

ended September 30, 1961, the number and dollar value of loans ran over 80 per cent above the total in the previous year. There were 1,364 loan approvals totalling \$71 million. Following the June budget proposals, the Government widened the scope of the Bank's operations so that enterprises over the whole range of economic activity may become eligible for loans. At the same time the total financial resources available to the Bank were enlarged by Parliament from \$157 million to approximately \$400 million. By early Fall, many loan applications from newly-eligible business were being processed. In the last quarter of 1961 the number and dollar value of loan approvals ran at close to double the rate of a year earlier and a substantial percentage of the increase went to businesses in the newly-eligible categories. The Bank is vigorously fulfilling its prime role of making term loans to small and medium-sized businesses which for various reasons cannot obtain private financing on reasonable terms and conditions. It is also hoped that the Industrial Development Bank can be of increasing use in making it possible to maintain Canadian ownership of family firms at times when infusion of new capital and management become desirable or when estate taxes present problems.

"The Small Businesses Loans Act has been another step in the Government's campaign to encourage a more effective flow of Canadian savings into Canadian investment opportunities. The Act came into force in mid-January 1961. The response by businessmen and banks has been encouraging. By the end of November, loans had been made totalling \$23.2 million.

#### EXPORT FINANCING

"The recent expansion of export-financing facilities is another example of the Government's policy to broaden the capital market and to provide an expansionary base for the economy. There are two types of export financing. Under Section 21A of the Export Credits Insurance Act, the Government finances the export sales of Canadian capital goods where the buying country cannot pay within five years. From the latest information available, the Government has authorized or approved the financing of export transactions amounting to approximately \$170 million. Export financing for periods under five years is provided by the chartered banks individually or by the Export Finance Corporation organized by the Government and the banks in April 1961 and owned collectively by the banks.

"These and other measures in the field of fiscal policy were undertaken to stimulate exports and the domestic economy in general, so that it would more fully utilize the plant and manpower which were available. I am glad to report to you today that we are already seeing the desired results. In recent months we have been experiencing a marked upturn in economic activity in this country. The recovery to date is by any standard of measurement as strong as any we have experienced at similar stages in earlier post-war business cycles. Personal income, labour income, corporation profits, consumer expenditures and employment have all reached new peaks on a

seasonally-adjusted basis. Industrial production too has outstripped earlier records.

"The decline in unemployment which has taken place since the economic upturn is more marked than in similar states of both the last two recoveries. The increase in Gross National Product which took place in the third quarter of 1961 was the largest advance in recent years. This progress is highly encouraging, but we must bend every effort to seek a continuance of this growth. Fortunately the groundwork has been soundly laid.

#### SELF-DISCIPLINE AND CO-OPERATION

"At this point I should like to repeat the warning which I have uttered on many occasions. The downward adjustment in the external value of our dollar and the other fiscal and financial measures in the budget have opened up new opportunities for Canadian industry both in our home markets and abroad. However, recent history is full of examples where such opportunities have been prematurely dissipated by wage and price increases unjustified by improvements in productivity. It would be the height of folly if these new opportunities were to be lost because of lack of self-discipline or failure to achieve effective co-operation between management and labour. So far, I am glad to report that these warnings appear to have been generally heeded. The increase in output which has taken place has been almost entirely in volume, not in price. There have been, inevitably, some adjustments of prices on imported goods, but these have been kept to a minimum and there are signs that recent increases in output have been accompanied by increases in productivity. If this trend continues we can be confident that the underlying competitive position of our economy will be strengthened.

"...Assisted by the movement in our exchange rate and other measures to encourage exports, Canadian exports for the first ten months of 1961 expanded more than seven per cent over levels of the equivalent period of 1960. This expansion in exports was the main factor responsible for the increase in economic activity in Canada. It is, therefore, perfectly obvious that all of us, both government and the public at large, must be constantly aware of the fundamental importance of world trade to our economic well-being. We in the Government are determined to play our part in encouraging exports. In association with the measures I have already mentioned, to co-operation with various business groups, a vigorous export drive to new and old markets covering a wide range of products.

#### THE COMMON MARKET

"...Let me turn now to some of the main issues raised for Canada by the United Kingdom decision to negotiate for membership in the European Economic Community. Like other countries of the Commonwealth, we are facing two areas of uncertainty. First, what might United Kingdom membership in the European Economic Community imply for the future of Canada's trade and economic relations with the United Kingdom? Second, what could be the political and economic effects of such membership on the Commonwealth association itself?

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