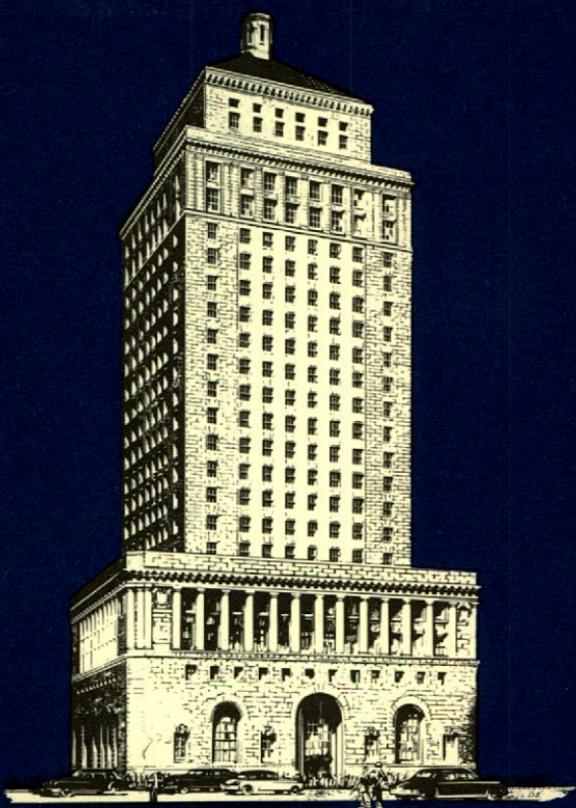
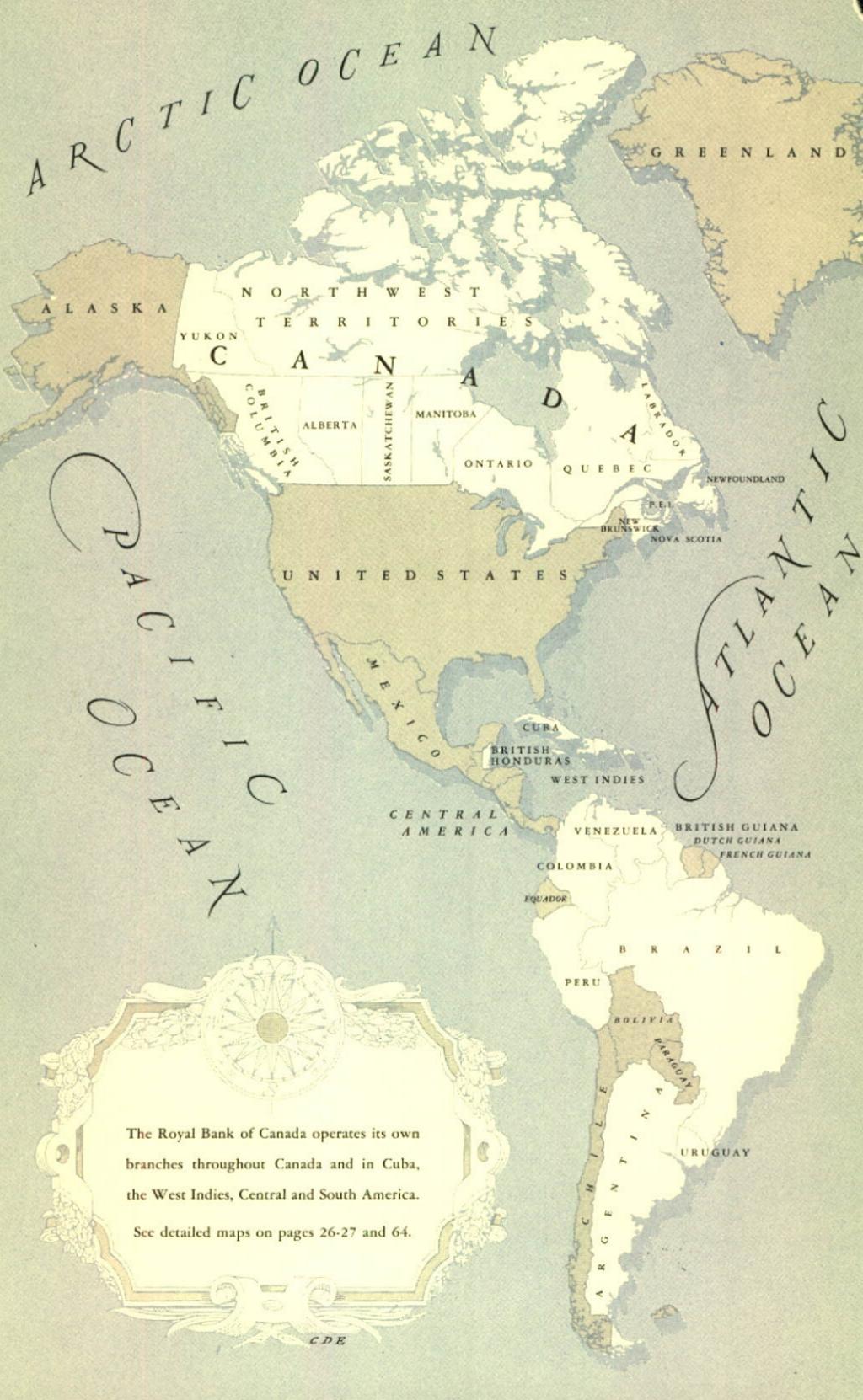


SUPPLEMENT TO THE REPORT OF THE PROCEEDINGS AT THE
EIGHTY-NINTH ANNUAL MEETING, JANUARY 9, 1958



Review of Conditions
in Canada,
Cuba, the West Indies,
Central and South America

THE 6 ROYAL BANK OF CANADA



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 26-27 and 64.

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-ninth
Annual Meeting of The Royal Bank of Canada, January 9th, 1958*

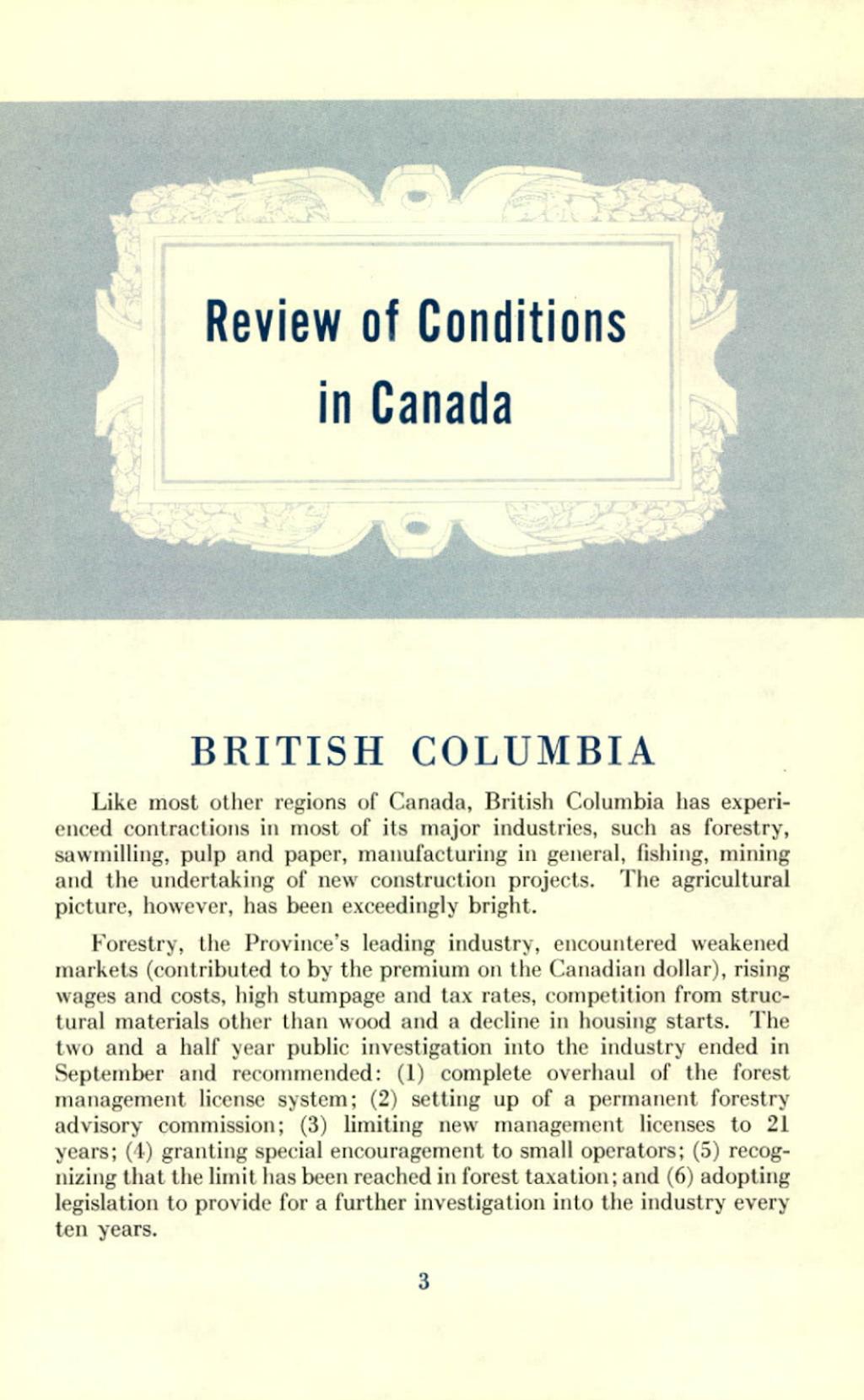
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his booklet contains a review of conditions in Canada and in the countries abroad where The Royal Bank of Canada operates branches. It is supplementary to the Report of the Proceedings at the bank's 89th Annual Meeting which contains the addresses 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 3½ billion dollars and operating over 900 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

BRITISH COLUMBIA

Like most other regions of Canada, British Columbia has experienced contractions in most of its major industries, such as forestry, sawmilling, pulp and paper, manufacturing in general, fishing, mining and the undertaking of new construction projects. The agricultural picture, however, has been exceedingly bright.

Forestry, the Province's leading industry, encountered weakened markets (contributed to by the premium on the Canadian dollar), rising wages and costs, high stumpage and tax rates, competition from structural materials other than wood and a decline in housing starts. The two and a half year public investigation into the industry ended in September and recommended: (1) complete overhaul of the forest management license system; (2) setting up of a permanent forestry advisory commission; (3) limiting new management licenses to 21 years; (4) granting special encouragement to small operators; (5) recognizing that the limit has been reached in forest taxation; and (6) adopting legislation to provide for a further investigation into the industry every ten years.

Timber scaled during the first ten months of 1957 was 11% lower than for the same period of the previous year. Many lumber camps have closed down entirely while others have effected fair-sized layoffs. About 12,500 men were employed in logging at September 1st, or 21% less than a year earlier. The decline in production and employment was due chiefly to depressed markets and large inventories. Prices of most varieties of wood were down considerably from the previous year.

Sawmilling is the leading manufacturing industry in the Province and in 1956 produced 60% of the lumber sawn in Canada. This production of approximately 4,530 million board feet represented a decrease of 3% from 1955, in contrast with the marked increases in the preceding several years. Production during the first eleven months of 1957 was off 12% compared with the same period of the year before. During the first nine months of 1957, shipments of lumber and ties to points in Canada were down 4% from the same period of the previous year, to the United States down 7% and to the United Kingdom down 5%, but shipments to other countries were up 11%. During the month of September, 1957, however, shipments to the United States were 10% higher and to the United Kingdom 23% higher than during the same month of the preceding year. Stocks on hand were higher in 1957. The contraction of the domestic market was due chiefly to the decline in housing starts. In the United States market, strong competition from Oregon and Washington mills was encountered. Employment in British Columbia's saw and planing mills in September, at around 30,200, was 8% lower than a year earlier.

The veneer and plywood industry, which had been able to work to close to normal levels up to the end of September, later indicated market difficulties by reduced output and mass layoffs. It is estimated that 1957 production will be about 5% below the 1956 level of 1,006 million board feet.

Whereas the pulp and paper industry achieved record output in 1956, the 1957 picture disclosed several difficulties caused mainly by world overproduction of pulp and by market problems. Stocks in the hands of consumers are unusually high and output has been contracting. Total output of all pulp and paper products during the first nine months was down about 5% from the previous similar period, and it is estimated that production for the whole of 1957 will be approximately 10% lower than the 1956 figure of 1,465,522 tons. The industry was paralyzed on November 14th by a strike affecting about 6,000 workers. Just prior to that date it had been operating at only 92% of capacity.

Fish landings during the first ten months of 1957 totalled 447.5 million pounds valued at \$27.8 million, representing a decrease of 20% in quantity and 18% in value. The larger proportional decline

in quantity than in value indicates that prices on the whole were slightly higher during 1957. With respect to the most important type of fish, namely salmon, total landings of all varieties were up 10% in quantity to 126.9 million pounds, but down 14% in value to \$18.2 million, the reason for quantity and value moving in opposite directions being that landings of very low priced "pinks" doubled and represented almost half the total salmon catch, while landings of all other and higher priced varieties declined somewhat. Prices of most species of salmon remained approximately the same as last year. The 15.5 million pounds of Sockeye (the highest priced variety of salmon) landed during the first ten months of 1957, valued at \$4.4 million, represented a decrease of 28% in quantity and 22% in value. Production of canned Sockeye during the first nine months of the year amounted only to approximately 200,000 cases, or half of what was anticipated. As a result, packers once again proposed to import 200,000 cases of Japanese Sockeye to sell in the domestic market and enable British Columbia to retain its foreign markets.

Conservation of the salmon run in the face of continued growth in the number of boats fishing has been an increasingly onerous problem. The International Fisheries Commission had to impose repeated layoff periods during 1957, which meant a tendency toward lower incomes for individual fishermen. Pressure through the fishermen's union to counteract this tendency has brought about steadily increasing costs to the packers and narrowing profit margins. Market prices of canned salmon have reached such levels that the product has been meeting with buyers' resistance, but the packers are unable to reduce prices as a result of high production costs.

British Columbia's farmers should on the whole enjoy their best returns in several years. Farm cash income from the sale of farm products during the first six months of 1957 amounted to \$45,633,000 and was up 4% from the first half of the preceding year and 11% from the first half of 1955. Among the favourable influences, foremost has been the good weather and farm recovery since the disastrous frost of November, 1955. A second major consideration has been the improvement in the farm labour supply resulting from contractions in other economic sectors and from a heavy inflow of immigrants. Estimates of 1957 production of Okanagan Valley fruit and vegetables indicate a larger quantity than last year of virtually every crop. Production of the most important fruit, apples, is estimated at 6 million boxes, or almost twice as much as last year. Quality of apples is generally high but prices are slightly down because of substantial quantities available in and from other Canadian and American areas. Total value of the 1957 fruit and vegetable crop from the Okanagan Valley is estimated at \$18 million, or 8% higher than the year before.

Marketings of cattle during the first eight months of 1957 were off 5%, but market prices of cows were up approximately 50%, largely as a result of high quality brought about by good pastures and a plentiful supply of feed.

Total value of mineral production in 1956 was at the high level of \$190 million, but some decline is apparent for 1957. During the first six months, as compared with the same period of 1956, production of silver at 3.7 million ounces was down 5%, that of copper at 14.1 million pounds down 35% and that of zinc at 215.8 million pounds down 4%. On the other hand, production of gold at 111,700 ounces was up 12% and that of lead at 151.2 million pounds up 9%. Comparing metal prices in August, 1957, with those of a year earlier, that of silver was the same, while those of gold, copper, lead and zinc were lower. The slump in world base metal prices coupled with high operating costs are having a serious effect on mining in British Columbia. Mines which closed in 1957 had accounted for almost a third of the total tonnage treated in 1956.

Production of aluminum ingots at the Aluminum Company of Canada's Kitimat plant continues to add to the productive wealth of the economy and in fact output for the first ten months of 1957 was up 43½% over the corresponding period of 1956. During the latter part of 1957 an announcement was made cancelling plans for immediate expansion of production facilities and this could affect the employment possibilities of approximately 1,700 workers.

Output of iron ore in 1956 amounted to 370,000 tons valued at \$2.4 million, with Japan being the major market. A contract was negotiated in 1957 providing for the export to Japan over the next three years of 1,380,000 tons of iron ore valued at more than \$10 million. The provincial government announced that it would impose a tax of 25¢ to 50¢ per ton on all exports of iron ore and this levy is intended to encourage further processing of ore within the Province.

During the first eleven months of 1957, Trans-Mountain Oil Pipeline averaged 147,000 barrels daily in comparison with 126,442 barrels daily during the same period of 1956. With the recent completion in September of two 50-mile loops and additional pumping units, the system's capacity is now 250,000 barrels a day. It remains to be seen whether this increased capacity will be fully utilized in the face of stiffening competition being offered by deep sea carriers.

In the field of natural gas distribution, 1957 saw completion of the Westcoast Transmission line, comprising 650 miles of 30-inch diameter and 45 miles of 26-inch diameter main lines and 111 miles of lateral lines. Initial capacity of 400 million cubic feet a day is capable of expan-

sion to 660 million by addition of further compressors. The overall cost of pipe, compressor stations, processing plant and appurtenances was almost \$200 million.

New construction expenditures in British Columbia for 1957 are estimated to reach approximately \$770 million. This includes a substantial carryover from the previous year but represents an increase of 11% over that period. However, most large projects are completed or nearing completion and with the value of construction contracts in the Province for the first ten months of 1957 at \$256.7 million (down 22%) it would appear that construction expenditures in 1958 will be lower than in 1957. Housing starts during the first ten months of the year, at 12,248, were 6% lower than during the same period of 1956. While new house building was undoubtedly stimulated during the later months of 1957 by the increase in mortgage funds announced by the Federal Government in August, it is still too early to say how extensive and long lasting the increased activity will be. Construction and reconstruction of highways and bridges have proceeded at top speeds throughout the Province. During the fiscal year 1956/57 new highway mileage built was more than twice as great as during the previous fiscal year.

Retail sales during the first nine months of 1957 showed an increase of 4% over the same period of the preceding year. To consider the three largest categories of retail trade, grocery and combination store sales were up 12.4%, department store sales up 7.4%, but motor vehicle sales down 3.4%. Cheques cashed against individual accounts at clearing house centres showed an increase of 9.3%.

