

government to persons, the effect of which was reinforced by a decline in personal direct tax collections; of the \$1,500,000,000 gain in disposable personal income, about 45 p.c. was thus accounted for. National income, which does not measure changes in these transfer-type transactions, was affected by a significant decline in corporate profits. Although the gradual improvement in economic activity resulted in an increase in most income components throughout 1958, the downward trend in corporate profits, in evidence since early in 1956, was not reversed until the latter part of the year.

The following paragraphs describe in more detail the movements of the components of the main statistical aggregates and discuss the patterns of production, employment and prices associated therewith.

### THE COMPONENTS OF DEMAND

As previously noted, income available to consumers for spending advanced sharply in 1958. Personal outlay on consumer goods and services reached an estimated \$21,000,000,000, an advance of 5 p.c. over 1957. But this rate of increase fell considerably short of the 7-p.c. rise in income and the rise in the rate of personal saving became one of the notable developments of the year. The ratio of saving to income, in fact, was one of the highest of the postwar period.

The gain in consumption was fairly well distributed over the three main categories, with outlays for non-durables up 5 p.c., for durables up 3 p.c. and for services up 7 p.c. Higher prices and increased real consumption were about equally important in accounting for the higher spending. The upward pressure in prices continued to be most pronounced in the service industries but was evident to some degree in all the other main categories. While the 3-p.c. advance in purchases of durables was modest by comparison with such years as 1955 and 1956, it represented a distinct contrast to 1957 when such purchases remained unchanged. All the main durable categories increased in 1958 but the largest advance was in automobiles. The rate of consumer spending was by no means uniform throughout the year. Most of the annual increase occurred in the first and last quarters, particularly the latter, when seasonal factors are taken into account. This pattern, through time, is largely a reflection of a falling-off in purchases of durables in the two middle quarters of the year.

Outlays for residential construction, reaching new records in 1958, were a powerful stimulus in the economy. Estimated at \$1,800,000,000, the value was 25 p.c. higher than in 1957. During the year 164,632 new dwelling units were started compared with 122,340 in 1957 and a previous record of 138,276 in 1955 and there was a record number of houses under construction at the end of the year. The decisive factor in creating this extremely high level of house construction was the great addition to the supply of mortgage funds. The Federal Government made available for lending the unprecedentedly large sum of \$373,000,000 through the agency of Central Mortgage and Housing Corporation and additional funds also became available from private sources. Throughout the year, housing expenditures rose continuously.

The impact of recessionary influences was clearly apparent in the 1958 trend of business expenditures for plant and equipment. Outlays fell by 13 p.c. to \$5,100,000,000 involving a drop of 9 p.c. for construction and one of 18 p.c. for machinery and equipment, and the trend was still downward at the end of the year. The investment program showed a decided shift of emphasis away from resource industries. Financial services and institutions increased their investment but in all other areas investment was curtailed in varying degrees, the greatest being in mining, which showed a drop of 40 p.c. Investment in manufacturing industries fell 27 p.c., reflecting reduced outlays in all industry divisions except foods and beverages, tobacco products and products of petroleum and coal. Investment outlays of the utilities continued to be large, though below the level of the previous year. The year 1958 marked the completion or near completion of certain major long-term projects such as the St. Lawrence Seaway and Power Project and the Trans-Canada Pipeline, a fact reflected in the trend of investment outlays.