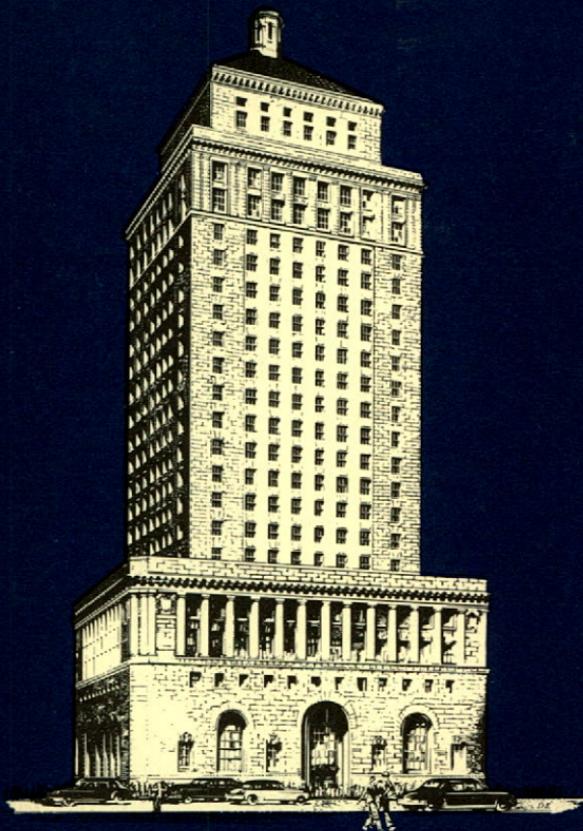


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SUPPLEMENT TO THE REPORT OF THE PROCEEDINGS AT THE
EIGHTY-EIGHTH ANNUAL MEETING, JANUARY 10, 1957



Review of Conditions

*in Canada,
Cuba, the West Indies,
Central and South America*

THE ROYAL BANK OF CANADA

FEB 6 1957



The Royal Bank of Canada operates its own branches throughout Canada and in Cuba, the West Indies, Central and South America.

See detailed maps on pages 18-19 and 48.

Review of Conditions

in

CANADA

CUBA

BRITISH WEST INDIES

BRITISH GUIANA BRITISH HONDURAS

BAHAMAS

DOMINICAN REPUBLIC

HAITI PUERTO RICO

ARGENTINA BRAZIL

COLOMBIA PERU

URUGUAY VENEZUELA



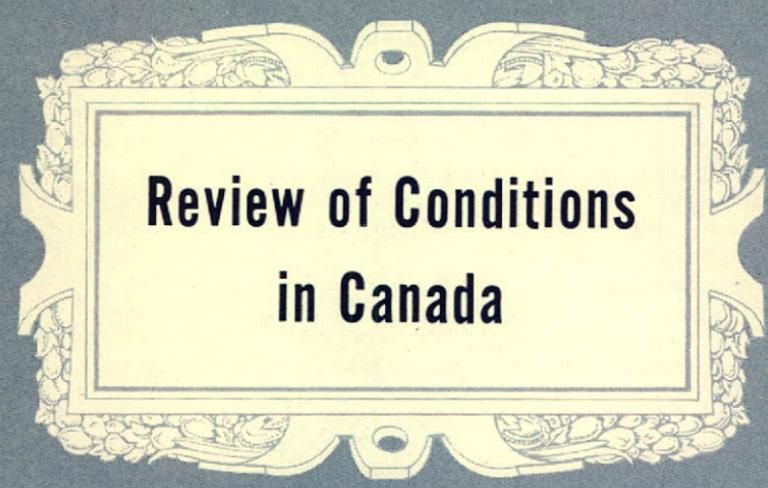
*Supplement to the Report of the Proceedings at the Eighty-eighth
Annual Meeting of The Royal Bank of Canada, January 10th, 1957*

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 88th Annual Meeting which contains the addresses of the Chairman and President, and of the General Manager, dealing with economic and financial conditions in Canada and elsewhere.

There are branches of the Royal Bank in every large Canadian centre of population, and in hundreds of cities and towns from coast to coast. In addition, the bank operates a strong chain of branches in Central and South America and the West Indies, and maintains two branches in London and offices in Paris and New York.

International in scope and stature, the Royal Bank is the largest bank in Canada, with assets exceeding $3\frac{1}{2}$ billion dollars and operating over 870 branches. It plays an important role in Canada's economic life, and in her trade and commerce with other nations of the world.

**THE ROYAL BANK
OF CANADA**



Review of Conditions in Canada

NEWFOUNDLAND

The Newfoundland economy is having what may prove to be a record year with all its main industries such as pulp and paper, logging, mining and fishing doing well.

By far the most important industry is the manufacture of pulp and newsprint and there are at present two pulp and paper companies in the Province, with indications that others may be interested.

Newsprint production in 1956 is estimated to reach about 570,000 tons, approximately the same as in 1955. The market has been strong and is expected to continue so in 1957, when the speed-up of existing machines should result in increased production.

Mining showed ever-increasing activity in 1956 through the production of existing mines, the opening of new mines, and new discoveries and explorations. On Bell Island, iron ore production in 1956 is given at 3 million tons, almost double the 1955 figure. Reserves are estimated at some 5 billion tons. The Iron Ore Company of Canada Limited, with tremendous ore deposits in northern Labrador and Quebec, is steadily increasing its output; the company last year shipped 8 million tons of iron ore and for 1956 has as its objective 12 million tons. Production of

zinc, lead, copper, pyrite and fluorspar concentrates is at a relatively high level. In the Baie Verte area a shaft is now being sunk into what is said to be one of the largest and richest bodies of asbestos to be opened up anywhere in the world since the establishment of the mines at Asbestos, Quebec. Valuable deposits of uranium have been discovered in Labrador, while finds of native silver were also reported.

The total quantity of fish landed during the first ten months of 1956 was 533 million pounds valued at \$12.9 million, compared with 527 million pounds valued at \$13.1 million during the same period of 1955. Cod accounted for about 62% both in quantity and value, with landings during the first ten months of 1956 totalling 370.3 million pounds valued at \$7.9 million, compared with 371.6 million pounds valued at \$8.1 million during the same period of 1955. Shipments of heavy salt cod to the mainland of Canada and the United States totalled 254,000 quintals up to October 20, 1956, compared with 233,000 quintals up to October 20, 1955. The 1956 prices paid to fishermen for salt cod were very good as fish was in short supply. Haddock and lobster are Newfoundland's next two most important catches. Comparing figures for the first ten months of each year, we find that haddock landed amounted to 53.5 million pounds valued at \$1.45 million in 1956 and 43.4 million pounds valued at \$1.18 million in 1955; lobster, to 4.4 million pounds valued at \$1.2 million in 1956 and 5.5 million pounds valued at \$1.4 million in 1955.

In spite of the good quality of farm products and the high returns to farmers, the products of local farms are not nearly sufficient to supply the local market and, except for berries, nothing is exported. Under the Government's policy of assisting farmers to increase their acreages, large areas of new land have been brought into production. There has also been considerable growth in the numbers of cattle, sheep, and poultry.

The establishment of the mink industry in the Province a few years ago has lead to the catching and processing of pothead whales for mink food. With the mink population growing rapidly, the production of whale meat is being stepped up to meet demands. Whale conservation measures are being studied and will be applied if and when needed. The number of mink has grown from 3,725 valued at \$100,000 in 1954 to 35,000 valued at \$1.37 million in late 1956.

Construction is still booming and the housing shortage which has existed for years continues as American servicemen bring in their families. Housing starts rose from 1,385 in the first ten months of 1955 to 1,543 in the first ten months of 1956.

There has been a surplus of unskilled labour in the Province but a definite shortage of skilled and semi-skilled workers.

Wholesale and retail trade has increased in 1956 over the previous year. Credit restrictions may affect sales somewhat but with the high

level of employment a good rate of turnover should prevail during 1957. The American Bases continue to employ a large number of men.

MARITIME PROVINCES

Production of many agricultural products in the Maritime Provinces lagged during 1956, but prices were generally higher than in 1955, and the overall picture can be described as satisfactory. The apple crop in Nova Scotia was hardly more than half the size of the 1955 crop, but prices were well up. A new sales agency was established in 1956, called Nova Scotia Apples Limited, which will handle sales for 60 to 75% of the Annapolis Valley growers in an attempt to establish orderly marketing procedures and to maintain proper prices. Production of grain, potatoes, and root crops in Nova Scotia was down in 1956. Production of Prince Edward Island's most important agricultural commodity, potatoes, was slightly higher in 1956 than in 1955, and the price of potatoes was almost twice as high. The Province's grain crop was the largest in fifteen years, and the strawberry crop was the largest on record.

The Nova Scotia fish catch was very slightly higher in weight and value than it was in 1955. Prince Edward Island enjoyed one of its most successful fishing seasons, but New Brunswick fishermen had the reverse, with landings of almost every variety of fish considerably lower in 1956. A matter of vital concern to the Maritime fishing industry was the appeal by the New England Fisheries before the United States Tariff Board for increased duties on imports and/or import quotas, which, if granted, would have had a serious effect. The United States Tariff Board recommended a tariff increase, but President Eisenhower turned down the recommendation in December, 1956.

Production of sawn lumber in New Brunswick for the first six months of 1956 was up in quantity by about 15% from the figure for the same period of 1955. The export value of all forest products from New Brunswick for the first nine months of 1956 was slightly higher than for the same period of the previous year. In Nova Scotia, however, heavy snows during the winter of 1955/56 curtailed lumber operations somewhat, and output for the first nine months of 1956 was at least 15% lower than for the like period of 1955. The export market for Maritime lumber was not as good, but the improvement in the domestic market took up some of the slack. Output of peeled pulpwood in New Brunswick was higher in 1956, but output of rough pulpwood, and the demand for it, were lower. Higher rail freight rates have reduced the industry's pulpwood exports to the United States.

Manufacturing activity in New Brunswick was at a satisfactory level on the whole, while in Nova Scotia the big factor was the heightened activity of the steel industry. The steel plant at Sydney had an excep-

tionally busy year, with output at 700,000 tons in 1956, compared with 581,000 tons in 1955 and with expected output of 850,000 tons in 1957. The steel plants at Trenton, New Glasgow, and Amherst all enjoyed an exceedingly good year in 1956, with a still better year expected in 1957.

Coal is of course the most important mining product in Nova Scotia. During 1956 the industry appeared to be in a better position than it has been for the past three years, with recent coal shipments to Great Britain and Germany providing a stimulus. The mechanization program of the Dominion Steel and Coal Corporation has involved a concentration of the firm's efforts on its more productive mines, while those with low production and/or high operating costs are being closed. The result has been that the output of all companies operated by Dominion Steel and Coal has risen considerably in 1956.

In Nova Scotia, estimated total value of construction for 1956 is \$150.8 million, compared with \$140.5 million for 1955. In New Brunswick, estimated total value of construction for 1956 is \$180.5 million, compared with \$149.3 million for 1955. But while housing starts in Nova Scotia were down from 2,652 for the first ten months of 1955 to 2,532 for the same period of 1956, housing starts in New Brunswick were up from 2,769 for the first ten months of 1955 to 3,102 for the same period of 1956.

Wholesale and retail trade in Nova Scotia and Prince Edward Island were running at a higher level in 1956, while wholesale and retail sales in New Brunswick were about the same as in the previous year.

QUEBEC

The level of prosperity in Quebec continued to climb during 1956, with industrial, mining, and hydro-electric power development proceeding vigorously. Net value of industrial output is expected to reach an estimated level of \$4.4 billion in 1956, compared with actual industrial output valued at \$4 billion in 1955 and \$3.7 billion in 1954. Total value of mining output in 1956 is expected to reach a new record of \$400 million, compared with \$385 million in 1955 and \$288 million in 1954.

Five aluminum smelters are now in operation in the Province and production was expected to reach 700,000 tons in 1956, but could fall short of that level as a consequence of the power shortage which resulted from unusually low water levels in the Lac St. Jean area. Aluminum production was 650,000 tons in 1955, and is expected to surpass the 1 million ton mark in 1959. Some of the increase will come about as a result of the \$250 million hydro-electric power project on the Peribonka River in Northern Quebec, which will add 800,000 h.p. of electrical energy and 150,000 tons of aluminum smelting capacity. This project is expected to be completed in 1959. A British aluminum company is busily erecting a \$130 million plant in the Baie Comeau area.

