



CANADA

BUDGET SPEECH

DELIVERED BY

HONOURABLE MITCHELL SHARP

MINISTER OF FINANCE
MEMBER FOR EGLINTON

IN THE

HOUSE OF COMMONS

JUNE 1, 1967

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TABLE OF CONTENTS

	Page
Introduction	3
Fiscal Flexibility	4
Federal-Provincial Relations	4
Royal Commission on Taxation	5
Tax Reform Schedule	5
Kennedy Round Tariff Changes	6
Economic Review	7
The 1966 Budget	7
The Easing of Restraints	8
Broad Economic Objectives	8
Demands, Prices and Productivity	9
The Economic Prospect	9
Outlook for Housing	9
Pressures on Prices	10
Short-term Prospects	10
Longer-term Prospects	10
Programs for Productivity	11
Prices and Costs	12
Government Accounts	13
The Budgetary Outlook	14
Table I—Budgetary and Old Age Security Fund Revenues	14
Overall Financial Requirements	15
Budget Policy and Tax Changes	15
Drugs	16
Production Machinery	17
Tariffs	17
Adjusted Budgetary Outlook	18
Table II—1967-68 Budgetary and Old Age Security Fund Revenues	18
Conclusion	19
Resolutions—Excise Tax Act	19
—Customs Tariff	20
Tables—Federal Government Revenue and Expenditure on National Accounts Basis	24
—Federal Government Expenditure: Reconciliation of Public Accounts and National Accounts Presentations	25
—Federal Government Revenue: Reconciliation of Public Ac- counts and National Accounts Presentations	26
Budget Papers	
Part I—Economic White Paper for 1967	31
Part II—Review of Government Accounts 1966-67	133

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THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. Mitchell Sharp (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, through the courtesy of the Parliamentary Librarian I spent a few hours today browsing through the first budget speech presented to the House of Commons almost 100 years ago by the Hon. John. Rose, minister of finance. It gave me some consolation and encouragement to observe that Mr. Rose took a full afternoon and part of the evening to deliver his speech dealing with revenues and expenditures of less than \$20 million, and that from time to time when he expressed his fear of wearying the house he was met with cries of "no, no". I promise not to repeat that performance this evening. I hope nevertheless for the same indulgence from hon. members.

Mr. Rose was an eloquent speaker and, on the occasion of this centennial budget, I should like to recall a few sentences from this first budget after confederation.

In viewing the facts—

Mr. Rose said:

—I think they point, under the blessing of a good Providence, to a certain and prosperous future before us. If we work together in harmony, if we endeavour to cement the Union, if we develop the varied and rich resources of the several provinces, we have the elements within us to build up a prosperous and powerful community. In Lower Canada we have a people frugal, industrious, and attached to the soil—not a nomadic, but a steady, contented people, well adapted for manufacturing pursuits; while in the West we have immense agricultural, and in the East equally important maritime resources. I am not an enthusiast, but I say that although we have a rigorous

climate and many difficulties to combat, we have correspondingly hardy, energetic and thrifty population, and in the extent and variety of our resources we have as certain a promise of a good future as any country ever before enjoyed.

Some of the members of the house are cheering, just as the members cheered in 1868. Then Mr. Rose said, as all subsequent ministers of finance have said and as all future ministers of finance will say:

Now, Sir, I would not wish it to be supposed that, in calling attention to these indications of the future prosperity of the country, I am desirous that we should rush into undue expenditure. On the contrary, I say that we ought to be most careful in our outlay, and consider well every shilling we expend.

To which there were loud cheers on that day.

I trust that whatever government may be in power, the people will demand at its hands a thrifty and economical administration of public affairs. I claim that we who now occupy these benches have shown a desire to follow that course.

I repeat that claim. Finally, may I be permitted one more quotation from this budget speech of a century ago which caught my fancy:

Anyone who looks at the population of this Dominion—of Nova Scotia, New Brunswick, Quebec and Ontario—must see that while they differ in very important characteristics, they agree in this, that they are not extravagant or ostentatious in their habits, they are hardy, persevering, industrious and energetic, and possess all the qualities fitted for developing the resources of a new country. Though our wealth may not increase as rapidly as in some other climes, we spend little in ostentation and extravagance.

Then came this memorable sentence:

Reproduction is steadier and more continuous.

There is no indication as to whether that particular statement was met with enthusiasm or otherwise. I now turn to the budget of 1967, our centennial year.

• (8:10 p.m.)

Mr. Speaker, The past 18 months have been eventful ones in our fiscal affairs—a budget and a mini-budget, three bills to amend the Income Tax Act, one to amend the tax provisions of the Old Age Security Act, two to amend the sales tax, two temporary restraints on business capital investment, the commencement of the Canada Pension Plan which had major fiscal effects, several reviews of government expenditure policy, a major debate on inflation last September and a long series of hearings by a Joint Committee into the increases in consumer prices.

Fiscal Flexibility

This experience indicates that we can achieve flexibility in the content and timing of our tax measures and other instruments of fiscal policy. Now that Parliament is normally sitting more or less continuously throughout the year and is modernizing its procedures, it can act promptly enough to enact the measures necessary to implement a flexible fiscal policy without having to delegate extraordinary stand-by powers to the government, as has sometimes been suggested. We need not try by action in our annual budgets to anticipate economic possibilities during the ensuing twelve months that could be dealt with later when more was known about them.

Federal-Provincial Relations

In this past 18 months there have also been major developments in our fiscal and economic relations with the provinces. In the Tax Structure Committee we had important discussions on the fiscal arrangements which should be developed in the future between the federal and provincial governments. These arrangements have a significant effect both upon the use of tax fields by the two levels of government, and upon the expenditure programs of federal, provincial and municipal governments. On behalf of the federal government I proposed that we should seek through our fiscal arrangements to define more clearly the respective responsibilities of the two levels of government, with the objective of strengthening within their respective jurisdictions, the roles of both the federal and provincial governments. I suggested a new and comprehensive approach to the equalization of provincial revenues. This new equalization plan was incorporated in a major revision in the Federal-Provincial Fiscal Arrangements Act which Parliament approved in March of this year. With equalization payments rising automatically as provincial

revenue requirements increase, the poorer provinces as well as the richer ones will now be in a better position to finance their growing responsibilities through provincial rather than federal tax measures. In the discussions we have recognized that the harmonization of federal and provincial priorities, both in respect of revenues and expenditures, should be the product of regular and comprehensive federal-provincial discussions, not just meetings every five years confined to tax sharing negotiations.

These new fiscal arrangements include important fiscal transfers relating to education. Federal personal and corporate income taxes have been abated in order to make it easier for the provinces to increase their taxes by a corresponding amount for the support of higher education. These tax transfers in combination with the adjustment grants and special equalization grants that Parliament has authorized will ensure that the total fiscal transfer to the provincial treasuries will equal at least 50 per cent of the operating cost of post-secondary education, broadly defined. This new measure, which replaces the former system of assistance to universities and other post-secondary educational institutions, is a most important step in strengthening financial support to higher education, without impairing in any way whatever the authority and responsibility of the provincial governments and legislatures in respect of education. This increased support for higher education commenced at the same time as our technical and vocational construction grants were being phased out and our contributions under other technical and vocational training programs were being replaced by the new post-secondary education arrangements and our new adult training program. Because of this, the full extent of the financial burden that Parliament has undertaken in these new arrangements has not been entirely understood. I estimate that by our action in regard to post-secondary education and manpower training, after allowing for the phasing out of vocational training grants, Parliament will be providing in one way or another an additional \$300 million this year as compared with last year for these essential purposes.

It became evident during last year's federal-provincial meetings that Canadian governments collectively, responding to the needs and demands of Canadians generally, have been expanding their activities to the point where each level of authority is most reluctant to impose the higher taxes necessary to achieve the objectives we have set for

[Mr. Sharp.]

ourselves. Last October some quantitative expression was given to these combined requirements in the projections of public expenditures and revenues prepared for the federal-provincial Tax Structure Committee. Summary figures which were published show that provincial and municipal expenditures together might be expected to grow over the five years from last year until 1971 at a rate of about $8\frac{1}{2}$ per cent a year. Federal expenditures, as programmed in early 1966, would grow about $6\frac{1}{2}$ per cent per annum. Since that time both the federal and the provincial governments have undertaken some new expenditure programs. For example, in our case the Guaranteed Income Supplement for old age pensioners will add to the total that was projected. Subsequent additions, however, have not changed the general trends revealed in the Tax Structure Committee projections.

The rate of growth in revenues, at the tax rates current last year, was projected at about $7\frac{1}{2}$ per cent a year both for the federal and for the provincial and municipal governments combined, under the economic conditions which were then assumed. Federal tax rates were raised moderately in December after this study was finished and some provincial tax rates have been raised this spring, but these do not substantially change the trends shown in the study. Confronted with our common need for increased revenues, and the house will observe that expenditures are projected to grow faster than revenues from existing taxes, it is natural that we and the provinces will find it hard to agree on the use of the different tax fields.

Royal Commission on Taxation

Since our major discussions with the provinces we have received and begun studying the report of the Royal Commission on Taxation. We have found it a thoughtful, radical and stimulating report, but one that bristles with both technical and policy problems and, need I add, political problems. It proposes major reforms in our income tax, including the incorporation into a comprehensive tax base of many receipts now exempt from tax or taxed under other statutes such as the Estate Tax Act.

The Commission, which I might add was appointed by the government which preceded us in office, and I have no criticism of this because I do believe that our tax system does urgently need reviewing, recommends to us a broad policy which places first emphasis upon equity, pursued with greater seriousness and logic than ever before. It would combine

equity with the greatest possible degree of economic neutrality in tax law in order to give the market and the private sector of the economy maximum freedom to make its decisions free from any distorting influence by the tax system. The Commission would have us rely mainly on expenditure programs to implement those policies where we seek by financial means to attain specific economic purposes such as the stimulation of research or other particular form of activity, such as mining.

There is one aspect of the Commission's report that deserves more public discussion than I have yet observed. It is that the comprehensive personal income tax proposed by the Commission must, according to the Commission itself, be used with restraint. As suggested by the Commission, this particular tax would produce revenues that were much less than half of the total public revenues required by all levels of government in Canada.

Consequently this would leave governments to continue to rely upon other tax instruments, at all levels, federal, provincial and municipal, to raise the majority of the revenues required. It is evident, therefore, that there is no easy answer either to the problems of taxation or to the federal-provincial issues with which we must deal.

Tax Reform Schedule

I have already announced that the government is not proposing to reach decisions on the main features of the reform of our tax system until others have had an opportunity to study the Royal Commission report and comment upon it. I have emphasized, however, that we cannot leave too long an interval for such study and comment.

I believe we can properly aim at a white paper late this year in which the government's main proposals can be expressed clearly without all the details of a bill. We would also plan to produce a draft bill to illustrate how the government's proposals could be enacted. I would welcome Parliamentary discussion of these. After receiving the views of Honourable Members and others, we would review our draft bill and then bring forward the legislation that we would propose Parliament enact. Obviously, our reforms will require considerable time and effort on the part both of the government and of Parliament during 1968. I do not expect that this revision of the income tax will be part of the budget procedure itself but a separate series of steps.

• (8:20 p.m.)

I have already invited taxpayers to comment in writing by the end of September on the major recommendations of the Royal Commission. I have already indicated elsewhere the list of major matters upon which I have invited comment and I shall not take the time of the house now to repeat them.

On these matters, which are the central core of the report of the Royal Commission, I will welcome of course hearing the views of hon. members of this house and of the other place, as well as views from taxpayers, experts and associations of one kind or another. From those outside Parliament, I would prefer to receive views and suggestions in writing in the first instance.

In speaking of our tax reform program, I have referred only to the income tax. The Royal Commission's proposals about the sales tax involve many less complications and we shall not need as much advance work on them. I am therefore not inviting comments on them at this early stage.

The need to take time for proper study and discussion of the report before reaching decisions on it will inevitably leave some uncertainty for taxpayers who are making future plans. Some such uncertainty cannot be avoided once the report is published. This is a reason for pressing ahead as quickly as we reasonably and properly can but it is not a justification for haste or for not taking into account what people wish to express upon a matter that concerns them so deeply. On May 11th I endeavoured to remove some of the uncertainty concerning the possible timing of any termination of the inducement offered in the present law for the opening of new mines, should the government decide that the Commission's recommendations on this matter be accepted. This is the principal subject on which the present Act contains a major inducement about which uncertainty arises because of the Commission's report. I cannot undertake to offer assurances about all the various changes that might be made without anticipating decisions that the government has not yet reached and prejudicing the proper consideration of the subject.

Kennedy Round Tariff Changes

It is not only in tax policy that major changes have been in progress. For nearly four years representatives of the government have been engaged in the greatest series of trade and tariff negotiations ever undertaken. As is well known, these negotiations of the Kennedy Round have now been concluded suc-

cessfully and the broad agreements reached are being worked out in detail. By agreement among all the negotiating countries the results will be made public about the 1st of July. I regret that I cannot indicate to the House at this time the important conclusions reached in these negotiations nor lay before you the tariff resolutions that will be necessary to implement some of the undertakings that Canada has made in order to secure concessions from others. It is my intention that we should keep the tariff resolutions which I am introducing tonight before the Committee of Ways and Means until after the announcement of the results of the negotiations, when we will make a full presentation to hon. members of the results both in our tariff and in foreign tariffs and introduce in the committee the further tariff resolutions needed to implement those changes that Canada has offered to make. It will also be necessary before mid-1968 to amend the provisions of the Customs Tariff that govern the application of anti-dumping duties, which will be done after we have heard the views of those concerned, and I have invited publicly the views of all those who will be affected because there will be an interval before the time of the publication of the international convention and the necessity for us to implement it in our own legislation by the middle of 1968.

The basis of Canada's participation in the Kennedy Round was described in some detail by my predecessor who is now the President of the Privy Council in his budget speech on March 16, 1964. He explained that Canada would be offering to exchange tariff concessions of equivalent value rather than offering uniform percentage cuts across the board. He then outlined the following four basic considerations that would govern our participation: first, the principle of reciprocity in trade terms; second, the need to promote through these negotiations the balanced growth of the Canadian economy particularly through seeking new export markets for our secondary industries; third, the need to achieve a reasonable balance of concessions given and concessions gained for the various sectors and regions of the Canadian economy; fourth, the need to avoid the kind of tariff bargain that might worsen our balance of payments. I can now say without hesitation that all these basic considerations have been satisfied. This will be readily apparent when we are able to publish the results.

[Mr. Sharp.]

Economic Review

[Translation]

I turn now to a consideration of the economic situation and its implications for the budget.

At the time I was preparing my budget last year it appeared that 1966 would be, as indeed it turned out to be, a year in which restraint was necessary—first monetary restraint, then fiscal restraint, and self-restraint on the part of those making demands upon the economy.

Some fiscal restraint occurred early in the year with the commencement of the payment of contributions to the Canada Pension Plan and Quebec Pension Plans. These were very substantial payments, amounting to nearly three quarters of a billion dollars a year. The funds were loaned to the provincial governments and their agencies. The fiscal restraint involved in the commencement of these contributions had been taken into account by my predecessor in his budget in April 1965 although, as he made evident, it was necessary also to take into account the effect that such funds would have upon spending by the provinces or their agencies. In the event, it may be noted the total net new issues of provincial and provincially guaranteed securities, in Canadian dollars, in 1966 increased by more than the total amount made available for investment in them in these two pension plans.

No doubt there would have been a substantial increase in such borrowing without the inception of the pension plan contributions, but the restraining influence of these contributions upon the economy would appear in retrospect to have been substantially offset by the greater disbursements of borrowed funds by provinces and their agencies.

A second element of fiscal policy last year was the efforts made to restrain the growth in public expenditures. This applied primarily to construction programs, since the strain of excessive demand upon the construction industry was particularly evident in the latter part of 1965 and the early part of 1966. Some success was achieved in deferring construction expenditure, though of course it was limited in many cases by the need to continue major projects already under way including the large complex of projects associated with Expo and the Centennial. Other public expenditures, particularly transfer payments to individuals under our social security programs, increased substantially. There were also substantial increases in public payrolls

arising from the rapid rise in wage rates which confronted public employers as well as others.

● (8:30 p.m.)

[English]

The 1966 Budget

At the time of the budget last March it was evident that further fiscal restraint would be necessary. Two temporary measures were introduced directly affecting business capital expenditures, for which the usual winter survey indicated a quite substantial further rise was in prospect. One of these measures was a temporary reduction in capital cost allowances on new investments, to extend for a period of 18 months unless changed, and a second was a refundable tax on the "cash profits" of businesses. With the same purpose, it was proposed that advance provision be made for the removal of the sales tax on production machinery and equipment in two steps on April 1st, 1967 and April 1st, 1968, offering a further inducement to defer capital expenditures.

It was also evident in March last year that some mild restraint should be imposed on the rising level of consumer expenditure. For that purpose the special tax cut which had been introduced in 1965 as an expansionary measure was reversed as of July 1st, with modifications to lighten the load on those with the lowest incomes.

I forecast that these various actions taken would reduce moderately the excessive rates of increase in the demands upon the economy in 1966. In concluding my budget statement I said:

"Our situation calls for some restraint in expansion; it does not call for deflation. As a nation we should ease up our foot on the gas pedal, not slam on the brakes. We want growth, but sustained growth, not erratic fluctuations. The keynote of this budget is moderation. This is what is needed today if we are to guide our economy towards successive years of expansion and continued prosperity."

These are the words I used in the budget of a year ago.

By September the force of the expansion was in fact beginning to moderate but we were all concerned over the inflationary tendencies that had become so widespread in the first half of that year, as well as with the growing number of serious labour disputes and with the large wage increases being made. In reviewing the situation in the house on September 8th, I announced on behalf of the government the deferral of some planned increases in expenditures and a continuation

of restriction on our capital expenditure programs. These announcements, and the obvious concern shown by parliament over inflationary tendencies at that time, and the helpful response in certain quarters to the situation and to the appeal of the government, all contributed I think to cooling down the overheated condition of the economy.

By December the economic situation had improved, the rate of expansion in demand had clearly moderated and it did not appear necessary to introduce further measures of fiscal restraint. In the mini-budget on December 19th measures were introduced to increase revenue only by enough to counteract the effects then anticipated on our fiscal position and on the economy of the expenditures being authorized for the guaranteed income supplement. This was intended to preserve the position of delicate balance which the economy appeared to have achieved.

The Easing of Restraints

During the first ten weeks of 1967 it became evident that the rapid rise of business capital expenditures had slackened off and that we could and should remove the restraint provided by the refundable tax on business profits. On March 10th I announced the government's intention to introduce legislation to terminate the collection of this tax at the end of that month. Shortly thereafter on March 22nd, for the same reason, we took action to terminate at the end of March the period during which new capital expenditures would incur reduced rates of capital cost allowances.

During this past winter and spring, as the excessive demands on our economy moderated, it has been possible to encourage an easing of monetary and credit conditions and to permit a more rapid growth in the supply of money and in bank lending. This was in accordance with the views I expressed in the House last September. Long-term interest rates however have as usual been substantially influenced by rates in the United States and by the need to maintain a flow of long-term Canadian borrowings from the U.S. capital market. I am glad to take this opportunity to record my full support for the management and policy of the Bank of Canada during the recent period of difficult and rapidly changing conditions in our money and capital markets.

During the winter the government relaxed the special restraint that it had been imposing since August, 1965 on its own capital expenditure programs. The result of this change has

[Mr. Sharp.]

not been visible as yet in any large increase in our planned construction expenditures this year, but I would expect that it will give rise to a larger increase next year.

Broad Economic Objectives

In our general economic policies over these last few years the government has had as its broad objectives those which have been set forth by the Economic Council as being indicated in the terms of reference given the Council by Parliament. These are, as defined by the Economic Council itself:

- full employment
- a high rate of economic growth
- reasonable stability of prices
- a viable balance of payments, and
- an equitable distribution of rising incomes.

In retrospect it is clear that during last year we have attained some of these goals but not all. In particular our unemployment rate, which had been nearly 8 per cent in early 1961, when the long period of expansion started, had been reduced to about 3½ per cent for the country as a whole, and to 2½ per cent in Ontario and to 2.1 per cent in the Prairie provinces. Our rate of growth in the working force, and in capital, was high—but not in productivity. Our balance of payments was viable, thanks to a continued large inflow of capital obtained despite the problems in the U.S. capital markets. On the other hand, we had much too rapid an increase in costs of production and prices. The rates of growth in business investment and public expenditures were clearly abnormal and could not go on.

There were, of course, special influences at work during 1965 and 1966 which undoubtedly contributed to the excessive rises in prices and wages though it is hard to appraise their importance. The increase in food prices was due in considerable part to temporary shortages in the supply of meats. The regional distribution of our unemployment, and limitations on the skill and mobility of our labour force, of course had something to do with the rapid rise in wage rates. Some of the rapid changes reflected the efforts of workers in some areas of the country to catch up in wage rates with those who had been getting more. The extension of collective bargaining to new categories of workers—some of whom had suffered from relatively depressed salaries—had something to do with it. There were many institutional and historical factors at work in addition to the economic forces revealed in the labour market statistics.

Demands, Prices and Productivity

Whatever the complex causes, it is evident that we in Canada had not learned to pace ourselves; too many Canadians were anxious to exploit the situation quickly—to get while the getting was good—and in doing so they overloaded the economy with excessive demands. Higher prices were the result. We Canadians have not taken to heart the obvious point that increases in our incomes must be founded upon increases in our productivity if we are to avoid self-defeating and inflationary efforts to profit at one-another's expense. In 1966 our productivity in industry and trade increased very little, apart from the phenomenal grain crop and consequently there was little indeed to support an increase of the magnitude that occurred in average money incomes.

