

Even during the recent business slowdown, the overall flow of incomes to individuals continued to move upward, supported in large part by higher government payments. Since late 1958, personal incomes have been further reinforced by a substantial pick-up in employee earnings, which have increased by 8 per cent during the past year. This growing volume of purchasing power at the disposal of individuals has provided the basis for the current strength in the consumer market. Durable goods in particular have forged ahead this year. Figures available to date show sales of passenger cars up by 15 per cent and major home appliances by a similar amount. In the first half of the year, total consumer outlays showed a substantial 6.5 per cent rise over the same period of 1958. With consumer prices up only 1 per cent, this represents the first significant advance in per capita spending in real terms since 1956.

Meanwhile, house-building activity, though still at an unusually high level, has receded somewhat from the record volume of last autumn. With mortgage credit more difficult to obtain, housing starts have not maintained last year's rate. Nevertheless, the resumption of the small home loans programme, allowing for the advance of mortgage funds up to a maximum of fifteen loans for each builder, is providing a boost to housing in the closing months of the year.

Other forms of private capital spending are now on the up-grade. Outlays for both non-residential construction and for machinery and equipment have been moving upward in recent months. In the industrial field in particular, new expansion projects are going forward at an increasing rate. On the basis of the mid-year survey of investment intentions, private capital outlays will be about the same in 1959 as in the preceding year. However, realization of these plans would involve a growing volume of capital expansion as the year goes on.

The post-recession rebound in corporate profits has no doubt been an important factor contributing to new interest in expansion. By the second quarter, corporate earnings had increased by more than 20 per cent within the space of one year and were within a few per cent of the previous record level.

As with investment, the level of total exports has tended to lag behind the improvement in business conditions generally. In 1958, the coming into prominence of new exports, such as uranium, and the exceptional level of shipments achieved for certain commodities, such as wheat, beef and aircraft, helped to sustain Canada's foreign sales despite a decline in world trade generally. The effects of these special factors had diminished by the end of the year. In addition, the prevalence of extensive new industrial capacity in major consuming countries, particularly the United States, tended for a time to delay the impact of world