Quebec's Eastern Townships' asbestos mines produce about 65% of the total world supply. Indications are that total shipments of asbestos from Quebec mines in 1956 should reach approximately 1,000,000 tons, about equal to the 1955 total of 1,000,827 tons. Owing to an 8% average price increase, however, the total value of 1956 shipments will probably reach a record high of about \$100 million, compared with \$94.8 million in 1955. An interesting development in the asbestos industry during 1956 was a decline of 10% in shipments of long and short fibres and an increase in shipments of medium fibres.

Power output in the Province rose to 8 million h.p. in 1956, and is expected to reach 12 million h.p. in 1959. Quebec's power potential is the largest in North America, at 20 million h.p. The Province already leads the world in output of power per person.

At Pontiac, Quebec, \$15 million is being invested in an iron and steel plant by a large steel corporation. Some people see the St. Lawrence Valley developing into a sort of Canadian Ruhr. There has been much talk in recent years of establishing a primary iron and steel industry in the St. Lawrence Valley, and this kind of thinking was given impetus by the steel strike in the United States. With plenty of iron ore and low-cost power, and with proximity to great markets, there is no compelling reason why Quebec should not have extensive processing facilities of its own. Montreal's steel fabricating plants are working at full blast, and a steel mill will be producing in that area soon. There are iron foundries at Sorel, Hull, and Sherbrooke, as well as in the Montreal area. Montreal is the headquarters for construction steel and bridge building companies.

Quebec's pulp and paper industry continues to set new records. Gross production value of the 55 pulp and paper mills in the Province is expected to reach \$550 million in 1956, compared with \$540 million in 1955.

Investment in the chemical industry in Quebec has been running at a remarkable level in 1956. It is estimated that total new investment in this industry will reach \$47.5 million in 1956, compared with only \$16.9 million in 1955 and \$11.3 million in 1954.

Estimates of total value of construction in the Province place the figure at \$1,491 million for 1956, compared with a figure of \$1,343 million in 1955. Housing starts were down, however, from 34,813 during the first ten months of 1955 to 32,173 for the first ten months of 1956.

Farm cash income in the Province is estimated at \$430 million for 1956, compared with \$424.9 million in 1955. Net value of farm production in 1956 is estimated at \$350 million, compared with \$343.9 million in 1955.

Total landings of fish and shellfish for the first nine months of 1956 amounted to 1.2 million cwt. valued at \$3.4 million, representing an increase of 8.9% in volume and 33.1% in value over the same period of 1955. The most important type of fish caught was cod, the total value of the catch being \$1.6 million for the first nine months of 1956, compared

with \$854,402 for the like period of 1955. Second was lobster, valued at \$941,553 for the first nine months of 1956, compared with \$793,950 for the same period of 1955.

In 1956 some 4.7 million tourists visited Quebec, 2.3% more than in 1955, and spent approximately \$180 million. It is interesting to note that the number of tourists who visited Quebec in 1956 is greater than the number of residents of the Province as listed in the 1951 Census.

Quebec's citizens have caught the vision of a great industrial future, and today the foundations are being laid for such a development. The present boom appears to be only the beginning.

ONTARIO

The strong upward trend in economic activity continued throughout Ontario during 1956 except for a few weak spots in certain agricultural commodities.

The value of manufacturing output in 1955 reached a record figure of \$9.6 billion and indications are that a new high will be set in 1956. With its strategic location to the whole Canadian market and to American coal, steel and industrial centres, the Province continues to attract new industries at a steady pace. High levels of production in the automobile, durable goods and construction industries have resulted in a strong demand for steel and have contributed to the shortage of skilled help in some fields. There have been few labour disputes since the strike at General Motors of Canada Ltd. plants was settled last February and, with an ample number of jobs available, it is expected an almost full employment picture will be carried over into 1957.

Mineral production in 1955 valued at \$578 million also set a record, 16% greater than the former peak of \$497 million the previous year. The four most important metals—nickel, copper, gold and iron—all showed large gains in output and it is expected 1956 will mark a further increase in the total value of mineral production. The greatest developments in this sphere were in uranium and iron. In the case of uranium, it is believed that the ore already outlined, together with indicated additional reserves, make Ontario the possessor of the largest known deposits in the world. The main source of this element is the Algoma district of the Blind River area, although important recoveries are also being developed near Bancroft in the eastern part of the Province. More than \$1 billion in contracts and letters of intent have been given to eight companies in the Blind River area alone by Eldorado Mining and Refining Ltd., the Government buying agency. In the case of iron, while new discoveries played a part, the emphasis was on the expansion of mining and smelting facilities. The recovery of minerals seems assured of becoming more and more important to the economy of Ontario.

Estimated total value of construction in 1956 is \$2.2 billion as compared with \$1.8 billion a year ago. Higher costs and increased commercial building are reflected however, for housing starts in the first ten months were down at 44,450 from 46,232 during the corresponding preceding period. Greater financing difficulties affected the latter aspect, although it is thought the full impact of the shortage of mortgage funds will be felt in 1957. Some are predicting that as a result, residential starts may drop further by as much as 25%, with capital being diverted to investment in other construction, machinery and equipment. Large scale immigration may help to keep up the demand for housing units and it is interesting to note that, as in the past ten years, more than 50% of those entering the country gave Ontario as their destination, the figure in 1955 being 109,000.

The rising level of personal income has been accompanied by a similar trend in consumer expenditure. The volume of retail sales during the first ten months of the year was 5.5% higher than during the previous equivalent period, with department store sales well up and the Christmas trade expected to surpass all former records. Total wholesale volume appears to be moderately ahead of the 1955 figure with prices holding steady to slightly higher. Collections and payments are being reasonably well maintained and instalment buying continues to be substantial.

The picture in agriculture was not uniformly as satisfactory as in other sectors of the economy due to a cool, wet season. The potato and tobacco crops are expected to be somewhat higher and the soy bean and sugar beet crops lower than a year ago, while fall wheat should be about the same. Apples, peaches and strawberries were considerably down but the supply of raspberries was up and grapes and pears were relatively unchanged. Production and export of dairy goods showed some gains.

The cattle population at mid year was comparatively the same at 3.1 million head, but the total number of hogs fell off slightly at 1.81 million from 1.84 million. Beef exports were light as strong domestic demand supported by high consumer incomes and a growing population makes it possible for most of the meat to be marketed within the country.

The St. Lawrence Seaway project is of major importance in the Province's progress, assisting business in general through the construction boom and the expectations of increased trade and abundant power. All told, it appears that both industrial and mineral development, and production on the whole, will continue to rise in 1957.

PRAIRIE PROVINCES

For the three Prairie Provinces as a whole, estimated production of each of the five major grains, with the exception of rye, was greater in 1956 than actual production was in 1955. With figures for 1956 being

October estimates, it can be said that total production of the five grains rose in Manitoba from 137.3 million bushels in 1955 to 195 million bushels in 1956; in Saskatchewan, from 558.8 to 618 million bushels; and in Alberta, from 391.3 to 409.3 million bushels. Total production of the five grains on the Prairies as a whole rose from 1087.4 million bushels in 1955 to 1222.3 million bushels in 1956. Total production of wheat on the Prairies was up from 472 million bushels in 1955 to 516 million bushels in 1956. Production of wheat in Manitoba rose from 41 to 53 million bushels; in Saskatchewan from 298 to 327 million bushels and in Alberta from 133 to 136 million bushels.

The excellent 1956 crop, combined with the carry-over from previous years, again poses a serious marketing and storage problem. Commercial elevators throughout the Prairies are being taxed to capacity; a portion of the grain surplus is stored in farm granaries and another portion remains in piles in the fields.

The estimated figure for farm cash income in 1956 is well above the 1955 figure, for the three Provinces as a whole and for each individually. Some farmers, however, had insufficient cash on hand to cover operating expenses and had to avail themselves of borrowing facilities extended under the Prairie Grain Producers' Act.

Conditions for livestock have been somewhat mixed in 1956. In Saskatchewan, marketings of cattle, sheep and hogs were all up, in number and value, from 1955. In Manitoba and Alberta, marketings of cattle and sheep were up in number and value, but marketings of hogs were down in number and value. Large quantities of low-grade grain assure an ample supply of feed in the coming year.

Manufacturing output shows steady expansion in Manitoba, and a tendency toward greater economic diversification and balance is evident in the Province. Both of these trends will probably be given added buoyancy by the increasing exploitation of petroleum resources.

A comparison of estimated total construction expenditure in 1956 with actual construction expenditure in 1955 shows a higher 1956 figure in each of the provinces: \$305.1 million compared with \$254.4 million in Manitoba; \$300.6 million compared with \$287.3 million in Saskatchewan; and \$724.9 million compared with \$599.3 million in Alberta. Housing starts in Manitoba and Saskatchewan during the first ten months of 1956 showed a decline as compared with the same period of 1955; housing starts in Alberta during the same periods showed an increase.

The value of mineral production, excluding petroleum and natural gas, is running at a record level in each of the three provinces in 1956. Of special interest with respect to Saskatchewan is the fact that the value of the Province's uranium production in 1956 is expected to nearly double the 1955 figure of \$14.3 million. Coal production in Alberta during the first eight months of 1956 amounted to 2,487,268 tons, an increase of some

155,000 tons over the same period of 1955. This was the first increase in the Province's coal production since 1949.

Crude oil production in Western Canada is rising sharply. In Manitoba, production of crude oil during the first eight months of 1956 was 3.74 million barrels, compared with 2.45 million barrels during the same period of 1955. Approximately 95% of the oil produced is moved to refineries through the Interprovincial Pipeline. Much of the potential oil-bearing area of the Province is as yet untested by drilling. In Saskatchewan, production of crude oil during the first eight months of 1956 was 11.7 million barrels, compared with 6.5 million barrels during the like period of 1955. Estimated production for the whole of 1956 is 17.5 million barrels, compared with actual production of 11.3 million barrels for the whole of 1955. Refinery capacity in Saskatchewan is rising steadily. Pipelines and gathering systems now completed or on the verge of completion will increase the throughput to 20 million barrels per year. In Alberta, production of crude oil during the first eight months of 1956 was 92.6 million barrels, compared with 71.5 million barrels during the same period of 1955. Alberta's daily oil production for 1956 should average about 395,000 barrels, compared with average daily production for 1955 of 55,000 barrels in Saskatchewan and 16,000 in Manitoba. Alberta's average daily oil production reached an all-time high of 437,000 barrels for the month of August 1956 and the Province's production potential is estimated to be in excess of 700,000 barrels per day. Western Canada's crude oil production potential is capable of meeting all of Canada's domestic and export requirements of approximately 835,000 barrels daily, but because of the cost of transporting Western Canada's oil over the great distance to Montreal, this oil is not at present competitive with oil imports in the great refinery centre of Eastern Canada. Unless additional export markets are obtained, current well allowables in Alberta will have to be reduced substantially in 1957. However, a number of offshore shipments of Canadian crude to California and Japan have been made in 1956, and Alberta producers are hopeful that these new outlets will provide a major export market in the future. Owing to the Suez crisis the competitive advantage on the west coast of the United States, of Middle East petroleum over Canadian petroleum, has been reduced; as a result, offshore shipments of Alberta crude to California have recently shown a marked increase. At present, exports of oil from Western Canada to the United States via pipeline are averaging about 135,000 barrels per day, of which somewhat under 80,000 goes to the State of Washington and somewhat over 55,000 goes to the Lakehead, Midwest, and Michigan areas.

Proven oil reserves in Western Canada are now estimated at 3 billion barrels, 2.25 billion in Alberta. While no major fields were discovered in 1956, a substantial number of wildcat successes were recorded, some of them appearing to have good potential.

Operations of the two principal crude oil pipelines showed substantial increases over 1955, with throughput of the Interprovincial Pipeline now averaging some 230,000 barrels per day and the Trans-Mountain system over 150,000 barrels per day.