As time goes on we can expect to improve the skill and mobility of our labour force, the state of our technology, the efficiency of our management and the competitiveness of our industry. Such improvements should enable us to increase our productivity and get more real return for our work. In addition these improvements should enable the economy to operate with a lower proportion of unemployment without running into inflationary and unstable conditions, and thus should enable us to achieve the 3 per cent unemployment rate which the Economic Council proposed several years ago as a goal for 1970. If this is to come about, our immediate objective must be to combine growth with stability.

The Economic Prospect

In the light of this review of our recent experience let me now try to assess our position and prospects.

The current employment situation is reasonably satisfactory. Our labour force continues to grow rapidly. The overall rate of unemployment, seasonally adjusted, was 3.9 per cent last month. Production has of course increased over last year, but reflects the disappointingly small increase in productivity. Moreover, we cannot count on crops this year as good as the bumper crops of last year.

Our current account balance of payments is showing an improvement over last year, both in merchandise trade and in invisibles. Our export performance this year has again been gratifying. The rise in imports has been relatively moderate. We expect to receive very much more than usual from our tourist trade this year because of Expo and the Centennial. So far this year we are managing to finance

our current account deficit in what is for us the normal way, by large scale long-term borrowing and by direct investment of foreign capital in businesses in Canada. Our arrangements with the United States concerning the balance of payments are working smoothly. We still have a larger current account deficit than I would regard as desirable as a long term objective. At present, however, this current account deficit and the related inflow of capital are powerful aids in meeting the large capital expenditures being made in Canada. Without them we would require a much higher volume of domestic savings.

I expect the demand both for exports and for consumer goods to continue fairly strong during 1967, though not at the same rate of increase as last year, especially in consumers' demands for durable goods. The rate of increase in government expenditures on goods and services has been slowing down, though social security payments are expanding more rapidly.

We are all aware of the survey that shows that capital expenditures planned by businesses are down slightly this year, particularly when account is taken of higher costs, whereas in past years such expenditures were increasing very rapidly. The removal of the temporary restraints imposed last year may well lead to some upward revision in such plans.

Outlook for Housing

House building is a key element in this year's situation. It was the chief victim of the boom in capital expenditures in 1965 and '66. The demands of business and governments for savings for other purposes left a shortage of funds available for housing. The continued growth in savings this year, a relatively small growth in business capital spending and a smaller requirement to finance increased inventories, taken together, should leave more funds available for mortgage financing.

The government is taking action to ensure that substantial funds are made available to finance housing. The capital budget of our Central Mortgage and Housing Corporation, tabled in January provides for disbursements of \$788 million to finance housing in various forms, including direct mortgage lending program this spring of twenty thousand units, to ensure a revival of activity after last year's recession in house building. In the financial requirements for this year to which I shall refer later, I am including for housing finance, and for farm mortgage finance taken together, an amount that is equal to more than half the large total net borrowing of

provinces and their agencies last year. This is a vivid illustration of our very substantial efforts in this field, and of the burden that this places upon government in raising funds.

• (8:40 p.m.)

I feel confident that the increase of funds and resources available for housing this year will bring an increasing volume of building this summer and fall. I share the view of my colleague the Minister of Labour that we should reach this year a total of 160,000 housing starts.

Pressures on Prices

The most unsatisfactory aspect of the 1967 situation in Canada, as in many other countries, is the continuing upward movements in costs and prices. Consumer prices for all categories, other than for foods, continue to advance at a troublesome rate. It is possible to recognize many special influences from month to month and allow for them, and to recognize as well that the price index does not fully take into account improvements in the quality of the goods and services sold. Nevertheless when all allowance is made for such factors, the rate of increase of consumer prices is more than we can tolerate on a continuing basis. The increase that has taken place in food prices over the past two years reflects overseas needs and North American affluence pressing against North American resources. In other sectors, price increases are too often the result of demands for increased incomes and profits by those with strong market or bargaining power, or attempts by others to keep up with the leaders.

It is evident from the decline in profits that in general costs of production have been rising more rapidly than prices. Costs of many things purchased by business have increased—materials, components, capital equipment and buildings. Some of these are imports and reflect increased world prices, others are domestic products. The statistics of hourly earnings in such broad industrial groups as manufacturing and construction show a large increase over the past year, and are reflected in labour costs per unit of output in manufacturing. New wage settlements resulting from collective bargaining this year show increases as large as those of last year. Most of the increases now occurring in wage and salary rates, including executive salaries are substantially in excess of the general increases in productivity that have been taking place. They clearly imply that further increases in prices are likely to occur.

[Mr. Sharp.]

Short-term Prospects

Taking all the various factors into account, before allowing for any tax changes, I would expect a total increase in our gross national product this year less than the abnormally high increase last year. We expect to see this accompanied by a more moderate increase in employment than we had in the tight labour market of last year. When the expected large growth in the labour force is taken into account we could see a modest temporary increase in unemployment. I would also expect a somewhat smaller increase in prices than last year, with some further squeeze on profits.

I venture to present these implications, unpalatable as they may be, because they are essential to an understanding of the uncomfortable short-term position that confronts us during the period of transition following the very rapid rate of expansion of the last several years.

Longer-term Prospects

Let me now look beyond 1967. I would expect to see a greater increase in our gross national product in 1968 than this year. The increase in housing expenditures should be greater, and so should the increase in business capital expenditures. Government expenditures on goods and services will probably continue to rise, particularly at the provincial and municipal level. While we cannot count on the good fortune we have recently enjoyed in respect of grain crops, I would think our exports will respond to the upturn that is now widely expected in the United States later this year, as well as to the improved trade opportunities arising from the new trade agreements. Forecasting beyond the current year is chancy of course and a country so dependent on international trade and finance as Canada must always recognize its position is riskier than those of more self-contained economies. Taking account of the uncertainties I think we can reasonably expect a more buoyant economy next year, with declining unemployment.

In the two or three following years we can expect a further substantial growth in the labour force, as the large numbers born during the post-war bulge in the birth rate continue to move into the labour force. The proportion of married women wishing to take jobs may also be expected to increase further. Our immigration policy will lead to further growth in the working force. We can expect our labour force to be better trained and

more mobile. We shall have the manpower base for substantial growth.

There should be a growing rate of family formation, and a continuing migration within Canada. These will mean an increasing demand for housing and social capital. There should also be growing demands for durable consumer goods and for the industrial production and investment to support the expanding requirements of Canadian consumers.

In international trade Canada will have new opportunities because of the results of the important trade agreements which are now being completed in Geneva. There will also be increased competition in our international trade. Our industry and our labour will have to compete vigorously with their counterparts in the United States and overseas. Costs will be important. The opportunities for trade, for production, for employment and for investment will be there—but we must seek them and hold them, not merely demand them.

In regard to future business investment it is encouraging to note that we do not appear now to have accumulated any general excess capacity. Canadian industry as a whole appears to require a stock of fixed capital equal in value to about $2\frac{1}{2}$ times the value of its annual production. To keep this capital stock modernized and growing at a rate in line with the growth in output appears to require on average that about 15 per cent of our GNP be spent on business capital investment. The proportion of GNP used for this purpose rose as high as $17\frac{3}{4}$ per cent in 1957, fell to about $12\frac{3}{8}$ per cent in 1962, and rose in 1966 to $16\frac{1}{2}$ per cent, which was probably an unsustainably high rate. Business investment has probably receded from that rate now, but it should be sustainable at around the 15 per cent level in the next few years if we manage our affairs properly. Business investment can and should remain the principal dynamic factor in our economy, in addition to exports.

A very large market for housing is certainly in prospect for the next few years. The growth and movement of the population will ensure this. But the costs of houses, and to a lesser extent of apartments, have been rising. So has the cost of serviced land, particularly in metropolitan areas. The heavy reliance on real estate taxation to finance local government and much of education is also adding to the cost of owning houses.

I expect to see a growth in housing construction over the next few years, but we cannot expect to see it rise to satisfactory

levels nor to see it result in the most desirable pattern of urban development until there is better planning, better control and better financing of urban development generally in Canada. That is one of the chief reasons why in the speech from the throne the government has proposed that a special study of urban development be undertaken in co-operation with the provincial governments.

In the field of government the Canadian people can be expected to want and demand increasing public facilities and services requiring expenditures by all levels of government. The problems of course will be to finance these expenditures, to determine priorities among them, and priorities between these government expenditures and business and consumer expenditures, in order that the total of all expenditures in the Canadian economy can be kept in balance with our ability to produce.

When one reflects upon these prospects for the next few years, I am sure the house will agree with me when I say that I believe our main problem is not likely to be maintaining a sufficiently high level of demand, as it was during the late '50's and early '60's. Instead I see two more difficult problems. The first is to achieve a better rate of growth in our productivity—which has been too low in recent years. The second is to restore some stability to our prices and costs of production. The problems are, of course, inter-related, and their solution is essential to the maintenance of a high level of employment.

• (8:50 p.m.)

Programs for Productivity

We are now pressing ahead vigorously with measures to improve our productivity.

Firstly, we are, at all levels of government, giving first priority to the education of our young people—both basic education and vocational, technical and professional education. In view of the high growth rate of the age groups from about 15 to 25 this priority for education is putting a very heavy burden on public expenditure. It is a good investment for the future but we should understand, and most of all members of parliament should understand, that it diminishes the immediate return that we can get as individuals in higher living standards now.

Secondly, we are now working urgently on a major program of training and retraining of adults in our labour force. Last year the government accepted this as a federal responsibility and decided to deal vigorously with it.

Success in it will improve both the opportunities for work and the productivity of our work in future. To promote labour mobility we have now a realistic system of relocation grants and arrangements for workers, operated by a manpower service which is being expanded and improved, as it must be if such a system is to be effective.

Thirdly, we are devoting more men and money to scientific and technical research and development, particularly in industry, in a wide range of programs designed to make our industry and our economy generally more productive. Both the federal government and the provincial governments are making better regional plans and offering better assistance to get industry to locate where it can utilize available labour which would otherwise be unemployed or poorly employed.

These major positive measures will improve our productivity as time goes on and also permit us to aim at progressively higher rates of employment without inflation. They will permit us to grow faster and further.

We are also planning to improve the opportunities for those now working in less productive industries and occupations. We are through ARDA and related programs promoting the radical improvement of the economies and societies of rural areas where productivity has been deplorably low. In other rural areas our regular farm credit programs and other farm programs are assisting and promoting the consolidation and improvement of farms so that our farmers can continue to improve their productivity and thus share constructively in our rising living standards. In the Atlantic provinces much is being done to improve the basic facilities for a productive economy and much success attained in enabling new industries to establish there. In Cape Breton special efforts are being made to re-orient and develop the economy on constructive lines to accompany the gradual phasing out of the unproductive coal mining operations.

Our trade and tariff policies will also help over time to promote the more productive and diminish the less productive units in industry. To help achieve this purpose it is our intention, should any industries be seriously affected by the trade agreements emerging from the Kennedy Round, to make available to them suitable measures to assist in making the necessary adjustments.

Essentially however productivity is not something that the government can achieve. It is a task for all of us. It is particularly a job for management and labour. It must be

[Mr. Sharp.]

sought in all industries—those that are already productive as well as those that have lagged. Higher productivity should be sought not only where it can readily be measured, as in manufacturing industries, but also in many of the service industries and government where it cannot be measured. It is the real results in which we are interested. It is this and almost this alone which will enable Canadians to get higher living standards.

Prices and Costs

The chief obstacle I see to our attaining stable growth in the next few years is the danger of excessive increases in prices and costs. Our record in the past two years in this respect has deteriorated. Between April 1965 and this April the consumers price index has gone up by 7.3 per cent—and the rate has been accelerating recently for categories other than food. Wages and salaries have been rising at rates several times the overall increase in our productivity per man. Unit labour costs in manufacturing have increased by nearly 6 per cent over the most recent twelve months for which I have figures. Personal income per capita, which includes all kinds of income whether from wages, profits or government payments, has gone up by 17.6 per cent in the two years following the last quarter of 1964. This is the broadest indication of the upward movement in incomes, as compared to prices.

If unchecked, such increases in costs and prices must lead to increasing inequity and dissension in the country and to a worsening of our competitive position vis-à-vis the United States. This would impose a serious restraint on the growth of Canadian industry and frustrate our efforts to maintain a steady rate of expansion in the jobs available for our growing labour force.

These price and cost increases arise in part from the pressure of excessive demand on the economy or on important sectors of it. This has diminished somewhat in the past twelve months and should be noticeably less in 1967 as a whole than in 1966. We should and I believe we can manage our economy to avoid excessive demand pressures that must result in price increases.

But the trouble also arises from the exercise of market power by business and collective bargaining power by unions. We are all familiar with many examples of this in the past two years. It is more difficult to deal with this source of the inflationary tendency in our economy. Its roots are deep in the nature of our free society. Most of us are

better organized and more active in promoting our own particular interests than we are in safeguarding the public interest—the good of all of us collectively.

Several times during the past year I have urged restraint upon those able to exercise market or bargaining power, asking that they take account of the public interest and do not take unreasonable advantage of the opportunities that our prosperous conditions have provided to so many now. I do so again here and now. Only by some care and restraint on a wide scale this year can we slow down the rate of increase in costs and prices. If we all endeavour to exploit the full measure of our bargaining power in the present situation we can certainly harm one another. Some will gain but others must lose.

We in Parliament have just undertaken to put collective bargaining into effect in our own public service. We have recognized and accepted the responsibilities which that involves for the government as an employer. We also have responsibilities to the taxpayers, on whom the costs will fall, as well as responsibilities in managing the economy as a whole. In the light of all these obligations the government and the representatives of its employees should strive to achieve settlements that are consistent with a pattern of settlements in the business sector which the economy can reasonably sustain.

From time to time during the past year I have spoken about the possibility of Canada adopting some sort of incomes policy or of guideposts for wage and price increases. Other countries have made attempts in this area, with varying degrees of severity and various degrees of success—or failure. Like the Governor of the Bank of Canada I would see great value in some means to support fiscal and monetary policies by mobilizing the force of public opinion behind non-inflationary behaviour on the part of those who are in a position to exercise strong market power. Like the Economic Council, however, I recognize the great difficulty of doing this in Canada by formal action that would find its expression in quantitative guideposts or specific patterns of behaviour. As I said last September eighth in the House, an effective policy of this kind would require active cooperation between federal and provincial authorities and a willingness in the business world as well as in unions and the ranks of labour to follow a central lead that commands a wide consensus of agreement and respect. Clearly we do not now have these necessary conditions.

Mr. R. A. Bell (Carleton): Mr. Speaker, I rise on a point of order, though in a most kindly way, in an endeavour to assist the minister to make his speech. The minister is delivering his speech with the greatest rapidity and it is difficult for those in the chamber and galleries to follow what he is saying. If the minister could reduce his speed by about 20 per cent only, I am sure his speech would be greatly improved. Let me say that in interrupting the minister, and I hope that this fact is appreciated, I did so with the kindest of sentiments.

Mr. Sharp: I thank the hon. gentleman and I shall do as he asks. I was very conscious of the length of my speech and hoped that I should get through it in good time. I thought the argument I was making was familiar to hon. members and that it was being followed closely and carefully.

Although guideposts, as such, may not be practicable for Canada now, I intend to continue to state what the facts indicate to be possible and what they show to be illusory. I believe that by this means we can develop a better and more widespread understanding of what is physically possible so that public opinion can be mobilized in opposition to actions of a clearly inflationary nature. Such an opinion can help persuade management, labour and government to follow practices that will lead to a dampening down of the upward sweep in consumer prices that has been taking place in the past twelve months. This budget statement and the other economic statements that may follow from time to time should serve at least as contributions to the discussion of our possibilities and limitations, that will help develop not only more understanding but some form of that consensus so necessary for success.

• (9:00 p.m.)

Government Accounts

Mr. Speaker, I should at this point note briefly the government's accounts for the past fiscal year.

Budgetary revenues for 1966-67 are estimated to have been \$8,366 million, which is an increase of just over \$100 million from the revised forecast of my supplementary budget last December 19th. Budgetary expenditures amounted to an estimated \$8,794 million compared with the December forecast of \$8,580 million. The deficit on this traditional public

accounts basis was \$428 million, as against the forecast of \$320 million in the mini-budget.

In terms of the national economic accounts there was a surplus of some \$141 million on government operations for 1966-67 compared with 576 million the previous year.

Our total cash requirements for the last fiscal year, taking account of non-budgetary transactions, were \$719 million of which \$711 million was obtained from the increase in our unmatured debt outstanding and the remaining \$8 million from reducing our bank balances.

The Budgetary Outlook

Our present tax laws, given the economic prospects I have outlined, should produce budgetary revenues of about \$9,000 million in the current fiscal year 1967-68. If the House agrees I would include in *Hansard* at this point, for easy reference, a table showing these forecast revenues by major categories and also the old age security revenues.

Some hon. Members: Agreed.

[*Editor's note: The table above referred to is as follows:*]

TABLE I
BUDGETARY AND OLD AGE SECURITY FUND REVENUES

	1966-67 Preliminary	1967-68 Before Tax Changes
	(\$ million)	(\$ million)
<i>Budgetary Revenues</i>		
Personal income tax.....	2,472	2,815
Corporation income tax.....	1,593	1,570
Non-resident withholding tax.....	204	190
Estate tax.....	101	110
Customs duties.....	777	815
Sales tax.....	1,513	1,695
Other duties and taxes.....	776	835
Total taxes.....	7,436	8,030
Non-tax revenues.....	930	970
Total budgetary revenues.....	8,366	9,000
<i>Old Age Security Revenues</i>		
Personal income tax.....	576	785
Corporation income tax.....	150	161
Sales tax.....	560	597
Total old age security revenues.....	1,286	1,543

Mr. Sharp: Our revenues calculated on the basis used by the statisticians for our national economic accounts may be expected to total about \$10,990 million. Details are given in tables showing our revenues and expenditures on this basis. I would ask permission that these tables appear in *Hansard*, following the ways and means resolutions, as has been usual in recent years.

Some hon. Members: Agreed.

Mr. Sharp: Forecasting expenditures this year I find more difficult than forecasting our revenues, because we have so many new programs whose cost is difficult to estimate until we have more experience with them. For example, I have just been advised last week that our new program for adult training will

[Mr. Sharp.]

cost \$50 million more this year than the amounts requested in the Estimates. It will be noted in the white paper that our accounts for last year—1966-67—show a substantially larger total expenditure than was forecast in the budget, while revenues turned out to be within one per cent of the forecast. In forecasting this year, I have tried to take into account this experience, as well as the enthusiasm and persistence of my colleagues and other hon. members in support of worthy but expensive ideas.

I am putting the forecast total of our budgetary expenditures this year at \$9,700 million. On the national economic accounts basis they would be \$11,220 million. These figures, taken with the revenue forecasts, imply a deficit on our budgetary accounts,

before tax changes, of \$700 million, and on the national economic accounts basis a deficit of \$230 million. None of these figures takes into account the revenues from the Canada Pension Plan, to be invested in provincial securities, which we forecast at about \$640 million.

Overall Financial Requirements

In addition to our budgetary accounts of revenue and expenditures we must take note of many transactions which change our recorded assets and liabilities, when determining our total financial requirements. The largest of these other requirements for cash arise from the loans, investments and advances that we make to government corporate agencies to enable them to carry out their operations, including notably the large mortgage lending by the Central Mortgage and Housing Corporation and the Farm Credit Corporation. There are also loans we make to others including both domestic programs and aid to underdeveloped countries. The total net requirements for these loans and investments this year I forecast at about \$1550 million. Offsetting these are net cash receipts of about \$620 million from government employee pension funds, annuities sold, insurance, etc., and from the surplus building up, for the present, in the Old Age Security fund, and miscellaneous net receipts of about \$110 million.

Taking these and various other smaller transactions into account, but without trying to forecast requirements for the exchange fund arising from the future balance of international payments, I estimate our total requirements for cash—to be met from public debt operations or by reduction of our bank balances—at \$1520 million, compared with \$719 million in the past fiscal year. Our balances of Canadian cash at March 31st were \$796 million, including \$188 million arising from the refundable corporation tax, which have been segregated in our accounts but which I now intend to treat like any other part of our balances pending their repayment. That net repayment this year will amount to \$52 million, over and above the other requirements I have mentioned.

We may with prudence use some of these high cash balances to meet our requirements during the year. However, it is evident that we face a major task in borrowing cash this year. In the fiscal year to date our net sale of market issues including Treasury Bills amounts to \$245 million and I hope to make further progress in this area during the summer. We shall probably be able to sell about

\$100 million of non-marketable issues to the Unemployment Insurance Fund. We shall sell Canada Savings Bonds vigorously again this year as they enable us to reach sources of saving that few other borrowers are able to attract on such a scale. Because the total flow of savings in the economy has remained high, I am confident that the Canadian government's large requirements in this fiscal year will be met successfully.

Budget Policy and Tax Changes

The economic conditions and budget position which I have outlined for this year pose an important and difficult problem in fiscal policy for us. The pressure of demands upon the economy has relaxed moderately since last year, and it appears that the expansion of production this year may not carry the economy to what had formerly been regarded as its full potential capacity. On the other hand, the problem of abnormal price and cost increases remains with us. It is important that these inflationary forces be checked in the interests of long-term growth and stability.

The economy is in a state of approximate balance during a period of readjustment, cooling off somewhat from the overheated condition of last year.

The modest prospective deficit in the federal budget in terms of our national economic accounts will be a moderate sustaining force this year. Our lending operations are a more important force both in sustaining activity, notably in house building, and in setting the stage for further improvement next year and subsequently.

Consequently, our prospective budgetary and borrowing position is a necessary and desirable one this year. It will be a constructive element in the economy. Moreover, I believe that we can safely and properly make some tax changes for the purpose of reducing prices and costs, which I will set forth in a moment, even though they reduce modestly our prospective tax revenues.

