

INCREASING INVESTMENT

New jobs will come from the expansion of business and industry throughout Canada, to meet the needs of Canadians and customers abroad. This expansion will require new investment.

Public investment, particularly by the federal government, will give a strong boost to the recovery over the coming year. Led by the Special Recovery Projects, our capital expenditures will increase by more than 25 per cent over the course of 1984.

Business investment declined by about 9 per cent in 1983, which is a smaller decline than I had forecast last April. Over the past year, however, significant progress has been made in restoring the financial health of the business sector. The strength of the recovery, lower inflation and interest rates, and higher productivity all helped to bring about a strong rebound in business profits. It must be stressed however that profits are still below historical levels, but they are on their way back. This growth in profits, together with much stronger stock markets and the tax incentives to assist private investment that I introduced in my April budget, have helped businesses to make considerable progress in restoring the strength of their balance sheets. These positive developments are beginning to pay off in stronger investment programs.

Equipment investment picked up in the second half of last year, and I expect it to grow strongly this year, increasing by about 7 per cent over its 1983 level. Stable interest rates and rising consumer demand should encourage business to replace and expand its stock of machinery and equipment. Plant construction should begin to grow again in the second half of this year. In 1984, I expect total business investment to grow by 2¼ per cent. Beginning in 1985, and continuing through the medium term, business investment is projected to be a major source of economic growth in Canada.

● (1620)

[English]

REDUCING THE DEFICIT

As business investment increases, the government's financial requirements must be reduced.

In April, I estimated that the government's deficit for the 1983-84 fiscal year would be \$31.3 billion. My current estimates for revenues and expenditures show only slight changes from those I presented to Parliament last April.

The changes to projected revenues and expenditures will result in a deficit for the current fiscal year of about \$31.5 billion. Government financial requirements will total about \$27 billion.

The deficit has provided considerable support to the welfare of individual Canadians and to the promotion of economic activity through the difficult period of the recession and the first year of recovery. Current financial requirements have been financed without pushing up interest rates as a result of strong savings and weak business investment. But government

The Budget—Mr. Lalonde

deficits must be reduced as investment recovers and the economy expands.

I remain committed to bringing the federal deficit down in a way that does not damage our economic prospects. The fiscal strategy I set out last April has proved itself to be the right course of action.

In the coming fiscal year, taking into account the impact of the measures proposed in this budget, the deficit will fall by almost \$2 billion to \$29.6 billion. The government's financial requirements will be \$25.6 billion.

In the medium term, the deficit will continue to fall, consistent with the strategy set out last April, from over 8 per cent of gross national product this year to about 4.7 per cent by 1987-88. Financial requirements will fall even faster. They will drop from 6.9 per cent of gross national product this year to 3.4 per cent by 1987-88.

[Translation]

SECURING GROWTH AND JOBS

Creating employment for Canadians wanting to work is a prime national objective. The progress we are making in reducing inflation, increasing competitiveness, restoring investment and reducing the deficit is showing up in growth and jobs.

The first year of economic recovery has been stronger than I forecast last April. We have achieved about 3 per cent real growth in 1983, rather than the 2.3 per cent I predicted. Employment also grew more rapidly than expected. About 400,000 jobs were created during 1983.

The government is making a major contribution to ease the pain and hardship of unemployment, and to speed up the creation of new jobs.

In my April budget, I announced a \$4.8 billion Special Recovery Program to create jobs by accelerating productive investment. Half of this money is available to the private sector, to support private investment. The remaining \$2.4 billion is being spent to upgrade public facilities in key sectors of our economy and in all regions. Under the Special Recovery Capital Projects Program, work is now under way on more than 200 projects to improve our basic research capability, our harbours and wharves, our transport system, our agricultural facilities and our tourist attractions. More than \$1 billion will be spent on these projects in 1984-85. These facilities will contribute to growth across our country, provide support to private investment and create jobs for many thousands of Canadians.

In addition to the Special Recovery Program, the government has already committed over \$2.3 billion in the coming year to provide direct employment and training opportunities to almost 550,000 Canadians. This includes the additional \$400 million announced in the Speech from the Throne last December.