With two major natural gas pipeline projects underway—Westcoast Transmission Company Limited and Trans-Canada Pipe Lines Limited—record figures for pipeline construction are indicated for 1956. Construction of the 575 mile initial leg of the 34-inch Trans-Canada Pipeline from the Alberta border to Winnipeg got under way in July 1956 and is scheduled for completion sometime in 1957, when the next steps will be the 107 mile line to the Ontario border and the 675 mile 30-inch Northern Ontario section. Westcoast Transmission, which a year ago began construction of its 30-inch pipeline from the Fort St. John area to the United States-British Columbia border has now completed more than half of the 650 mile line. Initial deliveries of gas are scheduled for November 1957. In addition, construction of a products pipeline from Alberta to the Lakehead is planned by Hydrocarbons Pipeline Limited, which would transport gasoline, propane, and butane to markets in Manitoba and Ontario. The liquid hydrocarbons would be extracted from the gas before it entered the Trans-Canada Pipeline. With the two major pipeline projects underway and with substantial markets assured, exploration and development of the natural gas resources of Alberta and British Columbia have been greatly enhanced. Latest estimates place Alberta's natural gas reserves at 18.5 trillion cubic feet.

There are good reasons to expect continuing prosperity in the Prairie Provinces during 1957, as well as a continuation of the tendency toward more diversified and balanced economic growth.

BRITISH COLUMBIA

British Columbia's economic expansion maintained its momentum from 1955 into 1956. Levels of industrial production, employment, income, sales, and capital investment in the first six months exceeded those in the same period of the previous year. Indications suggest that final statistics for the complete year will show a rate of expansion equal to, and probably greater, than that for 1955.

Total production of lumber and ties during the first nine months was 3,564 million feet, somewhat lower than the figure of 3,639 million feet for the same period of 1955. Shipments of lumber from British Columbia to points in Canada was slightly higher during the first nine months of 1956 than during the same period of the previous year; 1,196 million feet compared with 1,046 million feet. Shipments to points in the United States were slightly lower during the second nine-month period; 1,137 million feet compared with 1,163 million feet. Shipments to the United

Kingdom, however, were way down, from 482 million feet for the first nine months of 1955 to 273 million feet for the same period of 1956; and shipments to other foreign countries for the same periods were down from 314 million feet to 247 million feet. The lower prices of lumber which have prevailed in recent months have resulted in difficult conditions for marginal producers in this field.

Although prices of plywood and veneer are down, production of both continues to expand. Increasing use of plywood in the construction industry is in part responsible and has resulted in an announcement by four major companies in the Province of plant expansions and new plant construction amounting to a total cost of over \$6 million.

Estimated production of pulp, paper, and converted paper for 1956 is 1,479,000 tons, compared with 1,407,561 tons in 1955. Continued growth is indicated by the fact that expansion programs on the part of six companies in the Province, either underway or announced, amount in total cost to \$225 million.

Total fish of all varieties landed in the first nine months of 1956 amounted to 536.9 million pounds valued at \$30.6 million, compared with 289.7 million pounds valued at \$23.1 million for the same period of 1955. However, the salmon catch was below average. The total pack of canned salmon for the first eleven months was 1.1 million cases, compared with 1.4 million cases for the complete year 1955, itself a below-average year. One of the most interesting features concerning the canned salmon industry is the fact that 91,500 cases of Red Spring variety salmon were imported from Japan, and Canadian fish companies are negotiating the import of a further 131,000 cases of mixed varieties. This development occurred when, following the low catch of 1955, it was found that insufficient supplies were on hand for domestic consumption, and the industry, wishing to accommodate foreign importers with their usual quotas of British Columbia salmon, was obliged to introduce the Japanese product in the domestic market. Conservation continues to be a major problem facing the salmon industry. Large Sockeye packs are to be expected in 1957 and 1958, if cycle predictions prove correct.

Halibut landings of 22.3 million were below the figure of 26.6 million for 1955. The total catch is rigidly controlled through quotas established by the International Halibut Commission. Buying and market prices were considerably higher in 1956 than in 1955, owing to the shortage of salmon. Landings of herring reached a record of 250,445 in the 1955/56 season, compared with 170,119 for 1954/55.

In order to alleviate partially the financial losses suffered by some farmers as a result of the damaging frost in November, 1955, and the drought in the spring of 1956, the Provincial Government set up special borrowing legislation under the Distress Area Assistance Act.

The 1955/56 season for fruit and vegetable growers was one in which they were caught between high operating costs and relatively low returns. In particular, the apple crop suffered both as to quantity and price, but there are indications at this time that prices are strengthening. The growing season was retarded, and an abundant supply of fruit was available from competitive areas. In the Okanagan Valley all crops except pears and prunes were greatly reduced in volume owing to the heavy frost in November, 1955. Owing to the same frost, the Fraser Valley berry crop was greatly reduced. In general, vegetable growers had a good season.

In mining, production of gold, lead and coal show decreases while silver and copper production is at about the same level as in 1955. Iron ore deposits on Vancouver Island are being developed for the Japanese market.

Exploration for petroleum and natural gas continues at a steady rate in the Peace River district adjacent to the Alberta border. Deliveries through the Trans-Mountain Oil pipeline are fluctuating between 140 and 160 thousand barrels a day. The Westcoast Transmission Company's natural gas line now nearing completion at a cost of \$153 million will carry natural gas 700 miles from the Peace River area to Vancouver and the United States border. An additional line served by Westcoast Transmission is planned to cover the interior of the Province. About 300 million cubic feet daily will be exported to the United States; the immediate demand in British Columbia is expected to be about 100 million cubic feet per day.

For manufacturing industries besides those connected with forestry products, 1956 should be a record year. Engineering establishments, machine shops, foundries, steel fabricating plants, and shipyards are all fully occupied. With an immense potential in natural resources located in British Columbia, more and more firms are expected to locate in the Province.

The record breaking level of construction activity continues throughout the Province. The total value of all construction is estimated to reach \$839.5 million, compared with \$572.6 million in 1955. All types of construction show large increases in 1956, with the exception of residential construction, which is down slightly. Housing starts in the first ten months of 1956 totalled 13,045, compared with 13,841 for the same period of 1955.

The volume of retail sales has been running well above the 1955 level.

The overall employment situation has been buoyant, with continued labour shortages in the skilled trades, and in professional, secretarial, and mining occupations. Even unskilled workers have been in short supply for some industries, particularly for out of town jobs.

Total electrical energy generated in the Province at present is 2.2 million h.p. The British Columbia Government, in its submission to the

Royal Commission on Canada's Economic Prospects, forecast electrical energy production in 1975 of 12.5 million h.p.

It appears that expansion in all sectors of the economy, with the possible exception of the lumber industry, will continue through 1957, although credit restrictions and shortages of labour and materials may have the effect of slowing this expansion down somewhat.

YUKON TERRITORY AND THE NORTHWEST TERRITORIES

Mining is the dominant activity in both the Yukon and the Northwest Territories. Fur trapping, the only other industry in the Yukon producing in sufficient quantity to allow for shipments beyond the borders of the Territory, yields an annual production valued at only about \$250,000, compared with about \$15 million for minerals. In the Northwest Territories, commercial fishing amounting in annual value to about \$1.5 million and fur trapping amounting in annual value to about \$900,000 are of some importance, but both are dwarfed by an annual mineral production of over \$25 million. Moreover, in both Territories, the metal mining industry, and perhaps also the petroleum industry, give the greatest promise of expansion.

Mineral production in both Territories is unfortunately restricted to a few metals and a few localities. In the Yukon, gold comes from placer mining in the Klondike, and silver, lead, zinc, and cadmium is mined in the vicinity of Keno Hill. In the Northwest Territories, uranium is produced at Great Bear Lake and gold at three mines in the Yellowknife area; the production of oil at Norman Wells is used only for local consumption within the Mackenzie District.

The total value of mineral production in both the Yukon and the Northwest Territories has been running at a higher level during 1956 than during 1955. It should be mentioned, and it may at first sight seem discouraging, that in 1955 mineral production in the Yukon was 11% lower than in 1954, and in the Northwest Territories 3% lower, while for Canada as a whole mineral production increased by 21%. However, a deeper examination is more encouraging. The decline in the Yukon was due to local reasons; and the decline in the Northwest Territories was entirely due to pitchblende, with other mineral production showing an increase of 13%. Furthermore, current mineral activity in both Territories should be regarded in the perspective of the very high rate of post-war development; between 1945 and 1955 mineral production increased in the Yukon by over 10 times and in the Northwest Territories by 25 times the 1945 level (excluding pitchblende), while for Canada as a whole the increase was a little more than 2½ times. Some temporary

leveling off therefore seemed inevitable. In any event the upward trend seems to have been revived in 1956.

There is a good deal of exploration going on, which promises an expanding and more broadly based production. In the Yukon, exploration is being undertaken on nickel and copper deposits, silver, lead, and zinc deposits, and tin, tungsten, and gold prospects covering a variety of areas. A most interesting asbestos deposit has been found in the vicinity of Dawson. Drilling for oil is planned in the northern part of the Territory.

No progress has been reported on the plans for developing up to 4.5 million h.p. of hydro-electric power by diverting the headwaters of the Yukon into the Taku River in Northern British Columbia. When this scheme materializes, low cost hydro-electric power will be available in the southern part of the Yukon and, by facilitating smelting and refining in the region, is sure to stimulate mineral exploration very greatly.

In the Northwest Territories two mines are being brought into production, a small nickel mine near Rankin Inlet on the west coast of Hudson Bay, and a small uranium mine in the Marian River region northwest of Yellowknife. The most interesting potential mine is the zinc-lead deposit at Pine Point on the south shore of Great Slave Lake. This may prove to be one of the largest zinc-lead mines on the North American continent, but it is unlikely to come into production until rail transportation is available. Exploration for oil is being carried on over a wide area in the Mackenzie River Valley.

More exciting, however, than either current production or exploration is the great mineral potential which exists in this vast region. The Yukon and the Northwest Territories together represent 40% of the land and fresh water area of Canada. They are composed of the Canadian Shield, of an extension of the Great Central Plain, and of the Cordilleras. The Canadian Shield and the Cordilleras are two of the great metal bearing regions of the world, and the Central Plain is one of the great oil bearing regions. The reason for the relatively small output to date is that, because of its remoteness, this area has been only very scantily explored.

The lack of transportation, rather than the rigours of the climate, is the greatest barrier to the development of Northern Canada. The main significance of the climate is that it adds to the costs of all types of operations. The lack of adequate transportation facilities, on the other hand, is a major obstacle because it discourages exploration, which is obviously the essential first step to development. Few companies are willing to invest the substantial sums of money required for mineral exploration when there is no certainty that transportation will be available to carry out the product of any mine which they may discover. The Commissioners of both the Yukon and the Northwest Territories emphasized this point in their Briefs to the Royal Commission on Canada's Economic Prospects. The Commissioner of the Northwest Territories

laid special stress on the importance that the establishment of a railway to Great Slave Lake would have for the economic development of the whole Mackenzie District. It is estimated that the cost of building a rail line linking Pine Point, on the south shore of Great Slave Lake, with the present railhead at Grimshaw, Alberta, 400 miles away, would be about \$50 million.

Although it is principally upon the development of their mineral wealth that economic expansion in the Yukon and the Northwest Territories will depend, it is to be expected that as mining grows so will such industries as agriculture, lumbering, and small manufacturing.