Given this background and policy I would expect to see a gross national product for Canada this year higher than last year's by between 6½ and 7 per cent—say 6¾ per cent, which I have used in estimating our revenues. The increase could be more, but if so it would probably be accompanied by a further undesirable increase in prices. In the light of my earlier remarks I believe we cannot expect the price element in the increase of the gross national product to be less than 3 per cent. Should prices and the gross national product rise more than I have assumed, there would be some automatic increase in our revenues,

with a stabilizing effect. I would emphasize that the forecasting problem this year, like the policy problem, is more than usually difficult because of the process of readjustment we are going through.

Some persons, including some in this house, might well prefer that we should have reached the present position, in the budget and in the economy, with a lower level both of expenditures and taxes. This is a consistent position in economic terms, but it is not consistent with the views of this parliament, either of the opposition or of this government, as to the importance of our public expenditure programs. In any event this alternative is not open to us tonight.

• (9:10 p.m.)

In these circumstances, and in accordance with this general policy, I am proposing tonight a few reductions in sales taxes and tariffs which together with major tariff changes to be announced in July, should help to reduce costs and prices, and promote efficiency. The modest increases in aggregate demand that result from these changes will be of a size and nature that will help in sustaining production in this year of transition without adding to the general pressures upon prices and costs.

After reviewing the various requests and suggestions I have received for changes of detail in the income tax, pending the major reform scheduled for next year, I have decided not to propose any amendments to the Income Tax Act in this Budget. This should be welcome to a Parliament that has already dealt with many income tax matters in the past year and must look forward to much important and difficult work on the Income Tax in 1968.

As a result the tax changes being proposed are relatively simple and will I believe be generally welcome and beneficial.

Drugs

The first change I am proposing is the removal of the sales tax on drugs as part of a major government attack on high drug prices. The purpose is to benefit the consumer, particularly the unfortunate consumer who has to pay large amounts for medicine for himself or his family. The Special Committee of the House on Drug Costs and Prices has made a comprehensive report in which this step is recommended along with others. My colleagues who have particular responsibilities relating to drugs will be announcing shortly the government's policy relating to some of the other recommendations of the Committee.

[Mr. Sharp.]

The removal of the sales tax must be part of an effective program to reduce drug prices, which requires competition within the industry in Canada and from abroad.

I am accepting the Committee's recommendation that action be taken to confine the application of dumping duties to drugs of a kind made in Canada, rather than to those of a class or kind made in Canada. The necessary Order in Council has been made today under the authority of Section 6 of the Customs Tariff. This change will narrow considerably the scope of application of the dumping duty and should encourage greater price competition.

It is not necessary now in my view to ask the Tariff Board to review the tariff structure in drugs as the Committee recommended. I have had my department do so already and I am proposing in the Tariff Resolutions tabled tonight a new schedule of rates to go into effect immediately. These proposals have been taken into account in our negotiations in Geneva, but our chief objective in making the changes is to benefit the Canadian consumer.

With regard to the sale tax, I am proposing an exemption of a general character covering all drugs, whether prescribed or not, or whether for human or animal use. I considered the narrower exemption covering only prescribed drugs which the Committee recommended but this is difficult to define for a manufacturers' tax unless one lists the particular drugs to which it applies, presumably those saleable only by prescription. This would omit many common drugs that are extensively used and the government therefore favours the broader, more understandable exemption.

A serious problem arises in regard to the timing of the sales tax exemption for drugs, and its relation to the inventories of wholesalers and retailers acquired before the exemption. It is quite impractical to refund the tax that has been paid on such goods in stock, and it would be contrary to our general practice. It is most desirable that the reduction in the cost represented by the tax should be passed on to the consumer as soon as possible after it occurs. It is also desirable that the trade should be aware of the related changes in policy. I am therefore proposing that the sales tax exemption should take effect three months from now, on September 1st. Consumers should not expect the removal of the sales tax to be fully reflected in drug prices before that time.

The loss in revenue resulting from the sales tax exemption for drugs, as proposed, is es-

timated at \$22 million per year—and perhaps half that figure for the current fiscal year. Three quarters of the reduction is in budgetary revenue, and one quarter in the Old Age Security Tax.

These changes in the sales tax, the tariff and the dumping duties taken together, along with the proposals to be announced by my colleagues, should bring about increased competition in the sale of drugs in Canada and in due course savings to the consumer greater than the amount of sales tax removed.

Production Machinery

[Translation]

My second major tax change relates to production machinery and apparatus. When we proposed that 6 percentage points of sales tax apply to production machinery and apparatus until next April 1st, we wished to induce the postponement of some capital expenditures. In the present economic circumstances we no longer wish to restrain capital expenditures and I am proposing that this remaining 6 per cent tax be removed immediately. This action will provide an additional benefit in reducing somewhat the costs of production in future arising from the acquisition of such machinery and equipment this year, thereby enabling Canadian producers to compete more effectively in future with producers outside of Canada.

I estimate this change will reduce revenues by about \$60 million in this fiscal year, half of it in budgetary revenues and half of it in receipts of the Old Age Security fund.

I have considered numerous suggestions that I should remove the special excise taxes applicable to television sets, radios, phonographs, electronic tubes, jewelry and certain other goods. I have decided to consider these in connection with our program for tax reform but not to act on them at this time. I see no economic or social reasons that would justify the fairly substantial loss of the revenue this year and we would only be able to replace the revenue in the context of more general changes.

I have also received suggestions that the tax should be removed from television sets capable of receiving Ultra High Frequency telecasts, as a means of promoting the sale of such sets and thereby encouraging the use of many more television broadcasting channels. While I am sympathetic to the purpose for which this suggestion is made, I think it can better be achieved in another way.

• (9:20 p.m.)

[English]

Tariffs

I would like to mention three of the tariff changes I am proposing this evening.

The first relates to the tariff item which provides duty free entry for "internal combustion tractors". The proposed amendment is designed to restore the scope of this item to what it was prior to a declaration of the Tariff Board last September. When this item was first introduced into the Tariff there was little doubt as to the meaning of the term "tractor". However, over the years, advances in technology and changes in design brought about a gradual evolution of various kinds of self-propelled machines such as front-end loaders, dozers and log skidders.

Faced with the growing difficulty of drawing a distinction between tractors and other machines, the Department of National Revenue asked the Tariff Board to clarify the legal position and state what criteria should govern the classification of goods under the tractor item as opposed to other tariff items. The Tariff Board on September 20, 1966, made a declaration in which it set forth a number of criteria. These criteria brought within the scope of the item a number of classes of machines which had not previously been admitted duty free under the Most-Favoured-Nation Tariff, namely front-end loaders or tractor shovels, tractor dozers, log skidders and log loaders.

The Board made it clear it was ruling on the legal meaning of the tariff item and pointed out that in making such a legal ruling it could not take into account the effects on Canadian production.

The proposed amendment to the item will exclude from it the integrated self-propelled special purpose machines I have mentioned, and for greater certainty, a number of others that are not now being admitted under this tariff item. Production facilities for many of these machines had been established in Canada over the years, on the understanding that the equipment was properly dutiable under the machinery items in the Tariff. Tractor dozers, log skidders and log loaders will revert to the tariff classification that prevailed before the Tariff Board decision. I propose that the duty on integrated front-end loaders or tractor shovels be 15 per cent most favoured nation instead of 22½ per cent. For this purpose I shall recommend a new tariff item. Farm tractors and other tractors will of course remain duty-free.

To explain the second tariff change I should recall that there has been a prohibition on the importation of margarine and similar substitutes for butter for many years. This rigid prohibition has been a source of hardship to people who suffer from certain allergies and have been denied access to special kinds of margarine not made in Canada.

I have had many letters and I am sure many members of the house have had similar representations.

I am proposing that the Governor in Council be given power to make exemptions from this prohibition by regulation in special cases.

The third proposed tariff change relates to the automotive program. There is now a tariff provision for a 99 per cent drawback of the duty payable on machinery and certain apparatus and precision instruments of a class or kind not made in Canada when used in the manufacture of motor vehicles and vehicle parts. This provision is being broadened and is also being extended to cover manufacturers of motor vehicle accessories. This should be of particular benefit to the smaller Canadian firms producing automobile accessories.

Apart from those arising out of the Kennedy round which I will be introducing, the other tariff changes I am proposing either continue existing provisions for a further period or are of a relieving nature.

The tariff resolutions I am putting forward tonight would involve a small reduction in

customs revenue but this should be fully offset by the increase in customs revenue to be expected as a result of the increased imports of production machinery resulting from the removal of the remaining portion of the sales tax on it. Customs revenues will of course be affected by the tariff changes resulting from the Kennedy Round agreements but these will not go into effect immediately and the revenue changes will occur only in the last months of the fiscal year. I have decided it would be unwise and unnecessary to try to anticipate them here.

Adjusted Budgetary Outlook

The tax changes I have proposed would reduce our budgetary revenues by an estimated \$40 million in all this current fiscal year, and increase our forecast deficit by that amount—to \$740 million. They will also reduce our Old Age Security fund revenues an estimated \$33 million. This will leave a deficit of revenues, in our national economic accounts of about \$300 million. Our overall cash requirements will also be increased by \$73 million—to about \$1590 million in all. If the House agrees Mr. Speaker, I would include in *Hansard* at this point a table showing forecast revenues before and after tax changes.

Some hon. Members: Agreed.

[*Editor's note: The table above referred to is as follows:*]

TABLE II
1967-68 BUDGETARY AND OLD AGE SECURITY FUND REVENUES

	Before Tax Changes	After Tax Changes
	(\$ million)	(\$ million)
<i>Budgetary Revenues</i>		
Personal income tax.....	2,815	2,815
Corporation income tax.....	1,570	1,570
Non-resident withholding tax.....	190	190
Estate tax.....	110	110
Customs duties.....	815	815
Sales tax.....	1,695	1,655
Other duties and taxes.....	835	835
Total taxes.....	8,030	7,990
Non-tax revenues.....	970	970
Total budgetary revenues.....	9,000	8,960
<i>Old Age Security Revenues</i>		
Personal income tax.....	785	785
Corporation income tax.....	161	161
Sales tax.....	597	564
Total old age security revenues.....	1,543	1,510

[Mr. Sharp.]

Mr. Sharp:

Conclusion

Mr. Speaker, this is a budget for further progress, both in terms of our economic well-being and in terms of our continuing effort to pace our prosperity.

This year, just as in 1966, there is no one-shot economic nostrum guaranteed to keep us healthy through the coming year. During the past 18 months our flexible approach was the most effective approach possible. This budget should be seen as a further stage in the continuing process of economic adjustment.

The decision against an increase in income tax rates is a positive step allowing our budget to exert the degree of support our economy requires this year. Meanwhile we have launched a major program to bring down drug prices. We have gained in the Kennedy Round tariff agreements a further measure to add to the wide array of programs by which we are seeking to modernize our economic structure and increase our productivity. We must continue to pursue vigorously these long-range reforms. At the same time our immediate goal is clear: to achieve a steady, balanced economic advance, avoiding the reefs of inflation and other economic dangers that could wreck our hopes for continued growth.

RESOLUTIONS

EXCISE TAX ACT RESOLUTION

That it is expedient to introduce a measure to amend the Excise Tax Act and to provide among other things:

1. That effective June 2, 1967, all goods listed in Schedule V to the said Act be exempt from sales tax.

2. That effective September 1, 1967, any material, substance, mixture, compound or preparation, of whatever composition or in whatever form, including materials for use exclusively in the manufacture thereof, sold or represented for use in the diagnosis, treat-

ment, mitigation or prevention of a disease, disorder, abnormal physical state, or the symptoms thereof, in humans or animals, or for restoring, correcting or modifying organic functions in humans or animals be exempt from sales tax but that this exemption shall not apply to cosmetics or confectionery products.

3. That effective June 2, 1967, goods enumerated in tariff item 48100-1, namely "specially constructed boot or appliance made to order for a person having a crippled or deformed foot or ankle", and in tariff item 48105-1, namely "individual pairs of boots or shoes for defective or abnormal feet, when purchased on the written order of a registered medical practitioner", and articles and materials for use exclusively in the manufacture thereof be exempt from sales tax.

4. That effective June 2, 1967, artificial breathing apparatuses purchased or leased on the written order of a registered medical practitioner by an individual afflicted by a respiratory disorder for his own use be exempt from sales tax.

5. That effective June 2, 1967, plans, drawings, related specifications and substitutes therefor, and reproductions of the foregoing sold to or imported by manufacturers or producers for use by them directly in the manufacture or production of goods be exempt from sales tax.

6. That where materials for use exclusively in the construction of residences for students have been purchased by or on behalf of a company wholly-owned and controlled by Her Majesty in right of a province and established for the sole purpose of providing residences for students of universities or other similar educational institutions, the Minister of National Revenue may, upon application by the company made in such form as the Minister prescribes within two years from the time of the purchase of the materials, pay to the company an amount equal to the tax imposed by Part VI of the said Act that has been paid in respect thereof.

CUSTOMS TARIFF

1. Resolved, that Schedule A to the *Customs Tariff* be amended by striking out tariff items 20925-1, 21045-1, 22001-1 and the heading thereto, 22002-1 and the heading thereto, 22003-1 and the heading thereto, 26325-1, 40938-1, 42761-1 and the heading thereto, 42762-1 and the heading thereto, 44043-1, 44047-1, 47600-1, 56400-1 and 69315-1, and the enumerations of goods and the rates of duty set opposite each of those items, and by inserting therein the following items, enumerations of goods and rates of duty:

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
				British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
3805-1 Yeast, <i>n.o.p.</i>	5 p.c.	10 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
15640-1 Tequila.....per gallon of the strength of proof <i>and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof</i> <i>When the goods specified in this item are of greater or less strength than the strength of proof, the measurement thereof and the amount of duty payable thereon shall be increased or decreased in proportion for any greater or less strength than the strength of proof.</i>	\$5.00	\$5.00	\$10.00	\$5.00	\$10.00	\$10.00
20925-1 Potassium chloride..... (Applicable to December 31, 1968)	Free	Free	25 p.c.	Free	Free	25 p.c. (Applicable to December 31, 1967)
21045-1 Sodium hypochlorite in solution..... (Applicable to December 31, 1968)	15 p.c.	20 p.c.	30 p.c.	15 p.c.	20 p.c.	30 p.c. (Applicable to December 31, 1967)
22001-1 All medicinal and pharmaceutical preparations, compounded of more than one substance, <i>whether or not containing alcohol</i> , including patent and proprietary preparations, tinctures, pills, powders, troches, lozenges, filled capsules, tablets, syrups, cordials, bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters, essences and oils..	15 p.c.	15 p.c.	25 p.c.	17½ p.c. 17½ p.c. 25 p.c.	20 p.c. 20 p.c. 25 p.c.	25 p.c. 40 p.c. 60 p.c.

Any article in this item containing more than forty per cent of proof spirit shall be rated for duty at		\$1.50	\$1.50	\$2.00	\$2.00	\$2.00	\$3.00
.....per gallon and		15 p.c.	15 p.c.	25 p.c.	20 p.c.	20 p.c.	30 p.c.
22003-1	Drugs, n.o.p.....	15 p.c.	15 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
26325-1	Compounds of tetramethyl lead, in which tetramethyl lead is the preponderant constituent by weight..... (Applicable to December 31, 1968)	12½ p.c.	12½ p.c.	25 p.c.	12½ p.c.	12½ p.c. (Applicable to December 31, 1967)	25 p.c.
35240-1	Moulded shuttle blanks, not further manufactured than moulded, with or without metal tips, for use in the manufacture of shuttles.....	10 p.c.	10 p.c.	30 p.c.	10 p.c.	10 p.c.	30 p.c.
40938-1	Internal combustion tractors other than highway truck-tractors and other than the following integrated self-propelled machines: front-end loaders or tractor shovels, tractor dozers, log skidders, log loaders, fork lift or lift trucks, combination excavating and transporting scraper units, combination excavating and loading machines, street sweepers, mobile compressors, and snow moving machines; accessories, n.o.p., and parts thereof, for tractors entitled to entry under this item; parts of tractors entitled to entry under this item.....	Free	Free	Free	Free	Free	Free
42711-1	Integrated self-propelled machines commonly known as front-end loaders or tractor shovels; parts of the foregoing.....	2½ p.c.	15 p.c.	35 p.c.	Free 10 p.c.	Free 22½ p.c.	Free 35 p.c.
	Machines and tools, including blades, loaders, rippers, rakes and related operating and controlling gear; all the foregoing for use on internal combustion tractors entitled to entry under tariff item 40938-1:						
42761-1	Of a class or kind made in Canada; parts thereof...	10 p.c.	22½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
42762-1	Of a class or kind not made in Canada; parts thereof.....	Free	7½ p.c.	35 p.c.	Free	7½ p.c.	35 p.c.

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
				British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
Aircraft, not including engines, under such regulations as the Minister may prescribe:						
44043-1 When of types or sizes not made in Canada..... on and after July 1, 1963	Free Free	Free 15 p.c.	27½ p.c. 27½ p.c.	Free Free	Free 15 p.c. (on and after July 1, 1967)	27½ p.c. 27½ p.c.
Aircraft engines, when imported for use in the equipment of aircraft:						
44047-1 When of types or sizes not made in Canada..... on and after July 1, 1963	Free Free	Free 15 p.c.	27½ p.c. 27½ p.c.	Free Free	Free 15 p.c. (on and after July 1, 1967)	27½ p.c. 27½ p.c.
46241-1 Microfilm reader-printers and parts thereof.....	Free	Free	10 p.c.	2½ p.c.	15 p.c.	30 p.c.
47600-1 Surgical and dental instruments of any material; surgical needles; clinical thermometers and cases therefor; X-ray apparatus and X-ray film; microscopes valued at not less than fifty dollars each, retail; parts of the foregoing; electric light lamps designed for use with the foregoing.....	Free	Free	Free	Free 10 p.c. Various	Free 22½ p.c. Various	Free 35 p.c. Various
56400-1 Church vestments, prayer shawls, prayer shawl fringes and prayer shawl bags; parts thereof.....	10 p.c.	10 p.c.	20 p.c.	10 p.c. 20 p.c. 25 p.c. Various	10 p.c. 27½ p.c. 25 p.c. Various	20 p.c. 50 p.c. 35 p.c. Various
69315-1 Antiquities (other than spirits or wines) produced more than one hundred years prior to date of importation, under such regulations, including proof of antiquity, as may be prescribed by the Minister.....	Free	Free	Free	Free Various	Free Various	Free Various

2. Resolved, that Schedule B to the *Customs Tariff* be amended by striking out item 97052-1 and the enumeration of goods and the rate of drawback of duty set opposite that item, and by inserting therein the following item, enumeration of goods and rate of drawback of duty:

Item No.	Goods	When Subject to Drawback	Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback
97052-1	Machines, precision instruments, apparatus, and control panels therefor; all of the foregoing of a class or kind not made in Canada; accessories and attachments for use with the aforementioned machines, precision instruments and apparatus; parts of all the foregoing, not including consumable tools.	<p>When used</p> <p>(a) in the plants of manufacturers of motor vehicles, motor vehicle parts, or <i>motor vehicle accessories and parts thereof</i> for the manufacture of motor vehicles, motor vehicle parts, or <i>motor vehicle accessories and parts thereof</i>; or</p> <p>(b) for the manufacture of:</p> <p>(i) dies, jigs, fixtures, moulds, and <i>patterns therefor</i>;</p> <p>(ii) <i>cutting tools and parts thereof, for use with machines</i>;</p> <p><i>all of the foregoing for use in the production of motor vehicles, motor vehicle parts, or motor vehicle accessories and parts thereof.</i></p>	99 p.c.

3. Resolved, that Schedule C to the *Customs Tariff* be amended by striking out item 99204-1 and the enumeration of goods set opposite that item, and by inserting therein the following item and enumeration of goods:

99204-1	Oleomargarine, butterine or other similar substitutes for butter, and process butter or renovated butter, <i>unless in any particular case or class of cases exempted from the provisions of this item by a regulation of the Governor in Council.</i>
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4. Resolved, that any enactment founded upon the foregoing resolutions shall be deemed to have come into force on the 2nd day of June, 1967, and to have applied to all goods mentioned in the said resolution imported or taken out of warehouse for consumption on or after that day, and to have applied to goods previously imported for which no entry for consumption was made before that day.

FEDERAL GOVERNMENT REVENUE AND EXPENDITURE
ON NATIONAL ACCOUNTS BASIS

	1965-66	1966-67 Estimate	1967-68 forecast before tax changes
(millions of dollars)			
A.—REVENUE			
1. Direct taxes, persons.....	2,755	3,154	3,698
2. Direct taxes, corporations ⁽¹⁾	1,627	1,620	1,585
3. Withholding taxes.....	170	205	189
4. Indirect taxes.....	3,364	3,646	3,978
5. Investment income.....	628	670	801
6. Insurance and pension funds.....	612	703	743
7. Total revenue.....	9,156	9,998	10,994
B.—EXPENDITURE			
1. Goods and services: defence.....	1,583	1,670	1,717
2. Goods and services: other.....	1,813	2,273	2,554
3. Transfers to persons.....	2,334	2,587	3,092
4. Interest on public debt.....	1,077	1,159	1,237
5. Subsidies.....	269	397	444
6. Capital assistance.....	72	65	72
7. Transfers to other levels of government.....	1,432	1,706	2,106
8. Total expenditure.....	8,580	9,857	11,222
C.—SURPLUS (+) or DEFICIT (-).....	+576	+141	-228

⁽¹⁾ Excludes taxes on government business enterprises. These taxes are included with government investment income.

