

INVESTMENT OUTLOOK, 1961

Mr. George Hees, Minister of Trade and Commerce, recently tabled in the House of Commons the report "Private and Public Investment in Canada Outlook 1961", which summarizes the results of a recent survey of capital spending intentions.

The report outlines capital expenditure plans for all sectors of the economy, involving total outlays in 1961 of \$8,336 million. This proposed expenditure exceeds the total of last year by more than \$100 million, and represents a continuation of the high and relatively stable level of capital spending realized in recent years.

CONSTRUCTION OUTLAY

Expenditures for new construction are estimated at about \$5,689 million, or 4 per cent more than the \$5,487 million spent for this purpose in 1960. Both housebuilding activity and non-residential construction will share in this larger programme. Planned outlays for new machinery and equipment are moderately lower than those of last year, calling for expenditures of \$2,647 million compared with \$2,713 million in 1960.

Outlays for social-capital purposes, including health and educational facilities and all types of government improvements, are expected to be about 11 per cent greater this year. New hospital construction, in particular, will be sharply expanded. Adding to the strength in the non-business sector is the expectation of a somewhat higher rate of housebuilding activity.

Estimates from business firms suggest a moderate reduction in their capital spending in 1961. This reduction is largely concen-

trated in the transportation industry, with requirements for both permanent facilities and equipment being substantially lower. Outlays by commodity-producing industries are approximately the same. Larger expenditures by the natural-gas industry are offset by reductions in certain other industries, notably iron and steel. Commercial construction, for stores and office buildings, is likely to continue at the high rate of 1960.

PROVINCIAL AND MUNICIPAL PLANS

In addition to investment plans for the country as a whole, the report provides information on capital-spending intentions in the provinces and the major metropolitan areas. Most areas of the country are expected to share in the moderately expanded capital programme. However, in a few provinces, where unusually large expansion projects were completed last year, investment spending in 1961 may be somewhat lower.

Mr. Hees said that the anticipated level of capital spending, if realized, will result in some net increase in demands upon the economy. In particular, it will involve greater activity in construction and related industries. On the other hand, the reduction in total outlays for machinery and equipment will affect mainly import items. Demands on domestic equipment producers should remain at about the 1960 level.

Planned capital outlays, considered in relation to total national output, are at a relatively high level. This represents a further significant expansion of Canada's capital facilities.

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FARM NET INCOME

The total net income of farm operators from farming operations in 1960 was placed at \$1,352,200,000, up about 12 per cent from the revised 1959 figure of \$1,206,300,000 and up 6.5 per cent from the five-year (1955-59) average of \$1,270,100,000, according to the annual advance preliminary estimates of the Dominion Bureau of Statistics. Gross farm income, which includes farm cash income, income in kind and inventory changes, totalled \$3,245,200,000 in the year, about 5 per cent above the preceding year's total of \$3,086,100,000. Operating and depreciation charges in the year amounted to \$1,892,980,000, as against \$1,879,771,000 in the preceding year.

Cash income in 1960 from the sale of farm products was only slightly below the 1959 level. On a commodity basis, the more important reductions were recorded for barley, flaxseed and hogs, while the more important gains were registered for potatoes, tobacco,

cattle and calves. There was also a substantial increase in cash advances on farm-stored grains in Western Canada.

Supplementary payments to farmers in Western Canada in 1960 amounted to \$77 million, and included payments made under the provisions of the Prairie Farm Assistance Act, the Western Grain Producers' Acreage Payment Plan and the Federal-Provincial Emergency Unthreshed Grain Assistance Policy. This is in contrast to 1959 when farmers received \$22 million, most of which was received under the provisions of the Prairie Farm Assistance Act.

Increases in farm-held inventories of both grains and livestock in 1960 reflected an increase in grain production over the preceding year and a continued build-up of Canada's cattle population that more than offset smaller hog numbers. Income in kind, which is the value of farm products consumed in the farm home, together with the imputed rental value of the farm home, was also higher in 1960 than in 1959.