

increase in the previous year. However, much of the increase in 1972 reflected sharp price increases, especially of lumber. The increase in the volume of residential construction as measured in constant dollars rose by 9.1% compared with 18.9% in 1971. The increase in 1972 was concentrated in the construction of single dwellings, in contrast to the previous year when apartment construction contributed almost equally to the expansion.

In contrast to housing, the increase in business plant and equipment spending remained relatively modest in 1972. These outlays rose by 6.5% compared with 7.7% in 1971. Spending on non-residential construction, affected by strikes, slowed considerably from a 10.5% increase in 1971 to 2.9% in 1972. This represented a decline in real terms. Spending on machinery and equipment, on the other hand, rose by 9.9%, the highest increase of the last three years. Outlays on commercial vehicles, passenger vehicles for business use, farm implements and non-farm imported machinery were especially strong.

21.1.5 Inventory investment

The rate of investment in non-farm business inventories rose from \$202 million to \$764 million. This was the first such increase in this investment since 1969. For the year as a whole, the major part of the investment was concentrated in dealer holdings of durable goods. Although stocks of manufacturers increased moderately, the stock-to-shipments ratio in 1972 was much below the ratio of the preceding year. Over one third of the investments in non-farm business inventories took place in the first quarter of the year.

21.1.6 Exports and imports

In the external sector, both exports and imports of goods and services in total rose at accelerated rates; however, the faster rate of increase in imports resulted in a sharp deterioration in the balance from a surplus of \$177 million in 1971 to a deficit of \$808 million. Most of the swing occurred in the merchandise account. Although merchandise exports rose by 11.9% — almost twice the rate of the previous year — merchandise imports rose even faster, by 19.6%.

Among exports, notable increases were recorded in crude petroleum and lumber. In imports, there were notable increases in machinery and equipment, in line with strong rises in this type of investment. An extended shutdown of a major automobile plant in Canada in the third quarter to change its product line also contributed to the swing of the merchandise balance.

21.1.7 Incomes

Most income components displayed sizable gains in 1972. Labour income, which accounts for over half of GNP, rose by \$5,518 million, or 10.7%, to a level of \$56,849 million. This was the largest percentage increase since 1969 and compared with gains of less than 10.0% in the two previous years. The acceleration was due entirely to widespread sharp increases in the service-producing industries, especially in trade, up 12.8% compared with 8.4% in 1971, and in public administration, up 14.9%, about the same as in the previous year. The growth of wages and salaries in the goods-producing industries, up 8.3% compared with 8.5% in 1971, was slowed by industrial disputes in construction and mining. However, wages and salaries in manufacturing rose by 9.9% — a significant acceleration over the previous two years and slightly above the rate recorded in 1969.

Preliminary estimates of corporation profits indicate an increase of about 21.0%. This gain, the largest since 1955, occurred following an already sizable increase of 16.2% in 1971. Although industrial detail is not yet available, there are indications that the gains were widespread. As a proportion of GNP, corporation profits declined to low levels in 1969 and 1970, but sharp gains in 1971 and 1972 re-established this proportion at 10.5%, only slightly less than that of 10.7% in 1968. A larger proportion of the increase in business income in the last two years reflected sharp gains in inventory valuation due to rising prices. The inventory valuation adjustment, a negative correction to GNP in periods of rising prices, to remove that part of the increased value of stocks not due to current production, rose sharply in the last two years.

21.1.8 Price movements

The implicit price index of gross national expenditure rose 4.6% for the year, a considerable acceleration from the 3.1% experienced in 1971. The implicit price index for personal expenditure rose by 3.5% compared with 2.2% in 1971. This acceleration stemmed