FEDERAL GOVERNMENT EXPENDITURE: RECONCILIATION OF PUBLIC ACCOUNTS AND
NATIONAL ACCOUNTS PRESENTATIONS

	1965-66	1966-67 estimate	1967-68 forecast before tax changes
	(millions of dollars)		
1. Budgetary expenditure.....	7,735	8,794	9,700
2. Supplementary period adjustment ⁽¹⁾	- 6	-116	7
3. Expenditures of extra-budgetary funds			
Old age security fund payments.....	927	1,075	1,401
Unemployment insurance benefits.....	298	307	372
Government pension fund payments.....	114	128	140
Prairie farm assistance payments.....	7	6	6
4. Transfers to extra-budgetary funds.....	- 66	- 69	- 73
5. Adjustment to place other government funds and Crown agencies on a disbursement basis ⁽²⁾	- 16	42	92
6. Budgetary expenditures offset againt income of government busi- ness enterprises.....	-242	-265	-283
Post Office expenditures.....	-104	- 74	- 69
Deficits of government business enterprises.....	- 99	- 99	- 99
7. Reserves and write-offs.....	- 59	- 78	-167
8. Budgetary revenue items offset against budgetary expenditures ⁽³⁾ ..	-127	-140	-150
9. Other adjustments to budgetary expenditure.....	119	247	246
10. Total expenditure, National Accounts basis.....	8,580	9,857	11,222
11. Surplus or deficit, National Accounts basis.....	576	141	-228
12. Surplus or deficit, budgetary basis.....	(- 39)	(-428)	(-700)
13. Total, National Accounts basis.....	9,156	9,998	10,994

⁽¹⁾ In the national accounts, expenditures on goods and services in the supplementary period are split evenly between adjacent fiscal years. Most other expenditure items are shifted entirely to the next fiscal year.

⁽²⁾ This adjustment replaces budgetary appropriations to various funds and agencies by the outlays actually made by these funds and agencies.

⁽³⁾ The largest component of this item consists of revenue from sales of goods and services by the government sector. These sales appear as final expenditure of the private sector and are deducted to avoid double counting.

FEDERAL GOVERNMENT REVENUE: RECONCILIATION OF PUBLIC ACCOUNTS
AND NATIONAL ACCOUNTS PRESENTATIONS

	1965-66	1966-67 estimate	1967-68 forecast before tax changes
	(millions of dollars)		
1. Budgetary revenue.....	7,696	8,366	9,000
2. Supplementary period adjustment ⁽¹⁾	56	7	- 16
3. Extra-budgetary revenues			
Old age security tax collections.....	1,169	1,281	1,546
Unemployment insurance, employer and employee contributions	328	340	370
Government pension funds, employer and employee contribu- tions.....	301	363	373
Prairie Farm Assistance Act levy.....	10	11	11
Interest receipts on social insurance and pension accounts.....	181	196	226
4. Corporate income tax ⁽²⁾ : excess (+) of accruals over collections....	-128	-112	-135
5. Profits before taxes (net of losses) of government business enterprises	242	204	268
6. Interest on loans, advances and investments.....	222	270	307
7. Less: Budgetary return on investments.....	-488	-522	-556
8. Less: Postal revenue.....	-237	-256	-260
9. Budgetary revenue items offset against budgetary expenditures ⁽³⁾	-127	-140	-150
10. All other adjustments to budgetary revenue.....	- 69	- 10	10
11. Total revenue, National Accounts basis.....	9,156	9,998	10,994

⁽¹⁾ In the national accounts, revenues in the supplementary period are shifted to the following fiscal year.

⁽²⁾ Taxes on government business enterprises are excluded from this item and included in item 5.

⁽³⁾ See also footnote 3, expenditure reconciliation.

BUDGET PAPERS

presented by

the Honourable Mitchell Sharp, M.P.,

Minister of Finance

for the information of Parliament

in connection with the Budget of 1967-1968

FOREWORD

The purpose of these Papers is twofold:

1. to present a general economic review of 1966, bringing together in one place and in convenient form some of the more comprehensive indicators of economic conditions prepared by the Dominion Bureau of Statistics, the Bank of Canada and other Government Agencies, together with some comments;
2. to present a preliminary review of the Government Accounts for the fiscal year ending March 31, 1967.

PART I

Economic White Paper for 1967

	<u>PAGE</u>
The Canadian Economy—Review and Outlook.....	7
Summary review of 1966.....	7
Outlook in 1967.....	10
Pressure of Demand.....	14
Private and Public Investment.....	16
Personal Expenditure.....	19
Movement of Inventories.....	21
Exports of Goods and Services.....	23
Government Expenditures.....	25
Problems of Supply.....	25
Manpower Developments.....	25
Employment.....	28
Regional Employment Trends.....	29
Income Developments.....	33
Output, Productivity and Production Costs.....	35
Price Developments.....	42
Imports of Goods and Services.....	46
Government Sector.....	48
Balance of Payments.....	53
Current Account.....	53
Capital Account and Reserves.....	58
Source and Disposition of Saving.....	60
Financial Sector.....	62
Introduction.....	62
Demand and Supply of Funds through the Capital Markets.....	63
Federal Government Debt Management.....	69
Index to Reference Tables.....	73

The tables and charts in this Budget Paper are based upon estimates provided by the Dominion Bureau of Statistics, the Bank of Canada and other government agencies. Some of the figures appear for the first time; others have been published elsewhere. All 1966 estimates are preliminary and subject to revision.

ECONOMIC REVIEW FOR 1966

THE CANADIAN ECONOMY: REVIEW AND OUTLOOK

The year 1966 began with great pressure on Canadian productive capacity and a rate of increase in output which was too great to be sustained. Associated with this pressure were substantial increases in costs and prices, which threatened the basis upon which the long period of business expansion had been founded. Expenditures of all kinds were rising rapidly, and the economy was in general being overloaded.

The generally well-balanced nature of Canada's economic progress during the years 1961 to 1965 was a notable feature of that period. The expansion in output which occurred, by exceeding the underlying growth in Canada's productive capacity, progressively absorbed unused resources of labour, plant and equipment. As these resources came close to full employment in the latter part of 1965 it became necessary to moderate the rate of advance, to avoid an economic disruption. During 1966 some desirable adjustments did in fact take place, influenced to a large extent by the monetary and fiscal climate of the period.

The objective of the 1966 Budget was a successful transition to a sustainable rate of growth, in which the growth in output would keep pace with the growth in productive capacity without bringing about either excessive cost and price pressures or slack in the economy. The achievement of such a transition depends upon avoiding excessive increases in *particular* costs and prices on the one hand, and in the inventories, output or capacity of *particular* industries on the other, which cannot be absorbed without such serious readjustments as to threaten the stability of the economy as a whole. Events during 1966 indicated that excesses had developed, and measures designed to restore a better balance within the economy were put into effect. Afterwards there were continued, but more moderate, gains in output, employment and expenditures through the remainder of the year. The effects of excessive pressure, as reflected in price and cost movements, did not begin to diminish until the end of the year, and they continued, in a somewhat lesser degree, into 1967.

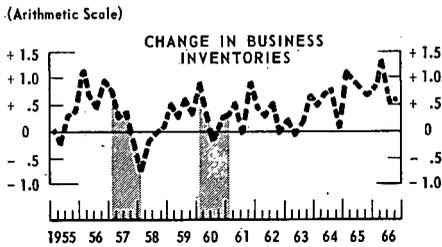
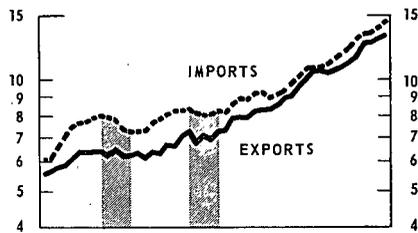
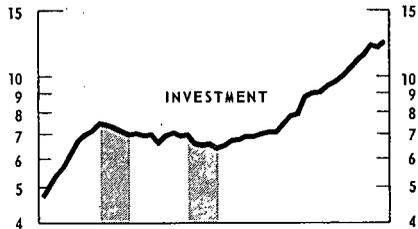
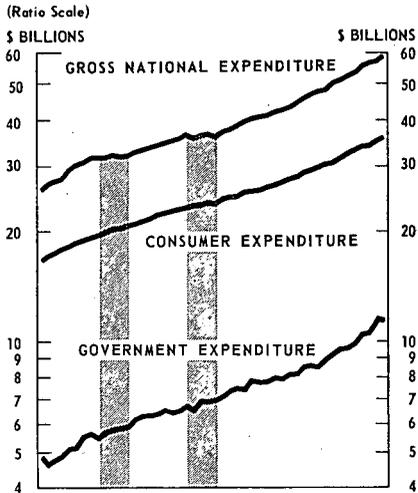
These developments, together with the largest wheat crop ever harvested, resulted in a gross national product in money terms that was 10.9 per cent higher than in 1965 (reference table 1). Prices, as measured in the national accounts, averaged 4.6 per cent higher. Real GNP thus rose by 5.9 per cent. (Major reference tables will be found beginning on page 75).

Expenditures

The pace of events in 1966 was set by the demands on the economy. During the latter months of 1965 activity in the construction industry had mounted, as the business sector stepped up its investment expenditures and as government outlays on public works and social capital needs continued to expand. These pressures continued into early 1966. At this time exports rose sharply, increasing by over 8 per cent in the first quarter as U.S. economic activity accelerated. Government purchases of goods and services rose strongly. Inventories

CHART 1
**GROSS NATIONAL EXPENDITURE
 AND SELECTED COMPONENTS
 IN CURRENT DOLLARS
 1955 - 1966**

(SEASONALLY ADJUSTED AT ANNUAL RATES)
 BY QUARTERS



began to mount. Consumer expenditures advanced more moderately than previously, but still added substantially to the first-quarter increase in demand. These developments are summarized in reference tables 2 and 3.

In view of this strength in demand, the business sector revised its investment plans upward, a development which would have added still further to demand pressure. As prices rose and other evidence of strains upon supply capacity became evident this led to attempts to accelerate some expenditures. However, consumer expenditures in the second quarter advanced only fractionally, reflecting a number of special circumstances; the growth in government expenditures temporarily slowed down; and exports receded slightly from the exceptional first-quarter levels. In the later months of the year the large consumer sector resumed a comparatively rapid rate of growth, which provided strong and stable support to total expenditures. Government outlays also resumed more rapid growth. But the growth in business investment, which had been very rapid for three years, slowed down during the second half of the year.

Despite the pressures on the economy, the deficit on current international account declined moderately in 1966 to a level of about \$1 billion. The reasons for this decline are not yet fully apparent. However, the explanation lies in part in larger wheat exports and some improvement in the balance on trade in automotive products.

Employment, Output and Productivity

The labour force and total employment in 1966 grew at very rapid rates, by comparison with recent Canadian experience and by comparison with other industrialized countries. This was a direct response to the high and rising level of demand for goods and services. The sources of growth were natural increase in the population of working age, higher labour force participation by women, and increased net immigration.

The sustained demand for workers led to a further decline in the annual average unemployment rate, which fell from 3.9 per cent in 1965 to 3.6 per cent in 1966. It also brought into the labour force a number of part-time workers; while 149,000 more women had jobs in 1966, 20,000 of these worked only part time. Many others, especially the younger ones, lacked experience.

Partly as a result of these developments, the gain in productivity per worker in the non-agricultural economy was very small during the year. Output of non-farm goods and services, or real domestic product, rose by 6.3 per cent during 1966, and the 5.4 per cent increase in non-agricultural employment indicated a gain in output per worker of less than one per cent.

Agriculture made a particularly notable contribution to total output in 1966. The bumper prairie grain crop was the main factor in the sharp increase of 12 per cent in total farm output.

Costs and Prices

As the demand for labour continued at high levels in most parts of Canada, wage rates moved up rapidly in most industries. This acceleration, which had first appeared in the construction trades, spread to both goods production and the service industries. New contract settlements provided for higher gains than have occurred in recent years, and longer-term contracts provide for further increases in the next two or three years.

This combination of higher wage rates and a relatively small advance in productivity have brought about rising labour costs in production. In the manufacturing industries, where Canada's competitive position both at home and abroad is particularly important, labour costs for each unit produced, which had been falling as recently as 1964, rose by 3.8 per cent in 1966. In the non-farm economy as a whole, including government services, the 1966 rise in unit labour costs was 5.2 per cent. (No way has yet been found to measure productivity in government and non-commercial services, and it is assumed for statistical purposes to remain unchanged, which exaggerates increases in unit labour costs.)

Profits per unit of output in the non-farm commercial economy declined in 1966. In such circumstances, some price increases usually follow. While prices rose throughout the year, the rise was most rapid in the first quarter, when suppliers were best able to cover current or expected increases in costs. Consumer prices also were affected by this conjuncture of events, and shortages of certain foods intensified the upward pressure on prices. The degree of pressure on food prices moderated as the year wore on. Increases in costs continued at high rates throughout 1966, even after demand pressures had moderated.

Monetary Developments

The high level of investment activity, and of economic activity generally, was reflected in heavy demands for credit. This occurred at a time when international capital movements also were affected by sustained demand for funds and high interest rates in the major industrialized countries. Interest rates in Canada, reflecting both the intense domestic competition for savings and the need to compete in U.S. markets for funds to finance the deficit on current account in the balance of payments, reached levels not recorded since the 1920's and remained quite high until the closing weeks of the year.

Outlook in 1967

The following review of the main segments of expenditure suggests that the growth in output in 1967 will be considerably less than that of 1966. Prices and costs are likely to increase again, although more moderately, as the pressures generated in 1966 work through the economy.

Consumer expenditures in 1967 are expected to constitute an element of strength in overall demand. Purchases of durable goods should be sustained by the continued strength of disposable income and the customary need for replacements. Some minor reductions may occur in the first half of the year, but an increase is likely during the second half of the year for non-automotive products because of an expected rise in housing activity. The remainder of personal expenditure, on non-durable goods and services, plays a very much larger part in the total than durable goods and is characterized by a steady long-term upward trend. Items such as food, clothing, shelter and professional services are purchased steadily. This imparts a substantial degree of stability to consumer expenditures and hence to GNP as a whole.

Expenditures by governments are expected to continue rising but at a more moderate rate than in 1966. Capital expenditures on schools, hospitals and universities are likely to rise substantially, while departmental outlays on public works such as buildings and highways are expected to continue at present levels.

Operating expenditures by governments can also be expected to increase at a more moderate rate in the coming year, even after allowing for the effects on government payrolls of the acceleration in wage rates that has been taking place in the Canadian economy over the past year or so.

The outlook for exports depends upon developments in the economies of Canada's principal trading partners. The very rapid increases in economic activity in the United States in 1966 have been followed by a more moderate rate of expansion. In the latter part of 1966 there was a substantial build-up of inventories, and observers consider that this level of inventories will be worked down in the first half of 1967. Recent surveys of business investment suggest little change in the first half of the year and a moderate increase for the year as a whole. Total GNP in the United States is expected to increase at a rate considerably below the rate achieved in 1966.

The prospects for Canada's exports to other countries are mixed. There has been little change in output in the United Kingdom and Germany in the latter part of 1966, but modest increases in both countries are now expected. France, Italy and other European countries are continuing to expand, but at slightly lower rates than foreseen earlier. In general, there has been in recent months some scaling down of expectations as to the increases in output likely to be achieved in Europe this year. The Japanese economy is expanding strongly, as are Canadian exports to that country. Wheat shipments to the U.S.S.R. and to Mainland China are continuing at a high level.

In summary, Canada's prospects for exports of goods are favourable for the coming year. The rapid upsurge of the past year cannot be expected to be repeated, but the 1967 increase should nevertheless be substantial.

Expo '67 and the Centennial celebrations across Canada are expected to add considerably to Canada's receipts on non-merchandise trade.

Changes in merchandise imports depend to a considerable extent on trends in purchases of producers' equipment and consumer durable goods. The prospective steadiness in Canadian outlays on these goods can be expected to lead to a much smaller increase in imports in 1967 than occurred in 1966.

On balance, the current account deficit might be expected to decrease slightly in 1967.

The investment outlook report recently published indicated a very small increase in new fixed investment in 1967, in sharp contrast to the average annual increase of 16 per cent recorded in the three preceding years. In 1966, total investment amounted to 25.8 per cent of GNP; in 1967, the ratio is expected to be about 24½ per cent.

PER CENT CHANGES IN INVESTMENT

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
	1963	1964	1965	1966
Business Capital.....	21.1	19.9	18.3	-0.2
Housing.....	18.4	5.2	2.3	-0.3
Institutions (Schools, hospitals, etc.)...	-11.7	31.3	17.2	16.5
Government Departments.....	<u>13.7</u>	<u>16.7</u>	<u>19.9</u>	<u>1.8</u>
Total Investment.....	<u>16.5</u>	<u>17.6</u>	<u>15.8</u>	<u>1.4</u>

This moderation of the rate of growth has been brought about by a combination of forces. The most important of these is undoubtedly a reaction from the large increases in investment which businesses tried to undertake in 1965 and 1966. In addition, businesses have been finding it more difficult to finance these large rates of increase, whether from their own internal sources or by borrowing, a reflection of the physical strain that had developed. Moreover, the increase in costs and the decline in unit profits that have taken place have undoubtedly influenced many investment plans.

Among industrial groups, manufacturing industries in recent years increased their outlays on fixed capital more rapidly than other industries, and their investment reached a sharp peak in 1966. Their plans for investment in 1967, together with information available on capacity utilization rates, suggests that these industries have completed their existing major projects and that there is now a better balance as between their existing fixed capital and their immediate market prospects.

Within manufacturing, a few specific industries such as iron and steel, pulp and paper products, chemicals and cement account for the bulk of the current decline in investment expenditures. These industries had previously experienced the most rapid increases in investment (in some cases owing to special circumstances), and now appear to have adequate capacity at current or immediately prospective levels of output. The levels of investment planned for 1967 by other manufacturing industries differ little from 1966.

Utilities and transportation industries are planning further expansion in their capital outlays, though the increase will be somewhat smaller than in 1966. Increases are also continuing in retail and wholesale trade. Planned fixed capital outlays in the commercial service industries are lower, probably as a result of the completion of projects connected with Expo '67. There is also a small decline forecast in finance, insurance and real estate.

An acceptable ratio between capital stocks and output appears to have been achieved by the large additions to plant capacity which were made in the past three years. At the same time, although the available information on capacity utilization rates is limited, there is little evidence of general excess capacity relative to existing markets, such as existed in 1957. On the contrary, the available evidence points to a better balance between physical capacity and output, so that the adjustment from exceptionally rapid increases in capital investment expenditures to a more normal and sustainable rate of increase can be expected to be accomplished reasonably soon.

In 1966 capital investment plans by business were affected by a shortage of available funds, resulting in part from a decline in retained cash flow and from very heavy competition for funds on the market. Government fiscal and monetary policies reinforced these constraints. These constraints have now been removed. Excessive demands for funds are no longer pressing on the capital market, a move toward world-wide monetary ease has become more apparent since the beginning of the year, and fiscal restraints on investment announced in the 1966 Budget have been removed. The investment plans of business at the beginning of 1967, as shown in the investment outlook survey, were prepared before the nature of these changed circumstances became evident, and may now be revised.

Residential construction activity is expected to increase during 1967 as more funds become available from market and government sources. The greater availability of funds from private sources will be in part a consequence of the less

vigorous competition from expanding business investment. In addition, the NHA interest rate was made more flexible and responsive to market conditions by relating it to the long-term government bond rate. It is also expected that the Bank Act revisions will make available additional funds as a result of chartered bank lending on residential mortgages. Continued direct lending by the Central Mortgage and Housing Corporation, which is undertaking a large spring lending programme for the first time in some years, will also contribute to the availability of mortgage funds. It is expected that there will be at least 150,000 new housing starts in 1967, a considerable improvement over the 135,000 starts of 1966. The house-building programme will gain momentum during the year, and this presages a higher level of house-building activity in 1968.

Inventory accumulation which was high in mid-1966 continued at a more moderate rate in the closing months of 1966, and there was a levelling off in inventory-sales ratios, which had been rising during the summer months. It is difficult to predict the trend in 1967, although it is possible that some working off of inventories may already have taken place. The situation varies by industry, some having adjusted their production to current shipments, while others have gone on increasing their stocks. New orders in some manufacturing industries have tended to level off, suggesting that some inventory stocks are being worked down to meet current demand. This adjustment has been taking place gradually, so that no large decline in inventory is expected in coming months. At the same time, not very much accumulation can be expected and hence inventory change is not likely to be an element of demand expansion in 1967.

To sum up the outlook for total demand during 1967, there will likely be considerable expansion in consumer spending on non-durable goods and services, government current outlays and exports. The strength of these factors, together with a smaller rise in imports than in 1966, should be more than sufficient to counterbalance the expected slower rate of increase in purchases of consumer durable goods and in business investment. Nevertheless, the growth in output, both in money and in real terms, is expected to be considerably less than the unsustainable rate of growth experienced in 1966.

Business fixed investment is expected to form a smaller proportion of gross national product than in 1966. Additions to inventories will also be substantially less. This means that the business sector will make less call upon the savings of the Canadian economy, which increase each year as the potential of the economy grows. Some of the savings will be absorbed by greater housing activity as the year progresses. Other savings may be absorbed by governments to the extent that the increase in government revenues, reflecting a more moderate growth in incomes, does not match the increase in planned expenditures. The crucial matter for the economy is how the balance between total saving and investment is reached. In periods when intended investment exceeds saving, pressures on costs and prices develop. On the other hand, when intended investment falls short of potential savings these savings need to be absorbed if resources are not to be wasted in idleness. The appropriate balance between saving and investment at high levels of employment, within a framework of price stability, is a delicate one to reach and sustain.

Supply

On the supply side, the present level of employment is over 96 per cent of the labour force; unemployment in the opening months of 1967 averaged about $3\frac{3}{4}$ per cent. Immigration is expected to continue at a high rate during 1967.

However, the year 1966 was one in which the proportion of the population of working age which actually participated in the labour force increased unusually rapidly, and it is unlikely that the 1967 participation rate will again record such a remarkable advance. Between 1965 and 1966 the participation rate increased from 54.4 to 55.1 per cent, with a large part of this increase occurring in the younger age groups and among female workers of all ages. As a result of a more moderate rise in the participation rate, the increase in the labour force is likely to be somewhat less rapid in coming months than it was in 1966.

