

down 5 p.c., almost all of the decline being in the durable segment. Employment in mining, transportation, communication and storage, and construction was lower by rates that ranged from 3 p.c. to 7 p.c. On the other hand, employment in public utilities, finance, insurance and real estate, and services continued to make modest gains, and employment in trade was unchanged. The underlying trend in employment was obscured to some extent by the incidence of industrial disputes in the latter part of the year but it seems that the strength then beginning to manifest itself in the production indexes was not matched in the employment indexes. However, when capacity is under-utilized production can often be expanded without a commensurate increase in employment.

The rise in consumer prices which began in mid-1956 moderated a little in 1958 and the index for the year averaged 2.6 p.c. higher than in 1957 compared with a 3.2-p.c. increase in that year. All the major component groups of the index were higher in 1958, the largest increase occurred in services where prices rose nearly 4 p.c.; food prices averaged 3 p.c. higher, a lower rate of increase than in 1957.

All the components of gross national expenditure except exports of goods and services continued to register a further price advance in 1958, but the increases were generally smaller than in the preceding year. The easing of pressure on prices was particularly evident in the sector of capital goods, although residential construction showed much the same price change as in the preceding year. The increment in the value of the nation's production attributable to rising prices was 2 p.c., that is, almost all the increase in gross national product.

Advancing final-product prices were accompanied by generally stable prices in wholesale markets. The indexes of wholesale prices for the years 1957 and 1958 were virtually the same but there was a change of trend within the period. Wholesale prices, which had been rising in 1956 to reach a peak at the beginning of 1957, tended to decline a little until the autumn of 1958 but by the end of the year had returned to their previous high. The major increase in wholesale prices in 1958 was in the animal products group. The downward trend in the non-ferrous metals group was arrested and then reversed in the latter half of the year. Some recovery in wood product prices was also evident by the end of 1958. Textile products was the only group to show a persistent downtrend throughout the year.

THE FIRST HALF OF 1959

By the second quarter of 1959 the accumulating strength of expansionary forces had raised the gross national product to \$34,712,000,000, at seasonally adjusted annual rates, nearly 7 p.c. higher than the average for 1958. The slight downtrend in the business expenditures for plant and equipment had been reversed and, while expenditures for housing continued to fall below the extremely high level of the closing quarter of 1958, fixed capital formation was again acting as a stimulus to the economy for the first time since the onset of the recession. Exports had begun to show improvement on a fairly broad base, largely in response to the vigour of recovery in the United States. At the same time, imports were rising in reflection of the progress of recovery in Canada. Further modest accumulation of business inventories was another element of strength. Meanwhile, consumer and government expenditure continued to enlarge the demands on the nation's productive capacity. By June, the index of industrial production was 10 p.c. above its recession low at the end of 1957 and the rate of unemployment had fallen substantially. These developments had taken place within a context of stable wholesale and retail prices. With the progress of recovery and the higher tax rates, government revenues were rising, thus narrowing the deficit. As expansionary forces were increasingly present in the private sector, the sustaining role of the public sector was diminishing in importance.

The most marked development during the first half of the year was the renewed strength in business investment. Expenditures for non-residential construction and for machinery and equipment both turned upward. By the second quarter, business expenditures for plant and equipment had reached a level of \$5,344,000,000, 4 p.c. higher than the annual rate for 1958. At the same time, housing starts began to decline, reflecting the