

from the previous year; imports of refrigerators showed a drop of 42 p.c. The declines in these and other durable goods purchases were partially offset by higher sales of television sets, domestic shipments of which increased by 45 p.c. over 1953. With prices for durable goods as a whole slightly below the previous year, it is estimated that the volume of purchases declined by about 5 p.c.

Most of the service groups showed increases in 1954, with major gains occurring in expenditures for household operations and utilities, and for shelter. Outlays for user-operated transportation, medical care, education and personal care were also higher in 1954.

Expenditure for goods and services by all levels of government (federal, provincial and municipal) remained practically unchanged in 1954, at approximately \$4.4 billion. At the federal level, a decline of more than \$100 million, or 5 p.c., was offset by gains of 5 p.c. and 7 p.c., respectively, in provincial and municipal government expenditures. It may be noted that federal defence expenditure for 1954 amounted to \$1.7 billion compared with \$1.9 billion in 1953, a drop of 9 p.c. (on the National Accounts basis); this decline was only partly offset by increases in federal non-defence outlays. An increase in provincial government expenditure on goods and services reflected larger public investment outlays, while the increase in municipal government expenditures appears to be associated with the high volume of new housing construction in 1954 which increased the demand for roads, schools, and water and sewage facilities.

The steady growth in outlays for capital goods which has been a prominent feature of the post-war period was interrupted in 1954. Gross domestic investment (excluding inventory investment) declined from \$4.8 billion in 1953 to \$4.5 billion, a drop of 6 p.c. This decline was more than accounted for by sharply reduced outlays for machinery and equipment (off by 17 p.c.) and by somewhat smaller expenditures for new non-residential construction (off by 3 p.c.). On the other hand, outlays for new housing continued to increase, with a gain of 9 p.c. over 1953.

The decline in business outlays for plant, machinery and equipment was fairly widespread. Heaviest individual declines occurred in manufacturing, agriculture, fishing and utilities. Smaller declines occurred in mining, quarrying and oil wells, and in the construction industry. Partially offsetting these reductions, increases were recorded for trade, finance and commercial services, with smaller gains occurring in forestry and non-government institutions.

During 1954, inventory changes were a dominating influence in the movement of total production. The volatility of this component, and the rapidity with which changes can occur in the inventory field, make it especially significant in the quarter-to-quarter movements in Gross National Product. Moreover, inventory developments were of major importance in the changes that took place in the annual levels of production in certain industries between 1953 and 1954. From one year to the next, the inventory sector shifted from a position of substantial net accumulation (amounting to \$605 million), to a position of net liquidation (\$230 million). This represented a turn-around of approximately \$800 million, or 3 p.c. of Gross National Product, of which more than one-half, or nearly \$0.5 billion, was attributable to movements in business inventories; the remainder was accounted for by depletions in grain and farm-held inventories in 1954 compared with some accumulation in the previous year. The business inventory changeover occurred almost entirely within the manufacturing sector; the changes were most pronounced in the metal-