

Expenditure on semi-durable goods and on non-durable goods also rose at unusually strong rates, the former by 17.1% and the latter by 16.2%. Here, however, much of these gains consisted of higher prices, especially in non-durable goods, where a price rise of 10.1% was registered, largely centred in the prices of food and fuels. In volume terms, outlays on semi-durables rose by 11.8% and on non-durables by 5.6%. In semi-durables, there were very strong gains in outlays on clothing and footwear. Expenditure on services showed some acceleration, from 8.8% in 1972 to 10.8% in 1973.

21.1.3 Business fixed capital outlays

All components of gross fixed capital formation displayed strength in 1973. The housing sector, contrary to earlier expectations, registered a strong gain of 23% after sharp rises in 1971 and 1972. Even in volume terms, the gain of about 13% was considerable. Housing starts rose by over 7% to reach a record level of 269,000 units. As in the previous year, the rise was concentrated in starts of single detached dwellings.

Business fixed investment in plant and equipment rose by almost 18% in value terms and by about 11% in terms of volume. Both non-residential construction and machinery and equipment spending rose at accelerated rates, but especially the latter which was up by 19%. Rises in machinery and equipment spending were widespread but especially notable in outlays in the manufacturing and utilities industries and on farm machinery and business vehicles.

21.1.4 Inventory investment

Investment in non-farm business inventories rose by only \$159 million to a level of \$923 million. The accumulation was almost equally distributed among the three major industry groups: manufacturing, wholesale trade and retail trade. Within manufacturing, the stocks of industries producing durable goods showed substantial accumulations while the stocks of industries producing non-durable goods were liquidated for the second consecutive year.

At the trade level, increases in the stocks of durable and non-durable goods were of similar magnitudes. The stocks-to-shipments ratio continued the pronounced decline begun in 1971.

21.1.5 Exports and imports

The pace of activity in the external sector quickened markedly in 1973. The value of merchandise exports rose by 26.1%, up from the rise of 12.6% in 1972. The most notable gains occurred in exports of lumber, crude petroleum, wood pulp and automobiles. All of the acceleration (with the exception of automobiles and parts) was due to sharp increases in the prices of certain basic commodities. With a price increase of 16.0% the rate of growth of merchandise exports measured by volume actually decelerated somewhat from 9.1% in 1972 to 8.7%. The value of merchandise imports rose at about the same rate as merchandise exports. However, since the price increase of 8.9% was much smaller than that shown by exports there was a substantial increase of about 15% in volume. Particularly strong increases were recorded in imports of machinery and equipment, in line with rising investment outlays, and of automobiles and parts.

An increase of \$586 million in the surplus in merchandise trade was somewhat offset by an increase in the deficit in the services account, partly owing to increased travel payments and larger outflows of interest and dividends. The deficit on all transactions in goods and services with non-residents declined by \$160 million to a level of \$785 million.

21.1.6 Incomes

Economic expansion was reflected on the income side by extensive gains in practically all components. Labour income (representing over one half of the GNP) rose by over 12%, corporation profits rose by about 36% and accrued farm income rose by 92%. The astounding rise in farm income reflected sharply rising prices in international grain markets.

The acceleration in labour income (the rate of increase in 1972 was 11.0%) resulted from gains in employment and from a rise in average earnings similar to that experienced in the previous year. Wages and salaries rose at similar rates in the goods-producing and the service-producing industries. The gain in the goods-producing industries of 12.5% exceeded the increase of 9.2% in the previous year. Within the goods-producing industries, wages and salaries in manufacturing, up 12.8%, posted their largest gain in many years. Within the service-produc-