

The Budget—Hon. D. M. Fleming

of over \$40 million of existing mortgages, a decrease in loans to Canadian National Railways of some \$40 million, and the repayment of \$67 million of advances to the unemployment insurance commission. As a result of the reorganization of the unemployment insurance fund to which I referred last June we have replaced cash advances to the unemployment insurance commission by the purchase of its former portfolio and by redemptions from its holdings of non-marketable bonds.

In conformity with the Old Age Security Act I should also report to the house the current position of the old age security fund. Details of this are set forth on pages 2805 and 2806 of the white paper. In brief, the revenues of the fund under the statute for the past year have been \$649 million, the pension payments including the increase to \$65 a month effective February 1, 1962, have totalled \$625 million resulting in a surplus for the year of \$24 million. There was, however, an outstanding loan to the fund by the Minister of Finance of \$17 million a year ago. This was repaid, leaving a surplus of \$7 million.

For the new fiscal year, 1962-63, total benefit payments under the Old Age Security Act will be about \$736 million, revenues under the act will be about \$672 million which will result in a deficit for the year of \$64 million and an accumulated deficit of \$57 million. We shall be giving this subject further consideration in the light of future policy decisions regarding social welfare pension plans following the present consultation with the provinces as to a constitutional amendment to permit parliament to legislate a contributory plan with survivors' benefits. Studies in relation to portability of pensions also are being actively pursued.

ECONOMIC REVIEW

It is a source of satisfaction to be able to report to the house, first, that the Canadian economy is experiencing healthy expansion; second, that this expansion is considerably more rapid than in the last similar period and that our international trade and payments are in better balance than they have been for many years; third, that measures taken by this government are contributing constructively and decisively to these developments; and fourth, that given continuation and adaptation of these measures this new fiscal year, we have good reason to expect substantial further economic growth and prosperity.

The increase in levels of economic activity during the course of 1961 has indeed been impressive. The gross national product, expressed at annual rates, increased from the first quarter of the year to the fourth quarter

by \$2.4 billion, a gain of 7 per cent. From March to December 1961, the index of industrial output rose by more than 9 per cent. By the year end it was nearly 5 per cent higher than it had ever been before. Particularly sharp advances were achieved in the output of certain types of heavy industry. For example, production of steel ingots in 1961 was 12 per cent greater than in 1960, and reached a record high of almost 6½ million tons. Over the past five years output of this basic product has increased by 23 per cent, and the capacity of the entire industry has been expanded, broadened and diversified. Today this industry is meeting more of our domestic needs. In 1956 Canadian producers supplied 70 per cent of our steel requirements; since then this proportion has risen to approximately 80 per cent. A wide range of primary and secondary steel products previously supplied from abroad, such as heavy steel shapes and large diameter pipe, is now being produced in Canadian mills. Our exports of steel products have also been higher. This is but one example of the many industries in Canada which have been progressing and developing notwithstanding the changing world economic environment.

Mining output, too, has reached new peaks, rising sharply in the course of the past year. The largest increases have been in the production of nickel, asbestos, natural gas and petroleum.

Exports of Canadian goods rose sharply in 1961, and in the fourth quarter of 1961 reached a level of \$6,256 million, seasonally adjusted at annual rates, 19 per cent above the level achieved in the fourth quarter of 1960. The house is well aware of the success which has crowned our efforts to expand sales of agricultural products, especially wheat. But the house may not be fully aware of the substantial increases which have taken place in sales abroad of other Canadian products such as livestock, cotton textiles, industrial machinery, electrical apparatus, petroleum, nickel, basic plastics, asbestos and chemicals. The increases in the exports of these products in 1961 over 1960 have exceeded \$150 million.

In response to the quickened tempo of economic activity in 1961, employment increased substantially. In 1960, when all of the gain in employment took place in the service industries, women accounted for most of the increase, but in 1961 increased employment in manufacturing was particularly significant and it involved a substantial growth in male employment. In February 1962 there were 196,000 more people employed in Canada than a year earlier, and of these 164,000 were