

Business investment in plant, machinery and equipment declined to \$3.4 billion in 1954 from \$3.8 billion in 1953, though earlier estimates of capital investment intentions had suggested a moderate increase over 1953. Unfavourable weather conditions and other developments in 1954 resulted in lower than expected non-residential construction and machinery and equipment expenditures. Additional contributing factors were the completion of a number of remote area projects and other industrial expansion programs, and lower outlays for farm machinery and equipment, the latter being related to developments in the farm sector.

Defence expenditures on the National Accounts basis declined from \$1.9 billion in 1953 to \$1.7 billion in 1954, reductions being concentrated in construction and in procurement of certain equipment items. This had an adverse effect in related industries. Canadian defence outlays had reached their peak in 1953 and in 1954, by contrast with immediately preceding years, were not an expansionary force.

The lower level of consumer durable goods purchases in 1954 was a further factor in the decline of business activity. The removal of consumer credit restraints in 1952 was accompanied by a wave of buying but, by the end of 1953, the accumulated back-log appeared to have been worked off and demand had diminished to more normal proportions. Throughout 1954, consumer purchases of durable goods remained at this lower level, namely, \$1.7 billion; most types were affected by the decline, the major exception being television sets.

Despite all these adverse developments, production, other than agricultural, remained level with the previous year, reflecting the effects of a number of important counterbalancing influences. Of major significance was the continued rise in personal expenditure on non-durable consumer goods and services which rose from \$13.3 billion in 1953 to \$13.9 billion in 1954. This increase was sufficient to raise the total of consumer expenditures above the 1953 level by about 3 p.c., and to offset an important part of the decline for consumer durables.

A further expansionary influence in 1954 was the fact that housing construction reached an all-time record of \$1.2 billion. Related to this continued growth municipal government expenditures were higher than in 1953 to meet the greater demands for local improvements and services such as roads, streets, sewage and water facilities, schools and hospitals.

These sources of strength in the economy in 1954 were related to three factors: (1) continued growth in population generated new demands for consumer goods and services, and for housing; (2) further impetus to new housing was given through a change in the National Housing Act in early 1954 reducing down-payment requirements and extending the re-payment period, and through a change in the Bank Act permitting the chartered banks to make loans on home mortgages; and (3) personal income was at a high level throughout 1954—an important factor in the continued expansion of consumer demand. It may be noted that, in 1952 and 1953, personal income rose by 15 p.c., while retail prices were relatively unchanged. The resulting gain in 'real' wages supported a large volume of increased buying in these years, as well as a high level of personal saving. In 1954, despite the poor wheat crop and a slightly lower level of employment, personal income remained relatively stable—a development associated with higher average hourly earnings and an increase in transfer payments from government. In addition, although the level