

the United States are almost unanimous in predicting a sustained and accelerating upswing in 1959. At the same time, it is a fact of some importance that the recent contraction was more severe in the United States than in Canada. Industrial production in the United States fell by about 14 per cent before the decline was reversed, compared to a drop in output about half as large in this country.

Throughout the post-war period, population growth and the discovery of rich resources exerted a strong impetus on the Canadian economy, and these influences continued to be felt during 1958 despite the difficulties experienced since early 1957. Indeed, a variety of factors were at work, sustaining total Canadian production during the recent recession and contributing towards the current recovery. The most important of these were:- an all-time record in consumer spending; an all-time record in residential construction; an all-time record in our export trade; and, last but not least, a large and determined effort on the part of the Government to counteract slackness in the private sector of the economy through public works and other constructive measures.

Despite lagging production and employment, there was an almost continuous rise in personal incomes in 1957 and 1958. This made it possible for Canadians to expand their purchases of consumer goods and services while putting aside a relatively large proportion of their earnings in the form of savings. In the first nine months of 1958, personal incomes were 5 per cent higher than in the same period of 1957. This strength, in turn, contributed to a rise of 4 per cent in consumer outlays in the first nine months of 1958 compared with a year earlier. To an important extent, personal incomes were supported by substantially higher transfer payments from government, including increases in old age pensions, veterans' benefits, family allowances and unemployment insurance as well as assistance payments.

Residential construction, largely because of a shortage of mortgage funds, had declined severely in the second half of 1956 and first half of 1957. In the second half of 1957, the competition for loan funds from other investment outlets became less intense, and over half a billion dollars of government funds were made available to augment housing loans supplied by private lenders. Additional stimulus was provided by new federal legislation reducing down payments and lowering income eligibility requirements on homes financed under the National Housing Act. The actions taken by the Government in the field of housing were a major factor in bringing about a record level of housing starts for the twelve months' period beginning in the fourth quarter of 1957. In the first nine months of 1958, expenditures on residential construction were 28 per cent higher than in the same period of 1957. This increase, together with higher outlays by governments and institutions on community facilities, offset the greater part of the decline in business capital expenditures.