

more. The creation of these capital assets requires the diversion of resources from production for current consumption to the production of capital goods which will be used in production for future consumption. Thus the rate of investment spending reflects the extent to which a growing nation is providing for the future or is becoming industrialized; it also reflects the opinion of businessmen as to future prospects and of governments as to future demands for their services.

It will be noted from Table 1 that since 1927 there have been two periods when capital spending accounted for a substantial portion of the gross national product. The high rate of growth in the eight years 1948 to 1955 was paralleled in the late 1920's but in that period capital outlays exceeded 20 p.c. of the gross national product for three years only. Investment spending at this level, while indicative of the longterm growth of the country, is important also in the year in which it occurs in giving employment and income to those engaged in the provision of capital facilities.

### 1.—Capital Expenditures in Canada 1927-56

NOTE.—Actual expenditures 1927-54; preliminary actual 1955; intentions 1956.

Year	Capital Expenditures	P.C. of Gross National Product	Year	Capital Expenditures	P.C. of Gross National Product
	\$'000,000			\$'000,000	
1927.....	1,087	19.2	1942.....	1,542	14.6
1928.....	1,296	21.2	1943.....	1,485	13.3
1929.....	1,618	24.6	1944.....	1,309	11.0
1930.....	1,287	23.2	1945.....	1,284	10.8
1931.....	881	19.3	1946.....	1,703	14.2
1932.....	491	13.0	1947.....	2,489	18.1
1933.....	327	9.2	1948.....	3,175	20.3
1934.....	416	10.3	1949.....	3,502	21.3
1935.....	505	11.6	1950.....	3,815	21.0
1936.....	590	12.6	1951.....	4,577	21.3
1937.....	828	15.5	1952.....	5,285	22.7
1938.....	773	14.8	1953.....	5,841	23.9
1939.....	765	13.4	1954.....	5,620	23.3
1940.....	1,048	15.3	1955.....	6,230	23.5
1941.....	1,463	17.2	1956.....	7,529	..

<sup>1</sup> Newfoundland included from 1949.

The stepped-up rate of capital spending that occurred in 1955 and the further acceleration expected in 1956 represents the third distinct period of rapid buildup of capital facilities in the postwar years. Since somewhat different factors stimulated the capital expansion in each of these periods the emphasis tended to be on different sectors of activity. All periods however have been characterized by a resurgence of capital spending in the commodity producing industries. In 1947 and 1948 the most important stimulus to capital spending came in the consumer goods industries and in such export industries as agriculture and forest products. The Korean period emphasized investment in the defence and strategic materials industries such as minerals and fuel and power. The current expansion is being led by the export industries, principally those related to forest and mineral products, with strong support from the fuel and power and transportation industries.

Without exception all major sectors of the economy expect either to maintain or to increase their capital spending in 1956. Of the total program 69 p.c. is expected to be spent for construction work and the remainder for purchases of machinery and equipment. In construction it is estimated that nearly all the increase will be accounted for by industrial building and by construction of an engineering type. Such projects as the St. Lawrence Seaway and the gas pipelines eastward and westward from Alberta will add greatly to the volume of engineering construction. Residential building is expected to remain unchanged from the 1955 figure.