The Province's labour force of about 498,000 at mid-September was some 26,000, or 5.5%, larger than a year earlier. The number of persons employed, at 484,000, was approximately 17,000, or 3.6%, greater. The number without jobs and seeking work, at 14,000, had increased from the negligible level of a year earlier and represented 2.8% of the labour force. By mid-October, unemployment had risen sharply to 22,000, or 4.4% of the labour force.

PRAIRIE PROVINCES

Latest estimates of grain production in the Prairie Provinces in the crop year ended July 31, 1957 are appreciably lower than in recent years. The total wheat crop of the Prairie Provinces decreased by 209 million bushels to an estimated level of 342 million bushels in 1957, from 551 million bushels the previous year. The crop in Saskatchewan fell from

355 million bushels in 1956 to an estimated 211 million bushels in 1957, in Manitoba from 56 million bushels to 45 million bushels, and in Alberta from 140 million bushels in 1956 to an estimated 86 million bushels in 1957.

Production of the other major grains also declined considerably owing to a general lack of moisture and extreme heat during the growing season. Oats fell from a level of 400 million bushels in 1956 to an estimated 233 million bushels in 1957; barley production fell from 262 million bushels to 209 million bushels estimated; flax from 33 million bushels to an estimated 21 million bushels; and the production of rye declined slightly from 6.5 million bushels in 1956 to an estimated 6.2 million bushels in 1957.

Notwithstanding these substantial declines, the current crop is still above the long-term average, and with the large carryover of surplus wheat from previous years, the problems of storage and marketing remain very difficult. A quota system is still in effect for the delivery and sale of grain by farmers, and large amounts are stored on farms.

Farm cash income in the Prairie Provinces at a level of \$558.4 million during the first six months of 1957 is not significantly changed from the level of \$558.7 million during the corresponding period in 1956, although there was an appreciable decline in Saskatchewan, which was offset by increases in Alberta and Manitoba. To enable farmers to realize cash for grain which they are unable to sell, further legislation has been enacted by the Federal government to provide loans against farm-stored grain. The farmers themselves have to some extent been switching to the production of the so-called "cash crops" such as rapeseed, flax and durum, and increased cattle raising has provided an outlet in some areas for surplus grain.

Livestock operations in the Prairie Provinces have been increasing in volume, in part, as has been noted, as an outlet for surplus grain. Cattle marketings in 1957 are estimated to reach a total of some 250,000 head in Manitoba as compared to 196,614 head in 1956; in Saskatchewan the estimate is for the marketing of 538,000 head compared to 407,090 head in 1956; and in Alberta marketings are expected to reach 620,000 head, a substantial increase over the 565,601 head marketed in 1956. The estimated volume of hog marketing in 1957 of 357,000 is also somewhat higher than the 1956 figure of 340,710. Owing to the availability of an export market for cattle, prices have remained fairly firm despite the increased supply, and hog prices also have been well maintained.

While no reliable figures are available for the volume of manufacturing in the Prairie Provinces during the year under review, all indications

point to a continuation of the recent expansion, and the trend appears to be towards a more diversified and better balanced economy.

The value of building permits issued during the first eight months of 1957 declined considerably in Manitoba and Alberta from \$58.8 million to \$49.8 million, and from \$134.4 million to \$117.0 million respectively. The situation in Saskatchewan was the reverse, with an increase in the first eight months of 1957 from \$38.8 million to \$41.4 million. The over-all decrease in the value of building permits for the Prairie Provinces during this period, to the order of \$24.2 million is largely accounted for by a decline in residential construction of \$21.8 million. At the same time the number of dwelling units started fell from 13,460 to 11,609 and the number of completions from 11,845 to 10,038. When broken down into individual provinces, residential construction activity has declined in both Manitoba and Alberta, but increased to some extent in Saskatchewan.

Mineral production in the Prairie Provinces, exclusive of petroleum and natural gas, presents a somewhat varied picture. Coal production in Saskatchewan during the first ten months of 1957 showed little change compared with the corresponding period a year earlier, while in Alberta production fell to 2,420,079 tons for the same period in 1957 from 3,307,274 tons the previous year. The volume of production of base metals will not likely show any appreciable change, although the substantial reductions in price of copper, lead and zinc will materially affect the incomes of producers. In Saskatchewan the value of uranium production in 1956 increased to about \$27 million, and a significantly higher value of about \$39 million is foreseen for the current year. Several important mining projects are now in the development stage in the Prairie Provinces. In northern Manitoba, the International Nickel Co. of Canada Ltd. is developing a nickel property for production in 1960. Production is estimated to reach 75 million pounds annually, and the overall capital outlay will amount to some \$175 million. In Saskatchewan development work is proceeding on several large potash deposits of particularly rich character, and ultimately this province may become a major source of potash in North America.

Although the petroleum industry experienced a continued expansion during the first half of 1957, developments since then have to some extent clouded the picture. While Alberta producers have been adversely affected, the oil industry in Saskatchewan continues to register a remarkable growth. In the latter province, crude production is estimated to reach about 37 million barrels in 1957, compared with a figure of some 21 million barrels in 1956. Possessing a distinct advantage with respect to market proximity, and having expanded gathering facilities, Saskat-

chewan in the first six months of 1957 provided 62% of the 9,200,000 barrels of crude exported to the northern states as compared with 32% of the 9,100,000 barrels exported in the corresponding period of 1956.

This progress in Saskatchewan with respect to the petroleum market in the northern United States has of course taken place at the expense of the Alberta petroleum industry, and it is estimated that there will be a slight decline in crude production in 1957 to about 139 million barrels from a level of about 144 million barrels in 1956. In addition to losing a substantial portion of the market to their east, the Alberta producers lost an outlet when world tanker rates declined to the point where shipments to the California market, which had been garnered due to the Suez crisis, ceased. A strike at a British Columbia refinery deprived the Alberta producers of a further 30,000 barrels per day in marketings for a considerable time in the second half of 1957. The oil import policy of the United States, which does not appear to have been finalized at the time of writing, may prove to be a further restrictive influence on Canadian exports to that country.

In Manitoba, oil production continues to show a healthy rate of growth, although in absolute terms the petroleum industry is considerably smaller than in Saskatchewan and Alberta. Presently production is running at approximately 17,000 barrels per day, or about 60% of Provincial requirements.

For the Prairie Provinces as a whole, production in 1957 estimated to exceed 182 million barrels will on this basis register a gain of about 6%. Although there is capacity for self sufficiency with respect to petroleum in Canada, due to the large distances involved over-land, it is yet uneconomic for the large refining centre at Montreal to utilize western crude. Proven reserves now stand at about three billion barrels, a figure which may be expected to increase continuously in the years ahead.

The restricting influences in the latter part of 1957 have affected the level of development and exploration work in the prairies, as during the first 11 months of 1957 the number of oil and gas wells drilled in the Prairie Provinces and British Columbia fell to 2724 from 2973 during the corresponding period in 1956. The number of exploratory wells increased during this period, from 672 in 1956 to 768 in 1957, while the number of development wells decreased from 2301 to 1956 reflecting the increasing maturity of the larger established fields. At the same time, pipeline capacity for western crude has been increased during the year, with the extension of the Inter-Provincial Pipeline 156 miles from Sarnia to Toronto, while the Trans Mountain and Westspur pipelines, the former serving the Westcoast market, have completed loops to their main lines.

The field of natural gas has during the past year been one of most dramatic growth. The Trans-Canada Pipe Line has commenced service to Winnipeg and, by the end of 1957 should be serving the Lakehead communities in Ontario. By the end of 1958 it is estimated that Western natural gas will be reaching the eastern markets in Toronto and Montreal, in an initial quantity of 300 million cubic feet daily. The maximum designed capacity of the line will be 780 million cubic feet per day. Also, the Westcoast Transmission Company Limited line from the Peace River district to the British Columbia-Washington border commenced operations in October 1957, at an initial rate of about 150 million cubic feet per day. This line presently has a capacity of 400 million cubic feet per day and plans are underway to increase this to 650 million cubic feet per day.

Two further proposals for the export of natural gas are now being considered by governmental authorities. Westcoast Transmission Company Limited propose to build a line with an initial capacity of 155 million cubic feet per day from the Savanna Creek field of Southwest Alberta to the U.S. border where it should join up with the Pacific Northwest Pipeline. At the same time, a newly formed entity, the Alberta and Southern Gas Company Limited wish to build a pipeline to take gas from as far north as the Peace River area, and the central part of Alberta to San Francisco, California. This line would have an initial capacity of 450 million cubic feet per day.

With the rapid development of trunk lines there has been a corollary development of gathering and distribution lines. Recent estimates place established gas reserves in Alberta at 19.8 trillion cubic feet, and there is considerable potential for further expansion.

All in all, the economy of the Prairie Provinces has been expanding at a considerable rate during 1957, and during each of the first eight months of the year the levels of employment in each of the provinces were ahead of the levels of the previous year with the single exception of a very slight drop in Alberta during August. An indication of the effect of this growth is seen in the general rise in retail trade in the first nine months of 1957 in Manitoba, Saskatchewan, and Alberta by 5%, 5.8% and 6.3% respectively over the corresponding period of 1956. This represents in each case a considerably greater rate of growth than elsewhere in Canada and compares with a 3.3% increase in Canada as a whole.

It is expected that the economy of the Prairie Provinces will continue to expand and at the same time, as increasing diversification is achieved, there will be relatively less dependence upon the agriculture industry, with attendant greater economic stability.

ONTARIO

While final comprehensive statistics covering 1957 are not available at time of writing, sufficient figures have come to hand to suggest that the past twelve months have economically been one of Ontario's best and, using any yard-stick other than the tremendous results returned in both 1955 and 1956, one of encouraging development. This is not to say that such progress was necessarily uniform or that certain weak spots did not show up. Wide diversification is the keynote and basic strength of Ontario and it is only possible to touch on the more important and significant features.

It is interesting to note that roughly 50% of all goods manufactured in Canada come from Ontario and that a like percentage of new industry is locating here, thus taking advantage of the concentrated market potential, hydro and transportation facilities offered. The latter part of 1957 saw a certain amount of hesitation on the part of business which was reflected in a concerted effort to improve inventory holdings by working off surplus and unattractive lines. At the same time a drive was made to place accounts receivable in order. A certain reluctance to proceed with capital expansion programmes was reported, no doubt influenced by tighter credit conditions. The car industry — Ontario produces 90% of the total national output — is meeting some sales resistance and it would appear that 1958 models will be pushed to even reach the levels attained last year. Steel production generally is lower, although specialty products such as pipe, etc. are actively higher. Decreased foreign demand has been felt throughout the newsprint industry while agricultural implements, textiles and domestic appliances are having minor troubles. As an offsetting feature, both the petroleum and chemical industries are enjoying good demand.

While both the average wage (\$71.17 weekly) and number of employed workers (2.1 million) were well up at last report, owing to an increased working population the unemployment situation is not quite as satisfactory as in the previous year. This is particularly true in the steel, auto and other heavy industries where working hours have been cut back and a number of hands released at least temporarily. Lay-offs common to the winter months have accentuated the situation, notwithstanding a noticeable effort on the part of Government and business alike to place work on a year-round basis as far as practicable. The labour front generally was quiet with no strikes of unusual length or severity recorded during the past months.

Retail trade for the nine months ended September last showed an improvement of 2.4% over the same period of 1956 as against the average increase across Canada of 3.3%. Departmental and grocery volume

were up nicely but here again the drop in car sales had a sobering influence on overall figures.

The paramount role played by Ontario in the mining industry is brought home by figures revealing that the total Canadian output of nickel and the platinum group of metals is produced here. This is supplemented by extensive operations in the copper, gold, silver, iron ore and uranium fields. Little fluctuation was noted in gold mining production, handicapped by a lower profit margin brought on by rising costs coupled with the discount on U.S. funds. Both the Blind River and Bancroft uranium districts are now well-established and as ample economical ore seems guaranteed the main problem is one of obtaining adequate market outlets especially for the post 1962 period. Progress in this direction has been noted in recent weeks with several contracts to provide European countries with uranium for peaceful purposes already arranged and further agreements reported possible. The low price for base metals has had a depressing influence on a number of mines in this category with the result that several producers have cut back operations and a few potential mines, scheduled to be underway by now, have postponed opening indefinitely pending a strengthening in metal prices.

Production of sawn lumber in the first nine months of 1957 was 559.1 million board feet, down 20% compared with the same period in 1956. The industry is unquestionably going through an adjustment period with pulpwood production currently reported in over supply and the construction industry failing to take up the anticipated volume. Residential construction starts and completions to September 1957 are off as much as 20%. While the shortage of mortgage funds was a decided factor, there is little question that housing in certain areas reached the saturation point. This latter was most significant in respect to higher priced units.

Agriculture had a reasonably good year with the cash income of Ontario farmers expected to be up slightly over the 1956 figure of \$350,190,000. Rising costs have caused a hardship to a certain number of farmers with their net real income being lowered and this development no doubt accounts in part for the trend towards agricultural workers seeking seasonal employment in local industries. Grain crops were well above average with the major yields being winter wheat, oats and mixed grains. Prices tended to be down from 1956 levels. Tobacco continues to be a cash crop of prime importance although weather hazards and leaf infection lowered this year's flue-cured harvest to 125 million lbs. from the original estimated figure of 180 million lbs. While the entire crop should find a ready demand it is too early to comment on the marketing prospects with sales being conducted under supervision

of the newly formed Ontario Flue-cured Tobacco Growers Marketing Board. Returns from fruit crops should be in line with 1956 figures as slightly lower prices have been offset by increased yields, particularly for peaches, plums and cherries.

Notwithstanding the continued strong price, hog production has remained steady with most farmers adopting a cautious attitude. The shipment of Western cattle to the United States has made feeder stock difficult to obtain here and a switching into dairy cattle has been noted. Although this has been assisted by a steadily rising demand for fluid milk, the foreign and domestic market has been unable to absorb the heavy cheese production, reportedly up close to 30%. Poultry farming, especially broiling chickens and turkeys, has assumed added importance and a feature here is the assistance given producers by way of firm contracts arranged with the larger feed companies.

A general slowing down has been observed in collections over recent months. In a number of cases this has called for a complete review on the part of management of credit and sales policies with the object of bringing these more in line with current conditions.

No survey of past or future economic progress of Ontario would be complete without at least a brief mention of the St. Lawrence Seaway and Power Project which was started back in 1954. Moreover, major roles will undoubtedly be played by the Trans-Canada Pipe Line as well as a proposed Highway programme which envisions a 20-year expenditure of \$3,000,000,000.

While the overall picture for the year just ended indicates a slackening off in economic activity, particularly along certain lines, the long range outlook for Canada remains good and there is little question that Ontario will continue to make a substantial contribution.

QUEBEC

In the Province of Quebec employment in manufacturing as a whole fell very slightly but held up well or rose in the iron and steel products, electrical apparatus, chemical products, transportation equipment, tobacco products and women's clothing industries. Employment declines were in evidence in lumbering, pulp and paper manufacturing and the leather goods, primary textiles and men's clothing fields. The number employed in the mining industry was about the same but some decreases resulted from the closing of several copper and zinc mines. A sharp reduction in the pulpwood cut (as much as 60% in some areas) and the earlier closing of sawmills this year contributed to a decrease in

employment in woods operations. In trading, finance and service industries employment was substantially higher throughout the year.

The Province's labour force of approximately 1,687,000 in mid-October was 3.6% larger than a year earlier. The number of persons employed, at 1,613,000, was 1.6% higher, and the number seeking work at 74,000, was 80% higher. Unemployment in mid-October amounted to 4.4% of the labour force, as compared with 2.5% a year before.

Proposed capital expenditures for 1957 are estimated at about \$1,980 million, representing an increase of 7% from the previous year. Intended expenditures on new construction (included in the above figure) are estimated at about \$1,310 million, an increase of 10%. It would appear, however, that construction expenditures will be substantially lower next year as indicated by the fact that the value of construction contracts awarded during the first ten months of 1957, at \$559 million, was off 46% from the preceding year. Housing starts for ten months were down 10% to 29,056. Starts during the later months of 1957 were running close to monthly levels of the previous year, but it is still too early to say what effect the availability of new mortgage money this year and the promise of more for 1958 will have.

Value of Quebec's mineral production (including cement, clay products and other structural materials) in 1956 amounted to \$426.6 million and represented 20.5% of the Canadian total, a higher proportion than for any other province except Ontario. Of the Quebec total, copper accounted for 24%, asbestos 23%, iron ore 13%, gold 8.3% and cement 6.4%. Zinc accounted for 6.1%, clay products 2.2% and silver less than 1%. In 1956 production of copper amounted to 244.9 million pounds, asbestos 1 million tons, iron ore 7.8 million tons, gold 1 million ounces, cement 10.8 million barrels, zinc 175.8 million pounds and silver 4.1 million ounces. During the first nine months of 1957, output of the following mineral products was higher than during the same period of the previous year, asbestos by 8%, iron ore by 8% and cement by 14%. However, production for nine months was down in the case of copper by 12%, gold by 6%, zinc by 11% and silver by 14%. In terms of value for ten months, shipments of clay products were down 7%. Employment in mining, at somewhat more than 23,000 in September, was about the same as a year earlier.

Iron ore appears to hold forth promise of becoming Quebec's leading source of mineral income. While at present it accounts for only a little more than half the value resulting from either copper or asbestos output in the Province, its relative importance is changing rapidly. The mines of the Iron Ore Company of Canada in the Quebec-Labrador area near Knob Lake, about 360 miles north of Seven Islands, produced over 12

million long tons of iron ore in 1956, about 60% of Quebec origin. Output is expected to be over 13 million tons in 1957, to rise sharply to about 20 million tons annually after the opening of the St. Lawrence Seaway, and ultimately to rise above 30 million tons a year by the late 1960's. The company's reserves in the Knob Lake area are estimated at approximately 400 million tons. An even larger deposit of around 700 million tons is estimated to exist in the Shelter Bay area on the north shore of the St. Lawrence. Cartier Mining Company, a subsidiary of U.S. Steel Corporation, announced early in 1957 that it would spend an estimated \$200 million to bring its holdings in this area into production. Plans call for the construction of a private 150-mile railway from Shelter Bay northward to the Mount Wright area. Initial production is forecast for 1961 at an annual rate of 3 million tons, with expansion to 10 million tons possibly by 1965. Eventual annual production could reach several times this figure. The undertaking involves, in addition to the railway, the building of docking, loading and storage facilities at Shelter Bay, a hydroelectric power development on the Hart Jaune River, concentration and perhaps at a later date agglomeration plants and two townsites. By 1961, when initial steps have been completed, the company may extend the rail line another 100 miles north to develop a second mine.

