

## 1948 CAPITAL GOODS EXPENDITURE \$3,000,000,000

**RECONSTRUCTION DEPARTMENT FORECAST:** Canadian expenditures for capital goods in 1948 are now estimated at approximately three billion dollars, which is 25 per cent higher than that for last year. This is a preliminary figure following a review of the forecasts made at the beginning of the year by the Department of Reconstruction and Supply. The forecast made at the beginning of the year was for a total expenditure of \$2.8 billion.

This program of private and public investment outlay is the largest in Canada's history, and comprises an expenditure of \$1.7 billion on new construction, and \$1.3 billion for the purchase of machinery and equipment. As compared with the figures of 1947, expenditure on construction will be 28 per cent higher while that on machinery and equipment will be up 21 per cent. All major phases of Canada's national economy indicate increases in capital expenditure over those forecast six months ago. The commercial, merchandising and service group leads with an increase of 18 per cent, followed by utilities with an advance of 11 per cent, and manufacturing, which will be 7 per cent higher. Smaller increases are anticipated by the primary industries and by the construction industry, amounting to 4 per cent, whereas that for housing and direct government will be 3 per cent higher in each case, and the expenditure on institutions will be up 2 per cent.

### GREATER THAN FORECAST

In releasing this report, which was prepared by the Economic Research Branch, Department of Reconstruction and Supply, with the statistical assistance of the Dominion Bureau of Statistics, the Right Honourable C. D. Howe noted that a survey made six months ago revealed that expenditures for 1948 would be approximately \$2.8 billion, or 17 per cent more than was spent in 1947 by business, institutions and governments on plants, buildings, structures, machinery and equipment. The mid-year survey, just completed, indicates that the expenditures for new capital goods will be greater than the original forecast. Of the 25 per cent increase over 1947, now expected, some 15 per cent will be in construction costs and in the price of machinery and

equipment, while the remaining 10 per cent will represent an increase in the physical volume of investment.

The Maritime Provinces, British Columbia and the Prairie Provinces report increases in planned capital expenditures of 29 per cent, 25 per cent and 21 per cent respectively, whereas Quebec returns show an increase of 17 per cent and Ontario a decline of 4 per cent, compared with the investment forecast made six months ago.

In addition to the expansion of new capital investment are increases for repair and maintenance of buildings and other structures, and machinery and equipment. At mid-year, repair and maintenance expenditures at \$1.3 billion will be 4 per cent higher than was forecast six months ago, or 7.5 per cent more than the estimated expenditures in 1947.

The majority of business enterprises participating in the mid-year survey reported increases in their planned investment program for 1948. Three main reasons were given in the questionnaire returns: (a) that construction costs and purchase prices of machinery and equipment were higher than anticipated; (b) that building materials, machinery, and in some instances labour, were in better supply, making it possible to proceed with projects which had hitherto been in a doubtful category; and (c) that plans of projects and estimates of cost had become firmer, making it possible to make a more definite statement as to the likely volume of capital expenditures.

### STILL BOTTLENECKS

A smaller number of business enterprises reported a reduction in the volume of investment as compared with their intentions half a year ago. Two main reasons were given: (a) that there still exist bottlenecks in certain building material fields and in the production of selected types of machinery and equipment, which result in longer delivery dates than expected; and (b) that cost increases made some investment projects prohibitive, resulting in postponement of such projects in the hope of a reduction of investment costs at a later date. The majority of capital projects, however, are proceeding in spite of rising investment costs.

**RECORD PRODUCTION:** Production of steel ingots by Canadian mills, which has been running well above 1947 levels in previous months this year, rose to an all-time high monthly figure in May, amounting to 279,688 tons or a daily average of 9,022 tons, according to the Dominion Bureau of Statistics.

The May output, substantially above the April figure of 254,315 tons, compares with

275,349 tons and a daily average of 8,882 tons in March, the previous monthly record. Production in May last year was 235,978 tons, while the highest wartime output for a month was 261,524 tons in March, 1945.

For the five-month period ending May, steel ingot production totalled 1,287,303 tons as against 1,210,850 tons last year, making a daily average of 8,469 compared with 8,019 tons.