

*The Budget—Hon. D. M. Fleming*

budget white paper tabled yesterday covers these fully. Rather, I shall touch on some of the highlights and examine the prospects for 1960.

Last year we emerged from a recession which had been caused by a number of factors; capital expenditures by business, especially in industries producing raw materials for export, had declined; business investment in inventory holdings had fallen sharply from levels which had been high in relation to business sales; and export incomes, previously increasing, had levelled off for two years because of a reduction in demand in other parts of the world. The government had fought this recession by measures to sustain consumer demand, by stimulating housing, by increasing government investment, by augmenting transfer payments to other levels of government and by many other means.

The decline was reversed late in 1958 and gave way to expansion last year. Capital expenditure by business, especially on machinery and equipment, increased throughout 1959 and in the last half of the year was running at a rate well above that of the low point of the recession. The survey of business intentions released by my colleague the Minister of Trade and Commerce a few weeks ago indicates that this upward trend will continue throughout 1960.

As business conditions improved, first in the United States and later on in western Europe, our exports began to increase and toward the end of the year accelerated sharply. In 1959 we exported more than \$5 billion worth of goods for the first time in our history. Exports to the United States showed the greatest absolute gains, but in the latter half of the year the most rapid rates of increase took place in exports to overseas countries. In the fourth quarter the rate of our total exports of goods, seasonally adjusted, was 12 per cent above the rate in the first quarter of 1959.

With rising exports and greater business investment, Canadian incomes increased. Consumer expenditures continued to grow and outlays on housing were very close to the record rate of the previous year. Expenditures by provincial and municipal governments on goods and services increased. The federal government slightly reduced its own outlays on goods and services, but increased its transfer payments to the other levels of government.

With the general improvement in business, there was no longer any liquidation of inventories, such as had taken place in 1958; instead businessmen added to their stocks to keep pace with rising sales. In 1958 the liquidation of business inventories had amounted

to \$323 million, while last year there was a net accumulation of \$355 million, a reversal which increased demand by a total of \$678 million.

Reflecting all these and other influences, the gross national product in 1959, according to our present preliminary estimates, rose to \$34.6 billion compared with the estimate of \$34½ billion upon which I based last year's budget. Accompanying this rise in production was an increase in employment of 2.7 per cent over 1958. Hon. members have seen the recently published February employment figures. The number of persons with jobs was 116,000, or 2 per cent, higher than at the same date a year ago, but as the result of an unusual increase in the number of persons estimated to be in the labour force, the estimate of the numbers without jobs and seeking work was 18,000 higher than a year ago. I am confident, however, that employment will rise as the coming of spring opens up new job opportunities and as the economy continues its upward trend.

The past year was notable for a welcome absence of speculative excesses in production, demand and inventories. I stress this because often in the past such excesses have provided a major cause of recession. Our economic growth has been orderly and balanced. New investment in plant and equipment has been broadly based. Increases in consumer expenditure have moved in line with personal disposable incomes and personal saving was maintained at the 1958 level.

Average per capita wages and salaries of workers in trade and industry reached a new record of \$3,773, an increase of 4 per cent over 1958 and of 10 per cent over 1956. Since the consumer price index was only 1 per cent higher than in 1958, there was a very satisfactory gain of 3 per cent in real income.

The balanced nature of our economic growth has contributed to price stability, and price stability in turn, to balanced growth. Like the consumer price index the wholesale price index for 1959 was about 1 per cent higher than in 1958.

In the financial sector 1959 was marked by some disturbances which had subsided by the end of the year. During the first eight months of the year there was an extraordinary increase in the demand for bank loans. In order to meet their customers' demands the banks were heavy sellers of government bonds. At the same time all levels of government continued to be net borrowers although demands for funds, especially by the federal government, were substantially