year. Towards the end of 1955 the supply of certain building materials, such as cement and steel was becoming rather tight, though the shortage did not appear to have held back the investment program to any appreciable extent.

A variety of influences was responsible for the increase in investment in 1955. In the field of housing construction, the larger supply of mortgage funds made available by the banking system, along with a rising level of personal disposable income, made possible a striking gain in the number of housing units built. The value of housing construction in 1955 was estimated at $1,476,000,000, up 27 p.c. from 1954.

The influences affecting investment in non-residential construction and machinery and equipment were somewhat different from those affecting housing. The downturn in late 1953 and early 1954 made available excess capacity in some portions of the economy, and this slack was gradually utilized as the recovery gained ground. However, as 1955 progressed the expansion began to press upon existing capacity, and plant and equipment investment programs were sharply increased to meet current and anticipated demand.

New non-residential construction was valued at $1,775,000,000 in 1955, up 7 p.c. from the preceding year. However, the pick-up did not appear strongly until the last half of the year, when the seasonally adjusted annual rate was running at about $1,900,000,000, or 13 p.c. above 1954.

Investment in new machinery and equipment amounted to $2,017,000,000 in 1955, up 10 p.c. from 1954 but still slightly below the 1953 peak year. However, by the fourth quarter of 1955 the annual rate of investment in machinery and equipment reached $2,300,000,000 and was at a rate equal to the previous high in the third quarter of 1953. The volume of machinery investment in the fourth quarter was still below the 1953 peak, inasmuch as prices of these items have risen somewhat over the past two years. Most of the increase in machinery investment in 1955 was met through larger imports, which rose sharply over the previous year.

Total inventory investment amounted to $450,000,000 in 1955, compared with a liquidation of $280,000,000 in the previous year. This swing in inventory investment of $730,000,000 made a substantial contribution to the higher level of Gross National Product in 1955. The turn-around was partly a reflection of the larger grain crop in 1955 and partly a reflection of the pronounced up-swing in final demand which appeared to require higher levels of business inventory holdings to prevent a further fall-off in stock sales ratios. It should be noted, however, that certain industrial and wholesale prices were rising in 1955 and that about one-half of the value swing in business inventories can be accounted for by these price factors. In terms of volume change, the shift in total inventories from liquidation in 1954 to accumulation in 1955 amounted to about one-third of the real increase in Gross National Product.

The major part of the business inventory build-up in 1955 occurred in manufacturing and in wholesale and retail trade. The first two of these sectors had experienced marked liquidations of inventory in 1954, so that they also accounted for the largest share of the turn-around in business inventories between 1954 and 1955.

The accumulation of business inventories in 1955, amounting to $257,000,000, took place at different rates throughout the year. In the first quarter there was a very substantial build-up reflecting in large part the accumulation of automobile inventories at the factory level. In the second and third quarters final purchases of goods were increasing sharply and additions to inventories were moderate. By the fourth quarter of the year, while final purchases continued to expand, the combined supply of goods coming from domestic production and the high rate of imports in the later part of the year were sufficient to add substantially to business stocks on a seasonally adjusted basis. This accumulation in the fourth quarter was spread fairly generally throughout the industrial groups, with increases occurring (after allowing for seasonal variation) in motor vehicles, parts and accessories, iron and steel products, electrical apparatus and supplies, clothing, paper products and in a wide range of other commodities.