Production of aluminum ingots in Quebec amounted in 1956 to about 480,000 tons, or 77% of the Canadian total, but it appears that output will be substantially lower in 1957, owing to a four month strike which occurred at Arvida. However, indications are that production will rise to about 500,000 tons in 1958. Secondary phases of the huge expansion programme started by the Aluminum Company of Canada in 1955, designed to bring its production of aluminum ingots to over 800,000 tons annually by 1960, have been postponed owing to present market conditions. The company has a \$200 million project in hand at Ile Maligne. The \$130 million smelter project of the Canadian British Aluminum Company in the Baie Comeau area is nearing the first stage of completion. Plans call for construction in four stages, each to have a productive capacity of 45,000 tons of aluminum ingots per year. The first two stages should be in full operation by 1959, with the decision on construction of the final two stages yet to be made.

With the addition of over 500,000 h.p. in 1957, the total of developed Quebec hydroelectric power is almost 9 million h.p., and is expected to reach 12 million h.p. by 1959. Quebec's power potential is estimated at 20 million h.p. and the Province already leads the world in output per person. Some of the largest power development projects are being carried out by the Quebec Hydro-Electric Power Commission, which is adding to its generating plant at Beauharnois a third section designed to raise total capacity to over 2.2 million h.p. from its present 1.4 million h.p. It is also constructing two projects on the Bersimis River which will provide a total of 2 million h.p. In addition, studies are being made to determine the feasibility of building a generating plant at Lachine

during the early 1960's, with an ultimate capacity of 800,000 h.p., preliminary estimates setting the cost of such a project at about \$175 million. Quebec Hydro's programme, covering the period from late 1955 to the end of 1962, is estimated to involve a capital outlay of \$520 million, more than half of which remains to be spent.

While employment in the manufacture of iron and steel products, at close to 40,000 in September, was slightly higher than a year earlier, and while 1957 can be regarded as having been for this sector a favourable year for the most part, a considerable amount of the activity was due to carryovers and orders booked in the preceding year or two. In the steel fabricating industry a sizable backlog of orders remains unfilled, but new orders are down substantially as a result of the business recession in general and of the cutbacks in capital and construction programmes in particular. For the immediate future, prospects for the industry in the Province centre around the Quebec road and bridge building programmes, the development of iron ore production facilities, hydro-electric power development, and possibly new buildings in the C.N.R. terminal area of Montreal.

Employment in the industrial machinery manufacturing industry at approximately 11,200 in September, was 6% higher than a year previously but this industry too is feeling the effects of the present general contraction of business. Smaller backlog, lower sales and orders and higher inventories are reported. Foreign competition and the premium on the Canadian dollar are aggravating narrowing profit margins and adding to the problems of the future growth of the industry.

The primary textile and the clothing industries are the two largest single employers of labour in Quebec. The primary industry provided work for over 35,000 persons in September, this figure representing a drop of 3% from a year earlier. While employment in the less important category of synthetic fibres and silk increased by 7%, employment in the larger sphere of cotton yarn and woven goods fell by over 8%. Output, prices and profit margins in most lines were somewhat lower than last year. Actually the primary textile industry has been experiencing difficult times since about 1950 attributable in no small part to import competition and the dependency of the trade for its own outlets on the Canadian market. Before the war the Canadian industry supplied more than 70% of the domestic market. In the first quarter of 1957, the industry's share of the domestic market sank to a record low of 48% and in the second quarter dropped to 44%. Imports from the United States have been increasing steadily while imports from Japan and India have recently been declining. The Canadian Government recently ordered a review by the Tariff Board of the tariffs on textile imports and this enquiry is currently underway. The outlook for 1958 is uncertain and producers in most lines are operating at well under capacity. The Canadian synthetic fabric industry shut down for two weeks from December 20/21 to January 7/8 affecting some 8,000 employees, most of them in Quebec. Canada's leading cotton textile manufacturer also

announced recently that it planned to close its eight plants in the Province for two weeks.

Employment in the clothing industry, at around 58,200 in September, was 2.4% higher than a year earlier, but represented a decrease of 1.2% in men's clothing and an increase of 6.4% in women's clothing. The year 1957 was on the whole a satisfactory one. The dollar volume of retail sales of men's clothing during the first ten months of 1957 was at about the same level as during the comparable period of the year before, while sales of women's clothing were almost 10% higher.

Production of sawn lumber in Quebec during the first nine months of 1957, at 919.4 million board feet, was 5% lower than during the same period of the previous year. Actually, production and shipments during the first half of the year were at about the same levels as during the first half of the preceding year, but fell off sharply during subsequent months with all markets in Canada, the United States, the United Kingdom and other countries, contracting. Stocks on hand at the end of September were about 30% higher than a year earlier.

Production of pulp for nine months, at 7.8 million tons, was slightly off. Output for the first half of the year was moderately higher than during the similar corresponding period, but output in subsequent months was considerably down. Production of newsprint for nine months, at 4.9 million tons, was up about 1%, but after July was running at levels below those of the previous year. Exports of newsprint were well maintained for about seven months of this year, but then fell below levels of the year before. The newsprint industry's capacity has apparently caught up with and surpassed demand, with the result that a majority of mills are at present operating below normal capacity.

Agriculture in Quebec is having a very satisfactory year, with weather and soil conditions having been on the whole favourable. Production of the Province's most important cereal crop, oats, is expected to be 9% higher than in 1956, and to reach about 50.3 million bushels. Output of fall rye, spring wheat and mixed grains is expected to be slightly higher than the year before, but production of buckwheat and barley somewhat lower. Normal yields and qualities are anticipated for corn, sugar beets, fruits, vegetables and canning crops, with prices for the most part satisfactory. Latest estimates indicate that the potato crop will be 10% higher than in 1956 and the hay crop 10% lower. Farm cash income for the first nine months of 1957, at \$314.7 million, was about 2% lower than for the same period of the preceding year, but about 3% higher than for that period of 1955.

Total landings of fish by Quebec fishermen during the first ten months of 1957 amounted to 127 million pounds valued at \$3.4 million, or 3.5% higher in quantity but 7% lower in value than for the like period of the year before. Prices were on the whole about 10% lower in 1957. Cod accounted for about 46% of the total both in quantity

and value with landings for ten months amounting to 76 million pounds (up 10%) valued at \$1.6 million (down 8%).

The dollar volume of retail sales during the first ten months of 1957 was 3.7% higher than during the same period of the previous year. Grocery and combination store sales were up 7.2%, department store sales up 1.8% and motor vehicle sales up 3.2%. However, sales of furniture, appliances and radios were down 2.9% and of lumber and building materials down 5.1%. Collections in the Province were reported to be somewhat slower.

MARITIME PROVINCES

In Nova Scotia there was a falling off in employment during the year in certain industries such as coal mining, transportation equipment manufacturing and building and engineering construction. This decrease was offset by higher employment in primary and secondary iron and steel production, ship building and manufacturing in general. In New Brunswick employment declined in all the principal industries including logging, lumbering, pulp and paper production, manufacturing and construction. Prince Edward Island with its predominantly agricultural economy enjoyed a satisfactory year.

The aggregate labour force of the three provinces in mid-October at approximately 465,000 was over 7% larger than a year earlier. The number of persons employed at 444,000 was 5% higher but the number seeking work at 21,000 representing 4.5% of the labour force was almost twice as high.

The value of Nova Scotia's mineral output in 1956 was \$63.4 million, coal accounting for 80% of the total. The province's coal production that year of 5.8 million tons valued at \$51 million made up 39% of the total Canadian coal output in terms of volume and 53% in terms of value. However, during the first ten months of 1957 Nova Scotia's coal production of 4.7 million tons was down about 3% and output for the whole of the year may show a slightly higher decline. The industry is adversely affected by the increasing use of Diesel engines and there is uncertainty as to the possible effects of the St. Lawrence Seaway and the future Federal Government policy regarding subventions. In 1956 gypsum output for the province of 4.4 million tons valued at \$6.5 million accounted for 85% of total Canadian production and a slight increase is expected for 1957. Nova Scotia gypsum reserves are very large, estimated in the billions of tons. Value of barytes production in 1956 was \$2.25 million or 90% of the Canadian total and is expected to be more than 20% higher in 1957. Employment figures for the province's mining industry stood at 11,300 in September representing a decrease of 8% from the previous year attributable almost entirely to a falling off of 8% in employment in coal mining to a figure of 9,900.

Logging and lumbering form an important part of the economies of both New Brunswick and Nova Scotia, normally employing more than 8,000 workers in each province. These industries have been adversely affected as a result of the prevailing weak markets and also by rising operating costs. Production of lumber in Nova Scotia during the first nine months of 1957 is estimated at 253.7 million board feet or 4% less than in the same period of the previous year, while New Brunswick's output is estimated to be down 10% at 224.2 million board feet. Lumber inventories at the end of September were considerably higher in New Brunswick than in Nova Scotia. In both provinces stocks on hand had increased considerably from the previous year. With the decrease in export demand, prospects for the industry are uncertain at the moment. It is hoped that present inventories will be largely absorbed during the coming year by the domestic market, but it is probable this winter's cut will be substantially reduced.

The 1956 pulpwood cut showed a decline from previous years and it is estimated that a continuation of this trend will be reflected in 1957 and 1958 operations. While demand for newsprint has weakened only slightly, the over-production of pulpwood in past years has resulted in the accumulation of large stocks with consequent reduction in demand.

In New Brunswick, employment in manufacturing industries showed a decline of 7% from the previous year in September with a total of 18,000 employed. In Nova Scotia employment in manufacturing industries showed a gain of 1% to a total of 29,700. In the latter province employment in the manufacture of iron and steel products at nearly 6,900 in September was up 5% from a year before. The largest manufacturing concern in Nova Scotia is the Dominion Steel & Coal Corp. Ltd. in Sydney with subsidiaries in Trenton and Halifax. In 1957 production of steel ingots at the Sydney plant was running 12% above 1956 levels. The company recently announced that they had obtained a 55,000 ton rail order from India valued at \$7 million. The company's modernization programme is continuing and installations are now under way at an estimated cost of \$2.2 million. Employment in the province's shipbuilding and repairing industry showed an increase in September over the previous year of 5% to a total force of 5,300. The large oil refinery at Dartmouth completed a \$30 million expansion programme a year ago and has been operating at capacity since. During the first nine months of 1957 the amount of crude handled was over 50% greater than for the previous comparable period.

It is estimated that expenditures for new construction in 1957 will reach approximately \$105 million in Nova Scotia and about \$118 million in New Brunswick. These figures reflect decreases of 6% and 8% respectively from the preceding year. The value of contracts awarded in Nova Scotia during the first ten months of 1957 was \$46

million or more than 10% higher than for the same period of 1956 and as a result total expenditures for new construction may be up. In New Brunswick the value of contracts awarded during the first ten months of 1957 declined by 11% to \$48.5 million. Housing starts for ten months were down in both provinces by 5% to 2,399 in Nova Scotia and by 25% to 2,329 in New Brunswick.

Two pulp mills are mooted for construction — one in New Brunswick and the other in Nova Scotia and it is not unlikely that one or both of these projects may become a reality. Important base metal finds were made in the Bathurst and other areas of New Brunswick a few years ago and following discoveries of lead, zinc, silver, copper, tin and manganese ore bodies, a considerable amount of prospecting and development has been carried out. In 1954 construction of a \$30 million Hydro Electric power development was begun at Beechwood which went into operation late in 1957. A three year \$3 million survey of the feasibility of harnessing the tides of Passamaquoddy Bay which should be completed by 1960 is now under way. Engineers' estimates of the potential power available run as high as 1 million horsepower. It is expected the new army camp at Camp Gagetown will be completed in 1959 at a total cost of approximately \$100 million of which 35% remains to be spent.

For the first ten months of 1957 the Nova Scotia fish catch totalled 392.9 million pounds valued at \$20 million. This was an increase of 4% in quantity but a decrease of 3% in value. Lobsters, cod and haddock accounted for 26%, 16% and 13% respectively of total value. New Brunswick fishermen landed 176.8 million pounds valued at \$6.3 million, down only 1% in quantity but 12% in value. Lobsters, herring and cod represented 45%, 18% and 15% respectively of total value. Prince Edward Island reported a slight increase in catch with 37.6 million pounds landed valued at \$3.4 million. The total value of this catch was down 7% with lobsters accounting for 32% of total value. Prices paid to fishermen for virtually all varieties of fish were slightly lower although consumer demand for fresh and frozen fish was strong and market prices somewhat higher.

Retail sales in the Maritime Provinces during the first ten months of 1957 on the whole were maintained at the 1956 level. In most individual categories the total dollar amount of sales was higher but these increases were slightly offset by a substantial drop in motor vehicle sales. Grocery and combination store sales were up 6%, department store sales were up 2.2% and motor vehicle sales showed a decline of 12.7%. Sales of furniture, appliances and radios were down 4.6% and sales of lumber and building materials down 3.3%. For the most part collections were reported to be satisfactory but the necessity for a close follow-up of receivables was increasingly apparent.

NEWFOUNDLAND

The economy of Newfoundland has experienced some contraction in all of its main industries, such as forestry, pulp and paper, mining and fishing.

The Province's labour force of about 116,000 in September was some 3% below 1956. The number of persons employed, at 105,000, was 10% lower than the year before and the number unemployed, at 11,000, had increased from a negligible amount. Unemployment in September represented over 9% of the labour force.

Production of lumber amounted to approximately 45 million board feet in 1956, and since the demand for lumber was strong that year, this output was readily disposed of and large supplies had to be imported. While it is estimated that production will be slightly higher in 1957, stocks have accumulated as a result of the decline in housing starts.

Although the market for newsprint has weakened over the past year, no deliberate curtailment in the output of this commodity was undertaken or is as yet anticipated by the two pulp and paper mills operating in the Province. However, production of one company was limited somewhat in consequence of a serious fire substantially reducing the amount of pulpwood exported. The other company decreased its 1957 cut of pulpwood by 30% from the previous year. Employment in Newfoundland's pulp and paper industry, at around 4,000 in September, was 2½% lower than a year earlier.

Production of iron ore at Bell Island amounted to 2,654,000 long tons in 1956 and is expected to total around 2,871,000 long tons in 1957. About 38% of shipments made during the first nine months went to the United Kingdom, 36% to West Germany and 20% to Sydney, Nova Scotia. Iron ore which was mined in both Labrador and Quebec moved out from the port of Seven Islands to the extent of 12,023,000 long tons in 1956, with 79% going to the United States, 12% to the United Kingdom and 6% to Ontario. Shipments from Seven Islands are expected to be somewhat higher in 1957 and to rise sharply with the opening of the St. Lawrence Seaway in 1959, to almost 20 million long tons annually by 1960. Mining activity in Newfoundland related to other minerals has on the whole been slightly less than in 1956, with employment in the mining industry, at around 4,000 in September, being down 10%.

Total fish landings during the first ten months of 1957 amounted to 496 million pounds valued at \$12.6 million, or 10½% less in volume and 12% less in value than during the same period in the previous year. Cod accounted for 76% of volume and 66% of value, with landings totalling 376 million pounds (down 3½%) valued at \$8.3 million (down 5%). The lobster catch for the first ten months of 1957 amounted to 3.5 million pounds valued at just under \$1 million, representing a decrease of 28% in volume and 31% in value from the previous similar period. Haddock landings totalled 40 million pounds (down 26%) valued at \$0.9 million (down 36%). Salmon landings of 1.9 million

pounds valued at \$0.5 million were up 18% in volume and 16% in value. Average prices paid to fishermen in 1957 were lower for all varieties of fish. Production of light and heavy salt cod is estimated at 870 million pounds for 1957, or 7% lower than the preceding year. While no difficulty was experienced in disposing of 1956 stocks of salt cod, market prices for 1957 production were slightly higher because of a worldwide shortage which caused delays in concluding sales agreements with Puerto Rico and Jamaica. Although it is estimated that the number of men employed in fishing was greater than in 1956, landings and processing of fish were lower as a result of the retarded spring, with heavy arctic ice delaying fishing operations as much as six weeks.

Expenditures on new construction in 1957 are expected to reach about \$75 million, which would represent an increase of 19% from 1956. Housing starts, however, at 1,066 during the first ten months of 1957, were down one-third from the same period the year before. Employment in the construction industry in September, at around 6,000, was 29% lower than a year earlier. Construction and maintenance work on the United States bases has fallen off.

The report of an investigation into the engineering and economic aspects of a modernization programme for the harbour of St. John's was recently received by the Newfoundland Board of Trade. The project would take five years to complete and would cost nearly \$13 million. A final decision on the matter has not been reached.

Hay production dropped 20% in 1957 owing to the dry and cold weather prevailing during the spring and early summer. Root crops were of good quality and production was up 10%. The blueberry crop was fair in quality, although late in ripening, and production was up 50%. There has been a steady growth in acreage planted and increases in the number of cattle, sheep and poultry, but the products of local farms are still not sufficient to supply the Newfoundland market.

The volume of wholesale and retail trade has been slightly lower than in 1956, with the largest declines having occurred in furniture, appliances and new automobiles. Collections of small accounts appeared to be slower.

The Royal Commission on the revision of the financial terms of the Confederation Agreement held meetings in St. John's and Ottawa during 1957 and should soon be presenting its findings and recommendations to the federal Cabinet.

YUKON TERRITORY AND THE NORTHWEST TERRITORIES

Mining is by far the most important economic activity in the Yukon, fur trapping being the only other industry which exports its products outside the Territory. Annual production of minerals is worth something

over \$15 million, whereas annual fur production amounts in value to about \$250,000. Minerals produced in the Yukon in 1956 were gold, valued at \$2.5 million; silver, \$5.5 million; lead, \$4 million; and zinc, \$3.1 million. These, together with relatively small amounts of cadmium and coal, produced a total value of \$15.7 million, as compared with \$14.7 million in 1955 and \$16.6 million in 1954. Preliminary figures for 1957 indicate relatively little change.

Exploration for oil, base metals, gold and asbestos continues in a wide variety of areas in the Yukon. A great increase in interest in exploration for oil and natural gas in the northern region took place during the past summer. As at April 1, 1957, thirty-two exploration permits had been granted covering an area of 1,589,999 acres. Since April 1, 1957, permits covering 8,584,000 acres were granted. A highly promising asbestos deposit, different from the one reported last year, was discovered northwest of Dawson, and exploration is continuing. A relatively small but high-grade nickel mine, close to the Alaska Highway at White River, is undertaking underground development with the hope of coming into production.

