

decrease of almost 23 p.c. compared with 1959 and was the lowest number since 1953. As previously stated, this decline in starts mainly reflected the sharp contraction in lending by the chartered banks and by the Central Mortgage and Housing Corporation, even though offset to some extent by the expansion in lending activity by life insurance, loan and trust companies under the National Housing Act. Basic demands for housing may also have been affected by lower levels of family formation in recent years. There was a substantial carryover of uncompleted houses at the beginning of the year so that completions in 1960 fell only 15 p.c. The distinct improvement in housing starts in the course of 1960 was attributable to a number of factors. During the year the Central Mortgage and Housing Corporation began to accept applications for loans and steps were taken to remove or relax restrictions on direct lending. Moreover, as credit conditions eased, mortgage lending became more attractive to approved lenders and, as already mentioned, the life insurance, loan and trust companies began to lend in volume.

The build-up of goods in inventory in 1960 continued at a rate very little changed from the previous year, in comparison with the large-scale swings in the rates of change which occurred between 1957 and 1958 and between 1958 and 1959. This annual comparison, however, conceals the important impact which shorter run changes in business inventories had on production during 1960. As the rate of over-all economic activity weakened early in the year, the pronounced rate of inventory accumulation evident in the first quarter fell sharply in the second quarter, and by the third quarter some liquidation of stocks was taking place. During the final three months of the year, however, developments in the inventory sector were once more placing new demands on production, and a limited build-up of stocks occurred.

The data on manufacturing industries suggest that some of the fairly heavy build-up of stocks in manufacturers' hands in the first half of the year was involuntary, occurring against a background of falling shipments and a rapidly contracting backlog of unfilled orders. Although stocks at all levels of fabrication increased, the accumulation was most marked in finished goods, suggesting that cut-backs in production were not sufficient to offset falling demand. The accumulation in the first two quarters of the year was widespread, although in the second quarter it was tempered by a substantial drawing down of stocks in the tobacco and paper industries.

During the second half of the year there was a general lowering in the level of manufacturers' stocks. As shipments began to rise, the level of raw materials and goods in process was lowered. Stocks of finished goods, after eight months of uninterrupted increase, finally levelled off and in the last two months of the year contracted; despite this, in certain durable goods industries the ratio of finished goods to shipments remained at a high level in comparison with past periods.

In contrast to the slow-down in the rate of liquidation in over-all manufacturing, the rate of liquidation in durable goods increased between the third and fourth quarters. The primary cause of this was the heavy drawing down of stocks in the iron and steel industry, supported by continued liquidation in both the transportation and electrical equipment industries. The impact of these depletions was offset to some extent by an increased rate of accumulation in non-ferrous metal products.

Inventory movements of non-durables exerted a moderating influence on the pace of liquidation of total manufacturers' stocks, as an irregularly high build-up of stocks in the tobacco industry and some additions to food and beverage stocks took place. The increase in the tobacco industry reflected the earlier-than-normal processing of an unusually large crop in 1960.

The build-up in retailers' stocks, which had been under way since the early part of 1958, continued at an increased rate in 1960, although the rate of increase slackened noticeably in the second and fourth quarters. The dominating features of the year were: the steady increase of stocks in motor vehicle dealers hands until the fourth quarter, at