

MID-YEAR REVIEW 1958

The June survey by the Department of Trade and Commerce of capital expenditure intentions of Canadian business, institutions, governments and housebuilders reveals that, in aggregate, spending intentions involve outlays of \$8.5 billion in 1958. This represents no change, in overall terms, from the intentions as outlined at the beginning of the year.

Present plans call for a slight increase in outlays for construction and an equally slight decline in expenditures for machinery from those formulated earlier. Construction expenditures are now expected to exceed \$6 billion, one per cent above the earlier estimate and 2 per cent greater than the record amount of 1957. Within the total, an 8 per cent upward adjustment in housing expenditures more than offsets a 2 per cent downward revision in outlays for other types of construction. Expenditures for housing are now expected to exceed those of 1957 by 25 per cent while those for non-residential construction are likely to be 5 per cent below the total of the preceding year. Outlays for the acquisition of machinery and equipment as now planned are 11 per cent less than in 1957. This represents a one per cent reduction from the plans as stated in January.

The revised statement of investment intentions indicates that estimated capital expenditures by business enterprises have been reduced slightly since the beginning of the year and are now expected to be 13 per cent below those of 1957. This decline is expected to be offset by somewhat larger expenditures than previously anticipated for housing and social capital. Present plans call for outlays in this sector to exceed those of last year by 17 per cent.

The additional weakness in business spending is attributable to further declines in the resource and resource based industries. The forest and mineral products group and the fuel and power industries have reduced planned outlays by 5 and 4 per cent respectively. Present plans indicate a reduction from 1957 levels of 42 per cent in outlays by the forest and mineral industries and of 9 per cent in the fuel and power sector.

The increased strength in the housing and social capital field is mainly attributable to

a larger housing programme than had been previously anticipated. The additional strength shown for housing expenditures reflects the very high rate of starts that has occurred in the first half of the year. The present estimate provides for 150,000 starts for the whole of 1958.

Expenditures by institutions and government departments are now expected to be a little lower than were previously estimated but still substantially above outlays made in 1957. Revised estimates of spending by provincial and municipal governments are somewhat less than those made at the beginning of the year and more than offset a further expansion in the construction programme of the Federal Government.

On the whole, the mid-year survey of investment intentions revealed relatively minor changes from the plans that were formulated at the beginning of the year. Respondents in this survey were asked to specify the principal reasons for changes in investment plans. Replies indicated that as far as business establishments were concerned a deterioration in the short run sales outlook and in the earnings position of the firm had caused some companies to reduce their capital programmes. On the other hand a number of firms reported upward revisions in planned outlays, the more important reasons for the change being an improvement in the longer run sales outlook and the necessity of establishing a more competitive position. The moderate downward revision in the plans of institutions appeared to stem from these agencies having undertaken their most ambitious capital programme on record. Under these circumstances unforeseen delays were encountered in arranging financing, completing architectural plans and placing contracts.

In summary, capital expenditures are still expected to be a strong sustaining factor in the Canadian economy in 1958. The record construction programme planned should ensure a high level of employment in both the construction industry and in the industries supplying building materials. The present survey revealed no substantial cancellations or scaling down of investment plans and did indicate sustained confidence in the longer run outlook.

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CANADA CONVERSION LOAN

Reports of conversion of Victory Loan bonds into the new Canada Conversion Loan of 1958 announced in the Weekly Bulletin of July 23 continue to flow into the Bank of Canada from all parts of the country.

One of the largest applications received to date came from the Metropolitan Life Insurance Company which is converting \$100 million Vic-

tory loan bonds purchased during the war time into the new bonds, principally the 25 year maturity.

Mr. Kenneth J. Hawkins, Deputy Provincial Treasurer of the Province of Alberta, has announced that the provincial government has converted \$53,023,000 of its \$57,000,000 Victory Loan Bonds which were held by various government accounts. In making this announcement Mr. Hawkins stated that this action has