

increases in purchasing of the three categories of household durables, home furnishings, appliances and radios and furniture. These year-to-year comparisons for the durables group conceal a changing trend within the year. A sharp decline in the first quarter, reflecting a drop in automobile purchases, was followed by an up-turn in durable buying in the three succeeding quarters of the year. The greatest strength was shown in the third quarter, where outlays for all classes of durable goods were advancing.

Spending for non-durables rose by nearly 4 p.c. in 1961. The increases in spending were well distributed over the non-durable categories. Among the larger items were increases in food and clothing of 2 p.c., tobacco and alcoholic beverages of 2.5 p.c., fuel of 3 p.c., and household cleaning supplies of 5 p.c.

Personal income in 1961 was higher than in the previous year by a little over 3 p.c.; however, an increase of 6 p.c. in direct taxes paid by persons reduced the gain in disposable income to just under 3 p.c. This represented a considerably smaller advance than the 4-p.c. rise in consumer spending so that the rate of personal saving declined from 5.9 p.c. of disposable income in 1960 to 5.1 p.c. in 1961.

Business gross fixed capital formation, including housing, was estimated at \$6,500,000,000 in 1961, a decline of about 3 p.c. from the 1960 level. All of the decline was centred in business outlays for plant and equipment, which were lower by about 4 p.c.; outlays for new housing were very little changed from the levels of the preceding year. The 4-p.c. decline in outlays for plant and equipment reflected a large drop, amounting to 11 p.c., in business investment for new machinery and equipment; non-residential construction expenditures in 1961 were higher than the previous year by close to 3 p.c.

The over-all decline in outlays for plant and equipment in 1961 reflected a considerable falling off in investment activity in the durable manufacturing industries, in transportation and in trade. The low point in outlays appears to have been reached in the second quarter, followed by some recovery in the latter part of the year. By the fourth quarter of 1961, the seasonally adjusted rate of plant and equipment investment was running about 4 p.c. above the 1961 annual average, although it was 15 p.c. below the record peak reached in the first quarter of 1957.

The decline of 11 p.c. in outlays for new machinery and equipment in 1961 reflected major cutbacks in the programs of the manufacturing and utilities group. The drop of 10 p.c. in expenditures by manufacturers in the face of a rising level of production suggests a lack of any general pressures on productive capacity during the year. The 19-p.c. decline in machinery and equipment investment by the utilities group is associated with the completion of major projects by the railways and electric power utilities.

The relatively small gain in outlays for non-residential construction in 1961 was associated mainly with a sharp increase in expenditures undertaken by the mining industry and an expanded building program in the institutional sector; both hospitals and universities undertook larger capital programs in 1961. However, these increases were partially offset by reduced spending in the manufacturing industries, particularly the primary metals group and the group processing products of petroleum and coal.

The total value of housing put-in-place showed little change between 1960 and 1961. At a level of \$1,500,000,000, the total value of housing construction was only about 1 p.c. above that of the previous year. The number of housing units started in 1961 rose from 109,000 in 1960 to 126,000 (16 p.c.) but the number of units completed fell from 124,000 to 116,000 (6.5 p.c.). The rate of starts, which had risen sharply in the latter part of 1960 and early 1961, in association with the liberalization of lending terms under the National Housing Act, was lower in the last three quarters of the year. The approval of loans under the National Housing Act increased by 67 p.c., to 63,044 in the year; direct lending by Central Mortgage and Housing Corporation increased by just over \$100,000,000 to a level of \$271,000,000.

Except in the fourth quarter, when there was a pronounced building up of stocks, accumulation of business inventories had only a small impact on the rate of economic