

was in non-durable goods and services and, whereas in 1956 the greater part of the substantial advance in consumer spending represented a gain in real consumption, in 1957 higher prices accounted for most of the increase. The increase in 1958, however, was fairly well distributed over the three main categories of consumer spending, services receiving more than 6 p.c., non-durables about 5 p.c. and durables about 3 p.c. In that year, higher prices and increased real consumption were equally important in accounting for the advance in total spending.

Government expenditure on goods and services rose approximately 7 p.c. in both years, with most of the increase at the provincial and municipal levels. At the federal level, declines in defence expenditure were approximately offset by increases in expenditure for other purposes.

In 1955 and 1956 high and rising foreign and domestic demand for the products of Canada's resource-based industries had encouraged an upthrust of investment in plant and equipment. At the same time, very large construction projects were under way, the most conspicuous being the St. Lawrence Seaway and the Trans-Canada Pipeline. New projects launched in 1957, together with continuing work on those already in progress, raised expenditure on non-residential construction to \$3,233,000,000, about 25 p.c. higher than in 1956 which in turn had been 40 p.c. higher than in 1955. Thus, non-residential construction stood out as the most important single source of strength in the economy in 1957. By contrast, expenditures on new machinery and equipment were only about 3 p.c. above those of 1956, when they had risen 34 p.c. above the level of the preceding year.

Expenditure on new residential construction in 1957 was nearly 7 p.c. lower than in 1956. However, in response to easier conditions in mortgage markets and an improved supply of labour and materials, housing starts, which had been falling in 1956, made a strong recovery during the course of 1957 and continued high throughout 1958 with the result that expenditure on residential construction established new records in the latter year, reaching an estimated \$1,762,000,000. On the other hand business expenditure for plant and equipment dropped to a figure 13 p.c. lower than in 1957 and the distribution of investment by industry was strikingly altered. Outlays for financial services and for institutions rose sharply but all other industries except agriculture curtailed their investment in varying degrees. On the whole, business gross fixed capital formation, estimated at \$6,899,000,000 in 1958, fell about 6 p.c. from the level of 1957 following three years of impressive increases.

Total holdings of inventories were reduced in 1958 by about \$400,000,000 in contrast to the year 1957 when a moderate build-up of inventories occurred. The turnaround reflected mainly a shift in the position of business inventories from accumulation to liquidation, but farm inventories and grain in commercial channels also contributed to the lowering of stocks in 1958. The liquidation of \$276,000,000 in business stocks, which represented a turnaround of almost \$600,000,000 from 1957 and was the largest annual decline in the postwar period, was concentrated mainly in the manufacturing industries and was most pronounced in iron and steel products and in the transportation equipment industries. Trade inventories showed, on balance, a slight accumulation in 1958, resulting from the continued build-up of stocks in retail food stores.

Exports of goods and services in 1957 were only fractionally higher than in 1956. International markets for some primary commodities weakened during the course of the year and thus the value of exports of copper, lead and zinc products—prices of these products having fallen considerably—was down 16 p.c.; markets for lumber and wood pulp also deteriorated. Sales of wheat and other grains were sharply reduced but there was a more