The productivity performance of the economy in 1967 is particularly difficult to forecast. The results of 1966 were disappointing for reasons that are not yet clear. However, using recent performance as a short-term guide, the combination of productivity and employment gains suggests that non-farm output is capable of increasing substantially in 1967, even if at a more moderate rate than in 1966. Substantial increases in capital equipment in the past three years have improved the industrial base for further increases in output and productivity in the Canadian economy. In the agricultural sector, it cannot reasonably be expected that last year's record wheat crop will be duplicated. In all, it would be reasonable to expect an increase in the supply capability of the economy as a whole in the neighbourhood of four per cent in 1967.

It is also difficult to predict how long the process of adjustment among costs, prices and profits will continue, but further increases in costs and prices can be expected during 1967. The extent of the increase is uncertain; it will be less than in 1966, because of reduced pressures of demand, but larger than is desirable from a long-term point of view.

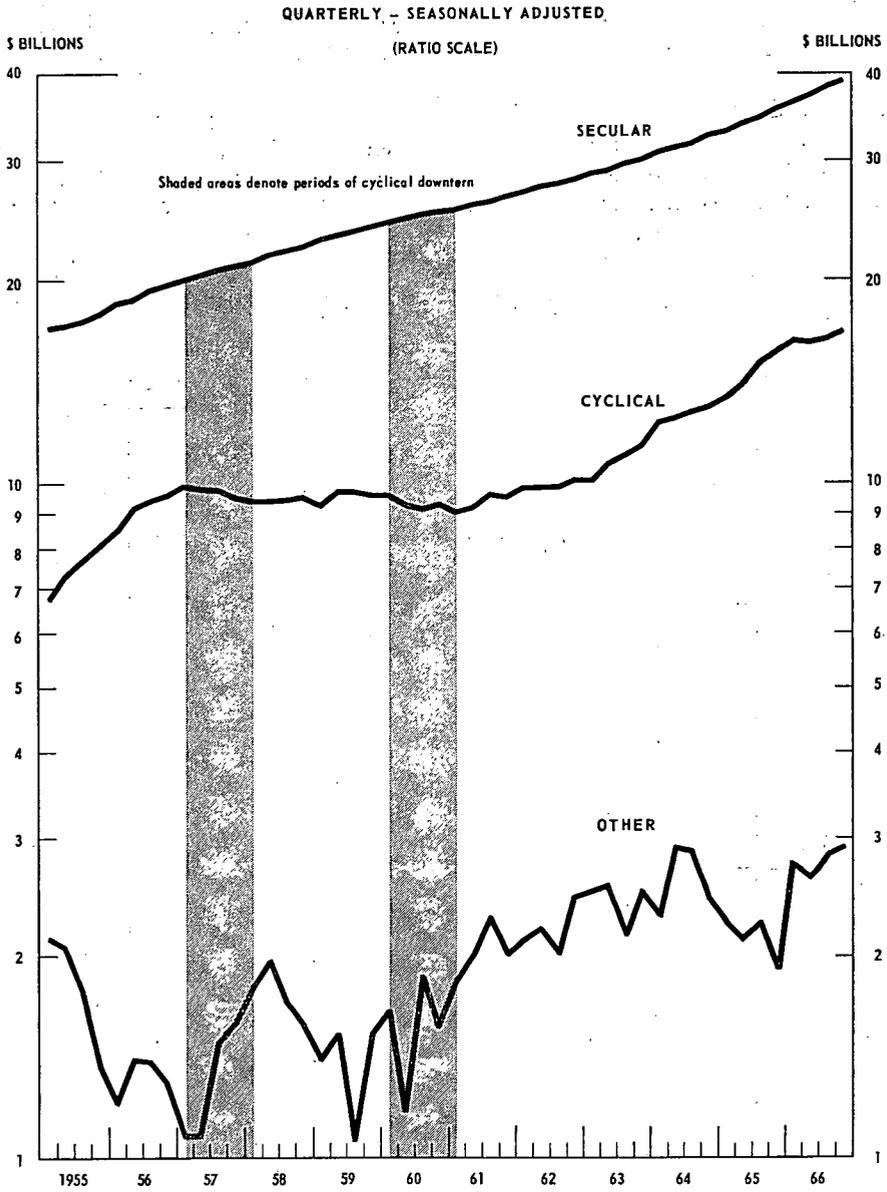
In the past, increases in costs have exceeded those of selling prices in later stages of expansion, and profits have levelled off or declined. The levelling off in profits has usually been followed, after a lag, by a slowing down in the rate of new investment. In the current situation fiscal and monetary policy has aimed at moderating the excessive increases in investment and bringing about a smooth adjustment to a sustainable rate of economic growth. Increases in output are currently more in line with the underlying potential for economic growth, and levels of employment have remained high. The relationship of increases in incomes to productivity gains remains a crucial question; if the rate of increase in incomes moderates and productivity can be improved, it should be possible to have a rapid and smooth adjustment as between prices and costs. In turn, this would provide a profitable basis for a continuing and steady growth in investment, and improve Canada's international economic position. These developments would help to ensure that sustained economic expansion would continue into 1968.

PRESSURES OF DEMAND

Demand for goods and services in the Canadian economy increased substantially in 1966. Following an unusually rapid rise in total demand in the latter half of 1965, the pace of demand quickened again in the first quarter of 1966. Consumer purchases of durables moved ahead, exports increased sharply, governments increased their expenditures, and there was a turnaround in inventory movements from decline to an accelerating rate of accumulation. The pace, however, was clearly unsustainable and total demand reverted to a more moderate rate of growth in subsequent quarters.

The adjustments to a more moderate rate of growth were not uniform among the various components of demand. Chart 2 illustrates the movements

CHART 2
NATIONAL ACCOUNTS - COMPONENTS OF EXPENDITURE
 1955 - 1966

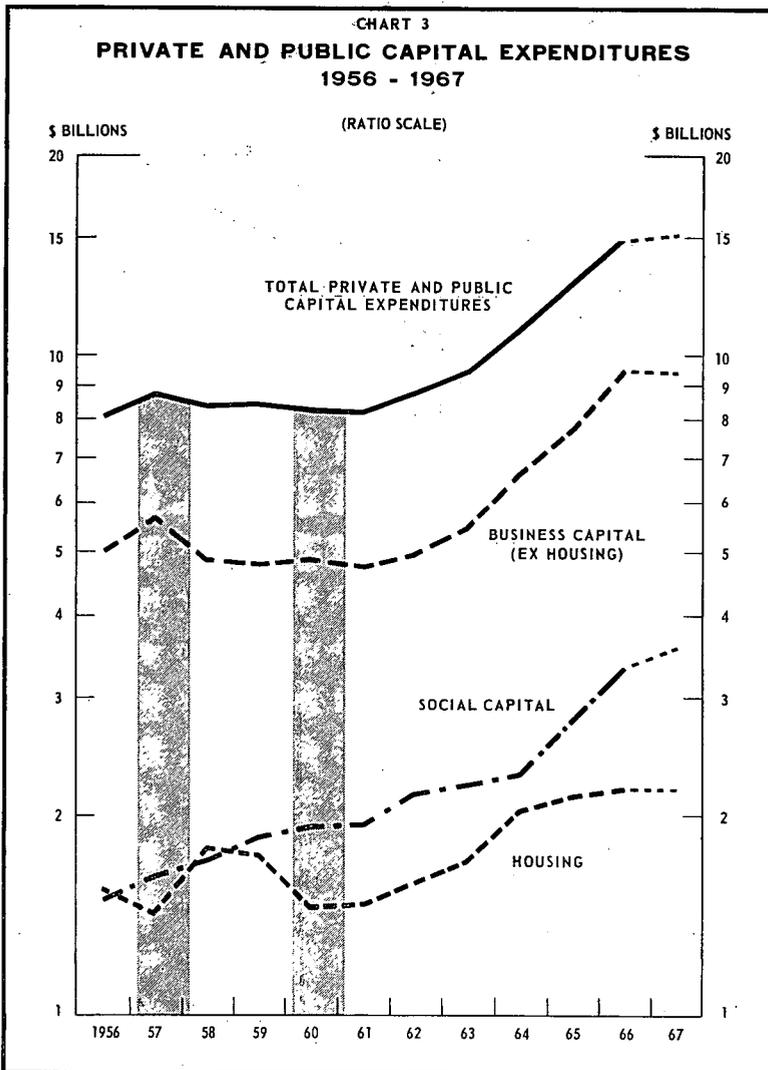


Note: Secular components include personal consumption expenditures of nondurables and services, and provincial and municipal government purchases; cyclical components include gross private domestic investment and personal consumption expenditures for durables; other components include Federal Government purchases and net ex-ports of goods and services.

which developed during the year. The secular components of total demand continued to advance while some of the more volatile and other components checked their quarterly gain from the exceptional rates recorded in the second half of 1965 and the early months of 1966. Total demand in money terms continued to advance to year-end despite these readjustments. Trends in demand for goods and services by consumers, governments, businesses for investment purposes and the external sector are reviewed in the following pages.

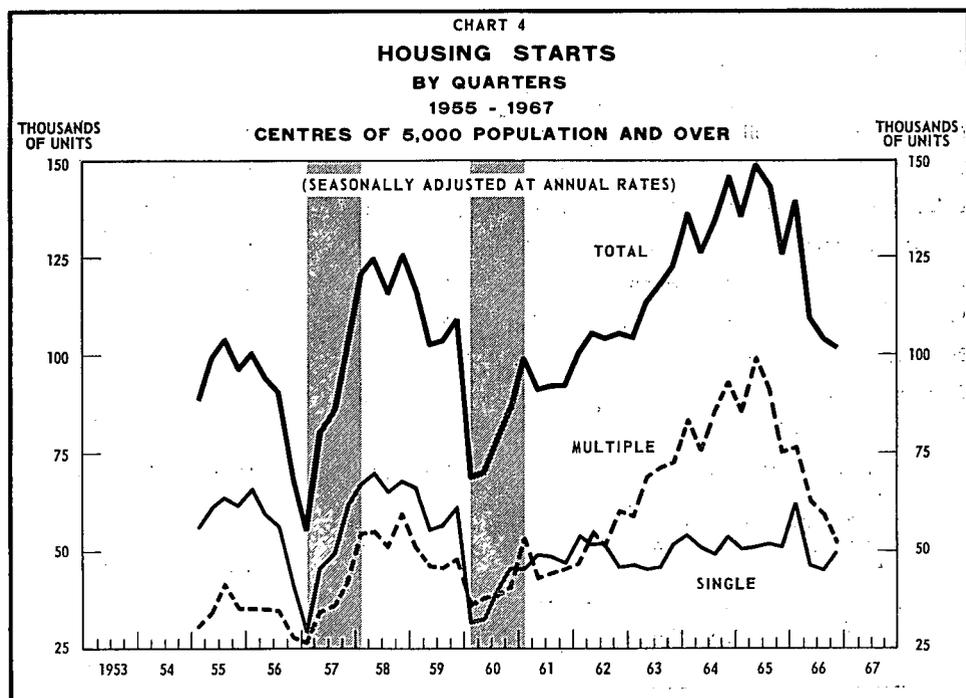
Private and Public Investment

The composition of total investment was altered in 1966 by the continued strength of the business investment boom, while housing construction showed weakness. Business investment increased its share from 61.7 to 63.0 per cent of



total investment, while the housing share decreased from 16.6 to 14.6 per cent. The share of government departments and institutions in the total investment programme rose slightly, from 21.7 to 22.4 per cent.

The slowdown in housing starts began to develop toward the end of 1965. During 1966, a growing shortage of funds flowing into the residential mortgage market was followed shortly by a downturn in actual housebuilding activity, particularly apartments financed from conventional sources. Apartment starts in 1966 were about one-third lower than they had been in 1965. On the other



hand, direct lending by CMHC helped to maintain the level of other residential starts, which numbered about 75,000 in all areas in 1966, little changed from the previous year. Total starts in 1966 numbered 135,000, about 20 per cent below the 1965 total of 167,000 starts. Completions numbered 162,000 units and the average value of work put in place was about equal to that of 1965.

At the same time, business capital formation was reaching boom proportions and this led to fiscal and monetary restraints designed to moderate the expansion, as noted above. These restraints reinforced developments in financial markets, and helped to moderate the growth in demand to a rate more in keeping with that of the available physical capacity. Despite attempts by businesses to increase their capital spending even more rapidly, as evidenced by the mid-1966 survey of business intentions, the actual quarterly record showed some levelling off in the second half of the year. Final confirmation of this change in actual

and intended investment was given by the recent outlook survey, and details of business investment expenditures are presented in table 1 and reference table 5.

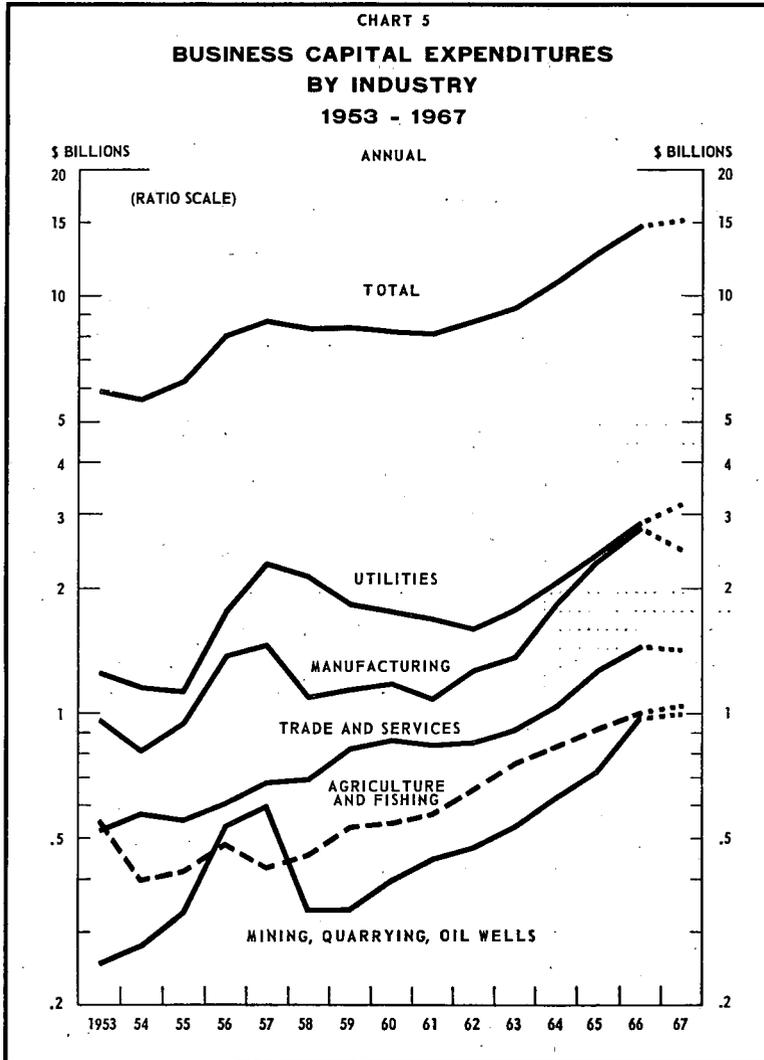
TABLE 1
PRIVATE AND PUBLIC CAPITAL EXPENDITURE

	1957	1963	1964	1965	1966	1967
(Millions of dollars)						
Agriculture and fishing.....	434	762	836	926	1,001	1,048
Forestry.....	48	60	88	96	89	91
Mining, quarrying and oil wells.....	606	521	632	735	994	1,001
Manufacturing.....	1,479	1,358	1,831	2,340	2,803	2,498
Utilities and transportation.....	2,308	1,771	2,059	2,423	2,892	3,157
Construction industry.....	158	135	197	263	267	271
Trade, finance and commercial services.....	690	918	1,042	1,269	1,462	1,430
Institutions.....	454	873	771	1,012	1,186	1,382
Housing.....	1,430	1,713	2,028	2,133	2,181	2,170
Government departments.....	1,110	1,282	1,460	1,668	2,022	2,055
Total Capital Expenditure.....	8,717	9,393	10,944	12,865	14,897	15,103
Total Capital Expenditure as a percentage of Gross National Expenditure.....	27.3	21.6	23.1	24.7	25.8	
Index of total Capital Expenditure in constant dollars (1957=100)....	100.0	96.9	108.4	121.1	134.8	

SOURCE: DBS and Department of Trade and Commerce: *Private and Public Investment, Outlook, annual*.

Social capital formation by government departments and institutions continued at a high rate in 1966, rising by 19 per cent over the previous year. The forecast for 1967 indicates a much smaller rate of increase, in the neighbourhood of 4 per cent over 1966. While construction of schools, hospitals and universities is increasing at a substantial rate, capital outlays by government departments for such items as highways, buildings and engineering construction are expected to remain unchanged from their 1966 levels.

Total private and public investment has been rising sharply throughout the past three years. In 1966, total investment reached a level of 25.8 per cent of GNP, fractionally below the previous peak level of 27.3 per cent of GNP in 1957, as shown in reference table 6. The recently-published investment outlook survey indicated an increase of less than 1½ per cent in total investment in the year 1967; the absolute level will account for about 24½ per cent of GNP compared with the post-war average of 23½ per cent.



Personal Expenditure

Consumer expenditures in 1966 rose even more rapidly than in 1965. However, consumer prices also rose considerably, and in real terms the 1966 increase in personal consumption, although substantial, was less than that in 1964 or 1965. This development reflected in a particularly striking manner the pressure of total demand that emerged in the early months of the year. Consumers, governments and business enterprises together attempted to increase their total final purchases beyond the capacity of the economy to meet these demands in the short term. This led to an increase in prices. Accordingly, the increase in real personal consumption was effectively limited to the physical amount of consumer goods and services the economy could make available.

On a quarterly basis, consumer spending in value terms progressed unevenly through the year (table 2), due largely to the erratic movement of purchases of durables. Durable goods are a volatile component of personal spending, and are affected by changes in money income, consumer expectations and the availability of credit. Trends in new housing construction can affect sales of household

TABLE 2
QUARTERLY CHANGES IN PERSONAL EXPENDITURE BY COMPONENTS
1965 and 1966

	1965				1966			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Current dollars—per cent change from previous quarter								
Consumer expenditure								
total.....	+1.2	+2.9	+2.8	+2.5	+1.8	+0.5	+3.5	+1.9
durables.....	+5.7	+5.0	+8.5	-1.0	+2.2	-10.4	+12.5	-0.9
non-durables.....	-0.1	+3.2	+2.1	+3.4	+1.2	+2.6	+2.2	-2.4
services.....	+1.5	+1.9	+1.8	+2.7	+2.5	+1.3	+2.5	+2.2
(total non-durables and services)...	+0.6	+2.6	+2.0	+3.1	+1.8	+2.0	+2.4	+2.3
Constant dollars—per cent change from previous quarter								
Consumer expenditure								
total.....	+0.8	+2.1	+2.4	+1.8	+0.5	-0.7	+3.2	+1.0
durables.....	+6.1	+5.0	+9.0	-1.0	+2.8	-11.3	+13.4	-2.3
non-durables.....	-0.5	+2.0	+1.6	+2.6	-0.7	+1.8	+1.8	+1.9
services.....	+0.8	+1.2	+0.9	+2.0	+1.3	+0.4	+1.6	+1.2
(total non-durables and services)...	+0.1	+1.7	+1.3	+2.3	+0.1	+1.2	+1.7	+1.6

SOURCE: DBS *The National Accounts*.

appliances and furniture, which are an important element in the total. In the first quarter of 1966, when employment conditions and incomes were particularly buoyant, expenditures on consumer durables were running at high annual rates. There was also some anticipatory buying, in Ontario, of cars and other durables, as a result of the advance announcement of the rise in April of two percentage points in the retail sales tax. The sharp drop in durables purchases in the second quarter, particularly of automobiles, was probably caused by a number of factors: incomes advanced less than in the first quarter, and price movements were limiting the growth in real income. Monetary tightness may have been a factor, as consumer credit outstanding changed very little; however, it may be that the slow growth of credit outstanding was an effect rather than a cause of the decline in purchases of durables.

The very strong advance in automobile sales in the third quarter was accounted for in large part by the price reductions which occurred at that time. These reductions were a reflection of the heavy inventories remaining unsold at the model changeover. Automobile sales remained at this level in the fourth quarter also, as credit became more readily available. Sales of furniture and home appliances were also little changed, possibly reflecting the decline in completions of new houses towards the end of the year.

Non-durable goods and services expenditures continued their customary advance through the year. Taken together, current dollar outlays on these two components have been advancing at an average of something over 2 per cent in each quarter since early 1965. However, the pace of advance speeded up in the fourth quarter of 1965 and showed a tendency to slow down in the first of 1966.

This development probably reflected the acceleration in prices of non-durables which occurred in late 1965 and on into 1966, which would have resulted, initially, in higher current dollar outlays as consumers maintained their customary volume of purchases. There was subsequently some organized consumer resistance to the higher prices. Price developments are discussed in greater detail below.

Movement of Inventories

Business inventory investment remained relatively high through 1966. As shown in table 3, there was a particularly strong gain in inventories in the second quarter. Accumulation of inventories continued in the second half of the year, but at a slower rate.

