

REPORTED IN PARLIAMENT BRIEFLY

(C. W. B. March 25, 1948)

1948 FORECAST: A 17 per cent increase in private and public investment outlay for new capital goods is planned in Canada for 1948 compared to the previous year. Increased production of many of the basic and building materials required for this programme is also expected. Supplies of materials, particularly those produced domestically should be generally adequate to meet the requirements of the investment programme even though some "key" items will remain in short supply. These are the conclusions indicated by two reports tabled Monday in the House of Commons by the Right Honourable C.D. Howe. The first report entitled "Private and Public Investment in Canada, Outlook, 1948" is based on a survey of investment intentions and provides a forecast of the new investment programme for the entire Canadian economy including business undertakings of all kinds, institutions, housing and municipal, provincial and Dominion governments. The second report, "Production of Basic and Building Materials in Canada, Outlook, 1948", deals with the 1948 production intentions of suppliers of nine basic materials and 30 building materials that are or have been until recently in short supply. The reports were prepared by the Economic Research Branch of the Department of Reconstruction and Supply with assistance from the Dominion Bureau of Statistics in conducting the surveys and assembling the material upon which the reports are based.

\$2.8 BILLION

The report dealing with investment intentions indicates for 1948 a capital programme of \$2.8 billion, the highest in Canada's history. If realized this will be about 17 per cent in excess of the \$2.4 billion spent in 1947. The programme involves an anticipated \$1.6 billion on new construction and \$1.2 billion on new machinery and equipment, representing increases of 21 and 12 per cent respectively over 1947 levels. With allowance made for the price rise over the year, the intentions would involve an increase in physical terms of approximately 5 per cent for new construction and possibly no change for machinery and equipment.

Private outlay on capital goods, covering expenditures related to privately-owned business, institutions and housing is estimated at \$2,184 million, 15 per cent higher than in 1947. Corresponding public outlay is expected to reach \$635 million, 24 per cent above the previous year. Most of this increase is due to expansion of publicly-owned utilities and to greater outlay for housing and for schools. Anticipated investment expenditures to be made directly by Dominion and provincial government departments are very little above last year's level.

With respect to some of the principal groups within the economy the forecast indicates new investment outlays of \$145 millions for institutions, representing an 81 per cent increase over the 1947 level; \$476 millions for utilities, up 29 per cent; \$599 millions for housing, up 19 per cent; \$272 millions for trade and services, up 17 per cent; \$464 millions for the primary and construction industries, up 12 per cent; \$554 millions for manufacturing, up 8 per cent; and \$309 millions covering direct government expenditures, also showing an increase of 8 per cent over 1947.

Some indications of the probable supplies of basic and building materials required for the investment programme is provided in the report dealing with the production outlook for these materials.

BASIC MATERIALS

The report finds that among important basic materials, the production of pig iron, steel ingots and steel castings should be maintained at about or slightly above the 1947 level in 1948, while the production of copper, asbestos, gypsum and coke should increase a small amount. Coal production is expected to be up more than 15 per cent, but it is pointed out that production in 1947 was lower than in 1945 and 1946 because of a prolonged labour-management dispute in the Maritimes. Reduced commitments on the part of the United Kingdom to take Canadian lumber is expected to result in a level of lumber production in 1948 no higher than in 1947 and probably lower. Nevertheless the supply for the domestic market could show some improvement.

The production of six of the 30 building materials covered by the report is expected to increase by more than 20 per cent. These are bathtubs, steel pipe and fittings, gypsum plaster, gypsum lath, rock wool batts and structural tile. Another six are expected to increase between 10 and 20 per cent. The items in this group are bulk rock wool, gypsum wall-board, sinks, rigid insulating board, non-metallic sheathed cable and vitrified sewer pipe. The remainder show smaller increases with decreases only indicated for two items.

The report observes that the 1947 level of production of five out of nine basic materials and 17 out of 21 building materials are at peak levels and that in both groups the realized production in 1947 was, on the whole, greater than had been expected at the beginning of 1947. It is pointed out that the supply of some building materials is now fairly well in balance with demand. The important factors limiting production are usually either that available production facilities are being used to capacity or that there are shortages of basic materials. The most important of the

latter shortages is primary iron and steel.

