

(Continued from P. 1)

ECONOMIC OUTLOOK 1954

survey is made of the amount of capital expenditures planned for the ensuing year by business, institutions and governments and also for housing. Compilation of the returns from the 1954 survey are now complete, and a report embodying the results will be tabled as soon as copies can be printed.

"The survey indicates a capital expenditure programme for 1954 of \$5.8 billion, roughly 3 per cent above the previous record achieved last year. Expenditures for new construction are estimated at \$3,865 million, an increase of 6 per cent, while outlays for new machinery and equipment are expected to be 3 per cent lower. With spending on defence construction now past its peak, the federal capital expenditure programme, as presently planned, is a little lower than in 1953. Reports from provincial governments indicate their programmes to be roughly unchanged, while capital outlays of municipalities should show a moderate increase. Capital outlays of federal, provincial and municipal governments, taken as a group, are expected to remain about the same as last year. Non-government capital spending will be up by roughly 4 per cent and non-government outlays on new construction are expected to increase by 6 per cent.

CAPITAL SPENDING

"This projected volume of capital spending has far-reaching significance for the trend of economic activity in 1954. Expenditures on new capital goods account for about 23 per cent of total production in the economy. Prospects of a further increase in the capital expenditure programmes mean that in over-all terms this important sector of demand will be more than maintained.

"In addition, investment plans tell us a good deal about the state of business confidence. While the foregoing expenditure estimates cover total outlays for new capital goods, including replacement, a major portion of the programme represents net additions to capacity. Yet no one builds new capacity except on the expectation that markets will be available for the additional goods or services to be produced. It should be borne in mind also that these investment intentions have been recently submitted, and therefore can be assumed to take into account the uncertainties which have prevailed in recent months, particularly in respect to the future trend of economic activity in the United States.

"In these circumstances one can only conclude that, notwithstanding these uncertainties, the collective view of Canadian business enterprise is on the side of continued growth and prosperity in our economy....

"The next important factor is the prospect for exports. There again I believe we can look for another good year. The final figures for 1953 show a decrease of 3 per cent in value of

exports but, as a matter of fact, in volume the last year was a record year for exports, being even greater than 1952. The reason for the lower dollar value of exports during 1953 was, of course, the drop in prices of many important commodities that are represented in our list of exports. For example in the metals, in 1952 we were exporting zinc at 19 cents a pound; last year we were exporting zinc at 10 cents a pound; we were exporting lead at 21 cents a pound in 1952, and at 13 cents a pound in 1953. There was a sharp drop in the price of lumber included in the exports for 1953.

"I believe that our prices have stabilized and that the pricing of our exports for 1954 will not be much different from the pricing in 1953. Our principal export is wheat. The volume of exports to date is not as great as last year owing, as I have explained on several occasions, to exceptionally good crops in many of our principal markets, and also owing to the fact that the war threat has receded to a point where many governments have been using their war stocks of wheat for civilian purposes.

EXPORT PROSPECTS

"In other directions export prospects have improved. A few days ago I mentioned the opening up of markets in the West Indies, a fact which is important. The return of trading from governments to private hands in the United Kingdom has been helpful to Canada. As that trend proceeds I think we can expect even better markets in the United Kingdom than we have had in the past.

"Today I was reminded that our sales to South America are off, and it was suggested that my trip may be the reason. May I say that the reason I went to South America was that our markets at that time were abnormally high. Since then dollar difficulties in several of the South American countries, particularly Brazil, have caused restrictions of exports from dollar countries. However, I am happy to say that today we received confirmation of a large sale of wheat to Brazil. We have not sold wheat to Brazil for several months. I think there are indications that the South American market is finding it possible to use dollars to a greater extent, which will, I am sure, mean greater purchases from Canada....

"The other factor, of course, is consumer buying. Consumer buying in Canada is at a high level and there is every reason for thinking that high level of purchasing should continue. I believe those are the three elements that we look to for a forecast of the level of the Canadian economy during 1954, and in those several directions there seems to be no indication of any serious recession in the year 1954.

"In the investment field our economy will be reinforced by two large projects. One is the St. Lawrence waterway project, which we fully expect to be under construction before