TABLE 3
CHANGE IN NON-FARM BUSINESS INVENTORIES
(Seasonally adjusted at annual rates)

	1966			
	1Q	2Q	3Q	4Q
	(Millions of dollars)			
Manufacturing.....	508	500	420	556
Durables.....	468	348	200	316
Non-durables.....	40	152	220	240
Wholesale trade.....	-68	416	76	76
Retail trade.....	284	412	76	-160
Other industries.....	68	64	-8	108
Total.....	792	1,392	564	580

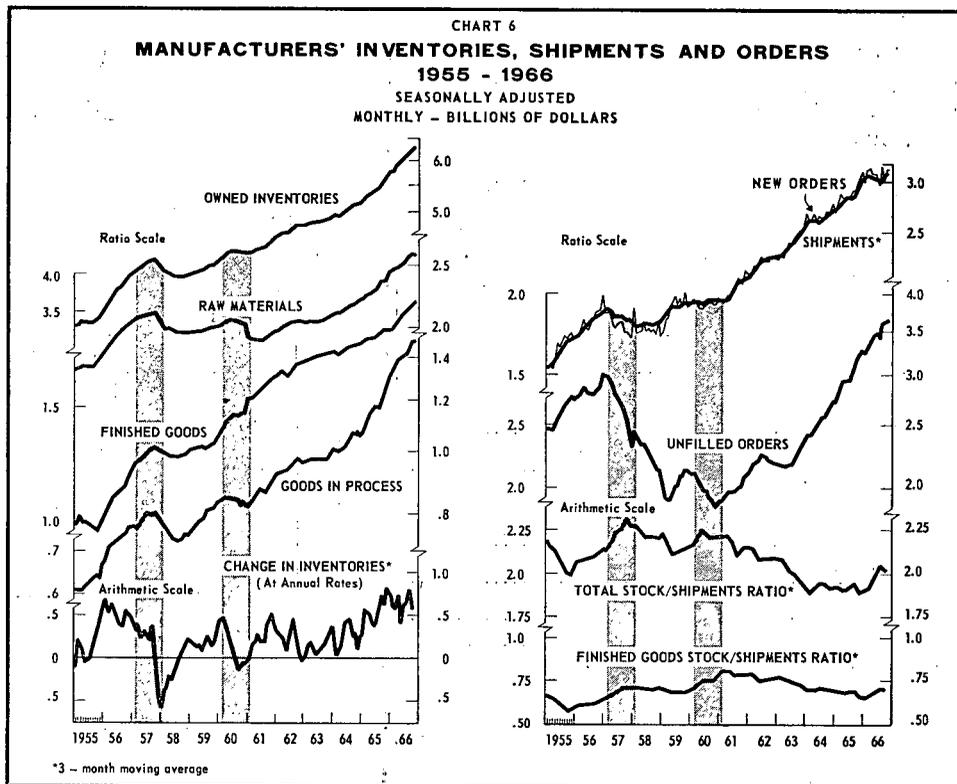
SOURCE: DBS *The National Accounts*.

The second quarter advance was associated with the decline in retail sales, particularly of durables, which occurred at that time. The decline in the rate of inventory investment in the third quarter was largely concentrated in retail and wholesale stocks as sales recovered. Automobile stocks played a large part in these movements.

Changes in the rate of inventory accumulation, which constitute a current addition to total demand, can also serve as an indicator of current or developing trends in demand. To examine this aspect of inventory movements it is useful to distinguish between movements in the stock of raw materials, of goods-in-process and of finished goods. Inventory changes on this basis in 1965 and 1966 are summarized in reference table 7, while Chart 6 illustrates the movements in the different components of manufacturers' inventories, and shows clearly the cyclical nature of these movements.

Movements in stocks of raw materials are likely to reflect business expectations about demand and price trends. Movements in the stock of goods in process tend to reflect changes in current production. Increases in finished goods held in stock by manufacturers might reflect strong expectations at a period when productive capacity can accommodate an increase both in shipments and in stocks. This is typical of the early stages of an expansion. Movements in finished goods held can also reflect unexpected changes in demand. An involuntary

accumulation of inventories of finished goods is normally followed by cut-backs in production to reduce the excess inventories. The duration and size of such inventory adjustment has important consequences for production and employment.



Some inventory accumulation in 1966 occurred, as noted above, as a result of developments in final markets, and some modest adjustments took place in the third and fourth quarters. Thus, the quarterly movements in the different categories of inventories, together with the changes in shipments and in unfilled orders, shown in reference table 7, give some additional indication of the conditions of demand and supply prevailing. Stock-sales ratios have increased, but are not currently excessive. Any remaining adjustments to the more moderate rate of increase of final demand should therefore be of modest proportions.

The inventory situation in Canada is thus more favourable than that in the United States, where the increase in non-farm business inventories remained high to the end of the year. In the United States, durable goods accounted for the major part of the increase; but there was also a sharp year-end rise in inventories of non-durable goods. Inventory-sales ratios during the latter half of 1966 were exceptionally high, reflecting a slowdown in manufacturing and trade sales, and it is expected that both manufacturers and the trade sector will attempt to achieve a more acceptable inventory-sales ratio by mid-year.

Exports of Goods and Services

The growth of 15.3 per cent in exports of goods and services¹ in 1966 was well over twice the 1965 rate of less than 7 per cent, and nearly as great as the advance recorded in 1964. The improvement was due entirely to the rapid growth in commodity exports, which rose by 17.4 per cent. As in 1964, a large part of the increase was accounted for by shipments of wheat and wheat flour. Wheat exports under long-term contracts raised total sales to China by 75 per cent, and to the U.S.S.R. nearly 65 per cent. Purchases by other East European countries declined, but this was more than offset by shipments to India under the bilateral food aid programme.

Another factor contributing to the substantial increase in exports was a further large expansion of trade under the Canada-U.S. automotive agreement. The goal of this agreement, to rationalize the production of automobiles in the United States and Canada, and to reduce real costs of production, has involved substantial increases in two-way trade in automotive products between the two countries. Exports in this category were at nearly 3 times the 1965 level, despite a considerable slow-down in the demand for automobiles in the United States during the second half of the year. Moreover, imports of motor vehicles and parts rose less rapidly than exports, so that there was a significant reduction in the net trade deficit for this group of commodities.

Increases in trade in wheat and motor vehicles and parts, which accounted for over half of the increase in exports in 1966, were in part unrelated to the cyclical expansion. The greater part of wheat shipments is governed by long-term contracts, while trade under the automotive agreement is to a large extent a consequence of measures designed to rationalize the industry. Changes in the export figures for these two commodity groups therefore do not reflect, to the same degree as other commodities, broad cyclical developments in external demand, domestic competition for resources, or Canada's relative success in world markets.

When all due allowance has been made for the automotive agreement and the wheat sales, however, there was still a substantial increase in Canadian exports in 1966. Outside these two fields, the growth in the value of exports was better than 9 per cent. A relatively large increase in export prices contributed to this rise in earnings; but such was the pull of demand in foreign markets, and especially of defence demand in the United States, that export volume, apart from wheat and automobiles, rose by more than 5 per cent despite the higher prices. Although Canadian exports are in general of a kind and quantity which the domestic economy would not absorb in the absence of foreign demand, their production calls upon real domestic resources and contributes to domestic money incomes. Since levels of domestic demand were already high, the strength of foreign demand reinforced the pressures on Canadian productive resources, at least in the early months of 1966.

Exports of chemicals, fertilizers and other manufactured products continued to show higher than average rates of gain. Despite some easing in economic activity in the U.S.A. during the latter part of the year, total U.S. imports from all countries rose more rapidly than in 1965. The expanded demand for basic

⁽¹⁾Preliminary estimate on a balance of payments basis, which includes receipts of inheritances and immigrants' funds; on a national accounts basis, excluding such funds, the increase in exports of goods and services in 1966 was slightly smaller, at 15.2 per cent.

materials was reflected in increased shipments of Canadian petroleum, newsprint, wood pulp and non-ferrous metals. The economic recovery in Japan and Italy in 1966 led to higher Canadian exports to those countries. France, too, experienced an economic upswing and a consequent rise in total imports, but Canadian shipments, which are a small part of the French market, showed a small fall.

TABLE 4
COMPOSITION AND DESTINATION OF DOMESTIC MERCHANDISE EXPORTS BY
MAJOR COMMODITY GROUPS AND MARKETS 1962 and 1966

	1962		1966		Per cent change 1962 to 1966
	Millions of dollars	%	Millions of dollars	%	
Wheat and wheat flour.....	659	10.7	1,144	11.4	+73.5
Other farm and fish products.....	637	10.3	915	9.1	+43.6
Forest products.....	1,697	27.5	2,232	22.2	+31.5
Metals, minerals and products.....	2,105	34.1	3,020	30.0	+43.5
Chemicals and fertilizers.....	251	4.1	385	3.8	+53.4
Motor vehicles and parts.....	57	.9	994	9.9	+1,643.3
Other manufactured and miscellaneous products.....	772	12.5	1,382	13.7	+78.9
Total domestic exports.....	6,178	100.0	10,071	100.0	+63.0
of which to: U.S.A.....	3,608	58.4	6,028	59.9	+67.1
U.K.....	909	14.7	1,123	11.1	+23.4
E.E.C.....	455	7.4	637	6.3	+40.0
Japan.....	215	3.5	394	3.9	+83.3
CPE's ⁽¹⁾	197	3.2	583	5.8	+195.9
Other.....	794	12.9	1,306	13.0	+64.4

Trade of Canada basis

⁽¹⁾ Centrally planned economies, including U.S.S.R., other Eastern Europe and Mainland China.

The slowing-down in the German economy reduced the demand there for Canadian commodities. Canadian exports to the European Economic Community as a whole rose at about 2 per cent.

Exports to the U.K. declined for the second consecutive year, in part reflecting the British Government's policies in support of the balance of payments. Similarly, Canadian exports to Australia and South Africa were reduced by the effects of stabilization policies implemented in those countries. Lower exports to South America as a whole were largely a reflection of lower sales to Venezuela, the main Canadian market.

The improvement in the performance of Canadian exports in 1966 was, therefore, centred largely on the higher rate of shipments of wheat and motor vehicles and parts, and on the higher level of demand in the U.S.A. and Japan.

Receipts on non-merchandise transactions rose by 8.6 per cent, a little faster than in 1965. There was a continued decline in gold production available for export, and lower receipts of dividends from abroad; but receipts of interest were raised by the resumption of servicing on the postwar loan to the United Kingdom, receipts on the travel and the freight and shipping accounts continued to grow steadily, and there were particularly marked increases in respect of inward flows of inheritances and immigrants' funds and receipts from "all other" current transactions, the latter reflecting in large part the disbursements by foreign governments for their pavilions at Expo '67.

Government Expenditures

In the sixth year of cyclical expansion, government outlays on goods and services rose by 16.4 per cent to a level of \$11.2 billion. This was the largest year-to-year increase recorded in this component of demand since the beginning of the Korean War, when expenditures on defence accelerated sharply.

TABLE 5
EXPENDITURES ON GOODS AND SERVICES BY LEVEL OF GOVERNMENT

	Federal		Provincial	Municipal	Total	Federal		Provincial	Municipal	Total
	Defence	Non-defence				Defence	Non-defence			
	(millions of dollars)					(per cent change over preceding year)				
1961...	1,613	1,369	1,467	2,787	7,236	4.3	15.6	-	8.3	6.9
1962...	1,680	1,345	1,563	3,129	7,717	4.2	1.8	6.5	12.3	6.6
1963...	1,572	1,362	1,725	3,416	8,075	-6.4	1.3	10.4	9.2	4.6
1964...	1,584	1,462	1,929	3,679	8,654	0.8	7.3	11.8	7.7	7.2
1965...	1,562	1,705	2,234	4,095	9,596	-1.4	16.6	15.8	11.3	10.9
1966...	1,713	2,167	2,729	4,560	11,169	9.7	27.1	22.2	11.4	16.4

As indicated in this table, year-to-year increases in total purchases of goods and services by all governments combined over the period 1961 to 1966 ranged between 5 and 16 per cent, although considerable variation occurred as between the different levels of government. Municipal spending, for example, averaged a steady increase of close to 10 per cent per annum for this period, but provincial expenditures accelerated sharply from an annual increase of 6.5 per cent in 1962 to 22 per cent in 1966. This reflected higher capital expenditures as well as current purchases associated with health, education and other community services, and was further affected by rising wage and salary rates.

At the federal level, total outlays on goods and services show little annual change from 1961 to 1964. Since 1964, however, the non-defence component has risen sharply as the increased demands for government services had to be met at higher market prices.

That part of goods and services outlays classified as capital expenditures rose in 1966 by 21 per cent in the government sector as a whole. The major increases took place at the provincial and municipal levels, for streets, roads, highways and schools.

PROBLEMS OF SUPPLY

Manpower Developments

The Canadian labour force grew by a record amount in 1966, and far more rapidly than that of other countries. The number of people in the labour force rose by a remarkable 3.9 per cent over the 1965 average, while the continued growth in job opportunities led to an even larger increase in employment of 4.2 per cent. Accordingly, the average 1966 unemployment rate fell to 3.6 per cent from 3.9 per cent in 1965.

TABLE 6
LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT, CANADA
1959 to 1966

	1959	1960	1961	1962	1963	1964	1965	1966
	(Thousands of persons)							
Labour force.....	6,242	6,411	6,521	6,615	6,748	6,933	7,141	7,420
Employed.....	5,870	5,965	6,055	6,225	6,375	6,609	6,862	7,152
Unemployed.....	372	446	466	390	374	324	280	267
	Year to year change (Per cent)							
Labour force.....	..	2.7	1.7	1.4	2.0	2.7	3.0	3.9
Employed.....	..	1.6	1.5	2.8	2.4	3.7	3.8	4.2
	Average of monthly rates (Per cent)							
Unemployment rate ⁽¹⁾	6.0	7.0	7.1	5.9	5.5	4.7	3.9	3.6

⁽¹⁾Unemployed as a per cent of the labour force.

SOURCE: DBS *The Labour Force*, Cat. 71-001.

A significant rise in participation rates, further growth in the population of working age, and higher immigration all contributed to the increase in the working population. In addition, there was a further substantial movement of farm workers into non-farm occupations, as the non-agricultural labour force increased by 5.0 per cent, and non-agricultural employment rose by 5.4 per cent. These movements are shown in some detail in reference tables 8 and 9.

The striking rise in participation rates last year was one of the most important indications of growing pressure on resources. As table 7 shows, the slow but steady, long-term downward drift of labour force participation by men

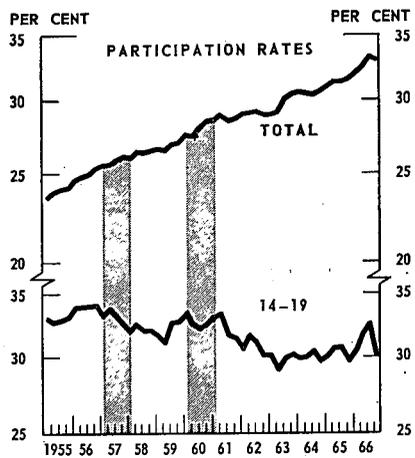
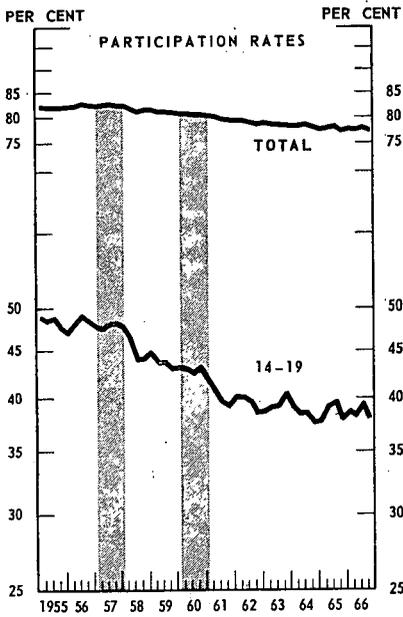
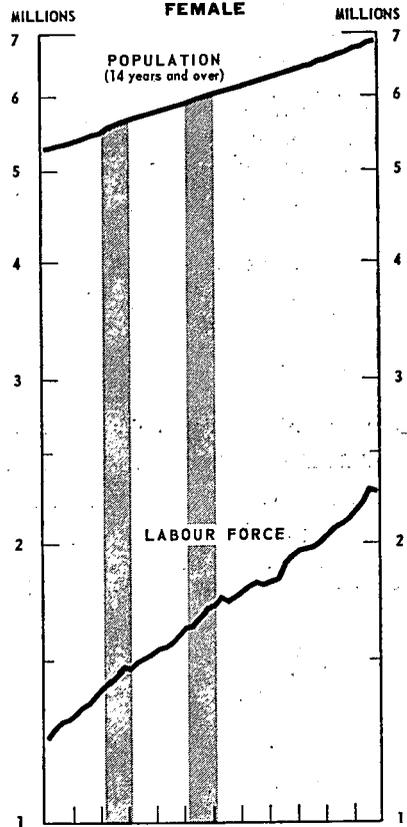
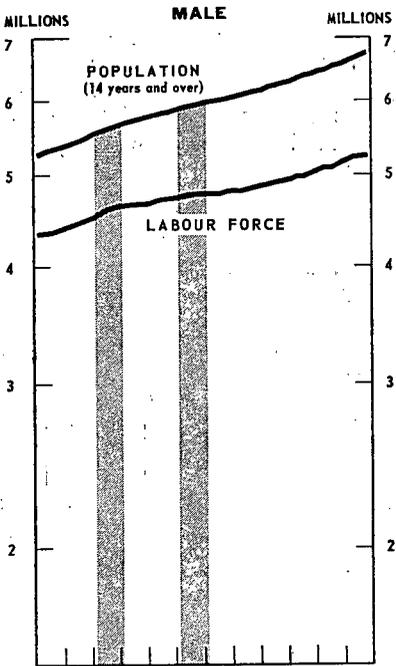
TABLE 7
PARTICIPATION RATES
1960 to 1966

	1960	1961	1962	1963	1964	1965	1966
	(Per cent)						
Total labour force participation.....	54.2	54.1	53.9	53.8	54.1	54.4	55.1
Men.....	80.7	79.8	79.1	78.5	78.1	77.9	77.8
Women.....	27.9	28.7	29.0	29.6	30.5	31.3	32.8
Men, 14 to 19 years.....	42.8	40.3	39.6	39.2	38.3	38.7	38.6
Women, 14 to 19 years.....	32.6	32.3	30.9	29.9	29.9	30.2	31.4

SOURCE: DBS *The Labour Force*.

continued, but the uptrend in the female participation rate, which has been a feature of the Canadian scene since the early 1950's, accelerated markedly in 1966. As a result of these developments, the female labour force rose by 7.3 per cent while the male labour force grew by 2.5 per cent. The impact of participation rate change on labour force growth is illustrated in Chart 7.

CHART 7
**POPULATION, LABOUR FORCE AND PARTICIPATION RATES,
 MALE, FEMALE 1955 - 1966**
 (RATIO SCALE)



A second important source of additional workers in 1966 was immigration. While a number of different factors bear on immigration, the buoyancy of employment conditions in Canada undoubtedly has an important influence. The generally high level of demand for labour in 1966 had therefore a significant bearing upon the increase in workers coming from other countries. These new arrivals added substantially to the size of the labour force, and many brought useful skills with them. Table 8 shows the distribution of skills among immigrants in recent years, and indicates the rising proportion of professional, skilled and semi-skilled workers. Of the 99,210 immigrants destined to the labour force in 1966, over 25,900 were managerial or professional people. About 11,000 were destined for the relatively unskilled occupations.

TABLE 8
IMMIGRANTS DESTINED TO THE LABOUR FORCE
Distribution by Skills and Occupation

	1962	1963	1964	1965	1966
	(Per cent)				
Managerial, professional and clerical.....	38.7	37.0	37.6	38.1	39.5
Other skilled and semi-skilled.....	47.5	50.0	48.2	49.1	49.7
Labourers and agriculture.....	13.8	13.0	14.2	12.8	10.8
Immigrants destined to the labour force.....	100.0	100.0	100.0	100.0	100.0

SOURCE: Quarterly Bulletin, Department of Manpower and Immigration.

The movement of workers from the agricultural sector into the non-agricultural economy was again substantial in 1966. This movement has accelerated rapidly since 1963, when the decline in the agricultural labour force was 13,000, until in 1966 the number of farm workers declined by 51,000. The trend had been especially marked in the Prairie region. This movement, as well as the high rate of farm investment in new machinery and equipment in recent years, was also a response to heavy demand for additional workers in the non-farm economy.

Of the total increase in the non-farm labour force, which amounted to 329,000 persons, almost half resulted from natural increase in the population of working age. Higher participation rates, net immigration and the movement off the farms accounted for the balance in approximately equal proportions.

Employment

Employment rose by a further 290,000 persons in 1966. Added to the increase of 253,000 attained in 1965, this shows that well over half a million new job opportunities were created in the last two years. Non-agricultural employment rose by 341,000 in 1966 (630,000 in the two years), the number of women with jobs rose by 149,000 in the year (258,000 in the two years), and the number of teen-agers with jobs was 41,000 higher, after a gain of 45,000 the previous year.

The magnitude of the changes in employment are shown in reference table 9. The 7.4 percent increase in the number of women with jobs was the largest recorded during the present decade. Many of these new additions to the labour

force were part-time workers who responded to job opportunities. Some part of the increase may also be related to the decline in birth rates during the past few years. The most rapid rise in participation rates has, indeed, occurred among women aged 20 to 24; in 1966, 55.6 per cent of the women in this age-group were in the labour force, compared to 52.6 per cent in 1965. The unemployment rate for this group remains low.

While there was a lower rate of growth in teen-age employment in 1966 than in 1965, this was accompanied by a further decline in the teen-age unemployment rate.

The unemployment rate during the year, on a seasonally-adjusted basis, was lowest during the first quarter, when demand pressures were greatest, and during the closing months of the year was at about the average figure for the year of 3.6 per cent.

Regional Employment Trends

The annual unemployment rate again moved downward in 1966 in all regions with the exception of one. Table 9 shows that in British Columbia the labour force grew by a remarkable 6.6 per cent, while employment grew by an equally remarkable 6.1 per cent—both rates exceeding those of any other region in Canada. As a result, however, the unemployment rate rose slightly. There was an increase in agricultural employment in this region during the year. Also, the economy of the region provided favourable conditions for a continued rapid reduction in teenage unemployment.

