

In addition to our budget outlays, we met substantial non-budgetary obligations. All were financed without any increase in the government's outstanding unmatured debt, by reducing our cash balances by \$163 million.

Our public debt operations during 1957-58 included the redemption and refinancing of a very large volume of government securities. Net sales of Canada Savings Bond Series 12 amounted to \$1,177 million and other new securities amounting to \$1,350 million were issued, in addition to the refunding of treasury bills which matured weekly. During the fiscal year outstanding securities amounting to the very large sum of \$2,650 million, including \$1,050 million of previous Canada Savings Bond issues, were redeemed. After taking into account the net sales of securities amounting to \$123 million from our securities investment and sinking fund accounts the unmatured debt held outside these government accounts was almost exactly the same at the end of the fiscal year as it was at the beginning.

During the first five months of the fiscal year interest rates generally as in the previous period continued to rise, reaching a peak in August. Thereafter the rates began to fall and this downward trend continued to the end of the fiscal year. The average interest rate paid on the government's unmatured debt was 2.98 per cent at the end of the fiscal year compared with 3.05 per cent at the beginning of the year. Treasury bill rates reflected a similar but more pronounced trend. The yield on the first issue in the fiscal year was 3.69 per cent. In August the yield rose to a high of 4.08 per cent, falling thereafter to a low of 2.27 per cent on the last issue of the fiscal year, and the most recent issue was at 1.76 per cent.

GOVERNMENT FINANCING 1958-59

For the new fiscal year which commenced on April 1st, I have estimated our budgetary expenditures at approximately \$5,300 million, which is \$215 million higher than our expenditures last year.

Admittedly this is a substantial increase but it includes all the new expenditures on health and welfare introduced by this government such as the increase in old age pensions and veterans' benefits and the initial cost of hospital insurance. It also includes large expenditures for national development which will improve our productive capacity and efficiency and in due course add to our collective wealth and income.