While mining also dominates the economy of the Northwest Territories, fur trapping and commercial fishing are of some importance. Fur trapping has an annual production valued at about \$900,000. Prices for white fox (the main catch on the Arctic coast and in the Arctic Islands) are moderately good, but for muskrat (the principal product of the Mackenzie Delta and the whole Mackenzie Valley) are severely depressed. Fur prices have always fluctuated at the whim of fashion, but their future is particularly clouded by the technological progress in synthetic fibres and the consequent increase in popularity of garments manufactured from them. The commercial fishery of Great Slave Lake has an annual production value of about \$1.5 million and shows little change over last year.

The value of mineral production in the Northwest Territories in 1956 was \$23 million, compared with \$25.6 million in 1955 and \$26.4 million in 1954. The decline in the past two years was due entirely to uranium, which fell from \$15.5 million in 1954 to \$13.2 million in 1955 and to \$9.4 million in 1956. Gold, silver, petroleum and natural gas (the other minerals) rose from a total value of \$10.9 million in 1954 to \$12.3 million in 1955 and \$13.6 million in 1956. In 1957 two new mines came into production, both with small volume but high grade. One is a uranium mine 75 miles northwest of Yellowknife and the other a nickel mine at Rankin Inlet, on the west coast of Hudson Bay.

Exploration continued to be active during 1957 throughout the greater part of the Territories, but the outstanding development was that for the first time in history the Arctic and Hudson Bay Mining District (covering the islands in the Arctic Archipelago and the west shore of Hudson Bay) recorded a greater number of mineral claims staked than either the Yellowknife or the Mackenzie Mining Districts. Exploration and development of iron ore prospects in the Belcher

Islands has been going on for a number of years, with results that appear to be quite promising. Prospecting and exploration for iron ore in the southern part of Baffin Island has also been active for at least two years, and there is reason to believe that the Labrador iron ore trough extends to the island. However, the tremendous increase in prospecting and claim staking which took place in 1957 on South Baffin Island and on the islands around the east coast of Hudson Bay seem mainly to have been an extension of the widespread interest shown in the copper and nickel deposits in the Ungava Peninsula.

There was also widespread exploration for copper and nickel in the southern portion of Keewatin District, west of Hudson Bay, particularly centred around Rankin Inlet and Eskimo Point. Moving further westward there was another centre of activity close to the Arctic coast between Bathurst Inlet and Great Bear Lake. There was also, as in past years, exploration north, east and south of Great Slave Lake.

It was several years ago that exploration for oil and natural gas surged over into the Mackenzie Valley from Alberta, but during the past summer there was a renewed outburst of interest. This time it was in the northwest portion of the Territory, contiguous to the area of activity in the Yukon. As at April 1, 1957, 192 oil and natural gas exploration permits were outstanding in the Northwest Territories, covering 10,250,000 acres, and since April 1, 224 additional permits have been granted, covering 11,423,000 acres.

A development of particular interest in the Territories has been the rapid rise in importance of Frobisher Bay, on Baffin Island. By 1953 it became apparent that there had been a permanent shift of Eskimo population into this area, largely as a result of the airbase. The federal Department of Northern Affairs therefore took steps to provide administrative services and started the development of a new townsite. The increase in mineral exploration in that area in the past two summers has heightened the importance of the settlement, but it was given a new and much sharper thrust forward in the fall of 1957 when several major airlines decided to make Frobisher Bay airport a regular refuelling point on their trans-polar flights from the west coast of the United States to western Europe. This development will bring about a sharp increase in population, and plans for a greatly expanded townsite are now being developed with a considerable degree of imagination. This bank established a branch at Frobisher Bay on December 6, 1957. We are the first bank to be represented on Canada's Arctic Islands.



HAVANA
9 BRANCHES

CUBA

PINAR DEL RIO

SAGUA LA GRANDE
SANTA CLARA
SANCTI SPIRITUS
CIEGO DE AVILA

MORON
CAMAGUEY

BAYAMO
SANTIAGO DE CUBA
HOLGUIN
GUANTANAMO

BAHAMAS

HAITI

PORT-AU-PRINCE

BRITISH HONDURAS

BELIZE

MONTEGO BAY

JAMAICA

KINGSTON

C A R I B B E A

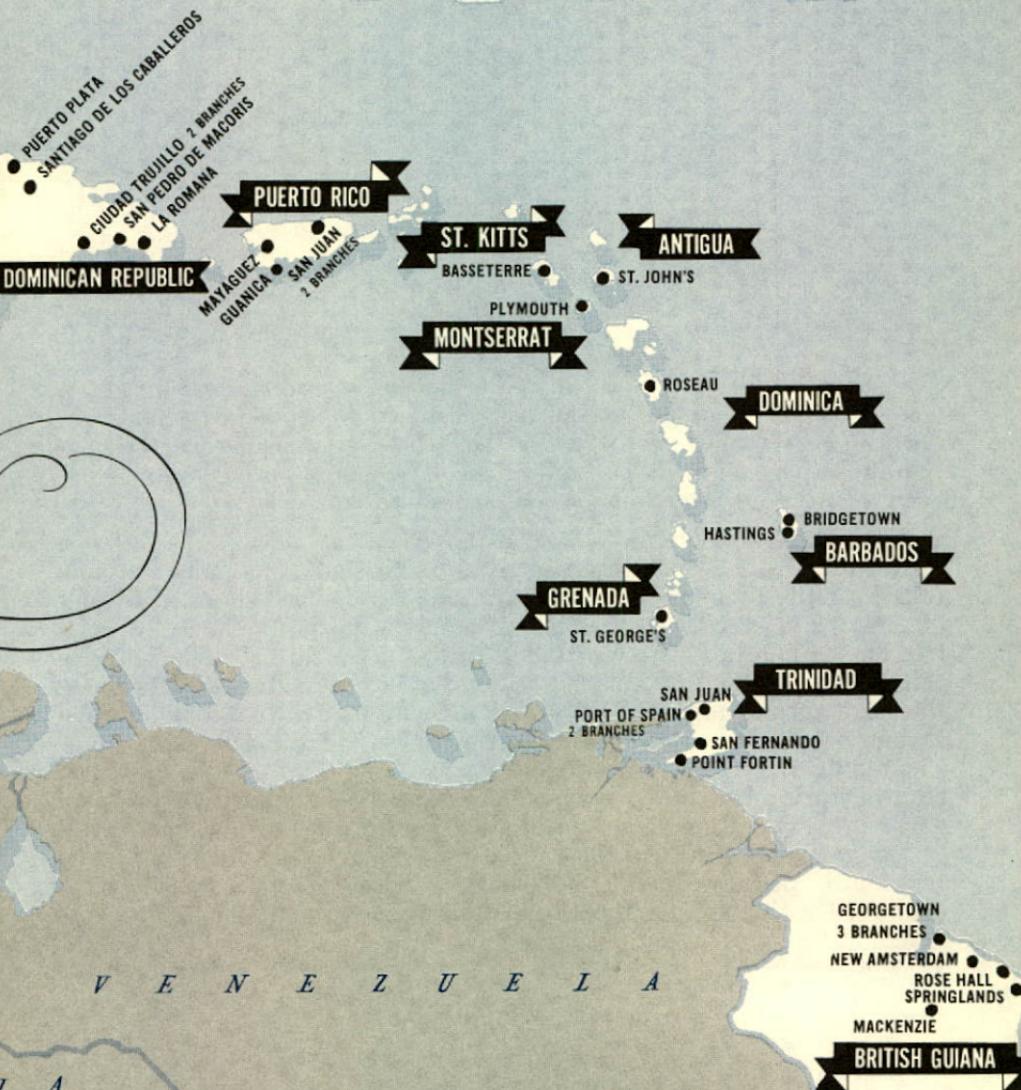
S E A

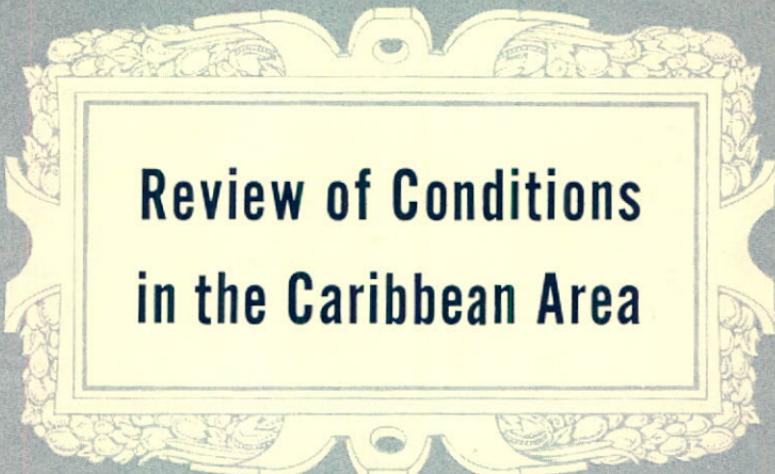
C O L O M B I A

This map shows the location of the many branches of The Royal Bank of Canada in the Caribbean area. 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 the Caribbean Area

CUBA

Although during the past twelve months insurrectionist activities have had their effect on the country's economy the good prices for sugar prevailing over most of the period have been responsible for the continuation in general of the high level of economic activity which has been a feature of the Cuban scene in recent years.

The 1957 sugar crop was fixed by Government Decree at 5,150,000 Spanish long tons which represented an increase of some half a million tons over the previous year but provision was, nevertheless, made for all cane to be ground so that for all practical purposes the crop was a free one. Final production of the 161 mills was 5,504,576 Spanish long tons as against 4,599,997 in 1956. Disposal has presented no difficulties, the sugar is moving out easily and indications are that only normal inventory will be carried over into the 1958 production season. Since the middle of October, 1956 when it stood at 3.30¢ per pound, the world contract price has shown wide fluctuation, reaching a high point of 6.85¢ in May. Current prices are considerably below this figure but the average spot prices in the United States and world markets for the ten-month period ended October 31st reflected moderate increases compared with those for the same periods in 1956 and 1955. The wide

variations were due to various causes. In the initial instance the improved statistical position and the effects of the Suez Canal crisis contributed, while the entrance of Russia into the market and increasingly large estimates of what the Cuban crop would eventually produce also played their part. In addition, unexpected supplies in other countries were brought to light but buyers helped to stabilize the market by holding off their purchases. Production of blackstrap molasses in the 1957 crop amounted to 253 million gallons, or 19% more than in the preceding year. Exports of 110 million gallons and domestic consumption of 130 million gallons accounted for most of the year's output.

The growing of tobacco has been one of Cuba's most stable industries over an extended period of time and while export values are minor in comparison with those of sugar, during recent years sales abroad have consistently returned a figure in excess of \$40 million per annum. Production increases from year to year and for 1957 stood at 905,145 cwt. as against 804,856 for 1956 and 801,674 for 1955. Planting has been carried out under good weather conditions but 1958 production is, of course, dependent on a continuation of favourable climatic conditions through to March. Demand is steadily increasing, both abroad and at home.

The 1956/57 coffee crop amounted to only 796,160 cwt. or 32% less than the record production established the previous year. The decline was due to the effects of the 1955 cyclone and a serious drought during July and August, 1956. Previous crop holdings have been sold for shipment by early 1958 and it is expected that the new crop, estimated at 900,000 cwt. will move out easily. Collection of the 1957/58 crop is proceeding satisfactorily.

The cultivation of rice in Cuba is relatively new and domestic production is still insufficient to meet the demand. The import quota has again been set at 3,250,000 cwt. for the year ending June 30, 1958 and as in the past imports will be made from the United States. During the crop year July 1, 1956 to June 30, 1957, local production totalled 4,300,000 cwt. and estimated production for the current year is 4,500,000 cwt. The present investment in rice production is estimated at over \$80,000,000 with some 400,000 acres of land devoted to cultivation. Given continued disease control and restrictions on imports, local production should find a ready market and, with the experience gained from each successive crop, the prospects of the industry become more favourable each year. 1957 prices were substantially higher than those prevailing in 1956.

Conditions in the cattle industry have been entirely satisfactory through the year. Pasturage has been in abundant supply and there are sufficient fat animals available to meet the demand. The official ceiling price of $12\frac{1}{2}$ ¢ per pound live weight has remained unchanged

since September 1956. The history of this industry as a whole has been one of continued growth and prosperity and with an increasing demand for beef the prospects of further progress and expansion are encouraging.

With production still amounting to less than 2% of domestic needs, the intensive search for oil continues. This search involves an investment of US\$25 million during 1957 and 1958. Some optimism has arisen as a result of the implementation in August of plans for deep-well drilling in several new areas including two offshore tests by Cuban subsidiaries of major United States companies. A further US\$75 million is being spent during 1957 and 1958 on refinery expansion and construction with the aim of increasing refining capacity to some 80,000 barrels daily by the end of 1958. It is estimated this will be ample for domestic needs. The new 20,000 barrels per day refinery at Santiago de Cuba went into full production in August, to provide the first important refinery outside the Havana area.

During the first five months of 1957 the value of mineral exports, principally nickel, copper, manganese, chrome and iron was US\$15.3 million, or 8% higher than during the same period of the previous year. Values of nickel and chrome are showing the greatest proportional rates of increase. A major industrial undertaking was given the final go-ahead signal in August when the Freeport Sulfur Company's Cuban subsidiary was granted new industry customs and tax benefits for the extraction of nickel and cobalt through a new sulfuric acid treatment process. This US\$75 million project is expected to be in production by 1959 and is to have an annual capacity of 50 million pounds of nickel and 4.4 million pounds of cobalt.

Sales of American type automobiles have been good with an increase both in the number of cars imported by dealers and the number brought in by private individuals. The smaller European product is finding considerable customer acceptance. Agricultural implement sales have shown a substantial increase, consequent on the favourable outlook in the sugar and rice industries, though there has been a softening in sales of heavy construction equipment. Keen competition in the domestic appliances and pharmaceutical fields existed but demand continues strong. Sales of dry goods and provisions have been higher but trading has been conducted on narrower margins. Department store sales have been lower by 15/20% but a quickening pace has been in evidence in the closing months of the year. Collections appear to have been somewhat slower although bills were eventually met in a generally satisfactory manner. The important tourist trade and the construction of new hotels have continued at high levels. Building permits for the first nine months of 1957 were valued at \$58,600,000, or \$5,000,000 ahead of the previous corresponding period and compare

with the total declared value for the year 1956 of \$60,300,000. While the political situation has been restive, labour has been comparatively quiet throughout the year and the infrequent strikes have been settled amicably, usually without direct Government intervention.

The past year witnessed a further concentration by the Government on the economic and social development programmes which were started in 1952, with emphasis continuing to be placed on increasing the gross national product, as well as exports, and on stimulating investment in industries to manufacture goods presently being imported. The Economic and Social Development Bank ("Bandes") was established by Decree in February, 1955 and, apart from the function of acting as financial agent for the Cuban Government in placing a \$350 million issue of Government bonds, is also empowered to extend discount facilities to commercial banks against medium and long term loans for economic development. It may also grant credit to private or Government agents for development purposes. In this connection the bank has recently been quite active and has assisted in the financing of various projects which include tourist hotels, a local steel mill and other undertakings.

To facilitate her industrial development, Cuba needs more electrical power. Cia. Cubana de Electricidad has been carrying out an expansion programme, at a total cost of US\$140 million, aimed at doubling generating capacity and adding 1,200 miles of transmission line to existing facilities by 1960.

Cuba is showing increasing consciousness of her island destiny and is displaying an active interest, not only in acquiring a merchant marine, but also in developing shipyards and drydocks. Negotiations are presently under way with British concerns for the building of a shipyard and a fleet of merchant ships.

The value of exports in 1956 amounted to US\$666 million, compared with imports valued at US\$649 million, resulting in a favourable trade balance of US\$17 million. Values of exports and imports during the first half of 1957 were each more than 20% higher than during the same period of the previous year and, consistent with a long span of past years, a favourable balance of trade is being maintained.

The Government fiscal year ended June 30, 1957 and statistics issued by the National Treasury indicate that receipts from all sources amounted to \$333.8 million, an increase of some \$5 million over the previous year. This income slightly more than covers the budgeted estimates which were \$330.1 million. The budget for the fiscal period July 1, 1957 to June 30, 1958 is based on an estimated income of \$347.3 million.

BRITISH WEST INDIES

BRITISH GUIANA

BRITISH HONDURAS

BAHAMA ISLANDS

In spite of the fact that in recent years special efforts have been made to encourage industrial expansion, particularly in Jamaica, Trinidad, British Guiana and Barbados, which have met with some success, and in addition there has been expansion in the oil industry in Trinidad and the bauxite industry in British Guiana and Jamaica, the economy of the area still rests largely on agriculture, the exception being the Bahamas where the tourist industry is all-predominant. Sugar continues to be by far the most important crop, production in 1957 having been estimated at 1,110,000 tons compared with 1,030,000 tons in 1956, the increase resulting from more favourable weather conditions in most of the producing areas but particularly in Barbados where production reached an all-time record of 204,000 tons. All available export sugars continue to be marketed under the Commonwealth Sugar Agreement which runs until 1965, the major portion being sold to the British Government at prices negotiated annually, the remainder being disposed of in Commonwealth and other countries at world market prices. The negotiated price for 1957 was BWI\$202.40 per ton c.i.f. and it was recently announced that the price for the 1958 crop will be increased to BWI\$210.40 per ton c.i.f. The entire 1957 production of the area was disposed of and there are no carryover sugars. The outlook for the 1958 crop is uncertain at present and it seems altogether likely that there will be some falling off as a result of unfavourable growing conditions during several months of 1957. Shipments of bananas from Jamaica amounted to $11\frac{1}{4}$ million stems which were marketed at high prices. The production of this fruit continues to expand in Dominica, Trinidad and Grenada and in fact it is now the major agricultural industry of Dominica. Owing to a severe drought rice production in British Guiana in 1957 declined steeply which will result in the colony being unable to fulfil its obligations for shipments of rice during 1958 under contract with the various Governments of the British West Indies. Special efforts are being made to increase the acreage to be planted for the coming spring crop. Cocoa production in Trinidad declined about 25% in 1957 but some improvement is expected in the crop about to be harvested. Re-planting of trees and replacement of old ones continued in Grenada following the devastation caused by the hurricane of 1955. Prices received for the crop were generally lower but recently there has been an upward tendency. Production of Sea Island cotton was lower due to reduction in acreage planted but present prospects are for a larger crop in 1958.