HAVANA
8 BRANCHES

CUBA

PINAR DEL RIO

SAGUA LA GRANDE
SANTA CLARA
SANCTI SPIRITUS
CIEGO DE AVILA

NASSAU
3 BRANCHES

MORON

CAMAGUEY

HARBOUR ISLAND

HATCHET BAY

BAHAMAS

HOLGUIN
BAYAMO
SANTIAGO DE CUBA

GUANTANAMO

HAITI

PORT-AU-PRINCE

BRITISH HONDURAS

BELIZE

MONTEGO BAY

KINGSTON

JAMAICA

C A R I B B E A

S E A

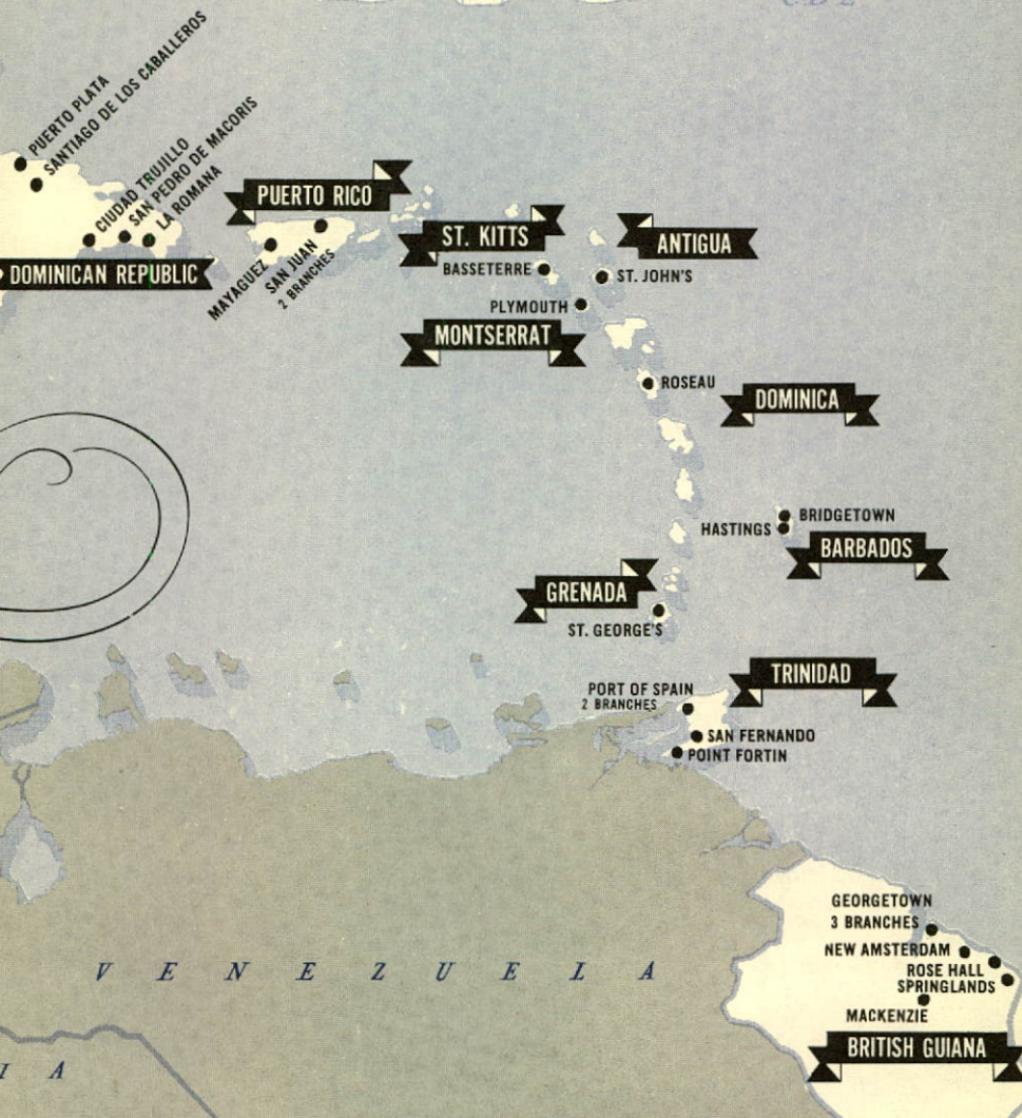
C E N T R A L
A M E R I C A

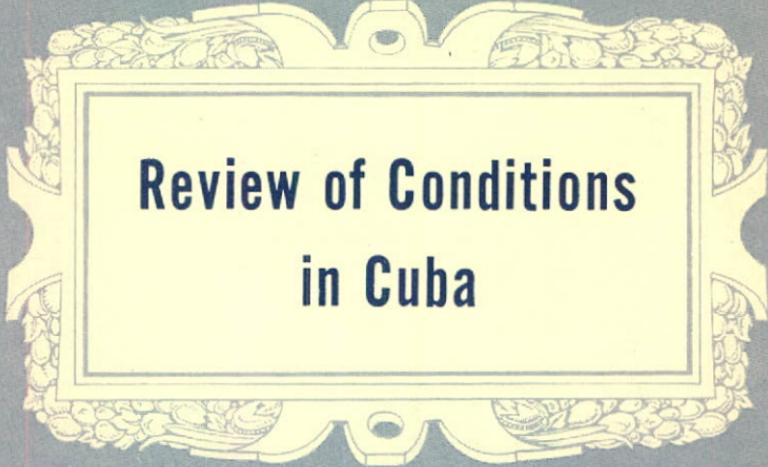
C O L O M B I A

This map shows the location of the many branches of The Royal Bank of Canada in the West Indies. Established in the West Indies since 1899, the Royal Bank today operates branches in Cuba, the Bahamas, Puerto Rico, Haiti, Dominican Republic and many of the islands of the British West Indies.

For map showing location of Royal Bank branches in Central and South America, see inside back cover.

C D E





Review of Conditions in Cuba

CUBA

Steady improvement in the Cuban economy under way since late 1954 brought the country to new heights of prosperity during the first nine months of 1956, and it is expected that this year will prove to be an even more prosperous one. Optimism regarding the future is high. The chief reason for this situation is that sugar sales are at a high level and at satisfactory prices.

The degree to which the economy is dependent upon sugar exports can readily be seen from the fact that the value of sugar and its by-products exported in 1955 amounted to \$474.4 million, almost 80% of the total value of exports for that year. As of the middle of September, 1956, Cuba had exported 4.2 million long tons of sugar, an increase of 920,000 long tons, or 28.3% over the same period in 1955, and an increase amounting in value to over \$80 million. As of the end of August, Cuba had exported approximately 100 million gallons of blackstrap molasses and 98 million gallons of high-test molasses, comprising virtually all that was available for export from the 1956 crop. The 1956 sugar crop was fixed by Government Decree at 4.6 million long tons, an increase of 200,000 tons over 1955, and production almost matched the quota. The sugar crop for 1957 has been set at 5.15 million long tons.

The tobacco industry is of considerable importance to the Cuban economy, and is Cuba's second leading export, although the value is minor in comparison with sugar. This industry accounts for about 7% of the total value of Cuban exports. For the 12 month period ended August 31st in each case, the export value was about the same for 1956 as for 1955, approximately \$43.6 million.

A very intensive search for oil is under way in Cuba today, with exploration taking on a new importance since the development of the oil crisis in the Suez. These activities started in 1954 when a concession near Jatibonico "blew in" with an initial production of 200 to 250 barrels per day, creating renewed interest and speculation in this industry. Since that time about 200 wells have been drilled with an overall investment of 4 to 5 million dollars. Present day output from an estimated 37 active wells averages 1,600 to 1,800 barrels daily, and national production figures in barrels of 42 gallons each were 48,600 for 1953, 57,173 for 1954, 381,824 for 1955, and 307,852 for the first six months of 1956. Cuba is still not producing more than 2% of its annual consumption and it is estimated that annual imports of oil and its derivatives amount to a total of nearly 19 million barrels in volume and about \$47.7 million in value.

Increased activity in the mining industry is evident. The total value of exports of all minerals rose from \$29.9 million in 1954 to \$35.6 million in 1955, an increase of 19%. During the first five months of 1956 the value of mineral exports was \$14.2 million, compared with \$13.1 million for the same period of 1955, representing an increase of approximately 8%. The leading mineral exports, ranked in order of values, were nickel, copper, manganese, iron and chrome.

Satisfactory conditions prevail in the cattle industry. The coffee producers were successful in disposing of last year's surplus by developing an export market which is likely to be maintained in 1957. Cuba produced only 43% of its population's rice requirements in 1955, and domestic production is expected to yield an even smaller proportion of national requirements in 1956.

In recent years the Government has been steadily increasing the emphasis upon its diversification program. This program includes, among other things, legislation to provide duty exemptions on imports of certain capital goods and raw materials; the waiving of income and profits taxes for five to ten year periods for new industries of certain kinds; the granting of credit facilities for oil drilling; the establishment of farm price supports and a fund for these supports and the granting of long term governmental loans. While expenditures on public works have been substantial, private foreign and domestic investment in productive industry has been running at a level approximately four times as high.

Department store sales for the first ten months of 1956 were about 5% higher than for the same period of the previous year. Sales of electrical appliances, industrial machinery, and heavy equipment continued strong.

Agricultural equipment sales fell off. Construction was in high gear, with building permits for the first nine months of the year valued at \$49.5 million, in comparison with \$46.6 million for the like period of the previous year. Although, as a result of the steel strike, United States mills were unwilling to accept new orders for structural steel, shipments from Europe were sufficient to meet most construction needs. Automobile imports were reduced during 1956 by about 23%, but truck and tire sales were satisfactory. Textile output was at a favourable level and production facilities are being expanded. Collections were somewhat slow in some sectors of the economy and of the country, but the overall picture was acceptable.

The inflow of tourists has been extremely heavy, and final figures for 1956 are expected to reach a record of well over 300,000 entries, compared with 285,386 in 1955. The construction of new hotels continues at a vigorous pace.

There has been some alleviation this year of the still serious unemployment situation which occurs annually during the "dead season" following the sugar season which extends from early January to late June, an improvement brought about by stepped-up government expenditure on public works during the third quarter.

Consistent with past years, a favourable balance of trade is being currently maintained. For the first six months of each year, exports rose in value from \$324.2 million in 1955 to \$365.2 million in 1956; and imports from \$245.9 million in 1955 to \$274.2 million in 1956.

National income has been running at record levels. In the first half of 1956 it reached an estimated annual rate of \$2.1 billion, seasonally adjusted. This figure is approximately 11% above the 1955 figure and approximately 6% above the record set in 1952. Almost all sectors of the economy are sharing in the upswing.

The budget for the fiscal year ended June 30, 1956 called for revenues of \$312.9 million and expenditures of \$325.3 million; actual revenues for the period totalled \$328.7 million and resulted in a small surplus. The 1956-57 fiscal year calls for a balanced budget at \$330 million.

The Government's objectives are to diversify the economy so as to reduce the excessive dependence upon sugar and to stimulate the expansion of productive industry as distinct from public works.

Review of Conditions in the West Indies

**BRITISH WEST INDIES
BRITISH GUIANA
BRITISH HONDURAS
BAHAMA ISLANDS**

Business activity in the area as a whole has continued at a high level in 1956 although at one or two points trade was not quite as buoyant as in the previous year. Although the special efforts, particularly in Jamaica, Trinidad, British Guiana and Barbados to encourage industrial expansion through privileges granted to pioneer industries, have met with some success the economy of the area still rests mostly on agriculture. Sugar is the most important crop, production in 1956 having been estimated at 1,030,000 tons compared with 1,090,000 tons in 1955, the decline being the result of less favourable weather conditions in Barbados and Trinidad and the planned cut-back in production in Jamaica because of the carry-over from the previous crop. All available export sugars continue to be marketed under the Commonwealth Sugar Agreement which runs until 1964. The major portion of these sugars is sold to the British Government at prices negotiated annually, the remainder being disposed of in the Commonwealth and other countries at world market prices. The negotiated price in 1956 was BWI\$195.60 per ton C.I.F., the same as the previous year and it has just been announced that the negotiated

price for the 1957 crop has been increased to BWI\$202.40. There are no surplus sugars this year and Jamaica was fortunate in disposing of the previous year's carryover as a result of other Commonwealth countries being unable to fill their quotas. Shipments of bananas from Jamaica were slightly below the original estimate of 12,000,000 stems but average prices were higher than in the previous year. In Dominica the production of bananas is now the major agricultural industry and exports for this year are estimated to be 1,900,000 stems. The production of bananas in Trinidad and Grenada is also on the increase. The rice crop in British Guiana is expected to show a slight increase over last year's figure of 91,900 tons and the contract for sales of rice in other British West Indian markets was renewed in September for a further period of three years. Production of cocoa in Trinidad showed a slight increase in 1956 but owing to hurricane damage there was a sharp falling off in production in Grenada. Prices for this commodity were generally lower. Cotton production was lower because of the change in the planting season in Montserrat with the result that no crop was harvested there during 1956. Other crops in the area were generally satisfactory.

Bauxite continues to be one of the major industries of British Guiana and is becoming increasingly so in Jamaica. The British Guiana production for 1956 is estimated at nearly two and a half million tons. Plans have been announced for the erection of another alumina processing plant in Jamaica at a cost of some £12,000,000 and a similar plant in British Guiana at a cost of Can\$33,000,000. Interest continues to be evinced in the mineral possibilities of British Guiana.

Oil continues to be the principal industry in Trinidad and the production of 25,000,000 barrels in 1955 was slightly up from the previous year. Exploration activity continues with particular attention being paid to marine drilling which, according to reports, has given encouraging results. A major development in the industry during the year was the purchase of the Trinidad Oil Company Limited, the largest local company, by the Texas Company for approximately £63,000,000. It is expected that as a result the company's operations will be considerably extended. Another event of interest was the effective control which British Petroleum Company Limited obtained of Trinidad Petroleum Development Company Limited, a locally producing company. Exploration in Barbados, Jamaica and British Honduras continues but according to reports without any positive results.

