

sales rose by 11 p.c. Purchasing of durable goods in total was higher by 8 p.c. in 1962 in contrast to the lack of any strong movement in either of the years 1960 and 1961; prices were unchanged, indicating an equivalent rise in volume. Consumer spending on non-durable goods also rose but more in line with the annual increases experienced in recent years; an increase of 5 p.c. from 1961 to 1962 compared with 4 p.c. in the two previous years. A part of this slightly larger increase reflected the first full year's impact of the Ontario sales tax which was introduced in September 1961. Spending on food, tobacco and alcohol all contributed to the over-all picture of strength as their rate of increase was significantly higher than between 1960 and 1961. Price increases of about 1 p.c. associated with consumer goods in total were mainly a reflection of price increases in non-durable goods.

The slackening rate of increase in personal expenditure on services, apparent in recent years, continued in 1962—expenditures rose by 4.5 p.c. In part, this reflected significant movements in personal spending of non-residents in Canada and of Canadians travelling abroad. Abstracting this influence, outlays for services increased by 6 p.c. The increases were general, although a diminished rate of growth in spending on shelter was noticeable as increases in rental rates became less pronounced, a tendency apparent since 1960.

Capital expenditure in 1962 amounted to \$6,954,000,000, nearly 5 p.c. higher than in the previous year. Roughly similar rates of increase (over 8 p.c.) occurred in outlays for housing and for machinery and equipment; expenditure on non-residential construction showed little change.

The rise in fixed capital formation in 1962, mainly a result of the strength in demand for producers' durable equipment, occurred in the first three quarters of the year. This strength was centred in the primary metal manufacturing industries, mining and agricultural sectors of the economy, the last probably reflecting to some extent spending from the higher farm incomes received during the year. Although there was little change from 1961 to 1962 in the value of construction of non-residential buildings and works, there were offsetting movements within the year. Expansion took place in spending for plant and equipment by manufacturers; the utilities spending program appeared on balance slightly lower, with increased spending by electric power and telephone utilities more than offset by completion of a large-scale pipeline construction program. Offsets also occurred between higher outlays by the agricultural and fishing industries and lower spending by the mining industry.

The rise in housing expenditure in 1962 reflected not only a higher number of housing starts but a larger carry-over of houses under construction at the beginning of 1962 than in the previous year. Starts rose from 125,577 in 1961 to 130,095 in 1962, approximately 4 p.c., while completions were higher by 9.5 p.c., increasing from 115,608 in 1961 to 126,682 in 1962. An increase in starts of rental dwellings more than offset a decline in starts of dwellings for home-ownership; partly associated with this trend was an increase in conventional mortgage lending and a shift away from financing under the National Housing Act.

Investment in business inventories played only a small part in the expansion of gross national product in 1962. For the year as a whole the addition to stocks amounted to \$375,000,000, although in the third quarter of the year stock-building at an annual rate of \$800,000,000 was very important.

The largest build-up of stocks occurred in manufacturing industries, with widespread accumulation in both durable and non-durable lines. The ratio of stocks to shipments throughout the year remained below the average of the previous year.

The accumulation of stocks in wholesale trade was virtually negligible, the liquidation in the first half of the year being largely offset by accumulation in the second. There was a considerable accumulation of stocks in the hands of retail dealers. Most of this accumulation was in the hands of automotive dealers, where sales were sharply higher and stocks had been drawn down slightly in the previous year.