

The steady growth in outlays for capital goods, a prominent feature of the postwar period, was interrupted in 1954. Gross domestic investment (including inventory change) declined by 6 p.c. from \$4,840,000,000 in 1953 to \$4,553,000,000 in 1954, a decline 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 2 p.c.). On the other hand outlays for new housing continued to increase, gaining 10 p.c. over 1953. In this connection it may be noted that a change in the National Housing Act in early 1954 reduced downpayment requirements on houses and extended the repayment period of mortgage loans; also a change in the Bank Act permitted the chartered banks to extend loans on home mortgages. Price changes were fairly small in the components of gross domestic investment in 1954 so that volume changes did not differ significantly from value changes.

Inventory developments were of major importance in the changes that occurred in the annual levels of production in 1954. As compared with 1953 the inventory sector shifted from a position of substantial net accumulation amounting to \$549,000,000 to a position of net liquidation of \$280,000,000. This represented a turn-around of \$829,000,000 or 3 p.c. of gross national product, more than half of which was attributable to movements in business inventories, particularly in manufacturing; the remainder was accounted for by depletions in grain and farm-held inventories in 1954 as compared with some accumulation in 1953.

Exports of goods and services declined 5 p.c. from \$5,400,000,000 in 1953 to \$5,136,000,000 in 1954. Exports of grain and flour dropped by \$295,000,000, reflecting the improved world supply position of wheat and coarse grains, and constituted the major factor in the decline in exports since the third quarter of 1953. Other exports were well maintained as a whole, although the experience of individual items varied. Imports of goods and services also declined 5 p.c. during the year, amounting to \$5,562,000,000 as compared with \$5,843,000,000 in 1953.

The deficit of \$426,000,000 for 1954 was slightly less than the deficit of \$443,000,000 for 1953. Export prices were a little lower and import prices were approximately unchanged so that there was a small deterioration in the terms of trade. The decline in imports of foreign goods however helped to offset the downward effect that the declines in the various demand factors exercised on total Canadian production.

2.—Gross National Expenditure 1939-54

(Millions of dollars)

Item	1939	1944	1946	1950 ¹	1951	1952 ^r	1953 ^r	1954
Personal expenditure on consumer goods and services.....	3,904	6,187	7,977	12,029	13,273	14,366	15,125	15,676
Government expenditure on goods and services.....	735	5,022	1,832	2,326	3,243	4,245	4,359	4,361
Gross Domestic Investment—								
New residential construction.....	185	225	371	801	781	786	1,061	1,166
New non-residential construction.....	166	257	443	1,026	1,260	1,554	1,706	1,676
New machinery and equipment.....	254	377	584	1,389	1,769	1,916	2,073	1,711
Change in inventories.....	331	-46	519	960	1,620	310	549	-280
Exports of goods and services.....	1,451	3,561	3,210	4,183	5,089	5,573	5,400	5,136
Deduct: Imports of goods and services.....	-1,328	-3,569	-2,878	-4,513	-5,613	-5,400	-5,843	-5,562
Residual error of estimate.....	+9	-60	-32	+2	+52	-95	19	157
Gross National Expenditure at Market Prices.....	5,707	11,954	12,026	18,203	21,474	23,255	24,449	24,041

¹ Newfoundland included from 1950.