The employment situation continued to improve in the Atlantic region and Quebec during 1966, and the unemployment rate continued to fall. Both Ontario and the prairie region started the year with relatively little labour force slack, and continued to experience tight labour supply. In the Atlantic region the average unemployment rate fell to 6.5 per cent, but remained the highest in Canada by a substantial margin (reference table 11). There was a very slight decline in agricultural employment, with all of the increase in employment occurring in non-agricultural occupations. Conditions were relatively favourable for increased employment of young people.

Non-agricultural employment in Quebec rose by 6.3 per cent, the most rapid rate of gain attained in any region. This increase was associated with a decline in farm employment amounting to some 8.6 per cent, and with a rate of increase in total labour force second only to that of British Columbia. The demand for labour was sufficiently strong to reduce the unemployment rate from 5.5 per cent in 1965 to 4.8 per cent in 1966.

In Ontario, both the labour force and total employment rose by 4.0 per cent. There was a further slight decline in agricultural employment. The unemployment rate for the year, at 2.5 per cent, was virtually unchanged from 1965.

The labour force of the prairie region in 1966 again exhibited flexibility and mobility. While the total labour force in this region rose only fractionally, non-agricultural employment advanced by 6.2 per cent and most of these new workers came from the farms. The regional unemployment rate, already low in 1965, fell from 2.6 to 2.1 per cent. There was no sign of slackening in the demand for labour as the year ended.

TABLE 9
LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT BY REGIONS
1965 and 1966

	1965	1966	Change
	(Thousands of persons)		(Per cent)
<i>Atlantic Region</i>			
Labour Force:			
Total.....	611	626	2.5
Non-agricultural.....	577	593	2.8
Employment:			
Total.....	566	586	3.5
Non-agricultural.....	533	554	3.9
Age 14-19 years.....	62	66	6.5
Unemployed.....	45	40	-11.1
<i>Quebec Region</i>			
Labour Force:			
Total.....	2,022	2,116	4.6
Non-agricultural.....	1,903	2,007	5.5
Employment:			
Total.....	1,912	2,016	5.4
Non-agricultural.....	1,796	1,910	6.3
Age 14-19 years.....	204	213	4.4
Unemployed.....	110	100	-9.1
<i>Ontario Region</i>			
Labour Force:			
Total.....	2,614	2,719	4.0
Non-agricultural.....	2,461	2,577	4.7
Employment:			
Total.....	2,548	2,651	4.0
Non-agricultural.....	2,397	2,510	4.7
Age 14-19 years.....	224	237	5.8
Unemployed.....	66	69	4.5
<i>Prairie Region</i>			
Labour Force:			
Total.....	1,228	1,248	1.6
Non-agricultural.....	955	1,007	5.4
Employment:			
Total.....	1,196	1,222	2.2
Non-agricultural.....	925	982	6.2
Age 14-19 years.....	128	132	3.1
Unemployed.....	32	26	-18.8
<i>British Columbia</i>			
Labour Force:			
Total.....	666	710	6.6
Non-agricultural.....	644	684	6.2
Employment:			
Total.....	639	678	6.1
Non-agricultural.....	617	652	5.7
Age 14-19 years.....	55	67	21.8
Unemployed.....	27	32	18.5

SOURCE: DBS *The Labour Force*.

CHART 8

LABOUR FORCE AND EMPLOYMENT

BY REGION, 1961 - 1966

(RATIO SCALE)

———— LABOUR FORCE
 - - - - EMPLOYMENT

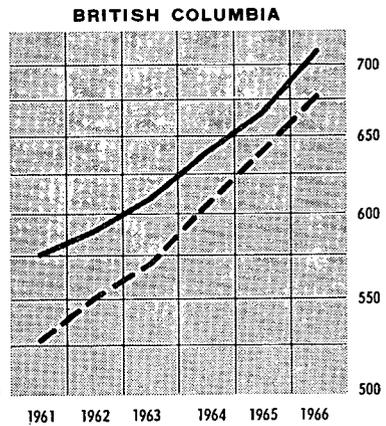
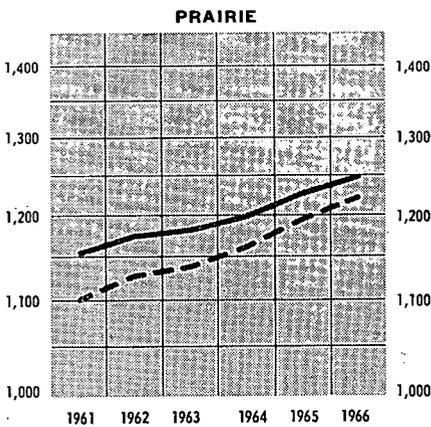
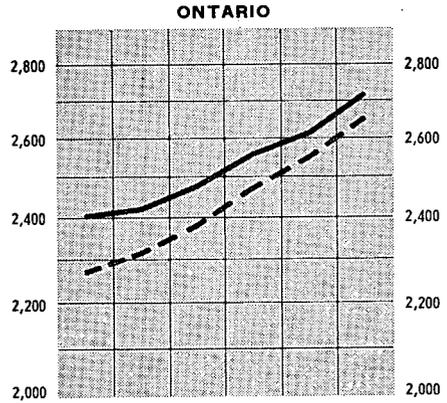
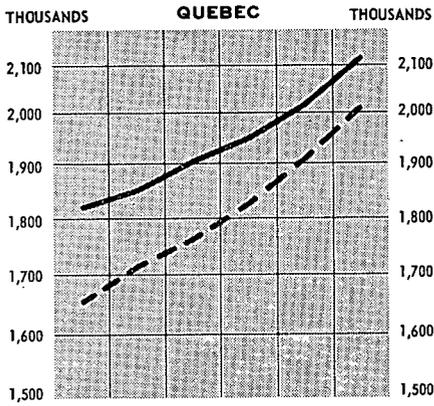
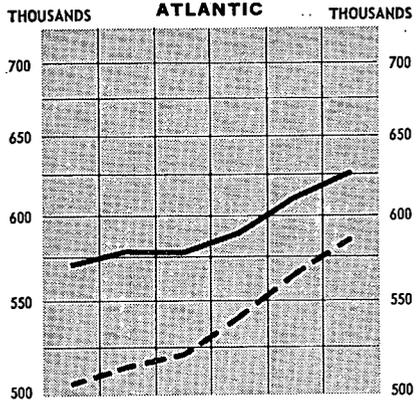
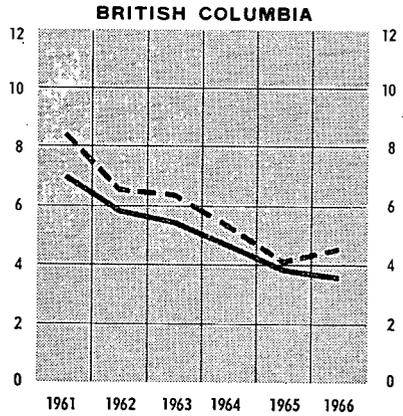
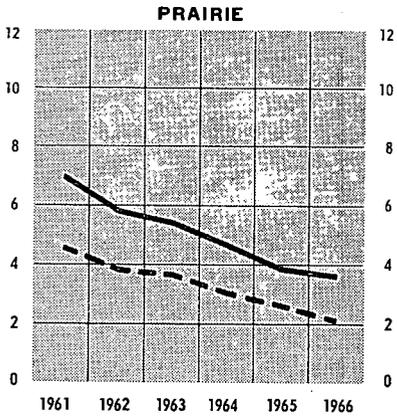
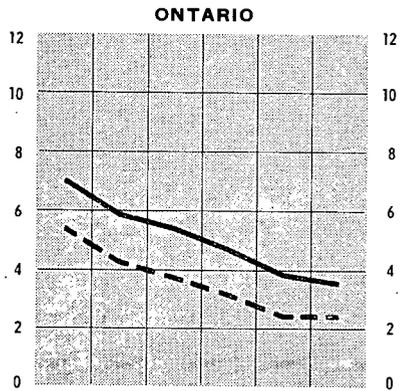
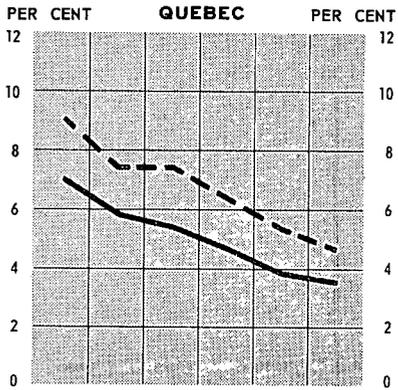
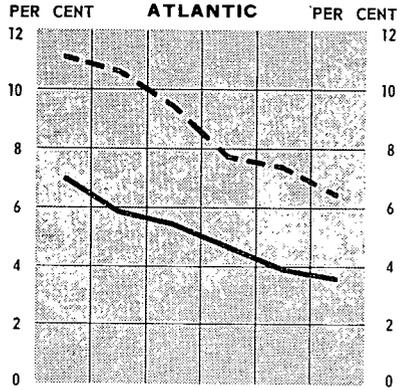


CHART 9

**UNEMPLOYMENT RATES,
CANADA AND BY REGION
1961 - 1966**

———— CANADA
- - - - REGION



Income Developments

Wages, salaries and supplementary labour income, which customarily make up around 70 per cent of net national income, rose by some 12½ per cent in 1966. This was the largest annual gain recorded in the 1961-66 period, and reflected both the further sharp increase in the number of paid workers and generally higher hourly earnings. Weekly hours also were a little longer in some industries (notably construction), adding further to income.

As in 1965, the construction industry recorded the largest increases both in employment and in average earnings per employee, reflecting the continued strong demand for construction skills. Sharply higher earnings attracted more workers into the industry. In manufacturing, the gains were more moderate. Average hourly earnings advanced more sharply in the non-durable goods industries than in the durable goods industries, partly as a result of reduced overtime work in some durable goods industries. In mining, there was a strong advance in average earnings, little change in hours worked and a small increase in employment. In trade and the service industries, very strong gains in employment together with more moderate advances in average earnings appear to relate to the increase in the number of part-time workers engaged in these industries. Average earnings in finance, insurance and real estate rose more rapidly than they did in 1965, while the number of employees rose more moderately.

TABLE 10
LABOUR INCOME AND PROFITS
1962 to 1966

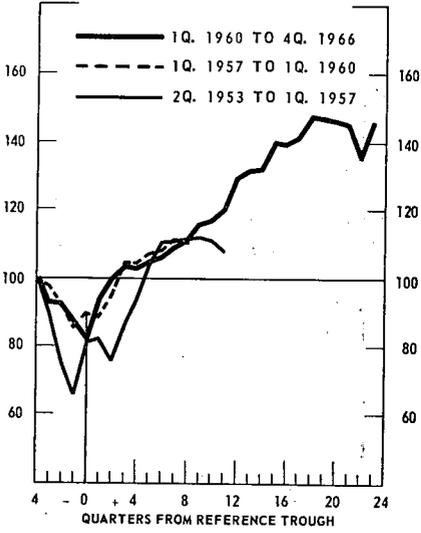
	1962	1963	1964	1965	1966
	(Millions of dollars)				
Wages, salaries and supplementary labour income..	20,233	21,547	23,433	26,033	29,324
Corporation profits before taxes and before dividends paid to non-residents.....	3,819	4,188	4,819	5,199	5,187
	Year to year change (Per cent)				
Wages, salaries and supplementary labour income..	..	6.5	8.8	11.1	12.6
Corporation profits before taxes and before dividends paid to non-residents.....	..	9.7	15.1	7.9	-0.2

SOURCE: DBS *The National Accounts*.

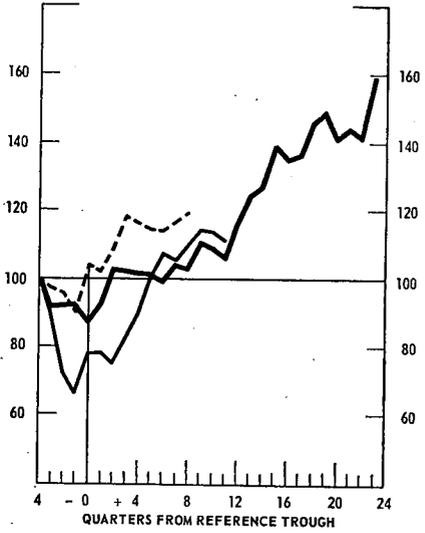
The picture that emerges from these statistics (which are set out in reference table 12) is one of continued strong demand for labour, with higher wage-rates reflecting the desire to attract additional workers into particular industries (as in construction), and also reflecting in some cases the sharper gains resulting from higher contract settlements. In the case of trade, finance and the service industries, the advance in average labour income per employee, although less than that in mining, manufacturing or construction, also indicates a continued high level of demand for labour. To the extent that they exceeded productivity growth, such wage-rate developments contributed to upward pressure on price levels, or cut into profit margins, or, more commonly, did both.

CHART 10
MOVEMENT OF CORPORATION PROFITS
IN THREE POSTWAR EXPANSIONS

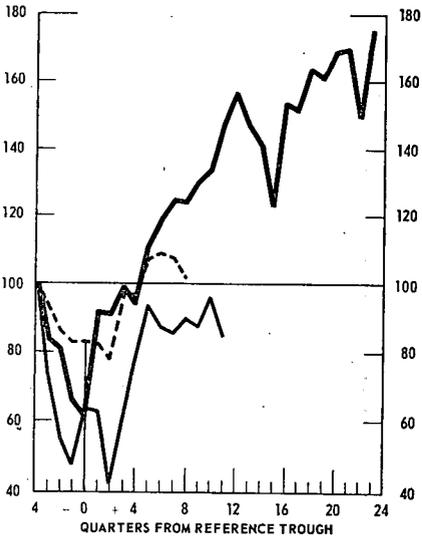
ALL INDUSTRIES



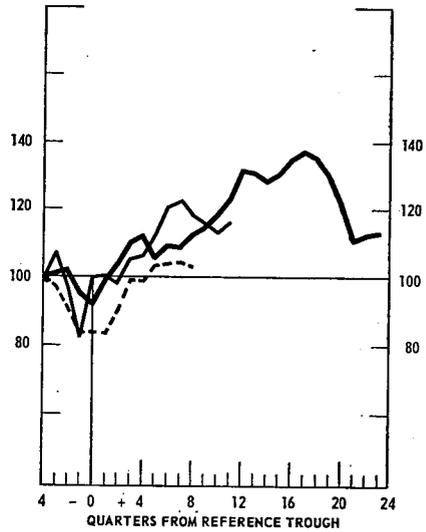
SERVICES



DURABLE MANUFACTURING



NON-DURABLE MANUFACTURING



Despite increased sales, corporation profits before taxes in 1966 were virtually unchanged from the 1965 total, while net income of non-farm unincorporated business advanced only very slightly. Improvements were recorded in the wood, printing, electrical products, petroleum and chemical products industries, while other industries had mixed experience.

As shown in reference table 13, profits in the non-manufacturing sector remained strong to the end of the year, but profits in the manufacturing industries as a whole reached a peak in the first quarter which was not subsequently passed. A moderate decline in the second quarter was followed by a sharper decline in the third, which was affected by a large number of industrial disputes. There was a marked recovery in the fourth quarter.

Output, Productivity and Production Costs

Real domestic product, excluding agriculture, rose by 6.3 per cent in 1966.⁽¹⁾ This advance, while larger than the average postwar experience, indicated a falling-off from the annual rates of change attained in recent years, as summarized in reference table 14, and reflected the using up of economic slack by the latter part of 1965. The important developments in the pattern of output can be seen in the context of quarterly figures, as presented in table 11. The rate of advance in total product was exceptionally high during the closing months of 1965 and in the first quarter of 1966, after which it showed more moderate gains.

⁽¹⁾ Real domestic product measures the volume of output of goods and services produced in Canada. It differs from GNP in constant dollars in that it excludes interest and dividend receipts from abroad and includes interest and dividend payments to non-residents.

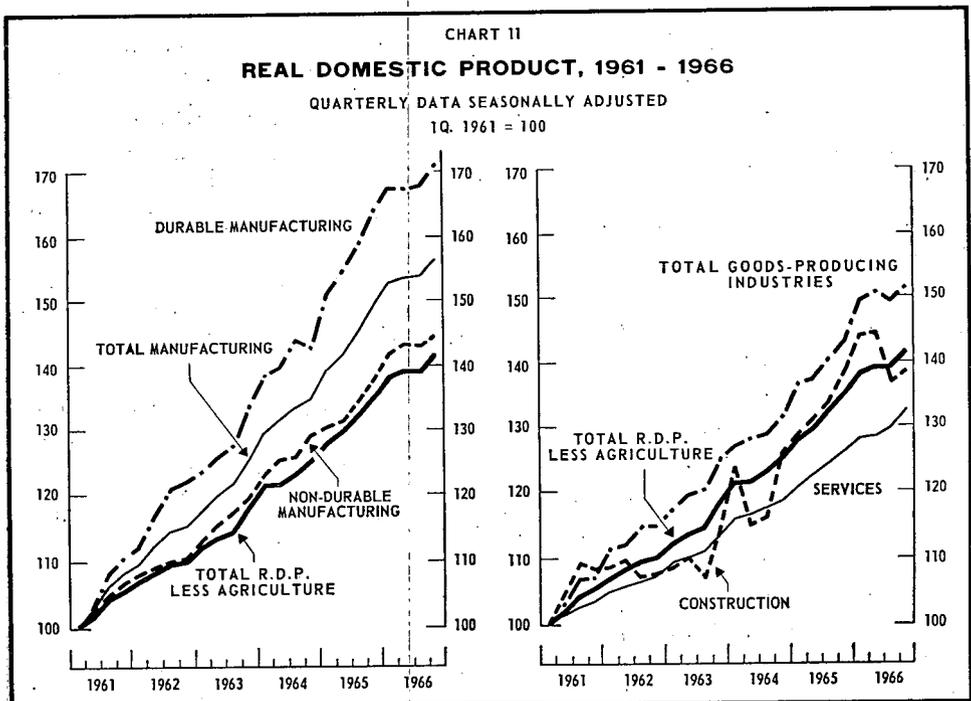


TABLE 11
CHANGES IN REAL DOMESTIC PRODUCT
By quarters

	1965				1966			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(Per cent change from previous quarter)							
Real domestic product less agriculture.....	2.4	1.4	2.0	2.1	2.1	0.7	—	1.9
Mining, total.....	3.3	-1.0	4.8	0.6	2.2	2.8	-2.7	4.6
Manufacturing, total.....	3.1	1.6	2.7	2.8	2.4	0.4	0.1	1.5
Non-durables.....	0.9	0.7	2.7	2.3	2.7	1.1	—	1.2
Durables.....	5.8	2.5	2.7	3.3	2.2	-0.2	0.3	1.9
Construction.....	2.4	1.8	2.1	3.6	4.1	0.1	-5.5	1.5
Transportation, storage and communication.....	1.5	1.7	2.8	2.2	1.5	3.8	-2.0	4.6
Trade, total.....	3.0	2.3	2.0	2.1	1.8	-2.8	2.6	1.7
Wholesale.....	6.8	1.1	2.2	3.0	-0.8	-0.5	1.5	2.9
Retail.....	0.8	3.0	1.9	1.6	3.3	-4.1	3.2	0.9
Finance, insurance and real estate..	0.8	1.6	0.9	0.4	2.1	1.0	1.7	1.3
Services.....	1.0	1.7	1.1	1.2	1.2	0.6	1.3	0.5
Commercial industries less agriculture.....	2.5	1.5	2.1	2.2	2.3	0.7	-0.2	2.0

SOURCE: DBS *Index of Industrial Production*, monthly, Cat. 61-005.

The rapid advance in total output in late 1965 and early 1966 was in part a result of the high levels of construction activity during the second half of 1965. While this activity itself was a response to the desire for a rapid rise in the stock of business physical capital, the high rate of demand resulting from these sharp gains in output was such as to lead to plans for yet further rapid advances in investment spending. This situation contained the seeds of instability, which were multiplied by continued demand pressure throughout the first quarter. During the second quarter, however, demand levelled off at the high rate attained by then, and total real output moderated its rate of advance accordingly. Trade, after a brisk first quarter, in part due to special factors, recorded a decline. Manufacturing output rose by 0.4 per cent in the second quarter and, partly because of strikes, by only 0.1 per cent in the third. In the fourth quarter, the rate of output increased more rapidly.

Both durable and non-durable manufacturing output levelled off in the second and third quarters. Among the durables, all categories moved in line with the general trend except electrical apparatus and supplies, which rose by about 10 per cent between the first and third quarters. Among the non-durables, marked departures from the norm were also rare. Output of the community service industries, however, continued the steady quarter-to-quarter gains characteristic of these industries through the two years, showing little tendency either to accelerate or to level off.

On the whole, these quarterly changes in real output mirror the growth patterns and development of pressures in the economy as a whole since mid-1965. Continued expansion of output at very rapid rates brought many industries

close to full utilization of capacity in early 1966, and further advances of any magnitude may well not have been possible in many cases. It was probably due to these circumstances that capital investment intentions for the year were revised upward. However, the second-quarter moderation of demand pressures which became evident about mid-year, and the more moderate advances recorded thereafter, eased the pressure on supply resources as the year wore on, giving rise to an atmosphere of more moderate demand pressures by the beginning of 1967.

TABLE 12
CHANGES IN EMPLOYMENT BY INDUSTRIAL DIVISION
By quarters
1965 and 1966

	1965				1966			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(Per cent change from previous quarter)							
Mining.....	2.5	1.8	1.5	0.8	1.1	—	-3.5	2.9
Manufacturing, total.....	1.6	1.0	1.6	2.3	1.6	0.7	0.3	1.0
Non-durables.....	0.9	0.7	1.2	1.0	1.5	0.6	—	1.1
Durables.....	2.3	1.4	1.8	3.8	1.8	0.7	0.7	1.0
Construction.....	4.5	0.4	1.4	8.7	4.8	-1.0	-3.5	4.4
Transportation, storage and communication.....	1.6	-0.2	0.7	0.7	1.0	0.9	0.1	0.9
Trade, total.....	1.7	1.8	0.8	1.2	3.2	2.4	-0.1	0.1
Wholesale.....	1.4	1.6	1.0	1.8	2.7	1.3	-0.3	0.9
Retail.....	2.1	1.6	0.6	1.3	3.6	2.6	—	-0.2
Finance, insurance and real estate..	1.3	1.3	0.9	0.3	0.7	1.3	1.0	0.2
Services.....	2.4	2.5	1.5	3.2	3.6	1.5	1.7	3.3
Industrial Composite.....	2.0	1.2	1.1	1.9	2.1	1.3	-0.4	1.2

SOURCE: DBS *Employment, Average Weekly Wages and Salaries*.