Bauxite remains one of the major industries of British Guiana and becomes increasingly so in Jamaica. The 1957 production in British Guiana is estimated at 2,000,000 tons, down slightly from the 1956

figure. Construction of an alumina plant at Mackenzie, where the bauxite is mined, got underway during 1957 but it has been announced that for various reasons work will be slowed down and completion delayed. In Jamaica the enlargement of the original alumina plant was completed during the year while construction of a second plant is well advanced and it is evident that further expansion of the bauxite industry in the island will take place during the coming year. There is continued interest in the mineral possibilities of British Guiana.

Oil continues to be the main pillar of the economy in Trinidad and there has been considerable expansion in the industry in recent years. Production during 1957 has averaged 96,000 barrels daily compared with 79,000 barrels daily in 1956. Exploration activity continues, particularly in offshore areas, the results of which are reported to be encouraging. A development of interest has been the purchase by the Trinidad Oil Company Limited, a Texas Company subsidiary, of Antilles Petroleum Company (Trinidad) Limited, a subsidiary of McColl Frontenac Oil Company Limited. Exploration has continued in Barbados, Jamaica and British Honduras without tangible results and the concern carrying out exploration in Jamaica is reported to have abandoned its operations.

Activity in the tourist industry has shown further expansion and new records were again achieved in the Bahamas and Jamaica. With several hotels under construction and the extension of the facilities of existing establishments further growth of this industry seems likely. In Barbados the 1957 season has been a good one and the outlook for the coming year at all points appears to be promising.

Development programmes have continued to be implemented but at certain points these have been somewhat slowed down for lack of funds. In Barbados the construction of the deepwater harbour at a cost of around BWI\$19,500,000 got underway late in 1957 and it is expected that the project will take four years to complete. Rehabilitation in British Honduras and Grenada following the hurricane damage in 1955 has continued and the Colonial Development Corporation has remained active in the area.

Nassau's new International Airport was opened late in 1957 and is a modern terminal completely equipped with runways of 7,000 feet which can be extended to 10,000 feet to accommodate jet planes.

While there were a few strikes and disturbances in Jamaica, generally speaking there was little labour unrest in the area during 1957.

Reports indicate that the finances of the Governments of the various colonies are satisfactory although certain of the smaller units continue to receive grants-in-aid from the British Government to make up budget deficits. In British Guiana, Constitutional Government, which had been suspended since 1953, was restored to the colony and at the elections in August the People's Progressive Party was returned with a comfortable majority. In Jamaica a new constitution with Cabinet Government and internal self-government came into being in November

while in Barbados consideration is being given to proposals covering a system of Cabinet Government.

An event of considerable importance to the British West Indies colonies is the near approach of their federation. Elections to the Federal Parliament are to be held on March 25, 1958 with inauguration of the Federal Legislature to take place in Trinidad, the island chosen for the site of the federal capital, on April 22, 1958.

DOMINICAN REPUBLIC

For the six month period ended June 30, 1957, the Dominican Republic's current account showed receipts of 35.4 million pesos above expenditure. The total value of exports rose by 33.6% to 89.8 million pesos while imports increased by only 3.4% to 54.4 million pesos.

The most important exports continue to be sugar and its by-products. During the first half of 1957 the export value of these commodities was 59.7 million pesos, a rise of 101% from that in the comparable portion of last year. This represented 66.6% of the total value of exports, up 22.4% from the preceding year. This rather sharp increase in export value is in small part attributable to a production rise of 2.8% to 748,000 short tons at August 31, 1957, plus an estimated 27,000 tons for the remainder of the year. However, the major cause was the near doubling of the world market price in the first five months of 1957 compared with the same period in 1956. Continued expansion in this industry is being actively encouraged by the Government whose aim is the production of well over one million tons of sugar per year.

In 1956, cocoa relinquished its place as the second most important exchange earner to coffee, but regained this position in the six months ended June 30, 1957. This was due entirely to the retreat of coffee rather than the advance of cocoa. Although cocoa production increased considerably during this time, prices fell so that exports of the raw bean and chocolate combined amounted to only 12.1% of the total value of exports as compared with 12.4% for the corresponding period the previous year. If prices remain low, the position of cocoa may worsen as drought conditions in the early part of the year indicate that the 1957/58 crop will be about 11.1% lower than the current 450,000 bag yield.

The 1956/57 coffee crop declined almost 50% from the previous season due to poor growing weather and resulted in an 18.8% drop in the export value of this product during the first half of 1957. Nevertheless, coffee retained third place in importance as a source of foreign exchange during this period, comprising 10.9% of the total export value. Coffee prices through the first half were comparable to those of the same period the year before but have subsequently fallen off considerably. Record production levels are anticipated for 1957/58 with the harvest well begun.

During the first six months of the past year producers prices of tobacco held fairly steady at their higher levels of the previous year. Despite the early dry conditions, production for export will approximate 15 million kilos, 11.1% higher than the preceding twelve month period.

It is anticipated that production of other field crops, including bananas, rice, peanuts and corn, will show encouraging progress in 1957 judging by the record of the first half of the year. Sufficient rice is being produced to supply the domestic market, and moderate quantities of corn and peanut cake (as animal feed) are being exported. The greatest improvement has been in the production of bananas which contributed nearly one million pesos to the favourable trade balance in the seven months ended July 31, 1957. At that time exports stood at about 789,000 stems with the probability shipments would reach 1.5 million stems by the end of the year.

Special encouragement is being given to expansion of sisal and cotton production, in the hope that demand for raw materials in local bag and textile plants can eventually be met domestically. Production outlook is for 7 million pounds of sisal fibre in 1957 and a further 200,000 kilos of combined cotton and sisal.

Government efforts to develop a cattle industry are being continued along the lines reported last year. It is expected that in future there will be both national and international cattle fairs. Prospects for the industry remain good, with an export market developing for both live animals and frozen meat.

The significance of mining in the Dominican Republic's economy rose sharply in 1956 and the potential has enlarged still further in 1957. Deposits of bauxite, estimated at more than 25 million tons, have recently been located and shipments are expected to begin in late 1958. Optimism exists that oil will be found and exploratory drilling is about to commence.

The budgetary surplus will be in the neighbourhood of 1.7 million pesos in 1957, 37% lower than the realized surplus in the previous year. The level of expenditures, as estimated, will be 129.8 million pesos while revenues will total 131.5 million pesos. Respectively these are 11.5% and 12.0% lower than last year. The total value of public works projects will rise 17.9% to a total of 132 million pesos which includes a new International Airport costing in the vicinity of nine million pesos.

HAITI

Haiti has experienced a very difficult year. Since former President Magloire's resignation on December 12, 1956 there have been six Provisional Governments and there were frequent riots, general strikes and disturbances with the inevitable result being the dislocation of com-

merce and industry and a sharp decline in the tourist trade. The Presidential and Senatorial elections originally scheduled for June had to be postponed but were finally held on September 22nd and resulted in the election to the Presidency of His Excellency Francois Duvalier who, with his Cabinet, took office on October 22, 1957. In recent months the scene has become quiet and business generally has returned to a more normal basis.

The fiscal year begins October 1st for the Government of Haiti, and in the five month period ended February 28, 1957, Haiti's balance of payments on current account declined from its relatively strong position in the same period of the preceding year. In the earlier period the surplus of receipts over expenditures amounted to 14.7 million gourdes, while in the later period, expenditures exceeded receipts by 21.2 million gourdes. The totals accounting for the latter deficit were exports valued at 74.8 million gourdes and imports valued at 96.0 million gourdes, the former down 35.9% and the latter 5.9% from the corresponding period of the previous year.

Coffee, by far the most important single export, which in fact earns more foreign exchange than all other commodities combined, bore most of the responsibility for the adverse balance. In the first five months of fiscal 1957 the export value of coffee represented 76.5% of the total value of exports, a slight decline from its contribution in the same period of the previous year. But the absolute fall in the value of coffee exports amounted to 35.9 million gourdes.

As was the case in 1956, sisal continued to be the second most important export of the country, and though prices during the first five months of fiscal 1957 remained at the lower levels which prevailed late in the previous year, there are recent indications of increased demand and prices. Compared with the previous October 1-February 28 period, the export value of this product fell 21.9% to 11.4 million gourdes, and represented 15.2% of the total value of exports. A fair proportion of sisal production is being used domestically, principally in the production of bags for coffee export.

For the five month period ended February 28, 1957, the value of all other exports was only 6.2 million gourdes, as against 9.0 million gourdes in the same period of the previous year, and represented 8.3% of the total value of exports. This group of commodities includes cocoa, sugar, essential oils, castor beans, cotton, bananas and handicrafts. For the period in fiscal 1957, no exports are recorded for sugar, whereas in the previous year it was the fourth largest export.

The downward trend in cotton production evidenced in 1956 continued into 1957. Some 5,600 bales were handled of which only about 1,500 bales were exported.

Banana production and exports again increased slightly in 1957. The Government is continuing to utilize the Agricultural Bank in its

attempts to increase production and exports of this product to previous levels.

Haiti's pattern of trade by countries was not much altered during the latter five month period. The United States remained both its largest importer (26.9%) and exporter (61.7%). The only significant change was an increase of 7.3% in exports to France — moving that nation from fifth to second place. France now takes 21.4% of Haiti's exports.

The local cement plant operated at a little better than half its rated capacity of 60,000 tons per year during 1957. Production for the year ended September 30th totalled 30,000 tons, a decline of 40% from the preceding year. Construction had been severely curtailed due to the unsettled conditions in the country since December last.

The public debt as of February 28, 1957, totalled 308.9 million gourdes, or 35.5% higher than a year earlier. These figures are the latest available.

PUERTO RICO

Over the past ten to fifteen years Puerto Rico has been undergoing a remarkable transformation and has evolved from virtually a one-crop (sugar) economy into a rapidly developing area of diversified activity and rising living standards, and in both of the past two years income from manufacturing and income from trade have each exceeded that from agricultural activity. National income reached a record level of US\$1,006.9 million in fiscal year 1957 (ending June 30th), or 5.3% higher than in the previous year. Income from manufacturing rose by 15.4% to US\$214.9 million and represented 21.3% of the total. Agriculture experienced what has been termed the worst year in the history of the island as a direct result of the hurricane which struck in August, 1956 (the first in twenty-five years), and a subsequent prolonged drought. Income from agricultural production declined by 7.7% to US\$151.8 million and accounted for 15.1% of the total. Income from trade rose to US\$179.1 million for an increase of 8.3% and represented 17.8% of the total. The only economic sector, besides agriculture, which failed to expand was Federal Government activity, income from which dropped by 16.7% to US\$75 million owing to declining military expenditures.

The most important factor responsible for Puerto Rico's outstanding achievements in economic diversification has been the Government's programme as carried out through the Economic Development Administration. Under this programme, which had its formal beginning in 1948, generous incentives have been extended to investors in order to encourage them to establish manufacturing plants in Puerto Rico. These incentives have included tax exemptions; preliminary studies of production costs; investigations and recommendations regarding plant location; selection and supply of suitable workers; financing; and construction and leasing of buildings.

The 15% increase between fiscal years 1956 and 1957 in income from manufacturing compares quite well with the preceding annual increase of 16%, in spite of severe declines in two important manufacturing industries based on agriculture, namely sugar refining and tobacco processing. Excluding these two, income from manufacturing rose by 23% to the last fiscal year, as compared with 21% to the preceding one. There were 455 new manufacturing plants in operation as at June 30, 1957, compared with 371 the year before, creating employment for approximately 36,000 workers. Industries registering the greatest gains as sources of income were textiles, chemicals, metal products and machinery. These gains stemmed entirely from plants which had been promoted under the industrial development programme. Of particular interest is the fact that a large American corporation's investment of US\$28.5 million in an ethylene glycol plant on the island was the largest single investment ever to be made in the industrialization of Puerto Rico.

External trade attained sizable proportions and clearly reflected the general expansion of economic activity. Total value of merchandise exports during the fiscal year 1957 was US\$505 million and represented an increase of 17% over the previous year, despite a drop of 4% in the value of sugar exports. Value of merchandise imports amounted to US\$724 million for an increase of 13%. The relatively large deficits on merchandise account are offset by the inflow of investment funds from outside the island, by tourist revenue and other invisible exports, and by Government grants. Continental United States provides the market for about 94% of Puerto Rico's exports and is the source of approximately 88% of the island's imports.

Total value of exports to mainland United States during the first six months of 1957 was US\$200 million, or 7.4% higher than during the same period of the year before. Of this total value, wearing apparel of all sorts — including outer and underclothing, gloves, accessories and so on — accounted for approximately 25%, or about the same proportion as raw and refined sugar together (raw sugar accounted for 21%, refined sugar 4.3%). Electrical machinery and apparatus was responsible for 8% and tobacco and products for 5.3%. Value of wearing apparel exported during the first six months of 1957 showed an increase of 31% over the previous similar period and value of electrical machinery and apparatus an increase of 27%, but raw and refined sugar a decrease of 18% and tobacco and products a decrease of 25%.

Value of imports from continental United States totalled US\$333 million, 13.3% higher than during the like period of the preceding year. Of this total value, cotton manufactures accounted for 8.6%, industrial machinery 8%, milled rice 4.6% and motor vehicles 4%. Import values of all these categories increased from the first half of the previous year, industrial machinery by 74%, motor vehicles by 23%, cotton manufactures by 11.4% and milled rice by 10.7%. The fairly important import categories of synthetic fibres and manufactures, and fresh, frozen and processed meats, however, showed substantial decreases.

Production of refined sugar during the last crop year was only 979,000 tons, or 14% less than during the preceding year. This production, combined with inventories accumulated from previous years, totalled only 1,033,000 tons and fell short of the marketing quota by approximately 257,000 tons. Last year's output was the lowest in 11 years and represented the first time in 23 years that Puerto Rico failed to fill its quota. Raw sugar ground, at 8.7 million tons, was down 15.5% from the preceding crop year. The Government is providing subsidies to promote the planting of new cane, to spread knowledge of methods for combating insects and diseases, and to enable small farmers to acquire certain equipment.

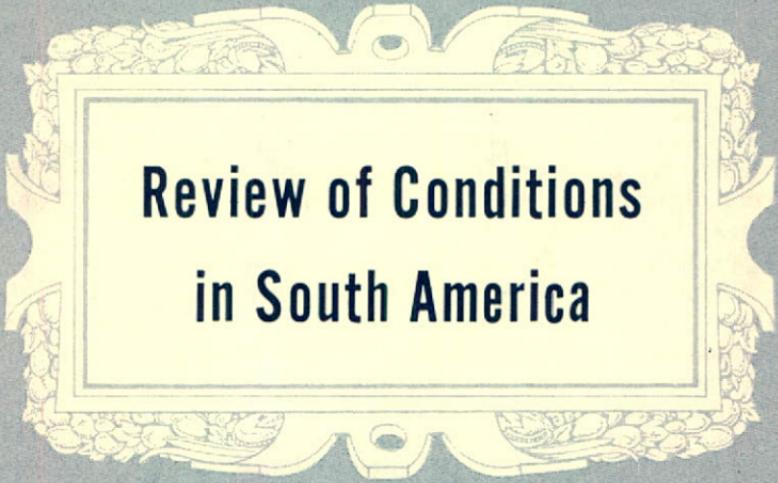
The tobacco crop of 240,000 cwt. was down 20% from the previous year and 20% below the quota, but since quality and prices were higher than the year before, the value of the tobacco crop was decreased by 5%. Production of shelled coffee during the 1956-57 crop year amounted to 155,000 cwt. and fell far below the previous year's level of 300,000 cwt. The coming crop, however, is estimated once again at 300,000 cwt. Pineapple production for the crop year ended October 31, 1957, is estimated at 39,130 tons or 25% above that of the year before. The Puerto Rican pineapple industry's prospects appear good and indications are that it is on its way to becoming second only to sugar as an agriculturally based source of cash returns.

The construction industry continued to expand during the fiscal year 1957. In contrast to the rise which took place during the preceding year, accounted for by the increased activity in residential construction, all of the increase in fiscal 1957 was attributable to the non-residential sector, while residential construction actually declined. Total value of construction put in place reached a record level of US\$168 million, or approximately 18% higher than in the previous year. The decline in residential construction resulted partly from the Government's policy of holding back certain projects in order to co-ordinate them with urban renewal programmes, and partly from the general tightening of the United States mortgage market, through which most residential construction in Puerto Rico is financed.

Employment, which totalled 558,000 in the preceding fiscal year, dropped to 552,000 in the year ending June 30, 1957. In spite of this decline, there was also a reduction in unemployment, due largely to emigration from the island. Of the total labour force of 636,000, approximately 84,000 or 13% were unemployed, the same percentage as in the previous year.

Tourist activity continued to expand and during the fiscal year 1957 186,403 persons visited the island, 15% more than in the previous year, and spent US\$28 million.

There is every indication that the current fiscal year promises to be another one of rapid growth for the economy of Puerto Rico, again featuring a sustained high rate of capital formation and establishment of new manufacturing firms, and a much improved agricultural picture as well.



Review of Conditions in South America

ARGENTINA

Argentina continues to grapple with a set of serious and deeply rooted economic problems related to a high and rapidly rising level of imports, a lower and more slowly rising level of exports, a widening trade deficit, an insufficiency of foreign investment, basic inadequacies of transport, power and fuel, an inflationary spiral of prices and wages, and labour unrest.

Agricultural and livestock production is the source of over 90% of Argentina's foreign exchange earnings. While international prices of the country's leading exports — grains and seeds, meat, wool and hides — have tended to decline slowly but steadily from their immediate postwar levels, prices of imports and domestic costs of local goods have tended to rise rapidly, thus creating international payments and exchange problems of growing severity, further intensified by the fact that the process of industrialization has been pushed along with insufficient help from foreign investment and sometimes at the expense of agricultural development.

While the value of total exports during the first nine months of 1957 increased from the similar period of the previous year, the value of

imports showed an even greater increase. The value of exports during the first three quarters of 1957, at US\$738.3 million, was 9.3% higher than in the like period of the year before; the value of imports at US-\$967.8 million was 14.7% higher; and the trade deficit at US\$229.5 million was 36.7% higher. As extenuating circumstances in appraising the largeness of the deficit, account must be taken of the fact that imports of fuel and lubricants were severely affected by the Suez crisis, shipments having had to be obtained from the dollar area and also having been rendered much more expensive by increased freight and insurance charges. Furthermore, Brazil has purchased from Argentina one million tons of wheat which has not yet been shipped, and once it has been, the deficit will be reduced by about US\$50 million. It should also be reduced considerably when shipments of the new wool clip commence in volume.