The tourist industry has again shown further expansion with new records achieved in the Bahamas and Jamaica. It is expected that with the construction and opening of additional hotels of the luxury class in both places this trend will continue. This industry in Barbados also shows expansion and the outlook for the coming season at all points is reported to be promising.

Development programs continue to be implemented, particularly in Jamaica, Trinidad and British Guiana and in Barbados the construction

of the planned deep-water harbour at a cost of several million pounds is about to get underway. In British Honduras and Grenada there has been considerable rehabilitation activity following the hurricane damage experienced in 1955. In addition the Colonial Development Corporation continues its activities in the area.

Unemployment in Jamaica continues to give concern but, generally speaking, there was little labour unrest in the area during the year.

Government finances at the various points are reported to be satisfactory although certain of the smaller colonies continue to receive grants from the British Government to make up budget deficits. In Trinidad emergence of a Party Government for the first time is of interest and the consensus is that the newly elected party, Peoples National Movement, will give stable administration. In British Guiana there are plans to restore a constitution to the Colony, the last one having been suspended in 1953.

Progress has been made with the plans for the Federation of the colonies of the British West Indies and the legislation necessary for the event was passed through the British House of Commons in August last. It is hoped that as soon as the choice of a site for the Federal capital is made and a Governor General of the Federation appointed, both of which are expected to take place in 1957, elections can be held in the early part of 1958.

DOMINICAN REPUBLIC

The total value of exports from the Dominican Republic rose from RD\$78.5 million for the first eight months of 1955 to RD\$84 million for the same period of 1956 and imports increased from RD\$60.8 million to RD\$68.8 million. The favourable balance of trade for the corresponding periods was RD\$17.7 million and RD\$15.2 million respectively.

Sugar is the Dominican Republic's most important export and accounted for 43.4% of the country's exchange earnings in the first eight months of 1956. Exports of raw and refined sugar during this period amounted to RD\$36.7 million compared with RD\$34.7 million during the same period of 1955. As at September 30, 1956, 650,338 metric tons of sugar had been produced which compares with 611,195 metric tons for the whole of 1955. The latest revised production quota for the Dominican Republic was set at 832,753 short tons. Prospects for the Republic's 1956/57 sugar industry are good as sugar cane plants are reported to be in healthy condition and prices for sugar and molasses have strengthened recently. The country's sugar manufacturing capacity is being expanded through the construction of two new mills and the rehabilitation of a third. It is believed that an eventual output of 1 million tons of sugar is the country's goal.

While sugar was the Dominican Republic's leading exchange earner, coffee recorded the highest increase in export value superseding cocoa as the country's second most important source of exchange. The value of coffee exports rose from RD\$11.6 million for the first eight months of 1955 to RD\$20.5 million for the same period of 1956 accounting in this latter period for 24.5% of the country's export exchange earnings. The price of coffee in 1956 was slightly higher and there has been an appreciable increase in the price asked by growers for future deliveries.

Cocoa's share of the country's exchange earnings dropped from 19.8% for the first eight months of 1955 to 8.9% for the same period of 1956. The value of cocoa exports for the same two periods fell from RD\$15.6 million to RD\$7.5. The market price of cocoa remains low. Prospects for the 1956/57 crop are that it will be of average size and quality.

Owing to heavy rains in March it is expected that the total tobacco crop in 1956 will be about 5% below that of 1955, when 17.9 million kilos were produced. The quality of the crop is reported to be good and prices in 1956 were higher than in 1955.

Production and prices of other crops were generally satisfactory.

Development of the cattle industry is being given impetus by the Government. Good strains of cattle have been brought into the country and grazing lands and stock feeds are available in adequate supply. Export markets for cattle on the hoof are being gradually developed. Prospects for the industry appear to be good.

The value of mineral exports from the Dominican Republic, while still relatively insignificant, rose sharply in 1956. For the first six months of 1956 the value of minerals exported from the country amounted to RD\$1.5 million compared with RD\$1.3 million for the whole of 1955. The principal products being mined are iron, gypsum, and salt. Deposits of manganese, gold, chrome, silver, zinc, copper and nickel are known to exist.

Public works expenditure is running at a high level. The total cost of projects currently under way amounts to about RD\$112 million.

A project to increase the country's electrical power was announced in August 1956 with work on the first phase scheduled to begin in 1957. The country's output is to be raised from the present 61,500 kw. to 159,00 kw. The total cost of the project has been estimated at RD\$48 million.

The 1956 budget called for revenue of RD\$122.7 million, the highest ever, and expenditures of RD\$119.9 million. The Republic has no foreign or internal debt but outstanding Government-guaranteed funded debt of official bodies aggregates RD\$38.4 million.

The country's foreign exchange reserves showed a further decline during the first seven months of the year and as at August 31, 1956 stood at RD\$37.9 million as compared to RD\$43.4 million on the same date in 1955 and RD\$56 million in 1954. The reduction was largely due to

the substantial construction projects that have been initiated during the past two years which required the importation of large quantities of heavy machinery and equipment. It is estimated, however, that increased sugar production, coupled with the trend towards higher prices, should result in an appreciable improvement in the country's foreign exchange position in 1957.

HAITI

Haiti's favourable balance of trade for the eight months ended May 31, 1956 was 29.3 million gourdes compared with 5 million gourdes for the corresponding period in 1955. The value of exports rose from 141.8 million gourdes to 187.7 million gourdes during the same period and imports increased from 136.8 million gourdes to 158.4 million gourdes.

The product which played the dominant role in Haiti's favourable balance-of-trade position was coffee. The value of coffee exports rose from 103.8 million gourdes for the eight months ended May 31, 1955 to 141.8 million gourdes for the like period in 1956. In the latter eight-month period coffee exports accounted for 75.5% of Haiti's total exchange earnings. Indications are that the 1956/57 coffee crop will be about 275,000 bags of 80 kilos each compared with the 1955/56 crop of 374,208 bags. Deliveries of the 1956/57 crop have been slow owing to heavy rainfall during the latter part of October and the early part of November.

Haiti's second most important source of export exchange earnings was sisal. The value of such exports rose from 17.3 million gourdes for the eight months ended May 31, 1955 to 22.9 million gourdes for the same period of the following year. In the latter eight-month period sisal exports accounted for 12.2% of Haiti's exchange earnings. Prices are currently somewhat depressed.

Haiti's third leading exchange earner was sugar. Exports of this commodity increased from a value of 3.3 million gourdes for the eight months ended May 31, 1955 to 9.4 million gourdes for the same period of the following year. In the latter eight-month period sugar exports accounted for 5% of Haiti's exchange earnings. Prices have strengthened appreciably in recent months. Local consumption of sugar is on the increase and it is reported that production will be stepped up next year. The 1956/57 crop which is about to be harvested is expected to return a satisfactory yield.

The output of some 6/7,000 bales of cotton fell short of expectations and the export value of this commodity was reduced from 2.5 million gourdes for the eight months ended May 31, 1955 to 1 million gourdes for the same period in 1956.

Haiti's first flour mill is currently under construction and is expected to be ready to operate early in 1957. Its annual production capacity will be over 500,000 barrels of 200 pounds each, somewhat more than annual domestic consumption, which amounts to something over 400,000 barrels.

Work preparatory to mining bauxite is nearing completion and it is expected that exports will begin in March 1957. It is reported that annual production will be from 700,000 to 900,000 tons.

The dam in the Artibonite Valley was completed during the year at a cost of US \$27 million and it will make possible the irrigation of some 80,000 acres of land and should add stimulus to agricultural development. Thought has been given to the construction of a hydro-electric plant in connection with the dam. Considerable public and private construction has been carried out. It is reported that a new and much larger airport is to be built a few miles from Port-au-Prince at a cost of US \$3 million.

The policies of the Government have been concentrated on public works development with particular emphasis on roadbuilding. To assist in this connection a loan of US \$2.6 million was recently approved by the International Bank for Reconstruction and Development. Efforts are also being made to develop tourism further. The formerly flourishing cocoa and banana crops which are at present showing comparatively low production are also receiving special Government attention. The public dept was reduced from 244.4 million gourdes as at May 31, 1955 to 235.4 million gourdes on May 31, 1956.

An election is scheduled early in the New Year.

PUERTO RICO

The fiscal year ended June 30, 1956, proved to be one of unprecedented advances for most major sectors of Puerto Rico's economy. The country's national income rose to \$1,004 million showing an increase of 2.2% over the \$990 million figure for the previous fiscal year. Activity in the private sector of the economy expanded by over 7% and income from manufacturing increased 17% over the previous year's level. Income from manufacturing now exceeds income from agriculture. Practically all sources of national income registered gains, the most noteworthy being manufacturing and mining, which was up from \$151 million to \$175.3 million. Federal Government spending declined by about 35% owing to a reduction in defense outlay. During the last fiscal year an additional 105 firms commenced operations under the Commonwealth's Industrial Development program bringing the total number of factories in operation under this scheme to 402 and these represent a medium of employment for approximately 31,000 persons.

Exports for the first six months of 1956 totalled \$194.7 million and imports \$329.9 compared with \$168 million and \$299.7 respectively for the same previous period. The unfavourable balance of trade for the first six months of 1956 was \$135.2 million compared with \$131.7 million for the same period in 1955. For the first half of 1956, 95.6% of Puerto Rico's exports went to the continental United States while 89.1% of her imports came from that source.

Sugar is Puerto Rico's most important agricultural commodity. Production in 1956 amounted to 1,138,000 tons, compared with 1,153,000 tons in 1955. The United States Department of Agriculture announced in December 1956 that in response to the pleas of local producers and the Governor the production quota for Puerto Rico's 1957 sugar crop had been waived. It is estimated the 1957 crop will not exceed 1.2 million tons. The carryover of sugar is being gradually reduced and it is expected that under normal conditions it will be brought down to about 70,000 tons at the end of this year.

Coffee production during the crop year 1955-56 was 300,000 cwt. compared with 340,000 cwt. in 1954-55. It is estimated the current crop will return about 180,000 cwt. A hurricane in August, 1956 did considerable damage to coffee plants and with subsequent adverse weather the 1957 crop will be smaller.

The tobacco industry was likewise affected by the hurricane and inclement weather, and production this year reached 300,000 cwt. as against 340,000 cwt. in 1955. Prices were somewhat lower and the marketing quota was reduced.

Production and exports of textiles continued to rise. The value of textile exports for the first ten months of the fiscal year 1955/56 amounted to \$85.3 million compared with \$74.3 million for the same period of the previous year. Projecting the trend of the past few years, it is reasonable to assume that the value of textile exports will reflect a further increase next year.

Tourism is recognized as an industry with a lucrative potentiality and it is being gradually expanded. Three major hotel projects are expected to be completed within the next few years.

The construction industry continued to expand as a result of the increased activity in the private sector of the economy. The value of construction put in place during the fiscal year 1955/56 reached an all-time record of \$143 million or approximately 13% higher than in the preceding fiscal year. The increase was due mainly to sharp increases in low-cost private residential construction financed primarily under the F.H.A. plan.

Retail sales for the fiscal year ended June 1956 showed a slight increase over the previous year. Bank deposits and loans reached higher levels and there continued to be a strong demand for credit.

In the fiscal year 1956 Government expenditures totalled \$174.6 million and revenues aggregated \$210.6 million leaving an excess of revenues over expenditures of \$36 million. To this must be added the surplus of \$7.8 million derived from the operation of Government enterprises which would result in total Government savings of \$43.8 million. The foregoing compares with expenditures of \$162.7 million and revenues of \$193.7 million in 1955. The excess then stood at \$31 million which together with the surplus of Government enterprises of \$6.2 million left the country with a savings of \$37.2 million for that year.

Review of Conditions in Central & South America

ARGENTINA

The present Government of Argentina is faced with a set of very serious economic problems, largely inherited from the Peron regime which was deposed in September 1955. The first President to replace Peron was General Lonardi, who resigned within a short time and was succeeded by General Aramburu.

The basic economic difficulties are inadequacies of transport, power and fuel; lagging production and exports; recurrent balance-of-payments deficits; an inflationary spiral of prices and wages; and labour unrest.

