

over the previous year. Business outlays on non-residential construction and on machinery and equipment also continued their upward course, rising 11 p.c. and 6 p.c. respectively. Together they amounted to \$3,832,000,000, equal to their previous high in 1953.

The rising level of activity prompted a shift to accumulation of business inventories, in contrast to liquidation in 1954, and the larger grain crop led to increased investment in farm inventories. The shift in inventories alone accounted for about one-fifth of the increase in gross national product. Government expenditure on goods and services rose to \$4,780,000,000, 7 p.c. higher than in the previous year. While defence expenditures were slightly higher, most of the increase was attributable to larger capital outlays and to higher wages and salaries.

Exports of goods and services rose to \$5,764,000,000 in 1955, an increase of 12 p.c. over 1954. The renewed up-turn of activity in the United States and continued expansion in overseas countries accounted for the strength of demand in foreign markets. The increase in imports of goods and services, particularly evident in the latter part of the year, was 16 p.c., to a total of \$6,443,000,000. Thus the deficit on current account of \$679,000,000 was substantially in excess of the \$427,000,000 recorded in 1954. Export prices were higher by 4 p.c. and import prices by about 2 p.c., so that there was a slight improvement in Canada's terms of trade with other countries.

Economic activity continued to expand in 1956, and of paramount importance in that expansion was the extraordinarily large increase in business outlays for plant and equipment, which accounted for more than 40 p.c. of the rise in the nation's total spending. The increases in consumer expenditure, housing and exports approximated those of 1955 in percentage terms.

Business outlays for plant, machinery and equipment amounted to \$5,103,000,000; the advance of 33 p.c., in value terms, over 1955 was the largest percentage increase in any postwar year except 1947. After taking account of the advance in prices, which was especially marked in the investment goods sector, the rise in physical terms was 25 p.c. The gains were heavily concentrated in projects related to resource development, fuel and energy requirements and the processing of primary commodities.

At \$1,526,000,000, outlays on housing were higher in 1956 than in 1955 by 11 p.c.; taking into consideration the rise in prices, the increase in volume was 7 p.c. Higher costs and more limited supply of mortgage funds caused falling off in the rate of housing starts during the year, and it was the carryover of houses under construction at the end of 1955 and early 1956 that contributed to the record of 135,700 completions in 1956.

The high and rising level of final demand, and possibly also expectations of higher prices, made for heavy investment in business inventories. Investment in inventories, added to business outlays for plant and equipment, accounted for well over half the increase in the nation's total spending in 1956.

Personal expenditure on consumer goods and services, amounting to \$18,697,000,000, was up 7 p.c. in value but somewhat less in volume. This increase, which was associated with an 11-p.c. rise in personal income, was well distributed over the various categories, but the rise in purchases of durables was much less pronounced than in 1955.

Government expenditure on goods and services was \$5,266,000,000, 10 p.c. higher than in 1955. The increase was mainly accounted for by larger capital outlays, notably by provincial governments, and by larger wage and salary payments.

Continuing strength of foreign demand, greater productive capacity in the export industries, and a decided improvement in sales of wheat resulted in exports of goods and services valued at \$6,339,000,000. This was also a 10-p.c. increase, and higher prices accounted for a little less than one-third of that increase.

Imports of goods and services were \$7,697,000,000 in 1956, 19 p.c. higher than in 1955; this increase represented a larger volume of goods and services sold. The heavy demands of the huge investment program were reflected in relatively large increases in machinery and equipment and in basic materials related thereto; for example, imports of iron and its products advanced 39 p.c.