A significant development in Argentina's trade has been the growing importance of the free exchange market. Products are steadily being removed from the official-market lists and diverted into the free market. When the free market was instituted late in 1955, only some 7 or 8% of imports could at first be purchased through it. During the first eight months of 1957, almost 27% of imports were settled for in this way, although somewhat less than 20% of exports. Present policy calls for removal from the official-market lists of every product that cannot be considered essential to the economy, and considerable progress in this direction has already been achieved.

Argentina has taken a major step toward broadening commercial relations with western Europe and checking imports from the United States. The new European tie is in the form of West German participation as of November, 1957, in the trade payments union, the so-called Paris Club, formed the year previously by Argentina and ten European countries, the United Kingdom, Italy, France, Belgium-Luxembourg, Austria, Denmark, Holland, Norway, Sweden and Switzerland. The Paris Club actually involves an arrangement among the countries' central banks which allows Argentina to use any member's currency to buy goods in any of the other countries. West Germany had held aloof from membership owing to difficulties over German-owned private property confiscated during the Second World War. On the release of this property and the conclusion of a debt consolidation agreement, West Germany has become a member. The US\$148 million of Argentine debts to West Germany are to be paid off over a period of ten years and with an average annual interest rate of 3½% — the same terms as cover settlement of US\$230 million owed as of June 30, 1956, by Argentina to four other Club members and US\$64 million owed to Japan, a member of the European Payments Union but not of the Paris Club. West Germany is Argentina's fourth leading market, after the United States, Brazil and Venezuela, and its third ranking source of imports, after the United Kingdom and the United States.

Argentina has been incurring a very sizable deficit in trade with the United States, from which it buys a wide range of products, and a deficit about half as great, but nevertheless substantial, with Venezuela, from which it has been making heavy purchases of petroleum products. It has been achieving a large surplus with the United Kingdom, the most important buyer of its meat, and a surplus with the Paris Club nations as a group. During the first seven months of 1957, the United States provided 26% of Argentina's total imports and the United Kingdom bought 27% of its total exports.

While cereal and linseed exports traditionally have been Argentina's leading source of foreign exchange earnings, followed by meat products, the two groups may be in the process of changing positions. In 1954, 1955 and 1956, cereals and linseed accounted for US\$423 million, US\$323 million and US\$279 million, respectively, or 41%, 35% and 31% of exchange receipts, and in the same three years meat accounted for US\$156 million, US\$205 million and US\$232 million, respectively, or 15%, 22% and 26% of total receipts. Exports of frozen, chilled and canned meats taken together are expected to reach a record level, by volume, and possibly also by value, in 1957. During the first nine months of 1957, in volume terms, exports of frozen beef were slightly higher than during the same period of the preceding year, exports of chilled beef were almost twice as high, and exports of canned meats about 61% higher. Domestic consumption of beef in 1956 reached an all time high of 1.9 million tons, or 12% more than in the previous year, and accounted for 78% of total slaughterings. In February, 1957, the Government issued a decree cancelling maximum prices of meat sold either retail or wholesale in the city of Buenos Aires and suburbs. The subsidies to meat packers were abolished and transactions in meat freed from restrictions. A decree issued in August provided for payment of 80 million pesos to domestic and foreign meat packers in compensation for losses incurred from 1946 to 1954, and about one-third of this amount was expected to be divided among the three United States packing plants. In spite of the high levels of exports and domestic consumption, it is likely that there will be an accumulated surplus at the end of this year of about 120,000 unmarketable steers. The Argentine Rural Society has petitioned the National Meat Board and asked that the heavy steers be allowed to be used for canning, a purpose for which generally cow meat is used. The surplus will also be alleviated to some extent if Argentina exports 60,000 head of cattle on the hoof to Uruguay this year, as was done the previous year.

The coming crop, always a significant factor in Argentina's economic position, is of special importance this year in view of the country's difficult circumstances. Although there was good rainfall in mid-winter, the early spring was dry and sowings were delayed. Damage caused by drought and frost led to forecasts which were not optimistic. However, the planting of new crops then progressed well and gave rise to new hopes.

The 1956/57 wheat crop of 7.1 million tons was 47% greater than that of the previous crop year. During the first nine months of 1957, 2 million tons of wheat were exported, or 5% more than during the like period of the preceding year. Private estimates place the 1957/58 outturn at less than 5 million tons, and on this basis the exportable surplus would amount to only 1.2 million tons, as compared with total wheat exports in 1956 of 2.5 million tons. Aggregate production of rye, oats and barley for 1956/57 amounted to 3.4 million tons, or 41% more than for the preceding crop year, and total exports of these three grains during the first nine months of 1957, at about 840 thousand tons, was 23% higher than during the previous similar period. Total acreage sown to oats, rye and barley is slightly lower than last year, but more than one-fourth higher than the average for the past ten years. Maize production at 2.7 million tons in 1956/57 was 30% lower than in the previous crop year, and exports of maize at 428 thousand tons during the first three quarters of 1957 were 37% down from the previous corresponding period. It is estimated that acreage sown to maize will be about 80% greater than last year, in the hope of making up for the failure of that year's crop. Area sown to linseed is estimated at about 15% greater than a year ago, even though linseed production in 1956/57 reached a very high level of 620 thousand tons.

In November, 1956, the Government freed the marketing of oats, barley, rye and linseed, permitting direct sales to private traders by growers, who at the same time retain the privilege of falling back if necessary on the minimum prices guaranteed by the National Grain Board. In March, 1957, the same freedom was allowed to dealers in maize, sunflowerseed and peanuts. Only wheat remains under Government control. In April a decree issued by the Ministry of Agriculture cancelled the subsidies to local flour mills, and another decree authorized payment of an additional 20 pesos per 100 kilos on maize of the 1956/57 harvest sold to the National Grain Board for export. With a view to fostering exports, the Central Bank eliminated the surtax levied on exports of barley, rye and quebracho extract, and, with respect to maize and oats, lowered the proportion of exchange to be negotiated through the official market. An agreement has been signed with Brazil for the sale to that country of up to 1 million tons of wheat annually over the three years 1958 to 1960.

The Argentine economy continues to be handicapped, as it will be for at least several more years, by problems of power, fuel and transport. Effective total electric power capacity is estimated at 1,600,000 kw., or 750,000 kw. short of immediate needs and 2,400,000 kw. short of the 4,000,000 kw. that will be required by 1962. At present only 62% of the population have electric power and light services available to them. Two new plants of the National Power Board, representing together an installed capacity of 370,000 kw., will shortly be in full production. Contracts for the construction of a 600,000 kw. state-operated thermal plant for Buenos Aires, to be in operation by 1960

and fully completed by 1961, have been awarded to British firms. Bids have been called for on a 700,000 kw. hydro-electric plant in southern Argentina. Both of these projects raise serious questions of financing and this is a sphere in which foreign investment is probably indispensable.

The Suez crisis, which involved additional outlays of dollars for dearer supplies of oil and lubricants, brought into further prominence the necessity of developing the country's oil resources. During the first eight months of 1957, Argentina imported petroleum products amounting in value to US\$223 million, representing 26% of total imports for the period and an increase of 50% from the same period of the preceding year. It is estimated that imports of petroleum products for the whole of 1957 will amount in value to US\$367 million or 47% more than in 1956. Production of crude petroleum by the State oil agency during the first six months of 1957 is given at 2,641,000 cubic metres or 12% more than the first half of the previous year. A development programme has been planned by the oil agency aimed at doubling present yearly output by 1960, to some 10,000,000 cubic metres. For this purpose a credit of 12.5 billion pesos has been opened by the Government in favour of the agency and is to be financed partly by a proposed issue of bonds. The oil agency was authorized, after all public bids had been rejected, to negotiate a private transaction with an international consortium for the construction of US\$250 million worth of pipeline projects, which would permit the movement of increased production from the western and northern oil fields and would largely alleviate the present petroleum shortage. In October the oil agency signed a US\$180 million contract with the consortium for construction of oil pipelines, a gas line system and a treating plant for separation of gases, about 15% of the total cost representing dollar expenses. Work is scheduled to begin in about six months after signing of the contract and to be completed in about two years. It is estimated that the country's known petroleum reserves amount to 350,000,000 cubic metres, enough to assure domestic consumption for 30 years.

Argentina's several railway systems have deteriorated badly through decapitalization and problems related to the exchange situation. Large quantities of produce repeatedly become immobilized in different parts of the country because of the lack of sufficient transport facilities to bring them to points of distribution or export. The Argentine State Railways in August signed a contract with a United States firm for the purchase of 50 diesel electric locomotives, to cost over US\$8 million, 80% of which will be financed by the Export-Import Bank and the remainder by the American company. This contract completes the purchase of 200 diesel electric locomotives financed by the Export-Import Bank credit granted in 1956. The first of these diesel locomotives, and some purchased in Europe and Japan as well, have been brought into operation, but appear to have been applied mainly to the improvement of passenger, rather than freight service. The number of motor transport trucks is also completely inadequate for the country's needs.

Industrial production lagged somewhat during the first quarter of 1957, probably owing to tightness of credit, but an upturn, only partly due to the established seasonal pattern, was noted during the second quarter and, according to spot reports, probably continued through the third quarter. The iron and steel industry in particular reported a strong market demand which, in turn, brought about increased production in its mills. This improvement has special significance because the most notable decline in industrial production during the past year has been in the field of durable goods. Mineral production, led by expansion in lead and zinc mining, was running higher than a year ago, stimulated in part by developing markets in non-metallic minerals. Mining, however, represents but a small fraction of total Argentine industry.

An interesting development has occurred in connection with Argentina's very great need for tractors and other agricultural implements. The Commerce Ministry has favoured virtually complete protection from overseas suppliers and has felt that farmers should wait until local industry can supply them, whereas the Agriculture Ministry and most farmers have felt that the urgency for farm machinery is so great that immediate importation from abroad is necessary. A third alternative which may prove to be an acceptable compromise has arisen in the form of a proposal submitted to the Argentine authorities by a United States firm offering to invest some US\$12 million for the manufacture in Argentina of farm machinery and requesting only the guarantee of free competition. The proposal has been approved by the Argentine Central Bank and is under consideration by the Government. If acceptable, there appears to be no reason why this kind of arrangement should be confined to one company. At mid-year, Argentina had about 70 thousand tractors, or one for every thousand acres under cultivation, as compared with 58 thousand a year earlier, or one for every 1.2 thousand acres. The Social-Economic Council has agreed that imported tractors should be taxed at about 30% of their value.

The long awaited banking reform measures have at last been decreed. As of December 1, 1957, the system of transferring deposits of the private banks into the hands of the Central Bank, and the resulting rediscount, was discontinued. Deposits amounting to some 58,500 million out of a total of 70,000 million pesos were returned to the private banks, who were given a relatively free hand in the use of their deposits for credit purposes within the framework of the country's monetary policy.

Living costs for working class families in Buenos Aires, according to the revised index in the "Review of the River Plate", rose 23% during the first nine months of 1957, as compared with 17% during the whole of 1956. In 1957, the index rose 5.5% during the first quarter, 6.1% during the second and 10.3% during the third, indicating the manner in which the rise has been accelerating. On September 30th, the Minister of Commerce and Industry announced that the Government will issue decrees designed to slow down the upsurge in the cost of living. These measures are reported to include the establishment of a National

Supplies Institute, composed of representatives of industry, labour and Government; price controls; reductions in Government spending; modifications in the pension system; regulation of negotiation of collective wage agreements; and promotion of systems of incentive wage increases based on greater productivity.

BRAZIL

While the rate of Brazil's economic growth picked up during the first half of 1957, after a slight decline in 1956, the tempo of development seemed to be slowing down a little during the past few months. This may be due to some extent to external influences which reflect conditions in the world today, but the country is no doubt suffering temporarily from a mounting world production of coffee and a buyer's market. Coffee currently accounts for over 60% of Brazil's exchange earnings and shipments are falling off. Exports for the current crop year from July 1st to October 31st totalled 4.9 million bags against 5.4 million bags for the same period in 1956. In the first eight months of 1957 shipments were almost 2,500,000 bags less than for the corresponding months of the previous year. Prices have been sagging and the basic quality now returns about 5 cents a pound less than it did one year ago. The current crop is expected to yield in the neighbourhood of 16 million bags while next year's crop, which is already flowering, should produce about 22 million barring unforeseen adverse conditions. It is apparent that larger carryovers will result in the next year or two. In June 1957 the Government established a new policy on financing, supports and cruzeiro returns for the 1957/58 crop and as a consequence the Brazilian Coffee Institute has been sustaining the price by purchasing at the minimum established price. It is not known how much coffee the Institute is holding but it is thought to be considerable. At a conference held on October 18, 1957 in Mexico City of the principal Latin American coffee producing countries representing 80% of the world total, an agreement was reached whereby Brazil would retain 20% of its exportable coffee in the period October 1, 1957 to September 30, 1958, while the other signatory countries would limit their coffee exports in the period November 1, 1957 to March 31, 1958 to about 80% of average quantities exported in the similar period of the past two years. The object is to try to maintain the price of coffee to the consuming countries which has tended to drop in view of increasing world production. Although reliable statistics are not available, it is presumed that the increase in the use of soluble coffee has prevented any rise in consumption, if not actually causing any drop.

Cotton is Brazil's second largest export crop. The State of Sao Paulo 1957 crop amounted to only 136,000 tons and that of the neighbouring Southern States to only an estimated 15,000 tons which were the lowest recorded for some years. Some previous crops were in excess

of 400,000 tons. The main reason for this was unfavourable weather. The Government authorized an initial export quota of 55,000 tons from the 1957 Sao Paulo crop which has since been increased by 10,000 tons. The whole 55,000 tons have now been exported or sold for export but the additional quota of 10,000 tons is of poor quality and buyers are hard to find. The area to be planted for the Sao Paulo 1958 crop is expected to be about equal to that of last year. Due to better pest control measures it can be expected that the average yield per acre will show some improvement. An estimated yield of 113,000 tons for the 1957/58 crop of the Northern District compared with an actual yield of 120,381 tons last year is indicated but it is too early in the season for an accurate forecast. Prices have fluctuated within narrow margins during the past twelve months.

The 1956/57 Bahia cocoa crop estimated at 2.6 million bags plus a carryover of 100,000 bags from the previous crop had been mostly disposed of by the end of January 1957. However, due to increased production, especially in Africa, prices tended to sag. Normally cocoa rates third in Brazil's exchange earnings but those for the first half of 1957 reflected almost a 50% drop from US\$37 million to US\$19 million compared with the same period last year. In order to boost prices Brazil has been withholding exports which created a certain amount of buyer resistance and the turning to other markets. As a result the production of other areas has been mostly disposed of and it seems that Brazil has achieved what was considered impossible a few months ago, namely the raising of the world cocoa price level to the Bahia minimum. Thus, prospects for disposing of a large part of the current crop appear to have improved considerably over the past few months as buyers are compelled to look to Brazil for requirements.

Production of sugar for the last crop year (June 1956/May 1957) was estimated at 38.3 million bags. The industry has made notable progress during the last six years as shown by the increase in production of milled sugar from 23 to 38 million bags between 1950 and 1956, an average increase of 10% per annum. It is expected that the Government will authorize the export of 7 million bags of the current crop.

Over the last twenty years production of wheat has increased eight-fold as a result of larger acreage sown and steadily increasing yield per acre. A total of 1.2 million tons was produced in 1956 compared with 1.1 million tons for 1955. Domestic requirements are still not being met. The wheat deal with the United States reported last year was only partially availed of and the agreement has been suspended until the current Brazilian crop has been marketed. The amount of 1.8 million tons, valued at \$110 million mentioned in the agreement with the United States, is to be imported over a period of three years but to date only \$20 million has been expended.

Brazil is the fifth largest producer of tobacco in the world after the U.S.A., China, Soviet Union and India. Production in 1955 amounted

to nearly 148,000 tons while that for 1956 was expected to be 1,000 tons more.

Brazil has some 100,000 factories of which 5,700 are responsible for 85% of total production according to a survey made by the Brazilian Geographical and Statistical Institute. In terms of value of output in 1956 the largest industry was food processing with production worth Cr\$63.2 billion followed by textiles Cr\$52.6 billion, chemical and pharmaceutical Cr\$41.7 billion and metallurgical industry Cr\$32.4 billion. The 5,700 factories employ 800,000 workers headed by 271,900 in textiles and 86,200 in metallurgical industries. Brazilian industrial production increased by 4.7% in 1956 over 1955, the greatest increases being in petroleum refining, mining and the mechanical industry. The percentage of capital goods has improved steadily since the end of the Second World War from only 24% of total manufacturing in 1949 to 33% in 1956. The textile industry is passing through a difficult period because of a lack of demand. Production has been reduced rather sharply by some mills due to falling sales and an accumulation of stocks.

Although domestic production of petroleum is increasing, it has not kept pace with consumption. Average daily output of crude oil climbed from 6,900 barrels in the period January to May 1956 to 24,800 barrels in the same period in 1957. Expenditures for oil and its derivatives for the first six months of 1957 amounted to the equivalent of US\$137.5 million which exceeds the totals for the same period in 1956 and 1955 by US\$41.4 million and US\$3.8 million respectively. The increase was also partly due to higher prices in the international market caused by the Middle East situation. Exploration is still limited to the Government Agency "Petrobras" with the foreign oil companies being excluded, except for distribution. Large reserves are reported to be available and the question of allowing outside participation has been hotly contested in political circles, since oil importations constitute the heaviest drain on exchange reserves.

Considerable interest has been displayed on the part of foreign concerns in the development of Brazil's huge iron-ore reserves which are estimated at more than a third of the world's total. Exports in 1956 totalled 3 million tons and steel production reached 2.7 million tons. Firms from Germany, Poland, France and the United States are displaying interest in expanding this development and recently Japan entered the picture when a group from that country signed an agreement with the Brazilian Government for the construction of a steel mill involving an investment of US\$130 million which will be contributed on a 40/60 basis respectively. The Japanese interests will put up \$10 million in cash, \$9 million in equipment and provide a \$30 million credit for purchase of machinery in Japan. The plant will be located in the Rio Doce Valley and when finished in 1963 will be the country's second largest with a capacity of 500,000 tons a year.