During the Peron regime the prices of Argentina's principal exports, grains, oil-seed, wool, hides and meat, slowly but steadily declined from their immediate post-war levels. At the same time the process of industrialization was pushed along too rapidly, to the serious detriment of the country's agricultural economy. Up to the end of 1954 an apparent balance of payments was maintained by means of an extremely rigorous, and in a limited sense effective, physical control of imports. Import permits were required for all operations and their issue was determined by exchange availabilities, by the nature of the goods to be imported, and by other considerations. In 1955 a balance-of-payments deficit broke through.

The exchange reforms of October 1955 adjusted export exchange rates and support prices to more encouraging levels and placed a brake on imports by adjusting rates so as to make import exchange more costly in terms of pesos and by listing the imports that would be permitted. The introduction of a free exchange market has provided a measure of freedom, with imports that are permissible in that market not requiring an import permit.

The total value of Argentina's exports in 1955 amounted to the equivalent of US\$928 million, while imports amounted to US\$1,176 million, resulting in a trade deficit of US\$248 million. The value of exports for the first eight months of 1956 was lower than for the same period of 1955—US\$596 million as compared with US\$604 million. The value of imports too was lower for the first eight months of 1956 than for the like period of 1955—US\$743 million as compared with US\$787 million. It is estimated that total exports for 1956 will amount to about US\$850 million, as against imports which may well reach US\$1,200 million. Based on these estimates, there is the possibility of a trade deficit of over US\$300 million. It is felt that an increase in production and exports will not be enough to solve Argentina's payments problems unless these increases are accompanied by the achievement of a greater degree of import substitution by way of increased domestic production.

In July, Argentina switched from bilateral to multilateral payments arrangements with ten European countries. This should help her to buy and sell on the best possible terms within the trading group instead of being limited to individual currency balances.

It is the Government's stated policy eventually to free the country from all price and exchange controls and allow exports and imports to find their own level in a competitive market. Present restrictions and controls are said to be still necessary during the transitional period.

The Minister of Finance in a recent speech stated that Argentina will not be able to balance her budget until 1958. When the present Government took over in 1955 the deficit was found to be Arg\$1,359 million. This deficit is expected to be reduced to Arg\$1,077 million for 1956. The Government found it impossible to reduce taxes in 1956 and it is expected that higher taxes may have to be resorted to in 1957. In 1956 the Income Tax law was reformed. In smaller bracket income, reductions were made but higher salaries were scheduled to pay increased excess tax. Income tax on company profits was raised from 30% to 35%, and an emergency tax of 20% was levied for one year on the total tax paid for 1955.

One important aspect of Argentina's economic crisis is that the several railway systems have deteriorated badly through decapitalization and the exigencies of the exchange situation. It has been stated that 5 million tons of produce are stored in different parts of the country because of the lack of sufficient transport facilities to bring it to points of distribution or export. In certain parts of La Pampa territory, for instance, stocks

are still being held from previous harvests owing to the impossibility of obtaining transport. The number of motor trucks in operation is also completely inadequate for the country's needs.

The state-owned Argentine railways will remain state-owned but their administration will be decentralized. The administrative authority will be autonomous instead of a part of the previous oversized heavily centralized entity which also managed the State air, shipping and road transport services.

A second important aspect of the industrial and economic crisis facing Argentina today is the insufficiency of electric power. It is calculated that present and immediate future needs amount to a production of 2,000,000 kw., whereas actual output which is considered maximum with present capacity is only 920,000 kw. It is estimated that a period of five to six years will be required before sufficient equipment can be installed to meet the need.

The oil industry, too, has not kept pace with the needs of the country. Currently, fuel imports are running at an annual rate of some US\$220 million and are absorbing approximately 24% of the country's export exchange earnings. The state oil entity has been granted autonomy and will accelerate its program for making Argentina as self-sufficient as possible insofar as oil is concerned. Production in 1955 amounted to 4.07 million cubic metres and for the first six months of 1956 it amounted to 2.02 million cubic metres, a somewhat lower figure than for the corresponding period of 1955. It is calculated that the country's petroleum consumption needs by 1960 will be 16 million cubic metres, which is 25% higher than the level which national oil production is expected to reach by that time.

Plans for freeing trade in grains have been actively pursued. In November 1956 the Government decreed the lifting of restrictions on all dealings in barley, rye, oats and linseed from the 1956/57 harvest. At the same time the Government assured producers a minimum price which the National Grain Board will pay if called upon to do so. Grain merchants are at full liberty to obtain higher prices abroad if they can. No mention was made of wheat as the view seems to be that this crop can be easily marketed through agreements signed with other countries. The land area seeded for wheat this year was 13.4% greater than last year. Production during the 1955/56 crop year was 4.8 million tons as compared with 7.7 million tons for 1954/55. The 1956/57 yield is expected to be once again in the vicinity of 7 million tons. Exports of wheat in the first nine months of 1956 amounted to about 2 million tons, or 30% lower than for the same period of 1955.

Production of Argentina's second most important crop, maize, was 3.8 million tons in 1955/56 compared with 2.5 million tons for 1954/55. Demand is said to be on the increase and at firmer prices.

Production of Argentina's other agricultural commodities such as linseed, oats, barley, rye, rice, cotton, sugar, tea, peanuts, fruit and olive oil has been generally satisfactory although on the whole production and exports during 1956 have both been at slightly lower levels than for comparable periods of 1955.

The result of an emergency livestock census in June 1956 showed a total of 49 million head of cattle—an all-time record. Slaughtering is estimated to reach a total of 11.7 million head this year, which is 54% above the 1935/39 average and more than double the 1955 figure. Total shipments of beef and veal during the first half of 1956 had risen to 267,000 tons compared with 163,000 tons for the first half of 1955. A more favourable wool export rate has encouraged the raising of sheep for wool and in the first ten months of the current season shipments showed a total of 237,000 bales, or 20% above the same period last year. Prices were at new record heights.

Probably the most fundamental and far-reaching event to be reported in the field of finance was the decision to return to the Central Bank its technical and administrative autonomy and to provide for a reorganization of its functions. It is the declared intention eventually to do away with the system of nationalized deposits and to return to the private banks their deposits, which at present are under the control of the Central Bank.

Undue credit expansion in the past originated essentially in the Central Bank and not in the private banks. Figures for July 1956 show official bank deposits as totalling Arg\$24,623 million, or 44% of total bank deposits of Arg\$56,073 million. Loans and investments of official banks totalled Arg\$66,438 million, or 73% of total loans of Arg\$90,868 million.

During the year Argentina was admitted as a member of both the International Monetary Fund and the World Bank.

A credit of US\$100 million has been granted to Argentina by the Export-Import Bank, payable over a period of eighteen years at 5% interest, for the purchase in the United States of transport materials for the railways, the merchant marine and the country's roads and commercial airlines. The amount is small relative to Argentina's needs but is significant as showing confidence in the future of the country.

The general demand for credit showed steady intensification, owing mainly to the fact that the devaluation of the peso about a year ago caused a substantial rise in the cost of many raw materials, which meant greatly increased financing for the same volume of goods. The President stated that the Government has no intention of restricting credit for industrial concerns but on the contrary will stimulate and encourage those which, by virtue of their enterprise and responsibility, warrant support.

Prices continued to rise quite rapidly during 1956. The cost of living index rose 7% from January to July.

The economic problems of Argentina are numerous, severe and complex. No spectacular increase in Argentina's trade is likely but a steady improvement is not too much to expect. If the Government can succeed in its first objective of obtaining foreign loans sufficient to finance the country's most vital needs, transport, electric energy, and petroleum, an important advance will have been made.

BRAZIL

Brazil's greatest special problem, as distinct from the general problems of inflation and balance-of-payments deficits is its very great and at present unavoidable dependence on coffee. Coffee currently accounts for over 60% of the value of Brazil's exports and the country accounts for about 60% of the world's coffee production.

Production of coffee was 14.8 million bags in the crop year July 1 1954 to June 30, 1955 and increased to 22 million bags in the crop year 1955/56. Exports rose from 10.8 million bags to 17 million bags from 1954/55 to 1955/56. At the end of 1955 the experts were forecasting a fall in coffee prices, quite reasonably basing their calculations on a surplus of estimated production relative to estimated consumption, but coffee prices have, in fact, risen, illustrating once again their susceptibility to erratic and unpredictable movement. The most recent estimates concerning the position of the current crop place production slightly lower than the 1955/56 yield and it is expected that exports will also show a small falling off.

Cotton continues to occupy second place among Brazil's exports. While heavy unseasonal rains in June led to a decline in quality, prices have been good. The value of exports for the first six months of 1956 amounted to US \$57.1 million, or 8% of the value of total exports for the period. This represented an absolute and relative decline from the previous year's first six months, when cotton exports amounted to US \$67.8 million, or 11% of the total.

The volume of cocoa beans exported in the first six months of 1956 was higher than in the same period of the previous year but earnings from cocoa exports were down, the cause being a depression in world prices brought about by increased production in other countries. For the first half of each year, cocoa exports amounted to US \$22 million in 1956 and US \$26.5 million in 1955. Estimates of the total 1956-57 cocoa crop are being revised upward to between 2.4 million and 2.7 million bags (132 lbs.).

Estimated production of sugar for the crop year 1956/57 is 11.5 million bags compared with an actual production of 11.2 million bags in

1955/56 and 9.7 million bags in 1954/55. The export quota figure is expected to be a maximum of 2 million bags for 1956/57. Prices within the country have been rising steadily over the past few years.

Exports of sisal amounted to 63.8 thousand tons for the first nine months of 1956, an increase of 12.8 thousand tons over the same period of 1955. The price tendency has been downward and there has been a relative shift in exports from the United States to Europe, as better prices are being offered in the latter. Sisal dealers have organized a commission to press the Federal Government to institute a price support program.

National production of wheat is still not sufficient to meet domestic needs. During the year 1,685,000 tons of wheat and 120,000 tons of flour have been imported. Negotiations are under way in Washington whereby 1.8 million tons of American surplus wheat will be shipped to Brazil. This wheat, worth about US \$110 million, is to be paid for in cruzeiros, 85% of this payment to be loaned in turn to the country at long term for various capital projects. A bill designed to encourage domestic production and milling of wheat has been drafted and will be submitted to the National Congress proposing that: the wheat trade be made a government monopoly; the total crop be financed by the Bank of Brazil; the import of wheat flour be prohibited; rigid controls on imports of foreign wheat during the domestic harvest season be established; and that the Wheat Expansion Service support the price of domestic wheat.

The introduction in 1953 of the exchange auction system had the welcome effect of ensuring that exchange would be available for every import license issued. Under the auction system commercial importers of all but a few essential products, such as petroleum, wheat, newsprint and certain agricultural materials, purchase through competitive bidding, at a premium above the official rate, an allocation of foreign exchange and the right to an import license. Each currency is sold individually and quotas, which vary from time to time, are fixed by the Bank of Brazil. The official rate is 18.82 cruzeiros per U.S. dollar; the premiums alone are considerably higher and, of course, must be added to the official rate. An Import Tax of 10% of the official rate must also be added. The weighted average of premiums paid for exchange commitment certificates in the five categories into which import commodities are divided, at auctions held in Rio de Janeiro, was at a high of 126.38 cruzeiros per U.S. dollar in May 1956 and then fell steadily to a rate of 76.10 cruzeiros per U.S. dollar in the first week of October 1956.

Exchange purchased for imports through the auction system is in some categories more costly than the free market exchange for non-trade operations. The free market selling rate was 68.30 cruzeiros per U.S. dollar on October 31, 1956 while the highest premium paid in the same month, that for 5th category imports, was 305.00 cruzeiros per U.S. dollar. The export of Brazil's products has been held up at times owing

to expected reforms in exchange regulations. A notable change which occurred in 1956 was the expansion of the area of limited convertibility (ACL) to include Italy, France, Austria, Belgium and Luxembourg besides the original members, England, Germany and Holland.

Primarily as a result of the high level of coffee prices and coffee exports, but also perhaps partly as a result of import restrictions, Brazil's balance-of-payments position showed a marked improvement during the first six months of 1956. The total value of exports for the first half of 1956 increased to US \$718.8 million, from US \$612.4 for the same period in 1955. Imports dropped to US \$548.2 million for the first half of 1956, from US \$661.3 million for the like period of 1955. The first six months of 1956 therefore showed a favourable balance of US \$170.6 million, in contrast to the unfavourable balance of US \$48.9 million for the same period of 1955. The President of Brazil predicted a probable favourable trade balance of as much as US \$250 million for the whole year 1956 on the assumption that exports would amount to US \$1.5 billion.

