8 per cent higher than for the corresponding period of 1953. The level of construction activity also remained high; but the situation was not so bright for textiles, where conditions were generally worse than in 1953, although some slight improvement was noted in the latter part of 1954.

The pulp and paper industry had another very successful year and prospects look good for 1955. All newsprint mills operated at capacity, with plant expansion and improvement resulting in an increase in production. Output of other grades of paper and market pulp was also high, and sales increased. The 1954-55 pulpwood cut was well advanced by the end of last year when most of the cutters were out of the woods.

The mining industry continued to move ahead in 1954. Final figures are expected to show a big increase over 1953, when production was affected by strikes. At present there are 37 refineries in Quebec capable of treating 36,000 tons of minerals daily, but this figure will soon increase to 50,000 tons as refineries now under construction come into operation. During the year progress was made in developing a special method of processing titanium. If successful this should reduce the price.

Production in Quebec's large asbestos mining industry was expected to exceed the 1953 level. Sales were well maintained and prices remained at about 1953 levels. Expansion plans, amounting to \$30 million, and started three years ago by several producers, are likely to be completed early in 1955. Development of a new mine at Black Lake, at an estimated cost of \$20 million, is continuing, but it will not commence production until 1957. With all mines still operating at capacity, the outlook for the asbestos industry appears bright.

A large-scale operation that will make Canada one of the world's major suppliers of lithium got underway last year in northern Quebec. It is reported that \$2,500,000 will be spent to get the mine into production by early 1955. A 550-foot shaft is being sunk and a concentrator built to mill 1,000 tons of ore a day. A contract has been signed covering the sale of the entire output for the next 5 years.

Another important mining development in 1954 occurred when the first iron ore was shipped from the mines on the Quebec-Labrador border to the port of Seven Islands in July. From then until the close of navigation on the St. Lawrence, about 1,780,000 tons of iron ore were delivered to Canadian and U.S. steel mills.

Wet weather affected farming operations in Quebec as well as elsewhere. The area sown to field crops was slightly less than

in 1953, and the hay crop was adversely affected by rain. As a result there was a shortage of feed last fall, and many farmers sold their cattle, which helped to boost farm income above 1953 levels. However, milk production and cattle sales may be lower in 1955. Vegetable and potato crops were down slightly, but a big increase in potato prices helped to sustain income from this source.

Despite a cold, rainy summer, expenditures by tourists in 1954 were probably up 4 to 5 per cent, topping the record established in 1953.

ONTARIO

IN GENERAL, Ontario enjoyed a good year in 1954. Industrial activity continued high, and consumer spending was well maintained despite a small decrease in employment, most apparent in the areas where the steel and automobile industries are located. The unemployment problem was complicated by serious strikes at plants of Ford of Canada, Limited, and Massey-Harris Company, Limited. While the latter strike has been settled, the former continues at the time of writing. Retail sales fell slightly during the year, while construction activity increased.

The gross value of manufacturing production was probably a little less than the peak figure attained in 1953, due to lessened demand for consumer durables, especially new automobiles. Sales of new passenger cars in 1954 were substantially below 1953. Of consumer durable producers, only television manufacturers enjoyed an increase in sales and in the latter part of the year production fell behind demand, reversing an earlier trend towards over-production. The pulp and paper industry did better than in 1953. The rubber tire industry may continue to operate close to full capacity, due to the demand for tubeless tires. While orders for textiles improved slightly in the latter part of the year, the industry continued to experience depressed conditions. Steel production also suffered from the lower level of industrial activity both within and outside the province.

Mining had a fairly satisfactory year with a very strong demand for nickel in evidence. Production in 1954 probably

exceeded 1953. At present a project is underway at Sudbury to extract iron ore from nickel ores. This development, together with others, points to a bright outlook for iron ore production in the province, and it is expected that production will triple in the next few years.

Important finds of uranium have been made, particularly in the Algoma district. On the basis of deposits so far outlined in drilling, it is forecast that mill capacity in this district may reach 7,000 tons a day within a few years.

Although the gold mining industry is still depressed, most mines showed a profit due to assistance received under the Emergency Gold Mining Act, and through close control of operating costs.

Farm cash income for the first 9 months of last year was about 5 per cent above the level for the same period in 1953. Production of grain crops was probably a little higher, due entirely to greater seeded acreage, as yields per acre were down. The potato crop was smaller, because of smaller yields and smaller acreage planted. While wet weather held up harvesting of the soybean crop, crop yields were expected to be about average, with the quality good. However, dampness reduced the sugar content of sugar beets with the result that production will be less than a year ago.

The flue-cured tobacco crop in 1954 was estimated at an all-time high of 166,000,000 pounds, surpassing the previous record of 140,000,000 pounds in 1951. The minimum average price was set at $42\frac{1}{2}$ cents per pound, or $\frac{3}{4}$ of a cent below the 1953 price.

The situation for dairy products was fairly satisfactory. Butter production differed little from the previous year, but wholesale prices were down somewhat. Cheddar cheese production showed an increase over 1953 and prices were slightly higher. The livestock population remained about the same, except for hogs which increased.

Prolonged periods of heavy rainfall in late September and early October delayed the fruit harvest somewhat, especially in vineyards. However, a heavy crop of grapes moved to both domestic and export processors and markets. The peach crop was estimated to be down about 100,000 bushels, as was the pear crop.

For 1955, industrial employment and production is expected to remain steady and activity may not differ much from 1954. The St. Lawrence Seaway project should contribute materially to the welfare of the province both during and after construction.

PRAIRIE PROVINCES

THE 1954 CROP SEASON on the Prairies was one of the worst in years. An exceptionally late spring, almost continual cool weather and excessive rainfall delayed seeding and resulted in farmers reducing acreage planted below original intentions. Then plant development was slow and retarded as the summer months experienced cool, damp weather. Crops, generally, were late and, in addition to heavy and widespread rust infection, were subject to hail and frost damage. Little progress was made with the harvest until late September, then favourable weather through October and November permitted most farmers to complete their harvesting satisfactorily.

Because of these factors, the 1954 wheat crop is well below the bumper harvest of 1953. The last official estimate placed wheat production at 272 million bushels, or less than half the 1953 crop of 584 million bushels. Besides being lower in quantity the 1954 crop will also grade lower. It is expected that about 37 per cent will grade No. 3 and 4 Northern, with less than 5 per cent qualifying for No. 1 and 2 Northern. However, there is a large carry-over of high quality wheat (mostly No. 2 and 3 Northern) from 1953-54 which should enable Canada to supply the market with top, as well as lower, grades through the current crop year.