In the mining field, hematite and manganese ore are assuming considerable importance, having moved up to 5th and 6th place respec-

tively in the exchange earned from exports, even surpassing cotton which for many years held second place. Last year Brazil produced 16,966 tons of aluminium valued at Cr\$21 million compared with 3,520 tons valued at Cr\$14.9 million in 1955.

Brazil's balance of trade during the period between January and August 1957 registered a deficit of US\$134.4 million. The country's exports during this period were valued at US\$843.7 million while imports reached US\$978.1 million. Principal exports were: coffee — US\$515.7 million (8,704,602 bags); lumber — US\$43.7 million; cotton — US\$37 million; sugar — US\$22.4 million and cocoa — US\$17.9 million. The deficit was attributed mainly to a fall in exports which, compared with the first semester of 1956, declined by US\$104.8 million and an increase in imports of US\$133.1 million. The Finance Minister has announced that the International Monetary Fund has granted a loan of \$37.5 million to Brazil which may be used to cover the deficit in the balance of payments. A new tariff law became effective on August 14, 1957 and since that date the import trade has been adjusting itself to the new customs tariff and the revised form of import exchange auctions. All duties are now "ad valorem". Categories of merchandise have been reduced from 5 to 2 in number which are now known as "General" and "Special" and import licenses are only required for Special category merchandise. However, it is still necessary to purchase auction exchange prior to importing merchandise. Newsprint, fertilizers, insecticides, wheat, petroleum and certain essential equipment enjoy special privileges. Consular invoices were abolished at the end of 1957.

Brazil's mid-year dollar reserves were down to some \$24 million, less than one quarter of what they had been at the outset of 1957; of gold holdings totalling \$324 million, about 80% are pledged as collateral for various foreign debts; thus total uncommitted hard net reserves by mid-year were down to under \$90 million, which barely covers three weeks of imports. During 1957 Brazil continued to work off the backlog of commercial sterling debts with items up to January 23, 1953 having now been paid. The total of those arrears amounts to about £18,500,000.

A weakening trend of the cruzeiro in the free market prevailed throughout 1957 with the exception of a slight rally in June and July but a sudden deterioration set in during November with a low point of Cr\$96.50 per U.S. dollar being reached toward the end of the month which had settled back to Cr\$82.20 per dollar by early December. The situation in the official exchange market remained unchanged until the new Tariff Law went into force. For almost a month the exchange auctions were suspended until snags in the law had been properly ironed out and importations came practically to a standstill. These were resumed in late September. The official rate remained the same at Cr\$18.82 per U.S. dollar. The tax on the transfer of funds abroad was abolished by the new Tariff Law.

It is reported that during the period January 1st to May 31, 1957 the Foreign Trade Department (CACEX) of the Bank of Brazil granted licenses for the import of machinery and other industrial equipment as capital investment without exchange cover to be used in setting up industries in Brazil to the value of US\$51 million compared with the total for the previous six months of US\$23 million. Thirteen countries invested in the period, the principal ones being the U.S.A. (77.0%), West Germany (6.5%) and United Kingdom (3.2%). Investment in Brazil of new capital from the United States in 1957 is reported to have been around \$50 million, an increase of 30% over the previous year. West Germany investment was expected to rise 25% to \$30 million and France, Italy and Switzerland were all expected to surpass England, third largest investor in 1956. The decision to contribute 40% of working capital to the projected \$161.4 million steel mill in Minas Gerais should place Japan in second position ahead of Germany.

The Rede Ferroviaria Federal S.A., which came into being recently, incorporates Brazil's twenty-two State railways into the largest single undertaking in the country with an initial capital of Cr\$60,450 million. Last year the national railways incurred a loss of Cr\$12 billion. The Export-Import Bank will provide a credit of over US\$100 million to re-equip the new railroad by 1960, which is an urgent necessity for the proper development of Brazil. Additional funds to be provided are Cr\$14 billion from the Federal Government, Cr\$7 billion from the National Economic Development Bank and Cr\$7 billion from a tax on fuel. The country is well serviced by several national and foreign air lines, being the second in the world in volume of air traffic.

Up until recently there has been a serious shortage of money and credit for business purposes due to official restrictions placed on banking concerns. Although this policy remains unchanged, an easing of credit has been in evidence over the past few months as less money has been tied up in exchange premiums and many firms were beginning to cut back inventories as a precautionary measure in view of the dull commercial activity prevailing. Bank interest rates generally for loans are at the legal maximum of 12% per annum. Paper money in circulation has increased steadily over the past few years and it stood at Cr\$89,581,-000,000 in October 1957. It is reported that the Committee on Budget of the Federal Chamber of Deputies will approve the new fiscal budget with an additional Cr\$8 billion over the expenditure proposed by the Executive which had submitted a deficit budget of Cr\$120 billion for expenditures and Cr\$110 billion for revenue, excluding revenue from the new customs tariff.

There was some labour unrest during 1957 and strikes occurred spasmodically in various sectors of the economy. Settlements were arrived at which resulted in increased salaries and wages.

COLOMBIA

Colombia has during the past year experienced economic and political reforms which have had a pronounced effect, not only on the country's domestic affairs, but on her place in the international scene.

In reviewing significant events it is found the country entered the year burdened with a commercial indebtedness abroad estimated at US\$361 million. This situation had resulted from an imbalance of trade in the preceding two years during which time the continued expansion in the country's domestic economy gave rise to a high level of imports, offset by a decline in export earnings. In order to maintain her place in international trade it was necessary to take prompt steps to meet the substantial commercial indebtedness and early in the year a proposal was directed to banks and exporters in the United States, the principal creditor country, to settle obligations outstanding as at December 31, 1956 on the basis of 60% cash and 40% by way of notes bearing interest at 4% payable over thirty months. This proposal, which has come to be known as the "60/40" Plan, was accepted and was subsequently extended and accepted in certain other countries, including Canada. Initial payments under the plan in the United States commenced in May, and the monthly notes are being regularly taken up as they fall due. Efforts are still continuing to arrange satisfactory settlement of outstanding commercial obligations in certain European countries, including the United Kingdom along somewhat similar lines.

Colombia has for some years experienced political turmoil and in the face of discontent from many quarters the government of President Rojas was taken over on May 10, 1957 by a Military Junta of five. Though faced with many problems, concrete steps have been taken to place the economy of the country on a sounder footing and a promise of free elections within the next year has also been given.

One of the initial moves taken by the new authorities was the freeing of exchange on June 17, 1957 and the introduction of both exchange certificate and free dollar markets. Under the former, the proceeds of all exports must be turned over to the Central Bank, the Banco de la Republica, for exchange certificates less 15% export tax. These certificates, issued to exporters, are negotiable and may be used in payment of approved importations, repatriation of previously registered capital, remittance of profits, etc., all less a 10% tax. The funds derived from certificate taxes are to be utilized in meeting the country's substantial obligations incurred in settling her foreign commercial indebtedness. The Banco de la Republica initially established a rate of P. 4.80 to the U.S. dollar for purchasing exchange certificates and this has been maintained although the street rate has fluctuated between P. 4.90 and P. 5.30. The free dollar market, which is comprised of foreign exchange arising from sources other than exports, is subject to wide fluctuation and since establishment rates have moved between P. 5.75 and P. 7.00.

During the period from January 1st to June 17th when official rates of exchange were abolished, further commercial debts abroad estimated at US\$68 million were built up. In order to provide for these and other obligations a loan of US\$87 million from the Export-Import Bank and a number of American banking institutions was obtained in August, 1957. In addition, arrangements were concluded in September to provide exchange for profits and dividends on foreign capital for which applications had been registered prior to December 31, 1956.

Foreign exchange purchased by the Banco de la Republica from all sources for the first nine months of 1957 amounted to US\$397.2 million as against authorized sales of US\$454.3 million, leaving a deficit of US\$57 million. The gold and dollar reserves of the Banco de la Republica as at the end of October were reported to be US\$126 million and it was anticipated reserves might fall to US\$80 million by the end of the year.

The key to the country's adverse foreign exchange position rests with increasing export earnings and reducing the level of imports. The latter, all of which require to be registered with the exchange authorities, are divided into three categories: free imports, those requiring a prior license and prohibited imports. Every effort is being made to reduce the level of goods coming into the country and in September the prior deposit necessary to obtain license was increased from 20% to 100%, with the exception of certain essential commodities. This action has had considerable effect, largely as a result of difficulty experienced by importers in obtaining bank credit owing to extremely tight money conditions existing. Banking institutions, which formerly had the benefit of provisional peso deposits lodged for collections and letters of credit, were required during the year to turn these funds over to the Central Bank and have been hard pressed to meet the demands for credit made upon them.

Coffee continues to account for 80/85% of Colombia's exports and as a consequence it is the most important single factor in earning foreign exchange. During the year 1957 to November 16th coffee exports totalled 4.1 million bags of 60 kilos each as against 4.4. million in the previous corresponding period and it is estimated that total shipments for this year will amount to 4.5 million bags, a drop of only 500,000 bags from 1956. However, in line with prevailing depressed conditions affecting world coffee markets, prices have fallen this year with the current New York price being around 56¢ per lb. against an average of approximately 70¢ per lb. during 1956. Prospects for the current crop are reported to be favourable but it remains to be seen whether satisfactory prices will be obtained. According to the terms of a Coffee Agreement signed by Colombia and six other producing countries in October, the country's coffee exports during the period November 1, 1957 to March 31, 1958 may not exceed 2,302,000 bags.

The output of crude oil in Colombia for the first nine months of 1957 totalled 34.3 million barrels of 42 gallons each compared with 32.7

million barrels in the same period last year. This industry, in which eight companies are operating, provides employment for some 13,000 persons with an annual payroll of approximately P. 108 million. While it is still necessary to import oil products to a value of roughly P. 40 million annually, the local production is steadily increasing and the country is gradually becoming self-sufficient in that respect.

The Colombian cattle industry continues to thrive with animals being in good demand at firm prices.

General business activities in Colombia have been hampered by tight money conditions, inability to import many products and prevailing high prices. On the other hand industrial production, particularly in the fields utilizing local raw materials, has been well maintained. Considerable difficulties have been overcome in the past year and given favourable conditions for the coffee industry further headway in 1958 can be expected.

PERU

While the general economy of the country remains basically sound, several factors came to the fore in 1957 which slowed down business temporarily in comparison with the pace achieved in 1956.

Cotton, which is Peru's main export crop, is not enjoying good foreign markets due to the effect of competition from the U.S. in connection with that country's policy of disposing of surplus stocks. Production for the calendar year 1957 was expected to be about 2.1 million quintals, a drop of approximately 10% from the 1956 figure in spite of larger acreage sown. Domestic consumption is estimated at 0.4 million quintals (1 qq. = 101.43 lbs.). The loss in production was due to heavy pest damage in the southern valleys. Quality of the 1957 crop is not up to standard due to stain and stocks at ports of embarkation at present are unusually high.

Estimated production of Peruvian sugar for 1957 was 683,148 tons, of which 496,000 tons will be exported. The industry had a prosperous year due to the improvement in world prices although the period saw a substantial increase in labour costs. The bulk of Peru's sugar exports went to Bolivia, Chile, Japan and England.

Coffee production for 1957 was expected to increase to about 14,720 metric tons which would represent an increase of 1,720 metric tons over 1956. Exports for the first half of 1957 amounted to 4,152 metric tons valued at \$5,106,740.

The production of grain and potatoes in the southern provinces of Peru suffered through drought and it was necessary to ship relief food supplies to the area during most of the year. Rice production in northern Peru dropped sharply but the production of corn and general field crops in the central valleys was normal. High grade cattle and sheep are being

imported in accordance with the Government's policy for improving the herds of the country. In July, the San Lorenzo dam in Piura was completed. This will supply water for the second stage of the Quiroz irrigation works.

Peru's mining industry suffered a serious setback in 1957 due to the drop in world prices for base metals. At the moment of writing, it appears that the United States will increase import duties on lead and zinc to protect its national producers and if this should occur, few Peruvian mining companies would be able to operate profitably. In spite of these developments, work is proceeding on the Toquepala copper project (Southern Peru Copper Corporation - American Smelting-Cerro de Pasco - Phelps Dodge, etc.,) and is on schedule. This enterprise is bringing in an average of US\$1.5 million per month to meet costs and this figure will probably rise to over US\$2 million per month before the project comes into production. Estimates indicate that costs will be low enough to permit profitable operation under current low copper prices. The Cia. Minerales Santander Inc. will go ahead with plans to come into production in 1958 in spite of current low prices for lead and zinc. Iron ore shipments averaged 178,000 tons per month during 1957 as compared with a 1956 monthly average of 135,000 tons.

Petroleum exploration during the year under review was largely confined to the Amazon basin and was not carried out on an extensive scale. Only one strike of consequence was reported by the Cia. de Petroleo "El Oriente" (Peruvian-German interests) near Contamana but it is felt that an important field may develop in this area. During the year the International Petroleum Company purchased a 50% interest in Lobitos Oilfields Ltd. and plans to spend \$40 million over the next five years to increase production in the Lobitos concessions. Petroleum production for the first ten months of 1957 was reported at 14.6 million barrels, which compared with a production of 18.8 million bbls. for the calendar year 1956.

The latest statistics available on Peru's fishing industry correspond to the calendar year 1956 and give total production at 267,285 metric tons, an increase of 45.8% over 1955. The catch of anchoveta and bonito accounted for 65.6% of total production. About 60 companies are actively engaged in the industry. Exports of frozen fish for 1956 were 12,894 tons and canned fish 22,828 tons. Of the latter, 44.6% went to Great Britain and 40.4% to the United States. Fish meal production in 1956 reached 36,969 tons, an increase of 64% over the previous year. Exports totalled 27,792 tons of which 58.4% went to Holland and 22.9% to the United States. Fish oil production reached 3,028 tons, up 146% from 1955. Exports of fish oil totalled 1,720 tons of which 52.2% went to Germany and 44.3% to Holland. The whaling industry exported 1,130 tons of meal and 4,278 tons of sperm oil. While 1957 production was estimated to be running close to or above that of 1956, the industry has been adversely affected by weaker prices in the United States and Europe for canned products and fish meal as the result of

Japanese competition. It was estimated, however, that foreign exchange income from this industry would approximate US\$16 million in 1957, roughly parallel to exchange income from this source in 1956.

It is reported that the principal sectors of the manufacturing industry continued to show progress. New industrial units which came into production during the year included tires, pharmaceuticals, cement and construction iron. New industries in project include a malt plant, nitroglycerine manufacture, motor car assembly plant (Japanese), aluminum wire factory and cement plant in Southern Peru.

Building activity slumped from the 1956 level due to the suspension of further Government expenditure on public buildings and hospitals. New housing units continued at the 1956 level and several important business buildings were completed.

Peru's foreign trade for the first 9 months of 1957 showed a deficit of US\$69.7 million, which compares with a deficit of US\$33.7 million for the corresponding period of 1956. How much of this deficit is offset by imports of a capital nature, such as machinery for mining, oil and agricultural development, is not known but the amount is estimated to be substantial. Canada's trade with Peru continued at a high level during the year. The latest figures cover trade to July 31st and show Canadian exports to this market of \$5.6 million and Peruvian exports to Canada of \$1.6 million.

Exchange income was adversely affected by a drop in base metal prices and slow marketing of Peru's cotton export surplus, but remained at a high level showing a total of \$380.4 million for the first 10 months of 1957 as compared with \$378.0 million for the corresponding period of 1956. Both draft and certificate (export) dollars were in easy supply except for the months of September and October when demand became abnormal due to concern over the Central Bank's ability to hold the rate of S/.19 to the U.S. dollar. Gold and dollar reserves dropped to a low of \$8 million on October 31st but are reported to be recovering. Up to the present, the Central Bank have not found it necessary to make recourse to the US\$30,000,000 Stabilization Fund. During 1957 the country continued to attract foreign capital in substantial amounts for investment in industry and public works.

Wholesale and retail trade volume showed normal growth last year and collections were well met. Credit restrictions in force may tend to bring about a reduction in inventories in certain lines.

The 1958 budget was still before Congress at date of writing. It called for income and expenditure of S/.5,302 million, an increase of approximately 10% over the previous fiscal year. Increases in certain income and stamp taxes were contemplated.

The year under review saw a further heavy demand for bank credit and the portfolios of the 12 commercial banks and the Caja de Ahorros showed an increase of S/.630 million in the 10 months ended October

31, 1957. Obligations to the public rose S/.457 million during the same period while cash resources showed a decline of S/.110 million from the December 1956 level. Competition for deposit business was very keen and credit interest rates allowed rose to high levels. Early in the year legal cash reserve requirements on deposit business over the levels of June 30, 1956 and February 28, 1957 were increased substantially and a penal interest rate of 10% p.a. put in force on deficiencies. Several commercial banks leaned heavily on rediscount facilities to meet demand.

There was a considerable amount of labour unrest during 1957 and an industrial strike which occurred in the month of November was declared illegal by the Government.

The present outlook for some of Peru's principal exports on the world markets casts a shadow over the near term but the country is well equipped to overtake temporary difficulties which may beset its expanding economy.

URUGUAY

Whereas it traditionally had been a country with an untroubled agrarian economy, Uruguay in recent years has been experiencing balance-of-payments, inflationary and other difficulties of extremely serious proportions, and the predominant feature of 1957 has been the fact that the pace of deterioration has been accelerating. Two of the country's major sources of wealth, the wool and meat industries, both have encountered problems of unusual complexity. In recent months, wool producers have been refusing to sell wool owing to unfavourable exchange rates and prices and livestock breeders have been reluctant to deliver cattle to the National Packing House owing to increasingly long payment delays.

Exports for 1956 were valued at US\$211 million and imports at US\$206 million, resulting in a small favourable balance of US\$5 million. This was the first trade surplus since 1953 and was in contrast to the deficits of US\$41 million and US\$24 million in 1955 and 1954. Favourable prices and sales of wool and restrictions of imports were chiefly responsible for the improvement. However, during the first half of 1957, exports valued at US\$87 million and imports at US\$119 million produced a high deficit of US\$32 million. The chief factors responsible for the sharp deterioration of the trade balance were the decline in prices and sales of wool and the upsurge of imports. Faced with this increasingly serious adverse balance on current trading account, with heavy overseas payments on earlier account overdue, and with foreign exchange income from wool sales almost wholly absent, the Bank of the Republic finally was no longer able to carry on the financing of further imports and was forced to close the controlled exchange market for imports on October 17th with priorities later established in connection with the provision of exchange for operations concluded prior

to the mentioned date. Early in November the Bank began to make exchange available again, but in more limited amounts related to tighter controls and higher rates on imports.

