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MR. HOWE'S BUSINESS SURVEY

there has been very little increase in unemployment.

"Up to mid 1952 much of the increase in production and employment could be traced to defence expenditure and to intensified world demand for strategic materials. Since that time, however, the main impetus has come from increased demand for goods and services to raise standards of living.

"Of particular importance has been the rapidly growing appetite of the Canadian consumer. Total consumer purchases in physical volume terms are running about 12 per cent above the level of two years ago. This is much the sharpest rise that has taken place since 1946. It may interest honourable members to know that the increased flow of goods and services to Canadian consumers accounts for two-thirds of the addition to total national output during the past two years....

PERSONAL INCOMES

"Underlying this broad growth in consumer spending has been the strong upward trend of personal incomes, in real as well as in money terms. Prior to 1952, money incomes, although increasing substantially, did little more than keep pace with rising prices. By the beginning of 1952 consumer prices had levelled off and have since remained slightly below the peak reached in January, 1952. At the same time, average earnings continued to rise. The result has been a continuing and substantial improvement in real earnings of wage and salary earners, professional people and most other groups. It has been estimated, for example, that average weekly earnings of those working for wages and salaries has increased by 16 per cent during the past two years and the trend continues....

"Nor are consumers dipping into their savings to maintain this high rate of spending. Individuals on the average are still managing to save 8 or 9 cents of each dollar currently earned, a rate which, on the basis of past experience, may be considered as pretty high.

"Consumer spending has been rising. And so has expenditure for the purpose of increasing Canadian capacity to produce. Indeed, I am frank to admit that the rate of capital formation has exceeded my fondest hopes. I would not have been at all surprised if capital expenditure had levelled off this year. But such has not been the case. 1952 established a new record. The latest estimates indicate that capital outlays this year may reach \$5.6 billion, a figure 9 per cent greater than the previous record established in 1952. Since prices of capital goods have been more or less stable, this 9 per cent increase represents an equivalent increase in terms of plant and equipment put in place....

"I have heard fears expressed about what would happen when some of the huge resource

development projects now under way are completed. Will there be a sudden and sharp drop in investment expenditures? I think not. On the contrary, I am inclined to believe that the investment in basic industrial capacity now going on is part of a fundamental expansion in the productive capacity of this country, which is far from completed and which still retains much of its impetus. Korea served to speed up the development of resources which would otherwise have taken place more gradually. This concentration of effort in turn brought forward the need for expansion of secondary and service facilities which are necessary for a full and rounded development of the country.

"It follows that while the gradual completion of some of the large resource projects initiated since 1950 may well bring a change in the composition of total investment, there will now necessarily be a sharp reduction in total expenditure. In 1954 capital outlays in basic material industries may be lower. This decline could be offset by a further increase in utility, service and institutional investment.

PROSPECTIVE DEVELOPMENTS

"Let me run quickly over some of the developments that are in prospect. In some industries like industrial chemicals, primary iron and steel and the processing of metals like copper and aluminum, the emphasis is shifting from the creation of new facilities to the modernization of existing plants. Much the same thing is happening in pulp and paper.

"Assuming reasonable free access to the United States market, Canadian sales of aluminum are likely to be such as to necessitate completion of further stages of the Kitimat project.

"Turning to the development of sources of energy, the outlook is most encouraging. A long term coal modernization programme is under way. Even more money than in 1953 may be spent on the development of new sources of hydro power, oil and natural gas.

"As for natural gas, the imagination of the Canadian people has been stirred - and with reason - by the prospect that lies ahead. The authorization at all levels - provincial, federal and international - of one or more long distance gas pipelines will do more than encourage the drilling for oil in Western Canada. It will attract hundreds of millions of dollars of new capital - capital to pay for gas treating and chemical plants, gas gathering and transmission lines, gas distributing systems and gas using equipment. All this will take time. But, as electricity did in the past, so natural gas promises to usher in yet another era in Canada's march to industrial maturity.

"All told, hundreds of millions, and perhaps even billions of dollars, are involved in the further development of Canadian resources.