The poor wheat harvest followed a not too successful marketing year. In the 1953-54 marketing year, which ended last July, total Canadian wheat supplies were at a record level of 983.6 million bushels. In addition, exports were below average and domestic requirements were low so that the new marketing year started with a very large carry-over of 594.2 million bushels. However, prospects for wheat exports in the current crop year are quite encouraging. Sales of Canadian wheat under the International Wheat Agreement between August 1st and November 23rd, 1954, constituted half of Canada's

1954-55 quota of 150.9 million bushels and were almost 83 per cent as large as Canadian sales under the agreement in the 1953-54 marketing year. Therefore, it appears that wheat exports will be higher in 1954-55 than in 1953-54. Also domestic requirements should be higher since farmers are likely to feed more wheat because of the large quantities of low-grades available. Thus, as a result of the very small 1954 crop and of the prospects for heavier exports and domestic disappearance, the carry-over of wheat by July 31, 1955, should be greatly reduced from the large amount on hand last July.

Because of the unfavourable grain situation, farm income was a problem in the prairies last year. In the first 9 months of 1954 farm cash income was approximately \$300 million less than in the corresponding period of 1953, a reduction of over 30 per cent. However, with some improvement expected in the wheat situation farm cash income is expected to be higher in 1955.

Conditions have been fairly favourable for livestock on the prairies. Pastures were good and the large quantity of low-grade grain in farmers' hands should assure ample supplies of feed over the winter months.

Oil production in western Canada for 1954 is expected to have reached 95 million barrels or about 18 per cent more than was produced in 1953. The daily production rate for Alberta probably averaged about 235,000 barrels per day. (An all-time high of 271,847 barrels per day was recorded in July.) This figure, however, is only around 50 per cent of the daily production capacity of the Alberta fields.

No major oil discoveries were made in western Canada during 1954. Indeed, refinery and pipeline construction over-shadowed exploration and drilling activity in the industry. Additions to refining capacity undertaken in 1954 marked a record high in both value and volume. Pipeline construction, although slightly less than the mileage laid in 1953, remained at a high level. Although marketing facilities were expanded by refinery enlargements on the prairies and by pipeline construction to carry crude to new and enlarged refineries in the east and west, markets continue to constitute a problem for western oil producers at present.

Thus the Interprovincial and Trans Mountain pipelines are handling a combined daily throughput of only 205,000 barrels although each has a potential capacity of 300,000 barrels per day. It has been expected that the Trans Mountain pipeline would be transporting 120,000 barrels per day shortly after completion in 1953, but competition from tanker-borne crude eliminated the United States west coast as a market with the result that the line is now moving only 40,000 to 45,000 barrels daily. The opening of a refinery at Ferndale in Washington State has provided an export market for 10,000 to 15,000 barrels daily, and another refinery under construction in the Seattle area may provide an additional outlet for Alberta oil. However, it appears that the crude supply for these new refineries (total daily capacity of 85,000 barrels) will be split between South American and Canadian sources.

An important development in the industry last year was the granting to Trans Canada Pipe Lines Limited of all necessary government permits to export 4.35 trillion cubic feet of surplus Alberta gas to eastern Canada and the United States. The project will entail construction of a 2,200 mile pipeline at an estimated cost of \$300,000,000. A number of conditions relating to the financing have to be met before construction can start. The deadline for meeting these conditions had been set for December 31st, but this has since been extended to April 30th, 1955.

A temporary set-back for the natural gas industry in 1954 was the failure of Westcoast Transmission Company Limited to secure permission to export gas from the Peace River Region to the northwestern United States. However, it is reported that an agreement has now been worked out which, if approved by the United States Federal Power Commission, will provide an American market for Peace River gas. If this goes through it should have a stimulating effect on the whole industry.

BRITISH COLUMBIA

ECONOMIC ACTIVITY on the west coast remained at a high level during 1954. Retail sales for the first 10 months were only a fraction of one per cent below the figure for the same period

in 1953. Fishing and forestry industries had a good year as export markets remained fairly firm. Farm cash income for the first 9 months of the year was almost 3 per cent greater than for the same period of 1953. Mining had a slightly more encouraging year than in 1953, when so many of the base metal mines in the province had to close, and it is estimated that production will show an increase.

The fishing industry had one of the best years on record. The canned salmon pack was not quite as large as a year ago, but the very high proportion of sockeye in the pack may raise its value above that of 1953. Marketing conditions have been very good for canned salmon, with the United Kingdom buying heavily. In addition, New Zealand and Australia are also buying from Canada now, and Canadian consumption is also reported to be up. As a result, little carry-over of canned salmon into the 1955 season is expected, and if there is any, it will be mainly sockeye.

The 1953-54 herring catch was one of the largest ever recorded in the province. There was no carry-over of meal and oil into the 1954-55 season. When the new season started (last October), meal was selling at about the same price as a year ago and oil was in very strong demand.

Halibut prices were a little higher last year than in 1953, with the result that although Canadian landings were down, the value of the catch was up. The number of whales landed during the year was larger than in the previous twelve months.

The logging and lumber industry on the west coast had a successful year. Logging and sawmill operators were able to operate almost continuously, as cool, wet weather, which prevailed a great part of the time, almost eliminated fire hazards which in previous years interfered with forest operations. However, poor road conditions due to the wet weather made it necessary to curtail production extensively in some areas. Nevertheless, lumber production in the first 9 months of the year was greater than in the same period of 1953. The prolonged woods and mills strike on the American west coast resulted in a large increase in shipments of British Columbia lumber to the United States. Since the strike has been settled, there has been a slight softening in the United States market, but United

Kingdom and other overseas markets remain firm. It is expected that Canada will have been the largest supplier of softwood to the United Kingdom in 1954. So far, the strong demand for British Columbia lumber has not been affected by an increase in water freight rates for U.K. shipments.

The United Kingdom has now removed all restrictions on imports of Douglas Fir plywood from dollar countries. This opens up a market which has been closed to Canadian producers for the past 15 years, and it appears British Columbia producers will be able to benefit from it.

Shingle mills have been very active, as there has been a good demand for cedar shingles from the eastern United States. Many mills have been operating on a two-shift basis, and perhaps more would have done so but for an acute shortage of skilled sawyers and packers.

British Columbia's pulp and paper industry is reported preparing for another period of expansion, which will add to an estimated total of \$160 million spent on new mills, modernization, and machinery since the war. During the past year, the industry has concentrated on consolidating these gains.

The wet summer weather was not so favourable for agriculture. Harvesting was adversely affected, and the quality of some small fruits suffered. However, agricultural conditions are not too depressed, as reflected by the current figures on farm cash income. The apple crop was expected to exceed that of 1953. It is also expected that for the first time in several years apples will be shipped to the United Kingdom. Returns to producers should be satisfactory. Because of late frost conditions last spring, most of the soft fruit crops in British Columbia in 1954 are likely to be smaller than they were a year earlier.

The value of mineral production in British Columbia may have been a little higher than in 1953. Although depressed conditions prevailed in base metal mining during most of the year, mine closures did not occur at anything like the rate of 1953, and towards the end of the year there was some firming in copper, lead and zinc prices. Aside from zinc, the future looks brighter for base metal mines in the province.

Coal production continued to decline, and increasing competition from natural gas is creating a marketing problem for

coal producers. Gold production during most of 1954 was running ahead of a year ago.