This year there has been a chronic shortage of money for business purposes and official policy has been to restrict credit as much as possible in order to curb the inflationary spiral.

Two separate phases can therefore be noted with respect to the decline in the average premiums paid for foreign exchange. First, as a result of increased reserves, the Bank of Brazil's exchange department augmented its offerings at the commercial auctions. The second phase resulted from the imposition of commercial bank credit restrictions in July, 1956.

Wholesale and retail trade have been at satisfactory levels for most of the year. In the later months, however, trade, particularly wholesale trade, has tended to slow down for the reason that with expectations of a continuing decline in the price of foreign exchange and of reforms in exchange regulations, dealers are reluctant to replenish their stocks of imported goods.

The National Bank of Economic Development has published a list of Brazil's principal capital requirements. These were as follows: electric power; transportation; agricultural development; copper industry; aluminum and alloy industry; steel industry; production of sulphuric acid, synthetic ammonia, ash and caustic soda and drugs; heavy electrical equipment industry; railway equipment manufacture; production of motor vehicle parts; and agricultural machinery industry.

The Volta Redonda steel plant has completed the first phase of its expansion plan and will be in full production during the present year. Studies of the second expansion program, designed to raise the plant's annual steel production to 1 million tons, are well advanced.

In addition to a US \$35 million loan for the Volta Redonda steel plant, it was announced in Washington on July 30th that the Export-Import

Bank had agreed to make loans of US \$100 million for the purchase of U.S. equipment for Brazil's Federal and State-owned railways, US \$25 million for port and dredging equipment, US \$15 million for the expansion of the Paulo Afonso hydro-electric project and US \$11.4 million for the expansion of another power project at Itutinga.

The Paulo Afonso hydro-electric project is the largest of its kind in Latin America and one of the largest in the world. It will supply power to over 200 cities and towns in five states. About 60,000 kw. of energy will be provided at the outset, to be stepped up over a period of years until a final potential of 950,000 kw. is obtained. In addition to the construction of power stations, the plan comprises 12 regional irrigation schemes, the laying out of 10 airfields, the building of 11 major highways, the extensive development of navigation and port facilities and the construction of 33 hospitals and many schools, health centres and other institutions.

A long range program to expand heavy industry was begun in 1954 by a large German company. The project as a whole will involve an investment of about US \$25 million spread over a five-year period and is intended to give not only Brazil but the whole of Latin America the heavy industry basis for supplying materials to the transportation, building and construction industries. Sufficient production is planned to serve even the export market as well.

Many other important foreign investments in Brazilian industry, too numerous to mention, have been made and are being planned, involving the production of locomotives and parts, trucks and autos and parts, construction, mining, and farming machinery, boilers, plastics, chemicals, drugs and pharmaceuticals.

Special concessions and exchange privileges have been promised to all those truck and auto plants which are utilizing 90% locally manufactured parts by 1960.

In mining, one of the biggest projects now being negotiated involves the transforming of the Government-owned Vale do Rio Doce iron ore mining company into a mixed Brazilian-American concern by means of new American investment of US \$100 million. The aim is to raise the current annual output of 2.3 million tons to 10 million tons.

Two large American steel companies have begun developing manganese deposits and shipments are expected to start soon. Large zinc deposits of the highest quality, in company with copper, silver and lead cadmium deposits, have been discovered in Northwest Minas Gerais.

The future of Brazil is still tied too closely to the world price of coffee. However, the country is vast and rich in resources and foreign capital is showing an extensive interest in it, so that its future looks encouraging despite the problems of serious inflationary movements, particularly with respect to the cost of living, consequent labour unrest and a better but constantly threatened balance-of-payments position.

COLOMBIA

Colombia is the second largest coffee producer after Brazil, and coffee accounts for something around 80 to 85% of Colombia's total export exchange earnings. The country is fortunate in that it produces types of coffee that sell at a premium above the standard grades and it is noted that this premium has lately been increasing. Prices for Colombian coffee do not reflect quite the same market influences that determine Brazilian coffee prices.

Colombia can usually produce a good volume of high quality coffee and earn a reasonable revenue in dollars. Lately, however, it appears that the tendency to import has grown beyond the country's capacity to expand exports and commercial arrears have accumulated. Despite the rise in coffee prices, quite substantial coffee shipments, and the adoption of measures to restrict imports to essential commodities, commercial arrears as of the end of June were estimated at US\$240 million.

Coffee exports during 1956, up to November 17th, amounted to 4.5 million bags of 60 kilos each, compared with 5.1 million bags for the corresponding period in 1955. The current New York price is around \$0.70 per pound. Coffee dollars earned can be sold to the Central Bank at a rate of 2.50 pesos per dollar. It is estimated that coffee exports for 1956 will be around 5 million bags, compared with 5.9 million bags in 1955.

Foreign exchange purchased by the Banco de la Republica from all sources during the first ten months of 1956 amounted to US\$374.2 million, as against authorized sales of US\$397.2 million, leaving a deficit of about US\$23 million. Import licences registered in the same period aggregated US\$432 million. The gold and dollar reserves of the Banco de la Republica at the end of October were US\$115 million compared with US\$145 million in January 1956.

The official buying and selling rates of the Central Bank have been maintained at 2.50 and 2.51 pesos per dollar respectively. Free market dollars are quoted at considerably higher rates. On October 10, 1956 the new Minister of Finance commenced his austerity program by ordering the Exchange Registration Office to suspend the registration of import licenses until further notice. It is announced that all merchandise will be reclassified in new import groups and a lengthy prohibited list has been published. In the meantime, however, applications covering certain essential raw materials are being studied and approved in the usual manner.

The output of crude oil for the first nine months of 1956 totalled 32.8 million barrels of 42 gallons each compared with 29.2 million barrels for the same period last year. In order to meet domestic needs oil products are still imported annually to a value of US\$21 million. There are now five oil companies in the country operating 37 rigs and 1,874 producing wells; these companies have a total of some 5 million hectares under

contract. It is expected that when the Cartagena oil refinery is completed, Colombia will be able to reduce its imports of petroleum products appreciably.

The cattle industry is increasing in importance and animals are always in demand at sustained prices.

Business and industry in Colombia have remained active. Industry accounts for approximately 20% of the gross national product and Colombia is showing one of the highest rates of industrial development in Latin America.

Prices have continued to rise. Money is still tight with the demand for loans exceeding available funds.

According to present plans Colombia will eventually have three automobile and truck assembly plants operated by British, German and American firms.

Serious consideration is being given to expanding the Paz del Rio steel plant. The capital of this Government-sponsored steel plant has been increased from 360 million to 500 million pesos.

Development programs directed toward improving and expanding agricultural production, highway systems and electric power facilities are proceeding slowly. While diversification of crops is the main agricultural objective, production of essential staples falls short of local needs and it is still necessary to import wheat, cocoa, rice, dairy products and so on.

PERU

From 1950 to 1955 the economic state of affairs in Peru changed little. Restrictive measures were applied at the credit level and the inherent demand for imports was not allowed to materialize. This enabled the authorities to leave exchange and trade almost entirely free.

Since 1955 the Peruvian economy has displayed a capacity for accelerating growth, but this feature has been attended by its usual companions, growing symptoms of inflation, a tendency towards rising balance-of-trade deficits, a large expansion of credit, and broader measures to restrict credit and imports.

The economy climbed toward new heights in the first nine months of 1956, and it appears that despite droughts, labour strikes, and a change of government at mid-year, the country will close the year with a new record level of gross national product considerably above the 26.2 billion sole or 1.3 billion dollar mark of 1955.

The volume of trade continued to rise to unprecedented levels in the first nine months of 1956. Exports were valued at US \$227.3 million and

imports at US \$260.9 million, leaving an adverse balance of US \$33.6 million. For the first nine months of 1955 exports were valued at US \$186.5 million and imports at US \$214.3 million, resulting in a deficit of US \$27.8 million. Despite the rising balance-of-trade deficit, however, foreign exchange was in plentiful supply throughout the year because the trade deficit was more than offset by imports of capital, which flowed relatively liberally into Peru. Total foreign exchange income for the first ten months of each year rose from US \$302 million for 1955 to a record of US \$378 million for 1956. Total foreign exchange outgo for the first nine months of 1956 was US \$329.2 million, about US \$2 million lower than income for the same period. Gold and dollar reserves of the Central Bank reached US \$36.4 million on October 31, 1956, an all-time high, which compares with gold and dollar reserves of US \$25.6 million on December 31, 1955.

It might be remarked that Canadian exports to Peru for the first nine months of 1956 were Can\$7.2 million, as compared with Can\$3.8 million for the first eight months of 1955. Canadian imports from Peru for the first seven months of 1956 were Can\$1.3 million, as compared with Can \$0.4 million for the same period of 1955.

Except for automobiles and trucks, which are under a flexible annual quota, there are no restrictions on imports, other than relatively moderate tariffs, although tariff barriers on imports which compete with national industries were raised considerably during 1956.

In agriculture, prospects appear favourable for cotton and sugar, Peru's two principal export crops. Cotton exports continue to be one of the country's main sources of foreign exchange, accounting for over 25% of annual exchange revenue. Cotton production for 1956 is expected to exceed the 1954 record of 2.4 million quintales. Domestic consumption has risen steadily with the rapidly rising population and is estimated in the neighbourhood of 400,000 quintales for 1956, leaving an exportable surplus of about 2 million quintales. Fears of a possible carryover disappeared under strong demand resulting from the Suez crisis. Quality of the 1956 crop is generally superior to that of the 1955 crop.

Sugar accounts for approximately 15% of Peru's foreign exchange earnings. Production is expected to reach 700,000 tons in 1956, an all-time high. No difficulty is expected in placing the estimated exportable surplus of 470,000 tons. Recent prices have been firm and production costs have been kept under control by modernization of plant and equipment. A small increase in the controlled domestic price was put into effect at mid-year.

Rice production for the current year is estimated at 200,000 tons, just about what is needed for domestic consumption. Peru's production of potatoes, wheat, barley, corn, and meat showed heavy losses owing to a severe drought.

The brightest picture is in the mineral sector, which accounted for approximately 38% of Peru's exchange earnings in 1955, a record year for mineral exports. A new peak is expected to be set in 1956; exports for the first half of 1956 were valued at US \$64 million, an increase of 20% over the same period of 1955. In value terms, copper is the leading mineral export, followed by lead, silver, zinc, iron ore and gold. Production of each is on the increase. Iron ore, which was not exported from Peru until 1953, is now the country's largest mineral export in tonnage terms, with exports expected to reach over 2 million tons for 1956, compared with 1 million tons in 1955.

Petroleum accounts for another 8% of Peru's exchange earnings, and the country's crude oil production is rising steadily. For the first eight months of 1956 crude oil production was over 12 million barrels. Peru's 1956 crude oil output may reach a record high of 18 million barrels, which compares with 17.3 million produced in 1955. Domestic consumption in 1955 was about 73% of total production, and with domestic requirements rising, not much of an increase, if any, can be expected in petroleum exports.

In wholesale and retail trade, reports on sales volume throughout the year were conflicting but it can safely be said that in general sales volume has been normal and higher than in the corresponding period of the previous year.

In manufacturing, most enterprises prospered. An exception was the textile industry as several mills were hard hit by a combination of labour and market conditions. Competition from subsidized and low cost foreign producers was also a factor. Domestic cotton fabric prices increased by about 10%, effective September 18, 1956. It has been proposed that a high duty surcharge be applied to most textile imports.

New investment occurred in a variety of industrial enterprises, including such fields as chemicals, cement, rubber, synthetics and explosives.

Large scale expansion of power capacity is planned, and partly under way, to meet current and anticipated demand.

Increasing symptoms of inflation and rising demand for bank credit were evident during 1956. In view of the large credit expansion by the commercial banks, an increase of 13% from January to August 1956, and in view of the greater recourse that the commercial banks have had to the Central Bank, causing rediscounts to increase by 33% during the same eight months, the Central Bank has adopted several measures designed to restrain monetary expansion.

A general election was held in June and the newly elected President, Dr. Manuel Prado, was inaugurated in July. He has stated that he will pursue basically the same economic policy as his predecessor, including austerity in public spending.

URUGUAY

Uruguay has traditionally been a country with an untroubled agrarian economy which in recent years has been suffering an increasing degree of inflation and balance-of-payments difficulties with the need of maintaining rigorous trade and exchange controls. The predominant feature of 1956 has been the seriousness of the economic problems facing the country and the difficulties encountered in dealing with them. The factors which have created this unfavourable situation are the sharply declining yield of the various sources of production and the stagnancy in the export of the country's most important products. All items of export at present require some form of support and whenever this support has not been forthcoming exports have fallen off.

