

Of the increase in total consumer spending in 1960, somewhat more than 1 p.c. was accounted for by higher prices in the consumer sector, the smallest rate of increase in recent years. Services continued to account for the major part of the advance in consumer prices; prices of non-durables were somewhat higher but prices of durables edged downward. The approximately 3-p.c. rise in real consumption represented a gain of about 1 p.c. in per capita terms.

All components of services contributed to the 5.5-p.c. advance in expenditure but the sharpest rate of increase was for hospital and medical care, which rose by 9 p.c. Consumer purchases of most major categories of non-durables rose in 1960—food purchases by 3 p.c., clothing by 2 p.c., and alcohol and tobacco by 3.5 p.c. and 5.5 p.c., respectively. The increase in expenditure on non-durables as a group represented a gain of about 1 p.c. in real per capita consumption. Among the durables, an increase of 3.5 p.c. in purchases of new and used cars was almost offset by lower expenditures for most other durables. Statistics of factory shipments of household durables were, in general, either unchanged or considerably lower. For example, shipments of washing machines were down 10 p.c., of electric stoves 12 p.c., of radios 10 p.c. and of television sets 16 p.c. On the other hand, there was an increase of over 60 p.c. in shipments of home freezers. The widespread weakness in the demand for household durables was probably related in part to the much reduced level of activity in housing. A 7-p.c. increase in the sale of new passenger cars to persons in 1960 compares with an increase of 10 p.c. in the preceding year. As in 1959, the rise in sales of British and European cars was large relative to the increase in sales of North American cars, although the disparity was less marked in 1960. Sales to persons of British and European cars were up nearly 20 p.c. and sales of North American cars less than 5 p.c.

With consumer outlays higher by 4 p.c. in 1960 and disposable income showing a smaller gain of 3.5 p.c., the rate of personal saving fell. In 1959 personal saving amounted to 7.2 p.c. of disposable income; in 1960 the proportion was 6.7 p.c.

Turning to the investment sector, business gross fixed capital formation was estimated at \$6,600,000,000 in 1960, some 4 p.c. lower than in 1959. The decline was centred in residential construction. Expenditures on plant and equipment were close to the level of the previous year, the construction component being slightly lower and the machinery and equipment component unchanged. Most of the changes in business investment outlays (excluding housing) were fairly small. Expenditures were higher in the three primary industry groups of mining, forestry and agriculture. In manufacturing, outlays rose by 4 p.c. and in institutional services by over 7 p.c. Capital outlays declined in the construction industry, in trade, finance, insurance and real estate, and in commercial services. However, the major decrease in 1960, amounting to nearly 5 p.c., occurred in the large investment program being carried on by the utilities.

Within manufacturing industries, changes in capital outlays were mixed and to some extent offsetting. The manufacturing industries reporting substantially larger capital outlays in 1960 were iron and steel, paper products and chemical products. On the other hand, capital expenditures in transportation equipment and in non-metallic mineral products were considerably lower than in 1959.

Most of the utilities carried out smaller capital programs in 1960 than in 1959. Among the major utilities, much the largest reduction took place in outlays by the railway group. The outlays of electric power utilities were considerably lower than in 1959 and much below the extremely high levels reached in several previous years. Expenditures by the telephone industry were considerably higher, as were those of "other utilities"—a miscellaneous group which includes air transport, warehousing, oil and gas pipelines and toll highways and bridges; the increase in the latter group was attributable to higher expenditures on aircraft and on the construction of gas and oil pipelines.

Expenditure on residential construction in 1960 fell to \$1,476,000,000, a drop of 15 p.c. from the level of 1959. Housing starts showed marked improvement in the second half of the year but the 109,000 units started during the year as a whole constituted a