

exported in larger quantities during the past year, most of the increase going to the United Kingdom. Canadian beef has been moving into the United States market in substantially increased volume to supplement drought depleted supplies in that country. The annual export value of this item has surpassed the \$100 million mark for the first time since 1950. Among Canada's newer exports, sales of uranium have risen more than two-fold since last year to a figure well in excess of one-quarter billion dollars annually. With the delivery of natural gas through the West Coast transmission line, the export value of this item is fast approaching the \$20 million level. Within the category of manufactured goods, deliveries of military aircraft to NATO countries have added more than a \$100 million to exports during the past year. Among Canada's more traditional markets, sales of farm implements to the United States have been substantially higher during 1958. Increases in the value of exports of the foregoing items have roughly offset declines in a number of Canada's principal forest and mineral export commodities. On the whole, the reduction in exports of industrial materials has been relatively moderate when considered in relation to the decline in industrial activity in the United States.

"Imports into Canada, on the basis of figures available to date, are about 10 per cent lower in 1958 than in the preceding year..... A sustained level of merchandise exports, and lower imports, have entailed a substantial decline in Canada's merchandise deficit which, for the first 10 months of the year stands at \$242 million, compared with \$733 million for the same period in 1957. Most of this reduction has occurred in the commodity deficit with the United States which has declined from \$983 million to \$589 million. On the other hand, Canada's imbalance on non-merchandise items, such as tourist expenditures and interest and dividend payments, has been increasing. For the first nine months of 1958, Canada's deficit with the rest of the world on all current transactions amounted to \$795 million compared with \$1150 million in the same period of the previous year.

#### CAPITAL INVESTMENT

"At mid-year, capital spending plans, both private and public, provided for outlays of \$8.5 billion in 1958. Housebuilding has proceeded more rapidly than anticipated at that time. Capital expenditures of other types appear to have reached and possibly exceeded the level previously indicated. Overall capital outlays for the year may fall but little short of the record \$8,700 millions spent in 1957....

"Most noteworthy of all has been the spectacular rise in housebuilding. It is estimated that housing starts for the year will approach the 160,000 mark, 30 per cent more than last

year and well above the previous record of 138,000 units in 1955. Close to 150,000 dwelling units have been completed. A much increased carryover of unfinished houses at year-end will give an important lift to employment during the winter. The current upsurge in housing activity began in the latter part of 1957. At that time, minimum requirements for loans obtained under the National Housing Act were relaxed and large federal sums were made available for mortgage purposes. An important factor contributing to the sustained high level of housebuilding throughout 1958 has been the improved availability of mortgage funds from private sources.

"Because of the changed make-up of overall capital expenditures in 1958, the programme has had a somewhat altered physical impact upon the economy. With less expansion in material-processing industries, outlays for machinery and equipment have been lower. Although much of the impact of this reduction has fallen upon imports, it has resulted also in a lower level of activity in machinery-producing industries. On the other hand, there has been a considerable increase in construction work, particularly building construction. This type of investment has a relatively low import content and, accordingly, the demand-creating effects of the greater volume of work have been felt primarily in domestic industries. The additional demand for labour and materials arising from the increase in building construction has, in fact, been one of the principal stimulating forces in the economy during 1958.

#### INCOMES AND CONSUMER EXPENDITURE

"Another factor having an important sustaining effect upon general activity during the past year has been the high level of consumer spending supported by rising personal incomes. Of the principal forms of income, social security payments and other types of government transfers to individuals contributed more than any other category to the increase in current purchasing power. On the basis of nine-month figures, payments of this type have been running more than one-fifth higher this year compared with last. Farm income has shown a similar percentage gain mainly as a result of substantially larger livestock marketings. Certain categories of investment income also have increased quite sharply. The percentage rise in employee earnings, on the other hand, has been of more moderate proportions. Slightly lower employment together with a moderating upward trend in wage rates have resulted in a 2 per cent increase in labour income. Personal income, in total, increased by about 5 per cent between 1957 and 1958. Personal direct tax payments have been lower so that income left at the disposal of individuals has risen by about 6 per cent. Per capita income in real terms has maintained an upward trend.

"Consumer spending in 1958 has increased by