Last summer the aluminum smelter at Kitimat commenced operations and shipment of the metal to markets started in September. It has been announced that the capacity of the smelter is to be expanded.

On the whole, the fishing and forestry industries have had a good year; agricultural conditions were not too unfavourable; and the outlook for the mining industry is encouraging.

YUKON AND NORTHWEST TERRITORIES

MINING EXPLORATION was actively carried on in the Yukon in 1954, and more than 1,500 claims were staked in the Whitehorse District during the first nine months of the year. A silver, lead and zinc deposit was discovered in the Ketza River area and an asbestos deposit in the Quiet Lake area, but development has not progressed far enough to determine their importance. Over 50,000 feet of exploratory diamond drilling was done last summer, principally in the Kluane and Coal River areas. There was also considerable exploration for oil. At the end of September, petroleum exploration permits still in good standing covered 3.8 million acres of land.

It is estimated that the total value of mineral production in the Yukon last year was \$16,308,000; in 1953 it was \$14,739,000.

In the Northwest Territories, many new mines and oil wells have appeared in the last few years. Intensive geological exploration has given good reason to hope that conditions in the Alberta oil fields might be repeated north of the main mountain ranges of the Arctic slope. Major base metals were discovered last year at Pine Point in the Great Slave Lake area; ore reserves available for open pit mining are estimated at some 5 million tons. Production of uranium continued at Port Radium, and gold output during the first 9 months of 1954 totalled 225,274 ounces. Value of all mineral production in the Northwest Territories last year is estimated at \$10,549,000, which is a little higher than 1953.

Inadequate transportation and power facilities remain the greatest hindrances to economic development in the Yukon and Northwest Territories. Although many new roads have been built since the war, over 90 per cent of the area still remains without road services. However, it seems to be the intention of the governments concerned to open new roads as soon as promising mineral discoveries are made.

Of considerable importance to the Yukon Territory is the projected hydro-electric development of the Yukon River. This scheme involves converting large lakes in the headwaters of the Yukon River into a huge storage reservoir by building dams near Whitehorse and elsewhere. The flow of the Yukon and adjacent rivers would then be reversed, and diverted by way of tunnels to the valleys south of Atlin Lake in northern British Columbia. The electricity generated from the resulting water power would be utilized by smelters and refineries to be established on the Taku river in British Columbia. To take advantage of the cheap power that would become available, it is expected that ore would be shipped there from many parts of the world to be processed and refined. Total expenditures for this project are estimated at \$700 million, of which \$270 million is to be spent by 1962.

ARGENTINA

RECENT INDICATIONS are that the steps taken by the government to create a favourable climate for foreign investments are bearing some fruit. Dr. Gomez Morales, Secretary for Economic Affairs, declared recently that since the promulgation of the Foreign Capital Investment Law, seven projects involving 162 million pesos have been approved. Among these were American, German and Italian offers to build factories manufacturing automobiles, tractors, plastics, antibiotics and cement. Available statistics on Argentina's foreign trade suggest that total exports have increased. This trend in turn has permitted some expansion and variety in imports. Industrial production has shown some lag, but the physical volume of output in the first quarter of 1954 was higher than in the corresponding period of 1953. The government has promised larger imports

of raw materials and capital goods, and has stressed the importance of higher productivity and industrial rationalization in order to absorb higher wage scales. Important wage agreements were altered in negotiations with labour unions during the first half of 1954, but wage increases seem to have been limited. The cost of living index remained relatively stable through the first eight months of the year. World grain prices remained at a low level in 1954, but the government maintained its basic purchase prices at the 1953 level. Agricultural production was at a generally favourable level during the last year. Weather conditions during the spring were favourable and both cereals and feed crops developed normally. There was a slight decline in over-all acreage during the year, and costs were expected to rise in the second half of 1954 as a result of a 17 per cent wage increase to farm labour.

The latest estimates place the new wheat crop at 7 million tons, an increase of approximately 1 million tons over the 1953-1954 crop. The area sown was reduced from 6,352 thousand hectares in 1953 to 6,136 thousand hectares in 1954, but yields improved considerably, especially in the northern states, and the quality of the new crop is reported to be good. A recent official statement announced the marketing of practically all Argentina's grain surpluses. Almost 2.9 million tons of wheat were exported in the last export season, as compared to only 1.1 million in the previous season. Argentina is the only major wheat exporting country to have had larger wheat exports in the 1953-1954 export season than in the 1952-1953 season.

Conditions were equally good for oats, barley and rye. Total production of these crops was expected to reach 3 million tons in 1954, or 20 per cent more than was produced in 1953. The rice crop, with an output of 228,000 tons in 1954, was exceptionally abundant. Cotton picking was virtually completed at the end of July. The production of clean fibre is estimated now at 130 thousand tons, and would have been much larger if frost had not damaged the crop early in May.

Less encouraging signs, however, appeared in another important sector of Argentina's agricultural activity. Deliveries at the Eva Peron National Cattle Market for the first six months of 1954 were reported some 20 per cent less than in the corres-

ponding period of 1953. In the same period there was a sharp increase in direct purchases from the farms and the volume of this business is now higher than that transacted on the market. Prices remained firm throughout the year. Natural and cultivated pastures suffered from heavy rains and large areas were flooded mainly along the Parana and Uruguay rivers.

Exports of frozen beef during the first 7 months of 1954 were 19 per cent above the corresponding period of 1953. Exports of beef and lamb to the United Kingdom have increased significantly as British buying of meat was restored to private hands. However, the outlook for larger meat exports is not favourable at present, as home consumption takes over 80 per cent of meat production.

Last September 30th marked the end of an unsatisfactory wool year. The new clip is estimated at around 165,000 tons, of which 45,000 tons are required for local consumption. In the first nine months of the 1953-54 wool season, exports totalled 69,000 tons, as compared with 193,000 tons for the same period in the previous season. However, the latter figure was inflated by the liquidation of the large 1951-1952 carry-over which took place during the 1952-1953 season. The world market for wool remained firm and Argentina's prices, even though considered unremunerative by producers, were some 15 per cent above world levels. The export market was hampered by the rate of exchange, and if a solution is not found mounting stocks of wool might soon prove a serious financial problem.

During the first half of 1954 there was an estimated surplus of international receipts over expenditures equivalent to \$74 million. This was less than half the \$196 million surplus accumulated during the first six months of 1953. The drop in the surplus was mainly due to a more generous issue of import permits. However, imports continued to be restricted mainly to goods of prime necessity. Essential capital and consumer goods were imported when possible on a deferred payment basis.

Judging by the remaining quantities of agricultural and livestock products available for export in the second half of 1954, export earnings were probably lower in the latter part of 1954 than in the first half of the year. Thus, even with a

continuation of the restrictions on imports, only a small trade surplus can be expected for 1954.

New trade agreements were signed in 1954 with a number of European and American countries, covering an aggregate value of 11,809 million pesos. Early in 1954 an agreement was reached with the United Kingdom providing for shipments of a total value of £101 million during the first six months of 1954. The Anglo-Argentina Trade Agreement, known as the Andes Pact, expired on June 30th last and so far has not been renewed.