EASING OF SHORTAGES

The report points out that the necessity of imposing import controls in November, 1947, to conserve foreign exchange will tend to delay the easing of shortages but should not, in most materials, aggravate present shortages greatly. The present procedure provides for review and screening of projects requiring imported materials which are either now under restriction or may be so proclaimed under Schedule 3 of the Emergency Exchange Conservation Bill. This procedure is not expected to reduce the volume of imports of materials in short supply, such as steel, but to ensure that the limited amount available is directed to the most essential uses.

The report on investment intentions concludes, therefore, that availability of domestically produced supplies should not constitute a serious impediment to the realization of the programme of investment in new construction and new machinery and equipment which in volume terms is only moderately above that achieved in 1947. Realization of the new investment programme should also be facilitated as a result of the moderately reduced physical requirements for repair and maintenance anticipated during the coming year. Steel and various steel products can nevertheless be expected to continue in acutely short supply because of the strong competing demands of durable consumer goods and export industries. Also some purchases of machinery and equipment included in the statement of intentions may fail to materialize to the extent that imports for less essential projects are restricted under import control regulations. The investment report states, however, that on balance it seems reasonable to expect that investment in new capital goods during 1948 will achieve the \$2.8 billion level indicated by the survey.

SIGNIFICANCE INTERPRETED

In interpreting the significance of the intended investment programme the report states that the demands placed upon the productive facilities of the country would be only very slightly increased. However, in view of the continuing strong demands for nearly all other types of goods and services, even this small increase would have some effect toward prolonging the inflationary pressures now dominant in the economy. Furthermore, the level of real investment attained during 1947 and which now appears likely to continue during 1948 is not likely to be maintained once the accumulated demands for both replacement and expansion of capital stocks are exhausted. The report cautions, therefore, that the present high level of investment activity foreshadows a period of under-employment unless compensatory demands arise or are created to take up the slack. Public projects now being deferred will constitute one such compensating demand.

KOREA STATEMENT: The Secretary of State for External Affairs, Mr. St. Laurent, said in the House of Commons on Monday that the Government had decided not to recall Dr. George Patterson from Korea for consultation. The Minister's complete statement follows:-

"I am now in a position to supplement the information I gave on March 10 regarding recent developments in the work of the United Nations Temporary Commission on Korea and the position taken by the Canadian representative, Doctor Patterson.

We have now received a full report from Doctor Patterson on what happened. It appears that as the March 1 anniversary of the 1919 declaration of Korean independence drew near there developed a strong undercurrent of demand among the Korean people for some announcement concerning their future to be made on that date. Accordingly members of the United Nations Commission then in Seoul discussed and agreed among themselves, and cleared by telephone with the Commission Chairman, Mr. Merion, then in New York, that the acting Chairman, Mr. Liu, should make a public statement on March 1, saying that the Commission would accept the advice of the Interim Committee to observe elections in south Korea. General Hodge proclaimed the date of elections for May 9 after Mr. Liu had made this public statement. Doctor Patterson, who was in Tokyo at the time, was not consulted, although he had left his telephone number with the principal secretary of the Commission on his departure from Seoul, with the request that he be called should any important matter arise; nor was a regular commission meeting called in order to discuss the matter. Accordingly, at the next regular meeting of the Commission Doctor Patterson, under instructions, drew attention to the irregularity of the procedure by which this important decision was reached. He pointed out that, if the Commission were to proceed in this manner its impartiality and authority as a properly constituted United Nations Commission would be undermined. As a result of this intervention the Commission re-examined the whole position very carefully in several days of private discussions and at the end decided that there should be a formal vote to record the position taken by each member.

On March 12 the Commission formally decided to observe elections announced by the commanding general of the American forces to be held on May 9, 1948, provided that it has ascertained that the elections will be held in a free atmosphere where democratic rights of freedom of speech, press and assembly will be recognized and respected. The vote in favour of this resolution was 4 to 2, with Canada and Australia against, and Syria and France abstaining. In voting on this resolution the Commission in effect recognized the validity of Doctor Patterson's objections to the irregularity of the earlier informal agreement to observe elections. I think that the importance which the Canadian representatives on the