The degree to which wool normally is by far the most important source of foreign exchange receipts can be seen from the fact that in 1956 exports of raw and processed wool amounted in value to over US\$130 million or 62% of the total value of exports. During the final quarter of 1956 and through January of the following year, the wool market was very active and produced a steadily rising trend in demand, prices and shipments. Prices had been at about 30 pesos per ten kilos for fine quality greasy wool in October and rose to around 40 pesos in January. Thereafter the trend was steadily downward. Holders of wool were demanding exchange regulations which would result in their consistently receiving close to 40 pesos per ten kilos as in January, while the international price was falling from its high January level to the equivalent, under existing regulations, of 28 pesos in August. The wool producers, claiming that existing arrangements were not enabling them to cover their costs, formed a united front and as at August 30th refused to sell any more wool on the basis of the current exchange control system. They demanded the right to sell 60% of exchange earnings at the free rate and 40% at the controlled rate. A compromise offered by the authorities on November 11th authorized payment for 25% at the free rate and 75% at the official rate, in connection with greasy wool, and better and improved proportions for washed wool, wool tops and wool yarn. While holders are reported still not satisfied, latest word is that the product has commenced to move.

Total wool exports for the entire wool year October 1, 1956, to September 30, 1957, amounted to 139,592 bales or 39% less than for the similar previous year. The carryover going into the 1957/58 year is estimated at 12,000 metric tons and production for the year at a record 100,000 tons (27% higher than for 1956/57) and it is further estimated that the total 112,000 tons might earn about US\$130 million since the coming clip is reported to be of superior quality to the previous one. The Government desperately needs the foreign exchange and is anxious to get substantial movement underway.

Uruguay's exports of meat and by-products in 1956 accounted for US\$22 million or about 10.5% of the total value of exports. Most districts of the country suffered severe drought during the four months up to the end of March, 1957, and many farmers were forced to clear their land of cattle, thus temporarily producing a surplus of cattle entries and a revival of shipments of frozen and chilled beef to the United Kingdom and other European markets, the first in several years. Therefore figures for the first half of the year on arrivals of cattle at stockyards and on shipments of meat and by-products showed significant increases when compared with those for the similar period of the preceding year, but the improvements did not prevail beyond the first few months of 1957. From January through June, about 325,000 head

of cattle were slaughtered, or 27% more than in the same period of the previous year, and much larger quantities of frozen beef and canned meats were exported. However, in 1956 local consumption requirements had been normally met and this was not the case during much of 1957.

Up to the latter part of December, 1957, there were four packing firms in the country. The government-assisted National Packing House (Frigorifico Nacional) had a virtual monopoly of slaughtering and packing for the domestic market, while two subsidiaries of United States firms and a British company operated mainly to serve the export market. As the months of 1957 went by, the meat trade experienced increasing difficulties because of diminishing herds and cattle entries, rising operating costs, periodic strikes and weakening world prices. Finally the two American subsidiary firms announced their decisions to discontinue on December 20th their operations in Uruguay, both claiming that they had been operating at losses for several years. The Government has presented for legislation a project which, if approved, would increase the capital of the National Packing House by 40 million pesos through the issue of a funded debt. This would place the entity on a sounder basis and assist it to pay some 20 million pesos owed to local livestock breeders.

There is some belief that the country could support a much larger cattle population without interfering with other exploitations if it resorted to intensive feeding and a shortened period of preparation. Endeavours in this direction have been made on a limited scale and it is hoped that herds will gradually increase. Much interest was aroused by final legislative approval of the long pending Plan of Basic Improvement for the encouragement of the livestock industry. It involves essentially a pilot project aimed at increasing and improving pastures, eradicating animal diseases, and providing adequate water, shade and shelter for cattle and sheep. The plan is to be implemented through individual loans of up to 30,000 pesos to livestock producers from the Bank of the Republic and also envisages a loan of unspecified amount from the International Bank.

Slaughtering of sheep was at a lower than normal level during the first few months of 1957, when the cattle surplus temporarily prevailed, but was at a higher than normal level during the following months of beef shortage.

Exports of wheat and wheat flour in 1956 amounted in value to US\$29 million or 24% less than in the preceding year. Nevertheless, wheat and wheat flour accounted in 1956 for 14% of Uruguay's total export earnings. The Government has continued its policy of subsidizing wheat and other cereals and thus some areas have been devoted to cereal production at the expense of meat and wool. Although the 1956/57 wheat harvest was well below that of previous years, seriously affecting wheat exports, the decline was also due to unfavourable weather rather

than to reduced acreage, although area planted may have been reduced very slightly. The 1956/57 wheat crop was around 544 thousand metric tons or 36% smaller than the previous crop. However, the Government has fixed the minimum producer price for 1957/58 at 17 pesos per 100 kilos, considerably higher than the 1956/57 price of 14 pesos, and as a result intensive planting has ensued. It is expected that the area sown to wheat and the production of wheat, given good weather, may both reach record levels in 1957/58.

While linseed production amounting to 60 thousand metric tons in 1956/57 was 17% higher than in the previous crop year, the market for linseed and linseed oil has remained depressed. For a while it was feared in some quarters that the Bank of the Republic might purchase and export seed only, thus reducing activity and employment in the domestic linseed oil industry. However, the Government has authorized the price-supported purchase and export of linseed oil as well as seed, with a substantial 20 thousand tons of seed to be bought for conversion to oil in local mills.

Levels of domestic trade were lower during 1957 than in the preceding year as a result of general economic conditions, labour conflicts and rising prices, which combined to reduce both production and consumption. Because of increased prices, the peso volume of sales was almost as high as during the previous year, but considerably less merchandise was turned over, and profit margins were lower owing to rising wages and overhead. Such important industries as the chemical, textile, construction, iron, paper and electrical were reporting declining sales during the latter months. Retail and wholesale merchants were having difficulties replenishing depleted stocks of non-essential and luxury consumer items, on which very tight import restrictions prevailed. Some textile mills shut down or curtailed operations, claiming inability to pay the prices being asked for raw wool.

The money market was tight throughout the year. Foreign collections generally were paid upon presentation during most of the year, but after August 1st cover was received with considerable delay from the Bank of the Republic because the latter was extremely short of exchange. On the other hand, local collections were very slow during the first half of the year but improved during subsequent months.

Notwithstanding the fact that the budgetary deficit has been dropping for each of the past three years (a slight surplus even was attained in 1956), the deficits accumulated over the past eight years have left Government finances in a critical condition. Government expenditures for the years 1957 and 1958 have been estimated at 674 million and 730 million pesos respectively, as compared with 515 million in 1956, and considerably increased taxes are projected for 1958.

VENZUELA

Venezuela has one of the strongest economies in South America today. The Republic has a large and expanding foreign exchange income, development is proceeding rapidly, and the Central Bank's holdings of gold and exchange are high. The bolivar is one of the strongest currencies in the world.

The economic base of Venezuela has been oil. Production in 1956 exceeded 112 million tons. Venezuela produces about one-seventh of the estimated world output and is the largest oil exporter and the second largest producer in the world. The Republic's great dependence on oil is shown by the fact that in 1956 this natural resource provided 85% of the total foreign exchange income and 70% of the Government's revenue. Production for the first six months of this year was running at 2,899,000 barrels daily compared with 2,362,000 barrels daily for the corresponding period last year. During October, production was registered at 2,621,000 barrels daily, which, although considerably down from the first six months of the year, when the effects of the Suez crisis sent Venezuelan production soaring, is still some 3.5% higher than the daily average for October 1956.

Work has started on the construction of a nationwide pipeline network. Last year a 43-mile pipeline was built between Guacara and Moron, site of the new petrochemical plant. The Petrochemical Bureau will build and manage the gas pipelines in conjunction with the Development Corporation, another government agency. A gigantic 338 km. pipeline (a joint venture by two companies), from Barinas to Puerto Cabello, was opened this year. It has a capacity of 100,000 barrels a day and represents an investment of some 80 million bolivars. A new dock has been built at Puerto Cabello, and five storage tanks, each with a capacity of 267,500 barrels, have been erected at Silvestre. The completion of the project represents the result of 10 years' planning and construction.

Moron, west of the city of Caracas, is the site for the first stage of Venezuela's US\$300 million programme for building a petrochemical industry. The Government is to open the first two units of the programme in December this year — an oil refinery handling 3,000 barrels a day and a chloric-soda plant with annual capacity of 10,000 tons of chlorine and 11,200 tons of caustic soda. Also, early in 1958, as part of the first US\$75 million phase, the Government will put into operation a group of synthetic fertilizer plants which will produce annually between 150,000 and 200,000 tons of nitric acid, sulphuric acid and other products. The second US\$75 million phase is planned to start in 1958 with the construction of plants to make civil and military explosives, insecticides, and herbicides. Work on the final US\$150 million phase of the petrochemical programme will get underway in 1959. The third stage will be the full-scale entrance of the Venezuelan Government into oil

refining — involving possibly 200,000 barrels a day — and products of synthetic rubber, plastics, synthetic fibres, and related products.

There seems to be a trend toward more Government investment in all phases of industry. The Government is using half of this year's US\$1,100 million in taxes and payments from oil companies for a wide variety of projects, extending the base of Venezuela's economy more evenly over the whole country. These projects include steel mills, railroads, a nuclear reactor, dams, superhighways, shipyards, a 58-storey skyscraper, a three-mile tunnel, and new facilities at oil-rich Lake Maracaibo. The Government set up the Venezuelan Petrochemical Institute last year to run the vast new petrochemical enterprises. This year it has added coal and mercury mines to its portfolio, and it is now developing deposits of pyrite, phosphate, limestone, and other minerals as well.

A 100-foot high earthen dam is being constructed to store water for industry in Moron. New docks are planned to handle shipments of petrochemical materials. New industries such as a US\$12 million pulp and paper mill and a US\$150 million Government-financed shipyard are being constructed in the eastern area.

The Venezuelan Development Corporation, a Government agency, will begin building a gas distribution system in Caracas next year. If present plans are executed, the Government will supply most of Venezuela's major cities and industrial areas with natural gas through a 1,500 mile network of pipelines.

There is a great need for the development of communications, and important measures have been taken in this direction. The biggest project is the bridge which will span the narrows of Lake Maracaibo south of the port. This will connect the port side of the lake with the network of highways serving the eastern shore and the populous Andean states. It will be a structure of pre-stressed concrete about 5.5 miles long. The bridge was commenced in July and is to be finished by 1960.

The dredging of the harbour base at Maracaibo was completed a few months ago after four years of steady work. The canal is 22 miles long and accommodates ships up to 28,000 tons. The cost of this project was US\$42 million; this will be recovered by tolls. This inland sea will increase the already considerable tonnage of general cargo passing through the port of Maracaibo.

There have been advances in road building as well. The spine of the road system is the 550 miles of Pan-American Highway.

The most ambitious project to date in the Government's public works programme was completed last December when the River Guarico Dam was officially opened. This scheme, which will be fully completed in six years, will eventually irrigate some 272,000 acres of semi-arid land. It is estimated that the productiveness of this region will increase by 50%.

Iron ore production is a sturdy contributor to this development of the Venezuelan economy. One of the two main producers will export about 12 million metric tons in 1957. A third company with combined Venezuelan and American capital has obtained concessions some 50 miles west of Ciudad Bolivar and has announced its intention to build a railway to the deep-water channel and to begin production within the next two years. In 1950 iron ore production was just under 200,000 tons and during the first six months of this year 6,446,000 tons were extracted and exported. It is expected that over 15 million tons will be produced during 1958. Approximate known reserve figures are about 2 billion tons, of which, over 95% runs between 58 and 68% iron content.

The development which will enable further economic advances is the power project on the Caroni River. All the elements needed are there — the raw materials, the power and the transportation. The first step is the completion of the steel plant located near the iron ore port, Puerto Ordaz. The power project will eventually supply 150 thousand kilowatts to this mill. A considerable manufacturing area is expected to grow up with the power development as a nucleus. Power will be supplied by the Central Hydroelectric Station at Caroni to the Government's new gigantic National Iron Works. The latter represents an investment of over US\$200 million which includes installation of electric reduction furnaces, smelters, steel works, laminating and pipe-manufacturing facilities.

Lack of sizable markets has been the principal reason for the limited agricultural development around Puerto La Cruz and Ciudad Bolivar. However, with increased activity in the oil and steel industry, markets will be provided for the farmers.

The present Venezuelan population of 6 million is expected to reach 10 million by 1970. Per capita income of US\$600 a year is said to be the highest of any Latin American country.

In spite of the dominant position of oil in Venezuela, about half the population are still engaged in agriculture, with vigorous efforts being made to expand and strengthen this sector of the economy. The total value of coffee and cocoa exports for the first eight months of 1957 was 109,000,000 bolivars. The cocoa crop for 1957 is expected to be "normal", that is, 16 or 17 thousand tons.

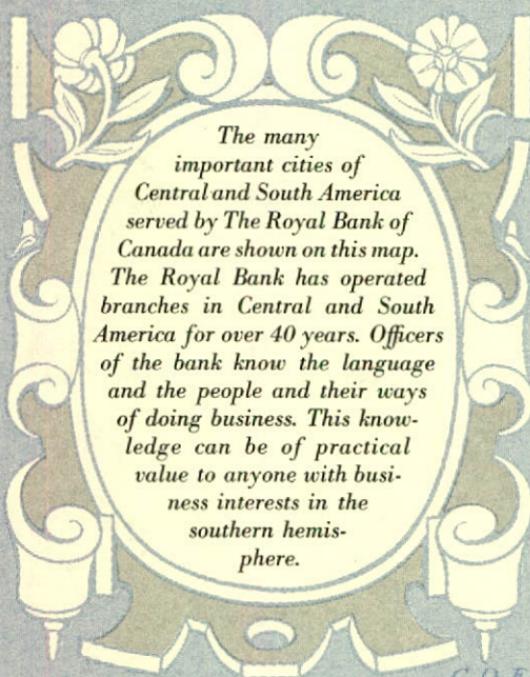
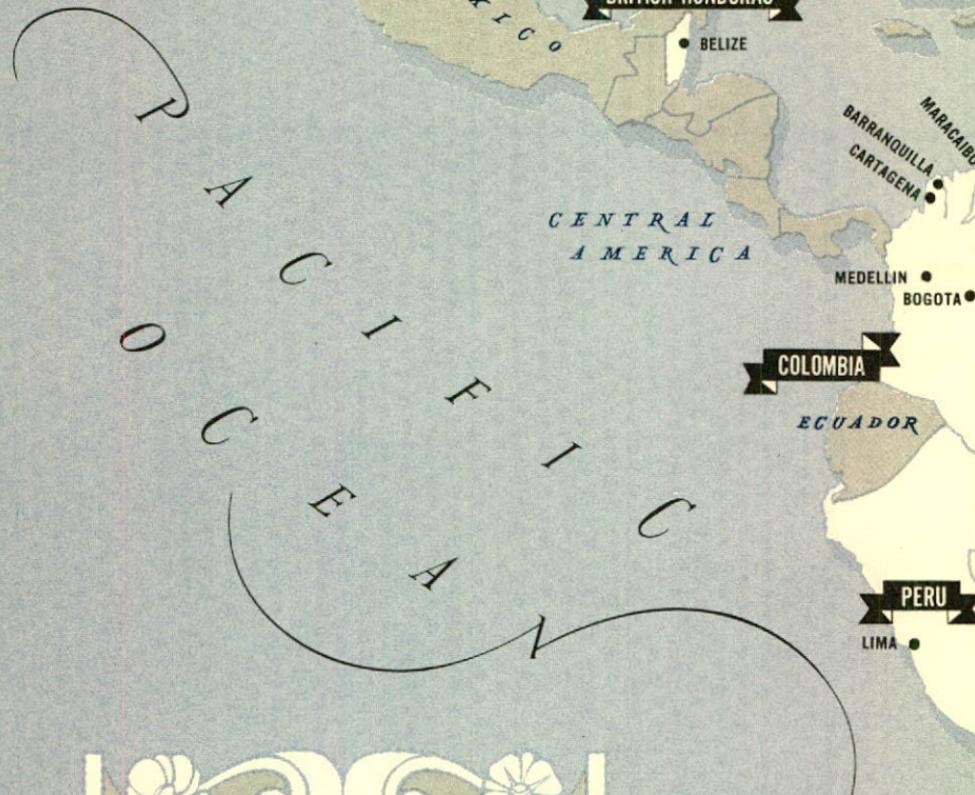
Imports for the first half of 1957 were valued at 2,986 million bolivars which compares with 3,438 million bolivars for the whole of last year.

The Ministry of Finance announced that at the close of the fiscal year on June 30th, Venezuela had a budget surplus of 2,062,700,000 bolivars. This sum was transferred to the Special Reserve Fund which will be used for carrying out extraordinary public works projects and for the purchase of gold bullion. Income during the fiscal period 1956/57 rose to 6,149,700,000 bolivars, while expenditures totalled only 4,087,-000,000 bolivars.

A freedom from international payment difficulties and an absence of exchange control regulations combine to make this economy an exceedingly sound one.

Approximate Canadian dollar equivalent, as at November 29, 1957 of local currencies referred to in this supplement:—

| | Local Unit of Currency | Canadian Dollar Equivalent |
|--|-----------------------------------|---------------------------------------|
| Cuba | Peso | \$0.97 |
| United States | Dollar | \$0.97 |
| British West Indies (Eastern Caribbean and British Guiana) | B.W.I. dollar | \$0.57 |
| British Honduras | B.H. dollar | \$0.68 |
| Jamaica | Pound | \$2.72 |
| Nassau | Pound | \$2.72 |
| Dominican Republic | Peso | \$0.97 |
| Haiti | Gourde | \$0.195 |
| Argentina | Peso (official) | \$0.053 |
| | Peso (free) | \$0.026 |
| Brazil | Cruzeiro (official) | \$0.052 |
| | Cruzeiro (free) | \$0.010 |
| Colombia | Peso (certificate) | \$0.19 |
| | Peso (free) | \$0.16 |
| Peru | Sol | \$0.05 |
| Uruguay | Peso (official) | \$0.46 |
| | Peso (free) | \$0.22 |
| Venezuela | Bolivar | \$0.29 |



C D E