Industrial production last year showed some recovery from a depressed level. However, most industries continued to feel the effects of inadequate raw material imports in 1953. In the first half of 1954 the total volume of output increased slightly. Since general industrial employment showed little change, the increase in output must have been due to higher productivity. To cover rising costs resulting from wage increases, the price ceiling on various products was raised during the second half of last year. The tire industry operated at capacity. The textile industry experienced a more profitable year in 1954, as the demand for most types of textiles remained firm and existing price controls were relaxed. The chemical industry benefited from an adequate flow of imported raw materials, which allowed the industry to expand production and improve inventories.

Argentina's production of oil covers only 40 per cent of requirements, and petroleum imports of over U.S.\$200 million are required each year. The Government arrived at the conclusion that it was vitally important to extract as much petroleum as possible from Argentina's subsoil, and negotiations were reported under way with a group in the United States providing for the development of the oilfields in the Neuquen territory and the construction of a 300-mile pipe-line between that region and Bahia Blanca. This project would require an estimated \$100 million and would be handled by a new company, Petroargentina Incorporated.

BRAZIL

ECONOMIC EXPANSION IN BRAZIL during last year was at a slightly lower level than in 1953. However, 1954 saw again the establishment or expansion of a number of industrial

concerns, mainly around São Paulo and Rio de Janeiro. A new steel plant was inaugurated in August near Belo Horizonte, to be completed in the first half of 1955. It will be the largest seamless tube manufacturer and most modern steel producer in the country, with eventually an annual capacity of 300,000 tons of steel and pipes. A cellulose and paper plant was established at Rio Claro, State of São Paulo, which will be the biggest of its kind in South America. In September, the "Paulo Alfonso" hydro-electric development on the Rio São Francisco in north-eastern Brazil was inaugurated. This project, which now provides 120,000 kilowatts, will eventually reach a final potential of 950,000 kilowatts, serving directly 15 per cent of Brazil's population and benefiting an area which contains over 200 cities and towns. Another five-year plan, recently established to tap the resources of the Rio Grande, is expected to provide enough power to meet all requirements of industrial expansion in the State of São Paulo.

However, during 1954, the economic situation in Brazil has been difficult and due to a budget deficit and excessive credit expansion, inflation continued. Farming conditions improved, but exports showed irregular trends. The trade balance was unfavourable, foreign exchange revenues declined sharply and industrial production, as in 1953, was considerably curtailed by the scarcity of certain raw materials.

Farming and stock raising showed an appreciable improvement in 1954. Production and supply of cereals and food products was mostly adequate and prices remained firm. These favourable results were mainly due to the new exchange system adopted by the government in 1953, and to a liberal policy of crop financing. Almost 12 billion cruzeiros had been advanced by the end of September for farming activity by the Bank of Brazil, which handles almost all direct crop financing. The minimum fixed price for certain agricultural products also played an important part in developing production and improving farming methods and yields. During 1954 most harvests were large and market conditions good. The last cocoa harvest which ended in April, 1954, totaled just under 2 million bags and estimates for the 1954-1955 harvest indicate a considerably larger crop. Furthermore, the supply position for this product

remained completely favourable to producers and exporters.

Price quotations for Brazilian cotton have favoured the sale of existing stocks and the disposal of the next harvest, which is expected to reach 410,000 tons. Exports of cotton and cocoa have also been much larger than in 1953. During the first half of the year, shipments of cotton from São Paulo state amounted to 157.4 thousand tons as against 206 thousand tons in the same period last year. Correspondingly, cocoa exports increased during the same period from 557,000 bags to 748,000 bags. However, these increases in cotton and cocoa exports have not been able to offset the sharp decline in coffee exports, and the foreign trade balance showed a deficit of Cr. \$5.8 billion for the first seven months of 1954.

Brazil is now facing a difficult foreign exchange situation, because last summer, when export earnings were expected to reach U.S.\$100 million monthly, actual revenues were U.S.\$36 million in July and only U.S.\$29 million in August, due to reduced shipments of coffee. During 1954, the coffee market was characterized by a strong pressure towards lower prices resulting from consumer resistance, while exporters maintained firm prices. Prices rose steadily from October, 1953 to April, 1954, when a maximum of 95 cents per pound was reached. Then a period of stagnation set in for Brazil's coffee exports.

In June the government fixed the minimum price for Santos, style 4, at 87 cents per pound, but buyers were reluctant to pay this price and turned to other markets. From January to August, coffee exports to the United States earned slightly more than U.S.\$274 million, as against U.S.\$345 million during the same period of 1953. Thus, the minimum price policy resulted in a large decline of foreign exchange revenue as coffee exports fell sharply.

Realizing that this policy was seriously curtailing its main source of dollar revenue, the government amended the price to 67 cents per pound in August. Sales are expected to pick up again, now that the price is in line with other coffees, but the three-month hold-back is estimated to have cost Brazil the sale of almost 3 million bags. The current crop, which is of good quality, is expected to yield 18 million bags of which more than 14 million will be available for export. During the first nine

months of 1954, coffee exports totaled 7.5 million bags, as compared with 10.4 million bags for the corresponding period of 1953.

A drop in Brazil's exports cannot be easily offset by a cut in imports. A reduction in imports of raw materials interferes with industrial activity, while a reduction in imports of petroleum weakens Brazil's transportation system. During the first 7 months of 1954 the value of imports reached Cr. \$27.6 billion, but the type of goods imported was radically altered. Products not included in exchange auctions, or which received preferential treatment, such as wheat, newsprint and petroleum, were not seriously affected, but imports of machinery and equipment and consumer goods suffered marked reductions. Imports of petroleum absorb each year around U.S.\$300 million, or 35 per cent of Brazil's foreign exchange earnings. Two fields near Bahia are producing oil, but their combined output is only 4,000 barrels a day, or 2 per cent of Brazil's current consumption. Three areas in Brazil are considered to have high potentialities: the Amazon Basin, Bahia and Parana. Petrobras, established last year, has a monopoly for prospecting, drilling and refining the country's oil.

As a result of trade difficulties, the rate of Brazil's industrial growth declined in 1954. With the exception of the cement, textile and electric power industries, which showed some increase, and the steel industry, which remained unchanged, all other industries showed a decline in output. The sharp decline in imports of raw materials and capital goods accounted largely for the slow-down in industrial growth.

The output of the steel industry was unchanged, because the country's two largest mills, at Volta Redonda and Monlevade, have reached capacity production. High prices for raw materials combined with rigid price control hampered the rubber industry. Construction suffered from monetary and credit policy, especially by the prohibition of rediscounting real estate bills. In general, there was too little foreign exchange available for importing machinery and equipment to increase production, eliminate bottlenecks and relieve inflationary pressure. Political events and new regulations caused wide fluctuation in the free exchange market, and a steady weakening of the cruzeiro was

evident throughout the year. Brazil's money supply rose from Cr. \$125 billion to Cr. \$150 billion during the first 8 months of 1954, and the sole effect of the Minimum Wage Decree of May was to push the cost of living even higher.

