

Notwithstanding the weakening of world markets in general and the downturn in the United States in particular, total Canadian export sales have been well maintained and for the first eleven months of 1958 slightly exceeded those in the same period in the previous year. Larger sales of wheat, beef, uranium, aircraft and farm implements were sufficient to balance the declines which occurred in the export of industrial materials. Stability in our exports was accompanied by a substantial reduction in imports, largely due to the fall in demand for investment goods. The decline in imports meant, of course, that the burden of economic adjustment in Canada was shared to some extent by our foreign suppliers. As a result of these overall trends the Canadian trade deficit for 1958 will be substantially reduced, and will indeed be lower than at any time in the last five years. The deficit in our trade with the United States will be little more than half of what it was in 1957.

In addition to the comprehensive federal programme in support of housing, the substantially higher government expenditures in the social security field and increased fiscal payments to the provinces, there were also widespread federal tax reductions during the last twelve months affecting the business community, provinces, municipalities and the individual taxpayer. Besides these measures, which served to underwrite purchasing power and thus strengthened production and employment, the Federal Government has made available to the provinces additional financial assistance for resource development. Furthermore, in the federal sphere the Government embarked on a greatly enlarged public works programme. Special encouragement has been given to construction work carried out during the winter months.

Finally, gross national product in 1958 attained the record figure of \$32 billion, precisely as was estimated last June in the budget presentation.

Canada Conversion Loan 1958 and the Bond Market

The principal event in Canadian financial history in 1958 was the Canada Conversion Loan operation. It was the largest and, I think I may say, the most successful financial operation in Canada's history. Let me remind you of the situation in which the decision was taken last summer to embark on this undertaking.

In April 1958, the rising trend in bond prices was arrested. Indications of economic recovery appeared, with its prospective concomitant of a growing demand for money from non-government sources. In the United States, worry about the size of the Government's deficit and borrowing requirements and fears of inflation emerged at an early stage, and a sharp and continuing decline in bond prices set in.