

I can conclude this analysis of our economic situation by saying that there are hopeful signs that we have reached the end of the recent decline. Moreover, the problem has moved more clearly into the domestic field. Although the influence of external demand was important as one of the origins of the current adjustment, the direct effect of the decline in certain basic exports has been less significant than the indirect effects on business capital investment. Now that capacity in a number of industries has overtaken or exceeded current demand it seems obvious that relatively less of our energies will for a time be directed to creating new capital facilities in the business sector. As a result we shall be able to devote more of our energies to filling some of the gaps which have developed over the last few years in housing, in municipal services and in other requirements for social capital in Canada, and in laying the basic foundations for the new period of business expansion which will not be long delayed. The policies of this government are assisting the growth in housing and social capital. The expanded role of social capital is illustrated in the 1958 Outlook for Private and Public Investment published by my colleague the Minister of Trade and Commerce. Present investment intentions of business for capital outlays in 1958 are about 11 per cent below the 1957 level. Planned outlays for housing, government departments and institutional services on the other hand are 14 per cent higher.

With all these factors in mind and with due regard for the resourcefulness of the Canadian people and the government's determination, I had no hesitation in budgeting on the basis of a resumption this year of the rise in incomes and production. Assuming normal crops, stable prices and no untoward external events, I based my revenue forecast on a gross national product of \$32 billion, which is about 2 per cent above the record level in 1957.

#### GOVERNMENT FINANCIAL OPERATIONS 1957-58

Subject to final check when the books for the year have been closed, our revenues for the fiscal year which ended on March 31, 1958, were \$5,047 million, our expenditures were \$5,086 million and there was a deficit for the year of \$39 million. The decrease in revenues of \$97 million as compared with the forecast is less than 2 per cent. The expenditures were only \$21 million or less than one-half of one per cent higher than I had forecast last December. I can assure you that we are endeavouring to exercise the closest possible control over our financial operations as these figures well demonstrate.