Demand for credit facilities was high. During the first half of 1954, the Bank of Brazil granted Cr. \$13 billion of credit to public enterprises, but more important was the expansion of credit to assist the State of São Paulo. To curb this undue credit expansion, the Bank of Brazil recently increased its rediscount rates from 6 to 8 per cent for trade paper, and 8 to 10 per cent for promissory notes.

Getulio Vargas' successor, President João Café Filho, has made some changes in the cabinet. Since taking office he has backed a profit-sharing bill designed to increase incomes without stimulating inflation; he has also proposed a graduated income-tax, and has informed the nation that the only alternative to austerity is inflation. However, the current budget deficit is expected to reach Cr. \$15 billion, and arrangements were made in November to borrow \$200 million from a group of 19 United States banks. The Bank of Brazil used \$160 million of this to refund a previous short-term loan from the New York Federal Reserve Bank and \$40 million remained to meet current commitments.

To overcome Brazil's economic crisis, Eugenio Gudin, new Minister of Finance, has recently outlined a three-point programme calling for a drastic re-organization of the government's affairs, a gradual suppression of inflation, and the cultivation of a climate favourable to large-scale foreign investment.

COLOMBIA

MAINLY BECAUSE OF HIGH COFFEE EARNINGS, Colombia had another prosperous year in 1954. Estimates are that the 1953-1954 crop will exceed 6.9 million bags. In 1953, coffee made up 83 per cent of the total value of exports. In the first 7 months of 1954, coffee receipts increased by 25 per cent over the corresponding period of 1953. Average prices, considerably higher than in 1953, fluctuated between 64 and 91 cents during the first 3 months of the year. However, since April, when the peak was reached, there has been a fairly steady decline.

Colombia's foreign trade balance was favourably influenced by the trend in coffee shipments. Total exports increased from U.S.\$384 million for the first eight months of 1953, to U.S.\$459 million for the corresponding period of 1954. Imports for the same period of 1954 totalled U.S.\$411 million. As a result, there was a trade surplus of U.S.\$48 million in the first 8 months of 1954. The international payments position also improved significantly. Purchases of foreign exchange by the Banco de la Republica during the first nine months of 1954 amounted to U.S.\$504.4 million, and authorized remittances to U.S.\$497.2 million, leaving a surplus of U.S.\$7.2 million, compared with a deficit of U.S.\$4.4 million for the corresponding period of 1953. At the end of October, gold and dollar reserves were estimated at U.S.\$197.4 million.

The high level of exports in the early part of the year created some inflationary pressure. The money supply increased by 7 per cent during the first 9 months of 1954, domestic loans and investments rose 37 per cent and the cost of living in Bogota showed a gain of 11 per cent. Business activity, of course, benefited by the increase of money in circulation and higher prices. Credit terms were also easier. In general, published balance sheets of industries showed satisfactory results and dividends were maintained.

As an anti-inflationary move the Government increased, in April, 1954, and again in July, the required cash reserves of the banks, and made considerable efforts to expand imports. As coffee prices declined during the year, both policies had to be revised. On October 22nd, new restrictive measures affecting imports were announced, and on November 1st the required cash reserves for banks were reduced to their previous levels. The new import measures narrowed the number of goods classed as essential, and raised the import tax on goods classed as non-essential. To protect agriculture, imports of certain foodstuffs produced locally were prohibited except in emergency, and amounts required to be deposited by importers applying for licenses were doubled.

On August 3rd, General Gustavo Rojas Pinilla was re-elected President of the Republic for another 4 years. The 1955 budget is estimated at 939.2 million pesos; probably its most important

feature is the absence of any official intention to have recourse to borrowing. A reduction of 100.7 million pesos in the allocation to the Ministry of Public Works suggests that considerable reliance is being placed on foreign capital for financing large-scale projects. Of these, the most ambitious commenced on October 22nd when the Cauca Autonomous Regional Corporation was created. This Corporation will be primarily concerned with flood control, irrigation and generation of electric power in the Upper Cauca River Valley.

Industrial expansion continued last year and the opening of the Paz de Rio Steel mill took place in October. Columbia's output of crude oil for the first nine months of 1954 totalled 30,473,000 barrels, compared with 29,517,000 barrels in the same period last year. The new oil refinery at Barrancabermeja was completed and construction of another at Cartagena, at an estimated cost of \$30 million, is being considered by International Petroleum (Colombia) Limited.

PERU

PERU'S FOREIGN TRADE POSITION improved considerably during the last year. The unfavourable trade balance was reduced from U.S.\$69.8 million for the first ten months of 1953, to U.S.\$4.7 million for the corresponding period of 1954. Higher exports and lower imports accounted for the improvement. Exports in the first 10 months of 1954 totalled U.S.\$202 million, almost 12 per cent above the figure reported for the same period in 1953, while total imports amounted to U.S.\$206.7 million, as against U.S.\$250.2 million in 1953. Nevertheless, gold and foreign exchange holdings of the Banco Central de Reserva declined in 1954, as the movement on capital account was apparently not as favourable as in the previous year.

To stabilize the foreign exchange value of the Sol, a U.S.\$30 million fund was jointly established in February by the International Monetary Fund, the United States Treasury Department and the Chase National Bank. Under the terms of the agreement, Peru will keep trade restrictions to a minimum and the free rate of exchange within a range to maintain equilibrium in foreign payments.

Business conditions progressed satisfactorily, permitting adjustment of the heavy inventory situation which had prevailed. Several strikes which occurred during the first months of 1954 were settled by wage increases ranging from 10 to 20 per cent. However, the cost of living in Lima increased by only 3 per cent between January and September.

Agricultural production generally increased in 1954. Peru is the third largest producer in South America of cotton which accounts for almost 30 per cent of all export receipts. Cotton is cultivated mainly in the coastal valleys, and domestic consumption is estimated at around 20,000 metric tons. Irrigation projects sponsored by the government last year enlarged the area under cotton by 5,000 hectares. Total output reached 97,400 metric tons in 1953 and the 1954 crop is estimated at 110,000 metric tons.

Sugar production also increased from 598,850 metric tons in 1953 to 607,870 metric tons. Exports for the first eight months of 1954 totalled 234,111 metric tons, and for the year as a whole are expected to be considerably above the 1953 figure. World prices were low but Peru's sugar producers have been able to market all their surpluses and the outlook remains favourable.

Industrialization made good progress last year and many firms benefited from the substantial increase in import duties. Local demand for petroleum products is steadily expanding and currently absorbs over 70 per cent of Peru's crude output, which has remained relatively stable at around 16 million barrels for the last few years. The government raised local prices in September, which, although below the level of world prices, now allow oil companies some margin of profit. The search for oil in the Sechura Desert has so far been unsuccessful and exploration has started on the eastern side of the Andes.