Most industries and many trades showed a slumping trend during the year as a result of the growing shortage of imported raw materials and consumer goods and the rising cost of living. The textile and metal industries particularly were having a difficult time with over-production and high costs, and foreign packing plants showed heavy losses owing to lack of animals for slaughter, labour conflicts and high costs.

One of the few bright spots in the economic picture was the relatively high level of wool exports. Strengthening price trends abroad made themselves evident during the early part of the year when the intense colds in Europe influenced the demand for wool. 228,937 bales were exported during the 1955/56 clip compared with 128,950 bales in 1954/55. The 1955/56 exports included not only virtually all the current production but also the carry-over from the previous period. Unsold stocks of wool at the end of June 1956 were estimated at only about 10,000 bales. Exports of wool in various forms amounted in value to US\$57.7 million for the first six months of 1956 compared with US\$32.8 million for the same period of 1955. Prospects in international markets for the 1956/57 clip appear favourable and point to quick disposal. Premium payments on wool exports expired at the end of June and producers anxiously awaited promulgation of the Government's much publicized new export-import plan. The President of the National Wool Board on June 27, 1956 stated that the board was considering a plan involving wool sales under the auction system and this plan went into effect on October 1, 1956. During September the Government improved the exchange rates for all exports of unwashed wool up to March 31, 1957.

There has been a steady demand for sheepskins throughout the past year. At the beginning of 1956 price quotations for each 10 kilos of half-wooled skins were around Urug\$10.50 to Urug\$10.70; the current price is around Urug\$19 to Urug\$20. The new exchange regulations of August 3, 1956 helped to boost the price of this commodity. Shipments for 1955/56 were 22,751 bales compared with 15,364 bales for 1954/55. Exports of salted and dry hides tended to be satisfactory immediately following each favourable revision of the export exchange rates but to slow down after a little time had elapsed following each change.

On the whole, the agricultural picture was quite favourable. While production declined slightly exports reflected an increase and earnings from this source rose somewhat. The total value of agricultural exports for the first six months of 1956 amounted to US\$16 million compared with US\$13.7 million for the same period of 1955.

In May the official floor price for the 1956/57 wheat crop was fixed at 13 pesos per 100 kilos as against 14 pesos for the 1955/56 crop. It was expected that the lower support price for wheat would lead to reduced cultivation with an attendant increase in the area seeded to barley, linseed and other crops.

Reduced subsidies for agricultural products are influencing producers to revert to cattle breeding in which line they are assured a fair return. Pastures this year have been the best for years.

An agreement was signed with Argentina whereby that country supplied Uruguay with 60,000 head of livestock fit for canning purposes. This measure represented an attempt on the part of the Uruguayan Government to find a temporary solution to the unemployment problem of the packing house workers.

One of the weaknesses of Uruguay's foreign trade relations is that they are based on a system of bilateral agreements involving inconvertible currencies. The signing of a multilateral payments agreement between Uruguay and West Germany has been a welcome move and perhaps a sign of things to come. Exchange reforms instituted on August 3, 1956 have improved the balance-of-payments situation. For the first six months of 1956 the total value of exports amounted to US\$112.4 million compared with imports of US\$97.1 million, resulting in a favourable balance of US\$15.3 million. For the same period of 1955 exports were US\$89.4 million and imports US\$109.2 million, resulting in a deficit of US\$19.8 million.

The total value of building permits granted in the first six months of 1956 was slightly higher than in the same period of 1955 but this reflected an increase in prices rather than an increase in volume.

A contract has been signed for the construction of a new hydroelectric plant to be erected at a cost of approximately Urug\$52.1 million. The World Bank for Reconstruction and Development has recently granted the Uruguayan state hydroelectric entity a loan of \$25.5 million in several currencies for the construction of the new plant. It is to be completed by 1960 and is expected to increase Uruguay's power generating capacity by 25%.

Inflationary price movements occurred throughout the period under review and created general restlessness among labour. The most serious strikes occurred in the packing plants, one of which lasted for over forty-two days.

Government expenditures have shown a tendency to rise and since the war so have budgetary deficits. As for the national debt, there has been a steady decline in external debt but a steady rise in internal debt.

The local money market, which over the last few years has shown considerable tightness, underwent a further strain as a result of the application of the decree of August 3, 1956 which introduced a system of guarantee deposits by importers with the official bank prior to the importation of goods. Banks have been subjected to a very severe credit squeeze as a result of the unprecedented demand for money and have been left short of loanable funds. Following the decree of August 3rd, importers of first category merchandise have been ordering all they are able to finance. Should the import of second and third category goods be authorized in the near future, as is expected, the pressure on the banks will become even more pronounced.

VENEZUELA

Venezuela obtains a substantial revenue from oil and remains free of international payments problems.

Since 1945 the Government had refused to grant any new oil concessions notwithstanding the fact that only 15% of the acreage considered as having potential oil production was under title in 1955. After much consideration this policy was abandoned in 1956, and in the first eight months of the year title was granted to 965,000 acres. The granting of these titles represents an estimated income to the Government this year of over 1.5 billion bolivares derived mostly from the initial exploitation tax. The significance of this figure becomes more evident in comparison with the budget for the present fiscal year of 2.67 billion bolivares. Apparently more new concessions are under consideration, as the Minister of Mines and Hydrocarbons recently announced that the total area to be granted may eventually amount to between five and seven million acres.

When the Venezuelan post-war oil boom began in 1948, production averaged 1.3 million barrels per day and refinery capacity was about 115,000 barrels per day. In 1955 production was slightly under 2.2 million barrels per day and refinery capacity 540,000 barrels per day. 1956 will undoubtedly register new record figures as production is currently 2.5 million barrels daily and new wells are being completed at an unprecedented rate. Total production of crude for the first six months of 1956 amounted to 68.4 million cubic metres compared with 60.7 million cubic metres during the same period of last year. Of these totals, 16.9 million cubic metres were refined in the first six months of this year compared with 14.7 million cubic metres in the first six months of 1955.

The recent disturbances in international affairs have complicated the problem of predicting the extent of the increase in Venezuelan oil pro-

duction and export in coming years. It is known that several European countries have been making enquiries as to the availability of Venezuelan oil following the reduction in the flow from the Middle East. It is expected that production between 1956 and 1957 will register an increase at least as great as the increase between 1955 and 1956 but it is generally accepted that any increase large enough to fill the needs of the mentioned countries will only be achieved over a space of two or three years.

Exports of petroleum and its derivatives for the first six months of 1956 were valued at 58.3 billion bolivares. This represents roughly 95% of the annual value of the country's exports. Of total petroleum exports from Venezuela, 34.5% went to the United States and 39.7% went to the Dutch Islands of Aruba and Curacao.

Iron mining operations in Venezuela are growing steadily. Total production of ore for the period January to September 1956 was almost 7 million metric tons compared with 8.4 million for the whole of 1955. It is estimated that total production in 1956 will exceed the 10 million ton mark. Known reserves of iron ore in Venezuela amount to 2 billion metric tons.

In the first six months of 1956 iron ore for a value of 118.7 million bolivares was exported from Venezuela, almost 90% of which went to the United States. Venezuela is also developing its production of other minerals, such as coal, gold and diamonds; negotiations are in progress with several internationally important companies regarding the mining and processing of bauxite; and during the year deposits of titanium and good quality uranium were discovered.

The largest project undertaken by the Government in the agricultural field this year is the Guarico Irrigation scheme, which is expected to be ready by the end of the year at a total cost of 150 million bolivares. The scheme is intended to irrigate 272,000 acres of land for the cattle industry which is becoming increasingly important.

Coffee is Venezuela's primary agricultural export commodity and it is estimated that about 20% of the country's population is dependent upon the coffee industry. The annual coffee crop represents about 20% of the country's total agricultural production and domestic consumption accounts for about 40% of the output. The industry is now recovering from the export slump which reached a low point in 1954. Production in metric tons was 44,808 in 1953, 54,427 in 1954 and 65,000 in 1955. Exports amounted to 44,502 in 1953, 26,014 in 1954 and 39,000 in 1955. It is feared that as a result of heavy rains the coffee crop may be smaller in 1956 than in the previous year.

The corn harvest yielded 34,000 tons, a large increase over past averages. Other important crops were sugar cane, beans, cassava, bananas and tobacco. Agricultural income in general has been somewhat lower than in 1955. Difficulties are being experienced in the sugar industry

owing to the failure to place the exportable surplus. A record of 212,000 metric tons of refined sugar was produced in the 1955/56 grinding season; the production quota for 1956/57 was set at only 42,000 tons.

As a result of Venezuela's excellent international payments situation, foreign competition to sell in the Venezuelan market is extremely keen. Imports during the first six months of the year were valued at 1,650 million bolivares, an increase of 209 million bolivares over the corresponding period in 1955. Domestic producer associations have been urging the Government to provide further protection in the form of higher tariffs and quota restrictions. There has been over-production of textiles, certain foodstuffs, furniture, clothing and paints. Some restrictions have been imposed in certain fields, such as textiles and footwear. In spite of the recession in the textile industry, production facilities are being expanded. General business activity, however, remained at about the same level as in the previous year.

As at September 30, 1956 the international reserves of Banco Central de Venezuela reached 2.2 million bolivares compared with 1.66 million bolivares for the same month of 1955.

On October 31, 1956 note circulation of the Banco Central stood at 1.1 billion bolivares, with gold cover of 139%. Bank clearings for the first six months of 1956 totalled 9.9 billion bolivares compared with 7.7 billion bolivares for the same period in 1955. Money in the hands of the public, including bank deposits, increased from 2,257 million bolivares in August 1955 to 2,387 million bolivares in August 1956.

The National Budget for the fiscal year 1956/57 (July 1st to June 30th) estimated expenditures of 2,670 million bolivares, an increase of 120 million over the previous year. 38.85% of expenditure is earmarked for economic development. Venezuelan Government budgeting usually results in a small surplus.

Public work has been proceeding on four main projects, the Caroni Hydro-electric Scheme, the petro-chemical industry, the National Steel Mill and the Guarico Irrigation Scheme. The first phase of the electrification of the Caroni River should be finished in 1958 at a cost of 120 million bolivares and by that time the plant will be producing 200,000 kilowatts. The iron wealth of the country is found in close proximity to the Caroni River and it is expected that this area should eventually become fully industrialized using the cheap electricity. The National Steel Mill will, of course, be the most important industry in the area.

Government plans for a national railway network covering 2,190 km. have been announced and the first section from Barquisimeto to Puerto Cabello is under construction.

Present Venezuelan consumption of steel is 600,000 tons annually and output of the new mill has been planned for 421,000 tons per year. Present plans envisage the production of rails for the projected railway network and of other construction materials.

*Approximate Canadian dollar equivalent, as at November 23, 1956
of local currencies referred to in this supplement:—*

	Local Unit of Currency	Canadian Dollar Equivalent
Cuba	peso	\$0.96
United States	dollar	\$0.96
British West Indies	B.W.I. dollar	\$0.55
(Eastern Caribbean and British Guiana)		
British Honduras	B.H. dollar	\$0.66
Jamaica	pound	\$2.67
Nassau	pound	\$2.67
Dominican Republic	peso	\$0.96
Haiti	gourde	\$0.19
Argentina	peso (official)	\$0.053
	peso (free)	\$0.027
Brazil	cruzeiro (official)	\$0.053
	cruzeiro (free)	\$0.015
Colombia	peso (official)	\$0.038
	peso (free)	\$0.016
Peru	sol	\$0.05
Uruguay	peso (official)	\$0.45
	peso (free)	\$0.23
Venezuela	bolivar	\$0.28

BRITISH HONDURAS

BELIZE

CENTRAL
AMERICA

MARACAIBO
BARRANQUILLA
CARTAGENA

MEDELLIN
BOGOTA

COLOMBIA

ECUADOR

PERU

LIMA

The many

*important cities of
Central and South America
served by The Royal Bank of
Canada are shown on this map.
The Royal Bank has operated
branches in Central and South
America for over 40 years. Officers
of the bank know the language
and the people and their ways
of doing business. This know-
ledge can be of practical
value to anyone with busi-
ness interests in the
southern hemis-
phere.*

C D E

