



STATEMENTS AND SPEECHES

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ANNUAL FINANCIAL STATEMENT AND FORECAST
OF REVENUE AND EXPENDITURE, 1950-1951

A Speech delivered by the Minister of Finance,
Mr. D. C. Abbott, in the House of Commons,
March 28, 1950.

In proposing this annual motion and in opening my budget for the year upon which we are about to enter I begin as is customary by reporting to the house on the general economic situation in which we are operating, and upon the economic prospects for the coming year.

The three years 1946, 1947 and 1948 were years of active and expanding business and employment in almost every part of the world. The work of physical, social and economic reconstruction not only created very high levels of employment and activity, but placed severe strains upon the available resources of manpower, equipment and materials in almost every country. These determined efforts to do so much in so short a time resulted in widespread shortages of various kinds and in open or suppressed inflation of varying degrees of intensity.

The year 1949 saw a considerable change in this balance of demand upon resources, and the improvements in output and in organization have lessened some, though not all of the economic difficulties with which the world is faced. In looking through the figures published by the United Nations I find that in those countries of Europe for which information is available the volume of production increased about 10 per cent during 1949, and that output as a whole is nearly 20 per cent above 1937. In Canada industrial output in 1949 was about two per cent above 1948, but more than 70 per cent above the 1937 level. In passing, I may add that Canada's increase in production over pre-war levels is greater than that recorded for any other country.

These improvements in production have had their effect on price levels and inflationary pressures. The December 1949 price levels in most countries of western Europe were less than five per cent above December 1948. It should be added that conditions of suppressed inflation continue to be a danger in some countries, and in most countries the effects of the September devaluations had not been fully reflected in their price levels by the end of December. Canadian wholesale price levels at the turn of the year were about two per cent below a year ago.

These increases in production have also resulted in a considerable improvement in the balance of payments position of western Europe as a whole. Over the past three years the current account deficits of ERP countries have been reduced from \$7½ billion to just under \$4 billion, and their trading deficit with the dollar areas has been reduced from about \$7 billion to