Lead, zinc and copper production increased during the first 8 months of 1954. United States government stockpiling has helped strengthen the market. A new steel mill is under construction near Chimbote and, when completed in 1956, will have an annual output of 50,000 metric tons of finished products.

As the Sol remained steady and economic conditions improved, foreign capital investment in Peru was encouraged in 1954. A credit of U.S.\$100 million to assist financing the dollar costs

of the Toquepala copper project is under consideration by the Export-Import Bank. This project would increase Peru's copper production by 70,000 tons a year.

URUGUAY

AFTER TWO YEARS OF DEFICITS, Uruguay's balance of trade showed a surplus of U.S.\$77 million in 1953, exports rising 29 per cent, while imports fell 18 per cent. This trend continued in 1954. Exports during the first 5 months of 1954 totalled U.S.\$123.5 million, and imports U.S.\$89.8 million. Gold and foreign assets of the Bank of the Republic rose by U.S.\$8 million during the first half of 1954. As a result, the Bank liquidated all outstanding long-term contracts in the dollar area.

Uruguay's trade continued to shift in 1954 from the dollar area to the sterling and European Payments Union areas. Over the last three years, trade between Uruguay and the United States has declined considerably. In 1951, 28.8 per cent of Uruguay's total imports were of U.S. origin, compared with 18 per cent in 1953. Conversely, Uruguay's sales to the United States dropped from 43.3 per cent of total imports in 1951, to 14.8 per cent in 1953.

Following nine months of negotiations, a trade agreement was signed in 1954 with the U.S.S.R., which provides for an annual exchange of goods amounting to \$22.4 million for each country. Uruguay will export hides, meat and wheat, and import from Russia steel products, lumber, oil and industrial equipment.

The inflationary trend continued. Wage and salary increases were generally offset by a rise in the cost of living, which increased in Montevideo by almost 10 per cent during the first nine months of 1954. As a result of budget deficits, the public debt increased considerably. In an attempt to increase revenues, taxes were raised. Activity in the stock market was somewhat hampered by tight money conditions.

Agricultural conditions were good in most regions. Due to a wider use of mechanical equipment, record yields were achieved in 1954. The 1953-54 wheat crop reached a record level and marketing this large crop resulted in a substantial loss. Prospects for the new crops appear favourable.

Although there has been no livestock census in Uruguay since 1951, the cattle population is undoubtedly declining with a consequent scarcity of meat and higher prices. The main cause seems to be the high subsidy paid by the government to wheat producers. This has induced many farmers to plough up grazing lands and plant wheat. Fat stock available for slaughter was scarce in 1954 and was principally destined for local consumption. In August a law was passed giving to the Frigorifico Nacional priority over other cattle buyers. In order to settle debts arising from the purchase of livestock, and to provide the Frigorifico Nacional with more working capital, a bond issue was authorized. Lack of supplies has been a serious problem for foreign meat-packing plants, most of whom had to restrict their activities.

The 1953-54 wool clip reached almost 203 million pounds, an increase of 12.8 million pounds over the amount reported for the previous season. This was due both to an increase in the number of sheep and an improvement in the average yield per animal. Prices were fairly steady and the season was favourable to producers. In the last few years, wool has replaced meat as the country's main export item. During the 1953-1954 wool year, exports totalled 156,853 bales, as against 260,194 bales in the 1952-1953 wool year. However, in 1953, exports were at an exceptionally high level. Last year the United Kingdom again headed the list of buyers, with 47,474 bales. The new wool season opened on October 1st, and only a small carry-over from the previous season was reported.

VENEZUELA

ECONOMIC CONDITIONS continued to be favourable in 1954. The exchange position was strong, industrial activity expanded steadily, and good progress was made towards diversification of the economy and improvement in the standard of living. Wholesale and retail trade had a fairly prosperous year, but because of increased competition more liberal credit terms became prevalent. Prices remained relatively stable. Except for the textile industry, stocks, though ample, were not excessive. Collections were normal and no major bankruptcies occurred.

World production of crude oil in 1954 is forecast at 710 million metric tons. Of this amount it is estimated that Venezuela will produce just under 98 million tons, as against 93 million tons in 1953. During the first eight months, Venezuela's average daily production was 1.86 million barrels, as against 1.76 million in 1953. However, current production is still some 140,000 barrels below the estimated daily capacity of the wells in operation. During the year, major oil companies expanded refining operations and daily output of refined products is reported to exceed 400,000 barrels (one barrel being equal to 42 United States gallons). Total capital expenditures in 1954 amounted to U.S.\$252 million and are expected to increase in 1955 if new concessions are granted by the government.

A steady increase in the demand for oil again kept Venezuela's exports well in excess of imports. Total exports during the first six months of 1954 were valued at 2,827 million bolivares, and imports at 1,300 million bolivares. Gold and foreign exchange assets held by the Central Bank reached U.S.\$457 million at the end of September, and gold reserves were equivalent to 125.45 per cent of notes in circulation.

Of rapidly increasing importance to the Republic is the development of an iron-ore industry. There are very rich deposits along the Caroni River, near Ciudad Bolivar, and development projects have been undertaken by American steel companies. A U.S.\$60 million steel plant is to be built near San Felix on the Orinoco River. Electrical power will be supplied by a U.S.\$40 million hydro-electric plant to be built by the Venezuelan Development Corporation. Production of iron-ore in Venezuela which started in 1950 and amounted to 300,000 tons, totalled 2.3 million tons in 1953. Exports go to the United States. Iron-ore shipments during the first seven months of 1954 totalled 2.6 million tons, an increase of 1.4 million tons over the same period in 1953.

Efforts made to diversify Venezuela's economy have shown some very good results. The outlook for agriculture is promising. There was a surplus of 40,000 tons of corn in 1953, and it is expected that the country will shortly be self-sufficient in rice and sugar. The cattle industry showed some encouraging signs and there is a government project to restore the State of Guarico

to its former important position in cattle raising and farming. Production in the dairy industry increased in all lines and some 1,500 head of pure breeding stock were imported.

The establishment or expansion of light industries using local raw materials has also been greatly encouraged. Cement and paints of good quality are now produced in sufficient quantities to meet all current requirements. Heavy tariff protection has stimulated the textile industry and the future of the chemical industry appears good. Private construction in Caracas and other main centres reached record levels in 1954.

The fiscal position of the country remained satisfactory. Reports on the 1953-1954 fiscal year state that the budget surplus reached 304 million bolivares as compared with 179 million bolivares the previous year. The government announced that the surplus will be used to finance public works not covered by the regular budget. Estimates for the 1954-1955 budget show a substantial increase in expenditures over the previous fiscal year. A large part of the budget is devoted to public works intended to contribute to the country's growth.

CUBA

BUSINESS CONDITIONS IN CUBA have shown some irregularity during 1954. Reduced production, and curtailment by sugar mills of expenditures on plant maintenance and cultivation, has materially affected the Republic's economy during the past two years. Wholesale merchants in many lines reported lower sales and smaller profits. Competition in agricultural and heavy machinery, and in appliances, has been severe and stocks tend to be excessive, with dealers extending liberal terms.

