

which time a marked increase in sales caused a small drop in the level of stocks; the accumulation of food stocks, which was heavy in the first and last quarters; and the 'swing' in clothing stocks, which increased in the first and third quarters and were drawn down heavily in the second and fourth. The broad movements in retail stocks in 1960 conform closely to the over-all pattern of changes in consumer spending. Consumer spending fell slightly in the first quarter and increased only fractionally in the third quarter, at which time retail stocks rose sharply; in the second and fourth quarters, when consumer spending advanced strongly, retail stocks rose at a more modest rate.

Stocks in the hands of wholesalers, after increasing in the first two quarters, fell in the third in line with the general lowering which took place in manufacturers' stocks. The liquidation was widespread and in a number of trades continued into the fourth quarter; however, it was offset in part in the fourth quarter by the sharp increases in stocks of industrial machinery and equipment, and hardware and other furnishings, both of which may have reflected the upturn in fixed investment in machinery and equipment and the improved outlook for building, particularly residential construction.

The dominant feature of the international trading environment in 1960 was the vigorous expansion in the economies of a number of industrialized overseas countries and the hesitant behaviour of the North American economy. In this situation, Canadian exports of goods and services rose to \$7,000,000,000, a gain of 4.2 p.c. over 1959, with the bulk of the increase accounted for by the merchandise items. At the same time, the demand for imports was on a declining trend throughout most of the year, and for 1960 as a whole merchandise imports showed little change from 1959. The outflow of payments on service account, however, continued to rise but more moderately than in earlier years. The consequence of these trends was a contraction in the deficit on Canada's current account (on the national accounts basis) from about \$1,400,000,000 in 1959 to \$1,200,000,000 in 1960.

The strong demand for Canadian export products originating in the countries of Western Europe, the United Kingdom, and in some other overseas countries (notably Japan and Australia) raised exports to overseas destinations by 20 p.c. This increased strength of demand became evident in the latter part of 1959 and persisted throughout 1960. By contrast, exports to the United States were about 5 p.c. lower for the year as a whole, and showed a declining trend within the year. Thus the year was characterized by an abrupt change in the direction of export trade within a rising total. The largest part of the increased demand was for major export staples of primary and semi-processed materials but there were also gains in some manufactured goods, particularly in the United Kingdom where restrictions on many imports had been removed. Some of the largest gains occurred in such metals as aluminum, copper, nickel, zinc, primary steel and rolling-mill products, and in asbestos and petroleum. Other leading exports such as pulp and paper, lumber and chemicals also rose, but iron ore showed little change. Textiles and non-farm machinery are among the manufactured goods making impressive gains. By contrast, agricultural exports dropped, including wheat, other grains and flour, and cattle and dairy products. Shipments of fish, farm implements and uranium were also lower.

While total receipts from services rose moderately in 1960, the individual items in the invisible account showed mixed movements. Receipts from tourist trade rose considerably and there was some increase in gold available for export. However, receipts from freight and shipping were somewhat lower, as were receipts from interest and dividends. The decline in the latter largely reflects lower dividends from foreign subsidiaries of certain Canadian manufacturing companies.

With no expansion in outlays for new plant and equipment in 1960 and a drop in the rate of investment in business inventories, commodity imports eased a little, declining by about one-half of 1 p.c. The relative stability in the total was accompanied by stability in most of the major groups. Increases were generally small and confined to comparatively few items, some of which were affected by special circumstances. Among the increases were such varied items as vegetables, cotton and textiles, iron ore, crude petroleum,