

prices of furniture and jewellery went up about 4 p.c. The increase of 2 p.c. in the Ontario sales tax in the second quarter of the year had a significant effect on the rise in prices of durables and of non-food goods as a whole.

Components of Demand.—Total personal expenditure on goods and services reached \$34,800,000,000 in 1966, an increase of more than 8½ p.c. over 1965. A gain of 9½ p.c. in personal disposable income permitted not only this level of spending but also a sharp increase in the level of personal saving. Although all three major components of consumer expenditure shared in the rise, which was the largest percentage increase since 1952, the gain was somewhat unevenly distributed and of a different pattern than that of the two preceding years. Non-durables showed a 9½-p.c. gain compared with increases of 6½ p.c. and 7½ p.c. in 1964 and 1965, respectively. (In real terms, the increases were around 5 p.c. for each of the three years.) Durables showed a 4-p.c. rise in 1966, the lowest since 1961 and considerably below the increases of 10½ p.c. and 11½ p.c. in 1964 and 1965. The 9-p.c. increase in expenditure on services matched the gain of 1964 and was about 1 p.c. above that of 1965.

The large increase in outlays on non-durable goods was broadly based, although much of it represented price rises rather than gains in real terms. For example, food outlays were up by about 7½ p.c. in value terms but only by 1 p.c. in real terms; clothing by 6 p.c. (value) and 2 p.c. (real); and tobacco by 6 p.c. (value) and 2½ p.c. (real). Increases in outlays on alcoholic beverages and drugs and cosmetics, however, represented significant gains in both real and value terms. The relatively small increase in outlays on durable goods was attributable mainly to an unchanged level of purchases of new and used cars from the previous year, after increases of 12 p.c. to 14½ p.c. in the three preceding years. The over-all rise in durables was attributable to increases of 8 p.c. in toys and sporting goods, 7 p.c. in furniture, 9½ p.c. in home furnishings and 11 p.c. in radios and appliances. The 9-p.c. gain in services was also broadly based. Shelter, accounting for about 40 p.c. of the total, rose by 8½ p.c. and each of total transportation services and medical expenditures by 8 p.c.

Capital expenditures in 1966 amounted to \$12,200,000,000, 14.7 p.c. higher than in the previous year. Non-residential construction and machinery and equipment outlays rose 19.6 p.c. and 16.0 p.c., respectively, but outlays on new housing advanced only 2.5 p.c. Investment in plant and equipment moved from a seasonally adjusted annual rate of \$9,900,000,000 in the first half of 1966 to \$10,200,000,000 in the second half. Capital expenditures for all major industrial divisions, apart from forestry and construction, were higher in 1966 than in 1965. In manufacturing, advances were recorded by pulp, primary metals, electrical products, non-metallic minerals, petroleum and coal products, transportation equipment, rubber, and food and beverage industries, and declines by the wood, textile, printing and publishing, and chemicals industries. Mining, electric power, gas and water utilities, and transportation industries made pronounced gains. Housing outlays were a significantly lower percentage and mining machinery a significantly higher percentage of business capital spending in 1966. Housing expenditures at \$2,200,000,000 were little changed from 1965; they rose 5.8 p.c. in the first half of 1966 over the latter half of 1965 but fell 9.1 p.c. between the first and second halves of 1966. Housing starts dropped from 166,600 to 134,500; completions rose from 153,000 to 162,200; and dwellings under construction were 119,900 at the beginning of the year and 88,600 at the end. Single-detached starts dropped only from 75,000 to 71,000 during the year but apartment starts were down from 78,000 to 52,000. Business capital spending plans for 1967, as published in *Private and Public Investment in Canada—Outlook 1967*, were unchanged in over-all level from 1966. Although manufacturers' capital budgets were markedly lower in such branches as pulp, primary metals, non-metallic minerals, metal fabricating and textiles, the construction budget for electric power, gas and water utilities showed a striking increase.

Investment in non-farm business inventories was \$832,000,000 in 1966 compared with \$905,000,000 in 1965. However, there were marked differences in the rates of accumulation in the four quarters of the year; there was virtually no change in the rate in the