One of the main problems confronting the Government was the higher level of unemployment. This has been alleviated to some degree by an extensive programme of public works.

The year saw substantial issues of Government bonds, partly for public works and partly to consolidate former issues. In August, the Government inaugurated the "Economic and Social Development Plan", authorizing a bond issue of \$350 million for the purpose. The plan is designed to stimulate economic activity throughout the country and will extend over several years.

The elections postponed from 1953 were held on November 1st, General Fulgencio Batista's party obtaining a substantial majority. The Government immediately announced its intention to proceed with development work planned and now under way.

Exports during 1953 amounted to U.S.\$640,344,000, and imports to U.S.\$489,733,000, as compared to U.S.\$675,345,000 for exports and U.S.\$618,314,000 for imports in 1952. The improvement in the balance of trade experienced in 1953 continued through 1954.

Gold and dollar balances held abroad are substantially in excess of legal requirements for the currency issue and other liabilities of the Banco Nacional de Cuba. Exchange resources have been ample and there is no indication of any shortage arising.

The 1954 sugar crop amounted to 4,746,156 Spanish long tons, compared with 5,006,960 tons for 1953 and 7,011,393 tons for 1952. The last two crops have been restricted by Government decree. The year has been disappointing both in respect to prices and world demand for Cuban sugar. Coupled with continued high costs, especially for labour, these factors have further reduced returns to mill owners, in spite of adjustments in maintenance and cultivation expenses.

The outlook for the 1955 sugar crop is obscure. Stocks on hand at the end of 1954 will be considerably larger than for the previous year. Pressure is being brought in the United States for a revision of the Sugar Act which might reduce the Cuban quota. On the other hand, reports indicate reduced production in Europe due to poor weather conditions, and this, together with the possibility of some increase in consumption, may improve the world market for Cuban sugar.

The 1954 tobacco crop is estimated at 601,025 bales, compared with 566,295 bales in 1953. The crop was of good quality. Prices for higher grades were about the same as the previous year, but were lower for other grades. On the whole, tobacco growers have had a good year, and due to the larger crop, their income was higher than in 1953. Local consumption remained steady, but exports of leaf tobacco, cigars and cigarettes dropped slightly.

The 1953-1954 coffee crop amounted to 775,890 quintals, compared with 587,211 quintals for the previous crop. Prices were somewhat lower. The estimate for the next crop is around 800,000 quintals. Annual consumption in Cuba is reported to be approximately 745,000 quintals. In general, the coffee industry appears to be in a good position with prospects for larger supplies. There has been agitation for permission to export a limited amount of coffee, but so far sales abroad have been prohibited. The Government's policy is to maintain a price level well below that of world markets.

Rice production in Cuba continues to show development. The estimate for production in 1955 of clean rice is 2,925,000 quintals, which is about 17% greater than 1954 production. Since the annual consumption of rice is approximately 8,000,000 quintals, a little better than 135 pounds per capita, a large amount has to be imported annually from the United States. In certain sections of the Island, big areas are being converted from cane or pasturage to rice. Both quality and milling techniques have been improved.

Demand for cattle was strong during the year and prices held close to the official maximum of 12½¢ per pound live weight. Prospects for the industry continue to be favourable.

Exploration for oil has been carried out more or less continuously in Cuba for many years by some of the larger oil companies. Last year it was much intensified because of a discovery in the central region. Two wells are now in active production. Oil rights covering large areas have been taken up and a substantial amount of new capital has come in, mainly from the United States. The Government has enacted legislation granting tax benefits and financing for companies undertaking exploration work.

BRITISH WEST INDIES BRITISH GUIANA AND BRITISH HONDURAS

SUGAR CONTINUES to be the most important crop grown in the area, with total production in 1954 amounting to 1,017,000 tons, compared with 963,000 tons in 1953. It is sold under the Commonwealth Sugar Agreement of 1951, the major

portion going to the British Government at prices negotiated each year, and the remainder to Commonwealth countries at world prices. The negotiated price in 1954 was lower than in 1953, and there will be a further slight reduction for 1955. Other staple crops in the area were satisfactory, and extremely high prices for cocoa encouraged increased production. The rice crop in British Guiana was a record one and exports to British West Indies' markets continued to expand. In Jamaica, efforts are being made to increase rice production so that it will meet the Island's entire requirements. Exports of bananas from Jamaica are expected to reach 12,000,000 stems during 1954, the highest figure in some years.

Production of bauxite in British Guiana, one of the Colony's major industries, remained high and indications are that this state of affairs will continue during the coming year. In Jamaica, production continued to expand and three companies are actively engaged in mining the ore.

The oil industry is the mainstay of Trinidad's economy, being the largest revenue producer. However, despite constant exploration for new sources, including construction of the first marine rig six miles off the southwest coast, production remained almost unchanged. During the year exploration continued in British Guiana, Barbados and British Honduras.

Tourist trade expanded, mainly in the Bahamas and Jamaica, and to a lesser degree in Barbados. The increased advertising campaign of the Bahamas Government Development Board has been quite successful in attracting new visitors. Prospects for the current winter season at all three points are reported satisfactory.

Labour conditions were more stable within the area during 1954 than in 1953, but unemployment remains a major problem in Jamaica.

During the year, British Guiana's BWI\$66,000,000 development programme got under way and it is expected that two-thirds of that amount will have been expended by the end of 1955. In Jamaica, the Government has recently proposed a five-year £30,000,000 development programme. However, its implementation will depend largely on grants by the British Government from Colonial Development and Welfare Funds.

The Colonial Development Corporation continued its operations in the area, and in British Honduras these are expected to expand in the coming year. Efforts continue to be made to attract new industries through tax and customs exemptions, and some success has been achieved, principally in Jamaica and Trinidad.

DOMINICAN REPUBLIC

THE DOMINICAN REPUBLIC enjoyed another prosperous year in 1954. Although sugar prices were lower than in the previous year, the resultant effect on foreign exchange receipts was more than offset by favourable conditions in the marketing of coffee and cocoa. The foreign trade surplus balance reached an all-time high during the first eight months of 1954 and the exchange position grew even stronger. Considerable government expenditure was devoted to economic expansion, and diversification was encouraged. Business conditions, however, levelled off during the year, resulting in stronger competition and reduced profit margins. Inventories remained normal and most merchants are reported to be in a good financial position.

Sugar is the country's leading industry and main export. Production during the 1953-1954 crop year totalled 649,308 metric tons, the highest in history and exceeding the previous record by 3 per cent. Average prices in 1954 were somewhat lower than in 1953. Growing conditions have been favourable for the new crop, but total production authorized by the government was reduced to 675,754 tons compared with an initial authorized production of 735,000 tons for the previous crop.

