

the consumer price index and the index of wholesale prices showed only small changes; the same applies to the major components of both indexes. Export prices likewise remained stable, while import prices showed a slight increase in the period.

As this volume went to press, no comprehensive measures of the economy's performance in the third quarter of 1960 were as yet available. However, the indicators pointed to a continuation of the conflicting trends present in the first half of the year, with perhaps more elements of strength than were apparent in the second quarter. Support to the level of the domestic economy continued to come from the external sector as exports maintained their substantial year-over-year gains and imports fell off moderately. In a situation of easier conditions in mortgage markets, housing began to show signs of recovery when seasonal factors were taken into account. At the same time, preliminary indications were that investment in business inventories was slackening. Some improvement was indicated in retail sales and small gains were also reflected in the trends of production and employment.

While there was uncertainty in many quarters about the strength of housing demand, the evidence available showed a distinct pick-up in housing activity in the autumn months. When seasonal factors were taken into account, housing starts (in municipalities of 5,000 or more population) in October were running at an annual rate of 89,000 units, 20 p.c. higher than in the third quarter and 33 p.c. higher than in the low second quarter. The lending activity of the life, loan and trust companies under the National Housing Act rose during the course of the year and in September these lenders approved loans for over five times as many dwelling units as in the preceding September when their lending activity was exceptionally low; applications in the hands of these companies suggested further expansion. On the other hand, lending activity of the chartered banks and the Central Mortgage and Housing Corporation remained much below the levels of 1959; the number of loan approvals in September was only about half as large as a year earlier.

Nine-month data on commodity exports showed a gain over the comparable period of 1959 of 8 p.c., all of which was in exports to countries other than the United States. At the same time commodity imports were only fractionally higher, resulting in a deficit on merchandise account of about \$121,000,000 compared with \$415,000,000 in the same period of 1959.

Preliminary statistics for the month of August indicated a pick-up in manufacturers' shipments (seasonally adjusted). In this situation, the building up of manufacturers' inventories, which had been in progress since late 1958, appeared to have been arrested if not reversed. The index of industrial production rose slightly in August to reach 165.4 (seasonally adjusted), reflecting a rise in the output of durable manufactures, following the sharp drop in the previous month, and a further expansion in the output of the utilities. Non-durable manufacturing output remained virtually stable and mining production continued to decline. Most of the durable groups showed some increase.

The value of retail sales rose a little in September, on a seasonally adjusted basis. Some of the gain was in sales by motor vehicle dealers but department stores and the furniture, radio and appliance group recorded somewhat lower sales.

Evidence of some improvement in economic activity was present in employment statistics for October, the decline in employment between September and October being less than seasonal. At the same time, the labour force expanded more rapidly than it had for the two preceding years, with the result that the number unemployed rose more than seasonally.