

Net income of non-farm unincorporated business in 1954, at \$1.6 billion, was about 3 p.c. below the preceding year. The decline was concentrated in manufacturing and retail trade; gains occurred in other groups, with the major gains showing up in net income from professional service and the construction industry, the latter being related to the higher level of house building in 1954.

Indirect taxes, less subsidies, amounted to \$2.9 billion in 1954, relatively unchanged from the 1953 level. However, there were a number of significant shifts among the components. At the federal level, indirect taxes declined by 5 p.c., mainly accounted for by lower excise tax collections and by a drop in customs import duties; the declines in these components were 5 p.c. and 7 p.c., respectively, and were associated with lower levels of factory shipments of goods, particularly durables, as well as with a drop in imports. Changes in tax rates introduced in the 1954 Budget were also a contributing factor in the decline. Accompanying the drop in federal indirect taxes, subsidies were also somewhat lower in 1954 than in the preceding year. At the provincial level, indirect taxes showed an increase of 6 p.c., accounted for by gains in gasoline and retail sales taxes. A gain of 6 p.c. in municipal taxes reflected higher receipts from real and personal property taxes.

Depreciation allowances and similar business costs increased by 5 p.c. in 1954 to reach a total of \$2.5 billion. Almost all of the increase was the result of higher corporation depreciation, mining development write-offs, and depreciation charges for residential and non-residential real estate.

COMPONENTS OF FINAL DEMAND

As previously noted, consumer expenditure and investment in new residential construction were the two important sustaining forces on the expenditure side in 1954. During the period of the down-turn in production, from mid-1953 to mid-1954, the declines in the seasonally adjusted expenditure components were particularly sharp, but from mid-1954 to the end of the year all of the expenditure items were rising, with the exception of outlays for new machinery and equipment. These developments are discussed in greater detail below.

The major expansionary force in the economy in 1954 was personal expenditure on consumer goods and services which rose by 3 p.c., from \$15.1 billion in 1953 to \$15.6 billion in 1954. This increase was associated with a continuing high level of personal disposable income and a drop in the proportion of income saved. Expenditures for services and non-durable goods were higher in 1954, by 6 p.c. and 3 p.c. respectively, but expenditures for durable goods declined by 6 p.c. With prices slightly higher than in the preceding year, the volume increase in total personal expenditure amounted to about 2 p.c.

The major gain in non-durable goods purchases in 1954 was in the food component which rose by 5 p.c. Purchases of clothing declined by 5 p.c., while expenditure on tobacco and alcoholic beverages remained unchanged. In volume terms, non-durable goods purchases as a whole showed approximately the same increase as is indicated by the value figures.

In the durable goods group, the declines, though widespread, were especially marked in purchases of new automobiles which fell by 12 p.c. Purchases of most types of household appliances and furniture also declined, and domestic shipments of washing machines and refrigerators were down by 9 p.c. and 12 p.c., respectively,