The 1953-1954 coffee crop was considerably larger than that of the previous year and most of it was sold while world prices were exceptionally high. As a result, coffee receipts increased during the first 8 months of 1954 by 8.3 million pesos over the amount reported during the same period of 1953. A slight decrease during 1954 in cocoa exports was more than offset by a large increase in world prices for this product. The situation in regard to tobacco, which had deteriorated in 1953, showed signs of improvement during the first eight months of 1954. A larger crop was harvested and prices were normal.

A declining trend in exports, which was evident in 1952 and 1953, was sharply reversed during the first eight months of

1954, reflecting favourable conditions in world markets for most Dominican export products. In the same period imports were slightly lower than in the first eight months of 1953. Thus, the trade surplus in the first 8 months of the year reached 35.4 million pesos, as compared with 18.4 million pesos for the same period in 1953. Largely because of the country's favourable foreign trade position, there have been no balance of payments problems. Foreign exchange holdings of the Central Bank increased from 17.8 million pesos at the end of August, 1953, to 27.3 million pesos 12 months later.

The money supply rose slightly during the year but the cost of living remained fairly steady. A substantial increase in bank loans occurred during the first eight months of 1954, reflecting the government's programme for agricultural and industrial expansion. Good progress was made in mining, particularly in the production of iron-ore, salt and gypsum. A modern plant for the processing of sisal, costing over one million pesos, was inaugurated at Puerto Viejo. Construction of a large plant to manufacture furfural from sugar bagasse is almost complete and production is expected to start early in 1955. A marble factory and an asbestos-cement sheeting plant were also established. Private construction was active in the region of Ciudad Trujillo, and public construction, involving many millions of pesos, included highways, canals, bridges, houses for workers, hospitals and schools. Despite increased expenditures, the financial position of the Republic remained sound, and inflation was kept well under control. The 1954 budget was the largest ever prepared, and total revenues are reported to be at present well in excess of budget estimates. Revenues are derived mainly from import duties and indirect taxes.

HAITI

COFFEE IS THE MAINSTAY of Haiti's economy and its most important export. Last year a record crop improved considerably the Republic's foreign trade balance, which, over the nine-month period ending June 30th, showed a surplus of 56.6 million gourdes, as compared with a deficit of 9.5 million gourdes for the corresponding period in 1953.

While exact figures are not yet available, the 1953-1954 coffee crop is estimated at 385,000 bags, an increase of some 100,000 bags over the figure for the previous season. Market prices during 1954 were exceptionally high, and raised export receipts during the first 9 months of the 1953-1954 season to 188.1 million gourdes, as against 115.6 million gourdes during the corresponding period of 1952-1953.

Prospects for the new coffee crop were encouraging until a hurricane which struck the country in early October destroyed many plantations and reduced the estimated yield from 350,000 to some 220,000 bags. Cotton and other crops of lesser importance were also seriously affected. As a result of widespread damage to crops, a commodity trade deficit seems likely for 1955. The value of exportable surpluses during the next 12 months is expected to be some \$10 to \$15 million less than during the preceding 12 months.

During the last fiscal year, the Treasury deficit increased from 24.4 million gourdes in June, 1953, to 37.9 million gourdes twelve months later. Expenditures budgeted for 1954-1955 exceed those for the previous fiscal year by some 11 million gourdes; revenue to cover these expenditures is expected to come mainly from import duties. However, due to crop destruction, the budget has had to be revised and it now seems doubtful that expenditures can be kept within the limits of expected revenue.

In September, President Magloire attended ceremonies which marked the start of work on the Artibonite Valley project. A dam is under construction at Peligre Narrows which will provide water to irrigate about 77,000 acres of land. Outlays for the whole project are estimated at \$20 million, of which \$14 million is being loaned by the Export-Import Bank.

The Government continued to encourage industrial expansion in 1954. A new cement plant, started near Port-au-Prince in July, has a potential output of 60,000 tons a year, which is deemed sufficient to meet all current domestic requirements. Soap manufacturing is being undertaken on a commercial basis. A company was recently formed by leading sisal dealers to manufacture bags for coffee and sugar exporters, and production is expected to reach 2,500 bags a day. The Reynolds Mining

Corporation has reported that analysis of bauxite deposits at their new mine showed a high percentage of aluminum oxide. It is estimated that some 15 million tons of bauxite could be mined each year, but activities so far have been confined to surface development.

The tourist trade is a fast growing source of foreign exchange and has greatly helped to offset the trade deficit. Visitors to Haiti during the first quarter of 1954 numbered 19,319.

PUERTO RICO

IN THE FIRST SIX MONTHS OF 1954 economic activity in Puerto Rico was generally above last year's level. During the second half of the year, business conditions were somewhat depressed because of a prolonged dock workers' strike and less favourable conditions in the sugar industry. However, for the year as a whole, there has not been any great change from 1953.

Foreign trade broke all records in 1953, and during the first six months of 1954 exports continued to expand. Exports to the continental United States for the first half of 1954 totalled U.S.\$155 million, an increase of U.S.\$6 million over the amount reported for the same period of 1953. However, an unfavourable balance on merchandise trade still exists; it is met mainly by federal grants, tourist receipts, and invisible exports.

Lower prices for sugar and inflexible production costs resulted in a rather unsatisfactory year for the sugar industry, which is still the mainstay of Puerto Rico's economy. Adverse weather conditions during the harvest period, and less intensive cultivation, reduced the sugar content of the crop. Nevertheless, production was slightly in excess of the United States quota of 1,180,000 tons, and it is estimated that the carry-over will reach about 150,000 tons by the end of 1954, an increase of 10,000 tons over 1953. Because of lower prices, many growers are diverting some of their land to dairy farming, which is now reported to be the Island's second largest agricultural industry.

The tobacco crop was somewhat below expectations due to heavy rains during the harvest season, and the quality was not very high. A further decline in output can be expected for the 1954-1955 crop, as the estimated area under cultivation was

reduced by some 18 per cent. Coffee growers have had a satisfactory year, although, due to price controls, they derived little direct benefit from unusually high world prices. Export receipts from the 1953-1954 crop were close to \$9 million, the highest reached in many years.

The long-term programme sponsored by the government to attract new industries and lessen the country's dependence on agriculture, continued to show good results. Manufacturing continued to expand. In the 12 months ending June 30, 1954, 88 new industries commenced operations, creating 5,000 new jobs. Construction of two oil refineries, started in 1954, promises to pave the way for the development of a petro-chemical industry. While the textile industry expanded in 1954, some divisions of the needle-work trade declined because of lower demand in the continental United States, and keener competition from other countries. The value of construction work was significantly higher during the first six months of 1954 than for the corresponding period of 1953. Private construction was well maintained, particularly for housing purposes. Public construction increased sharply from \$24 million during the first half of 1953, to \$37 million for the corresponding period of 1954.

Government revenues and expenditures continued to increase during the first six months of 1954, but estimated revenues of \$154 million in the 1954-1955 budget are likely to be short of requirements by \$14 million. Two bond issues were authorized during the fiscal year, one of \$6.4 million for an irrigation project in the south-western part of the Island, and the other of \$10 million for various capital improvements.