The employment picture associated with these developments, already examined in terms of total labour force and employment, was one of sustained demand in early 1966 and of diminishing strain in later months. Detail of employment by industry, while not currently available in the form of direct estimates of totals, may be approximated by reference to the employment indexes based on reports from firms employing 20 persons or more (published by DBS in *Employment, Average Weekly Wages and Salaries*, catalogue number 72-002)¹. Changes in employment on this basis are summarized in reference table 15, on an annual basis, and in table 12 by quarters.

These tables reflect the pattern indicated by the trend in output. They show that, on an annual basis, 1966 employment rose at the same rate as in 1965. (It may be recalled that *total* employment rose more rapidly in 1966. However, the difference is attributable to the fact that many new entrants may have worked only very short hours, perhaps 8 to 10 hours a week, or they may have

¹One important qualification to this analysis resides in the fact that the employment indexes are based on the 1960 standard industrial classification, while the output indexes still use the 1948 SIC. However, over a short period the trends revealed by use of the two series in juxtaposition should not be misleading.

taken jobs in small establishments. Many may have been self-employed. People with these characteristics are included in *The Labour Force* employed total, but are generally excluded from the indexes.) On a quarterly basis, however, the expansion in employment was greatest in the two quarters, fourth quarter 1965 and first quarter 1966, when output was under greatest pressure. Manufacturing employment as a whole reflected the trend strongly, as did the durables sector. Construction employment recorded the largest quarterly changes, but the trade and service industries also moved substantially, and with some lag into the second quarter. The third quarter 1966 pattern in employment in large establishments was generally one of decline or relatively small advance; only the community services and the financial sector showed any tendency to sustained advance, and that at fairly low rates.

TABLE 13
CHANGES IN OUTPUT PER EMPLOYEE
By quarters
1965 and 1966

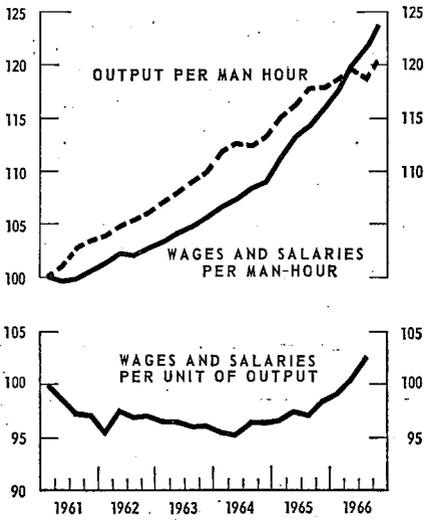
	1965				1966			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(Per cent change from previous quarter)							
Mining.....	0.8	-2.8	3.3	-0.2	1.1	2.8	0.8	1.7
Manufacturing.....	1.5	0.6	1.1	0.5	0.8	-0.3	-0.2	0.5
Non-durables.....	—	—	1.5	1.3	1.2	0.5	—	0.1
Durables.....	3.4	1.1	0.9	-0.5	0.4	-0.9	-0.4	0.9
Construction.....	-2.0	1.4	0.7	-4.7	-0.7	1.1	-2.1	-2.8
Transportation, storage and communication.....	-0.1	1.9	2.1	1.5	0.5	2.9	-2.1	3.7
Trade, total.....	1.3	0.5	1.2	0.9	-1.4	-5.1	2.7	1.6
Wholesale.....	5.3	-0.5	1.2	1.2	-3.4	-1.8	1.8	2.0
Retail.....	-1.3	1.4	1.3	0.3	-0.3	-6.5	3.2	1.1
Finance, insurance and real estate.....	-0.5	0.3	—	0.1	1.4	-0.3	0.7	1.1
Services.....	-1.4	-0.8	-0.4	-1.9	-2.3	-0.9	-0.4	-2.7
Commercial industries less agriculture.....	0.5	0.3	1.0	0.3	0.2	-0.6	0.2	0.8

SOURCE: Tables 11 and 12.

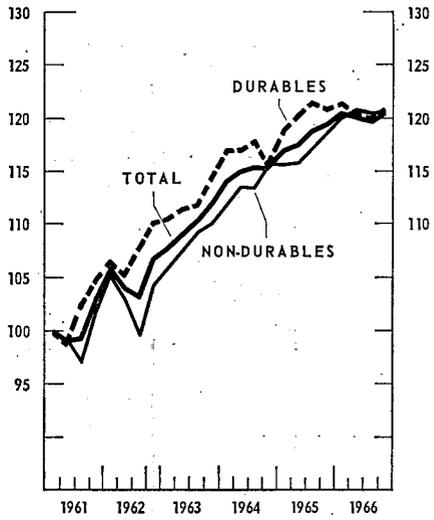
Changes in real output per worker, by industry, on the basis of the indexes used above, are summarized in reference table 16 and table 13. These tables indicate a progressive decline in the annual improvement of productivity per worker from the year 1964. Such a trend would be in keeping with the labour force developments discussed earlier, notably the marked increase in the number of young people and housewives in employment. The productivity of these new workers, being low during their earlier months of employment, brings down the average; moreover, many work less than a full week but more than only a few hours. In some industries, some hoarding of skilled labour may have been a factor. Also, a proportionately large share of the total increase in employment entered industries where productivity per worker is relatively low. These developments could reasonably be expected to have restricted productivity growth on a per-worker basis.

CHART 12
**LABOUR COSTS AND PRODUCTIVITY
 IN MANUFACTURING
 1961 - 1966**

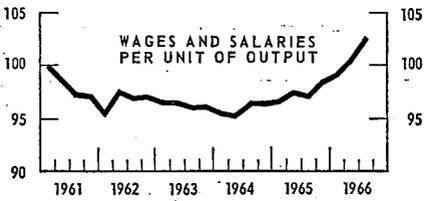
OUTPUT, WAGES AND SALARIES



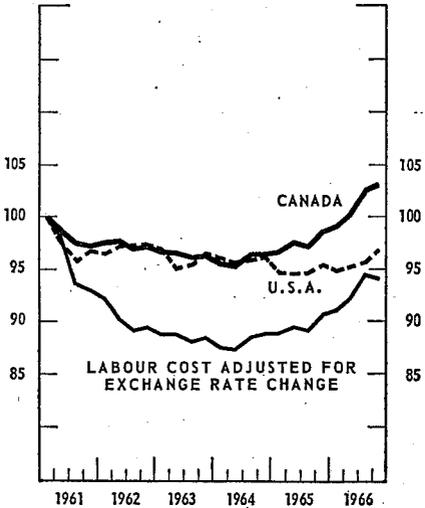
**OUTPUT PER MAN, MANUFACTURING
 DURABLES AND NON-DURABLES**



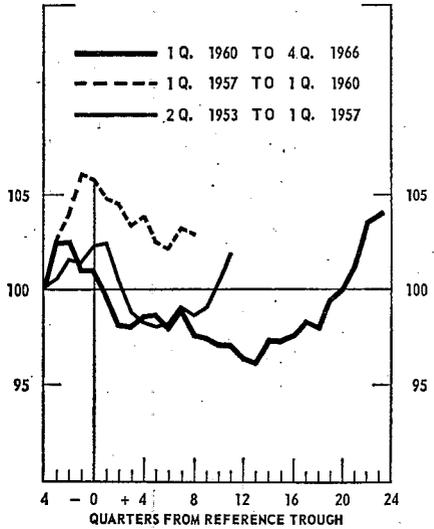
**WAGES AND SALARIES
 PER UNIT OF OUTPUT**



**LABOUR COST PER UNIT OF OUTPUT
 CANADA, U.S.A.**



**LABOUR COST PER UNIT OF OUTPUT
 THREE POST-WAR EXPANSION**



Quarterly changes in productivity are shown in table 13. These data are preliminary and any conclusions need to be regarded as indicative of broad trends rather than precise measurements. This table suggests that the manufacturing sector managed to maintain a degree of productivity improvement even when demand and output were rising most rapidly in late 1965 and early 1966. In construction, however, the pace of advance and the already high level of activity appear to have been inimical to continued improvement in productivity during that period. The trade and service sectors also appear to have lost some ground. In subsequent months, as the economy endeavoured to adjust to the high levels of activity established at the beginning of the year, productivity change was on the whole disappointing. In manufacturing, some fractional decline is indicated, with productivity in durables industries being adversely affected by the lower operating rate recorded in some cases, and improvement in the non-durables industries being limited.

TABLE 14
EARNINGS AND OUTPUT
By quarters
1965 and 1966

	1965				1966			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(Per cent change from previous quarter)							
Wages and salaries per worker								
Non-farm.....	1.8	1.3	1.7	1.9	1.4	1.0	2.3	2.1
Manufacturing.....	1.9	1.4	0.7	1.9	1.5	1.0	2.2	0.8
Output per worker								
Non-farm.....	0.5	0.3	1.0	0.3	0.6	-0.6	0.2	0.8
Manufacturing.....	1.5	0.6	1.1	0.5	0.8	-0.3	-0.2	0.5
Wages and salaries per unit of output								
Non-farm.....	1.3	1.0	0.7	1.6	1.2	1.6	2.1	1.3
Manufacturing.....	0.4	0.8	-0.4	1.4	0.7	1.3	2.4	0.3
Corporate profits per unit of output								
Non-farm.....	-2.8	-0.1	2.4	-3.0	-2.2	-1.2	-7.0	5.9
Manufacturing.....	-8.8	-1.3	0.4	-5.7	2.6	-4.4	-11.2	7.5

SOURCE: DBS *Estimates of Labour Income*.
DBS *Index of Industrial Production*.
DBS *Corporation Profits*.
DBS *Employment and Average Weekly Wages and Salaries*.

These developments in productivity per worker are of major importance in conjunction with movement of earnings per worker. The income developments discussed earlier are, from another viewpoint, the cost incurred in the production process and, in due course, these play their part in the process of price determination. Table 14 draws together the income, productivity and income costs per unit of output in the non-agricultural economy as a whole and in manufacturing. These data show a sharp annual rise in wage and salary costs per unit of output in the entire non-farm economy over recent years, although manufacturing unit labour costs did not begin to rise until 1965. On a quarterly basis, labour costs moved up more rapidly in the fourth quarter of 1965; and, after a more moderate movement in the first quarter of 1966, rose sharply in the second and third quarters. The fourth quarter advance was again more moderate. In the manufacturing sector, as illustrated in Chart 12, the quarterly increases were below those for the entire non-farm economy throughout 1965. More modest gains in

CHART 13

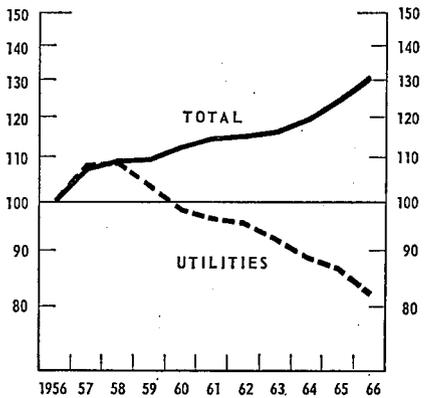
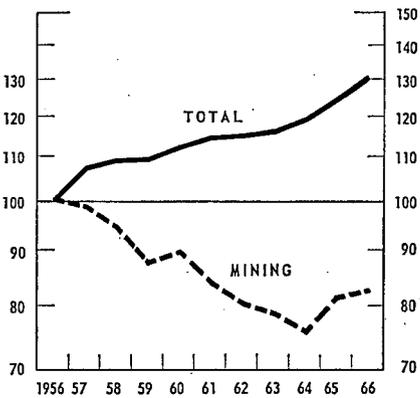
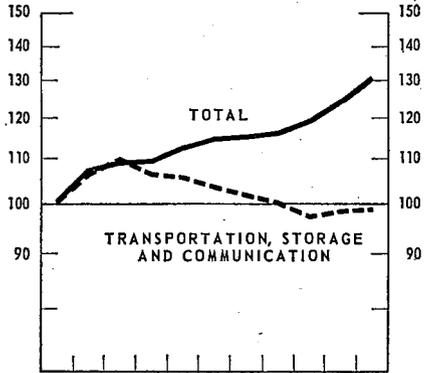
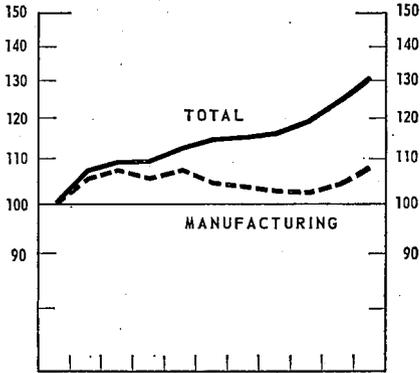
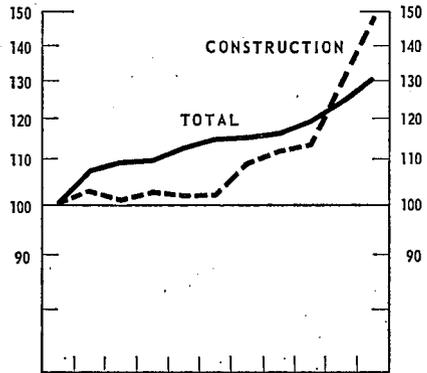
WAGE COSTS PER UNIT OF OUTPUT

1956 - 1966

BY MAJOR INDUSTRIAL GROUPINGS

(1956 = 100)

(RATIO SCALE)



the first two quarters of 1966 were followed by a sharp increase in the third quarter, but there was little change in the fourth. The rise in unit wage costs was thus on average more rapid in the latter part of the year, partly reflecting the less favourable productivity trends of the period and partly the sharp rise in wages and salaries paid per worker.

Profits per unit of output in the entire non-farm economy, being the margin between unit costs and unit price, have been declining. From mid-1965 to the third quarter of 1966, unit profits declined steadily if irregularly, with a particularly sharp drop occurring in the third quarter of 1966 which was greatly affected by strikes. A substantial recovery however occurred in the fourth quarter of 1966.

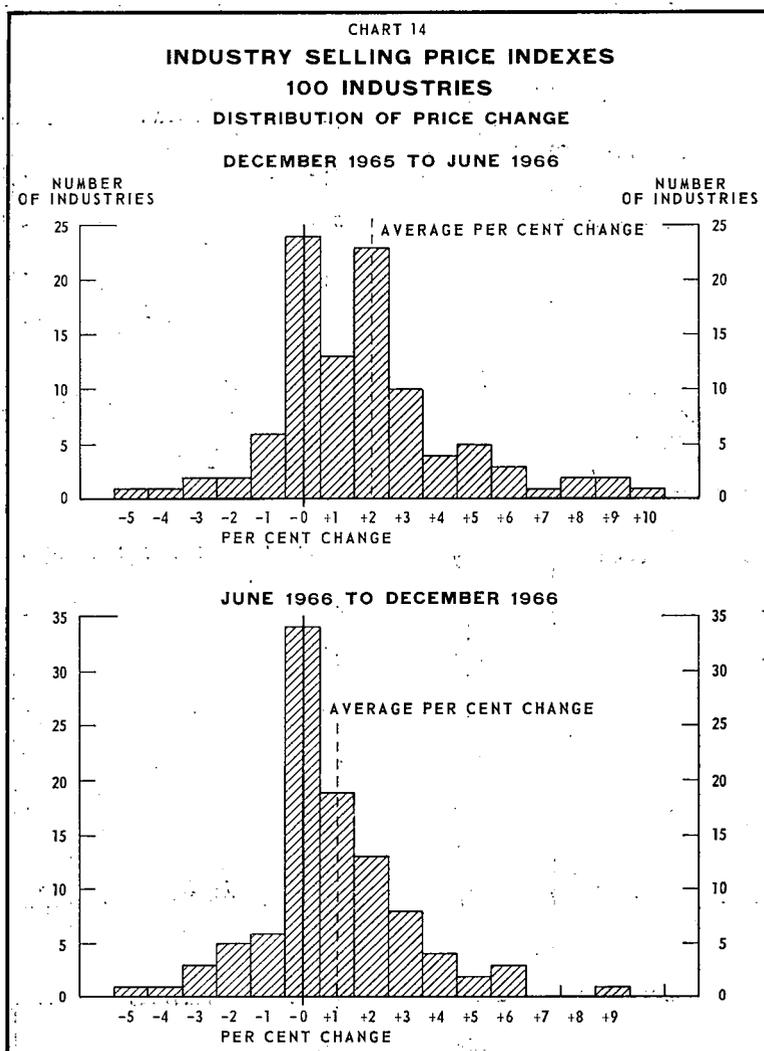
Price Developments

Price movements in the Canadian economy in 1966 reflected all of these factors. Buoyant demand, particularly at the consumer level, both caused and permitted prices to rise. Higher prices in the United States, notably food prices, were an important element in the pattern of price movements which emerged in Canada. Accompanying these trends was the record of rising wage-rates and smaller productivity gains, which raised production costs and added to price pressures as the year wore on. In addition to these developments, the introduction of the Canada and Quebec Pension Plans on January 1 (which added the employer's contribution to his production costs) and the addition of a further 2 percentage points to the Ontario sales tax at the retail level resulted in further upward movements in the price indexes.

The detail available in the Industry Selling Price Indexes (which are not combined into a composite index in order to avoid double-counting and other technical difficulties) presents a helpful indication of the industries which are experiencing cost pressures or exceptional demand conditions. Chart 14 shows the degree of pressure which was present during the year, revealing the percentage of industries changing their prices, in what direction and by how much; it indicates that increases were greater in the first half of the year.

There was some additional evidence of diminishing demand pressure during the later months, in the movement of the wholesale index of thirty industrial materials. This index, which includes many items traded on world commodity markets, in February 1966 reached its highest point since the period of the Korean War, but since that time has declined steadily if modestly. The index of non-residential building materials, in which increased wage-costs and other factors can more readily be moved forward into prices, continued to edge upward until the end of the year. The residential materials index, among these special groupings, continued to move upward throughout the entire twelve months and into the new year. The price index of finished manufactured goods, which incorporate material, labour and other costs, rose in every month of the year until September, when it was 2.5 per cent higher than it had been in January. Some deceleration appeared to develop towards year-end.

The price changes which attracted most attention during the year were those affecting the consumer price index. In particular, the sharp rise in food prices, which began in 1965 and became much more rapid in the first few months of 1966, became a source of growing concern. This movement was due only in part to cyclical pressures. Rising prices of livestock products were fundamentally a response to the continued rise in consumer demand for meat in both the United States and Canada. While the upward trend in consumption was very largely a response to the rise in incomes which has been a feature of recent years, popula-



tion growth also was an important factor. This increase in consumption has taken place against a background of relatively inelastic supply, as the number of animals available for slaughter could not quickly be expanded, and strong export markets for grains in recent years have maintained the relative attractiveness of grain growing as against livestock operations. The strong upward price movement was an eventual consequence of these developments.

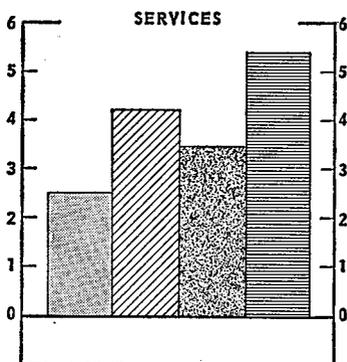
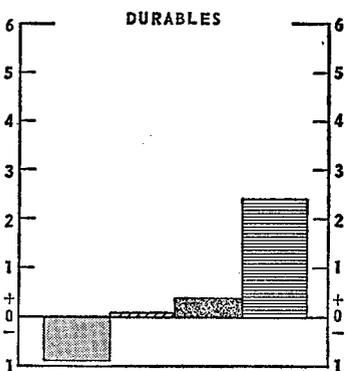
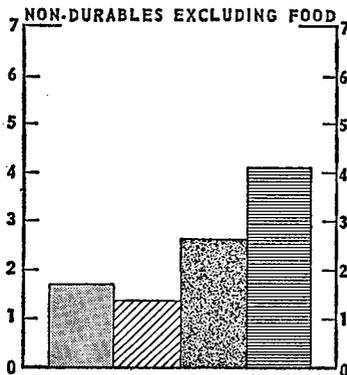
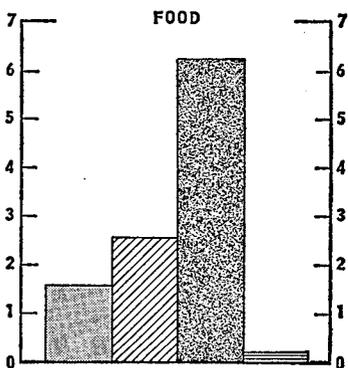
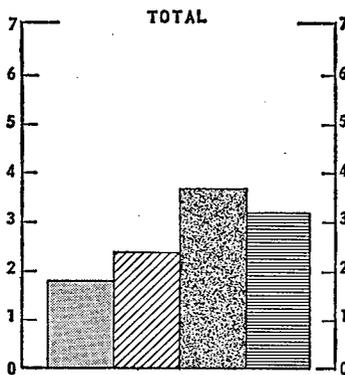
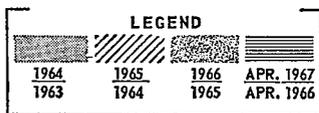
Other food prices, however, also rose sharply in the early months of 1966. Many of these price changes were an attempt by processors, wholesalers and retailers to cover rising costs, both in retrospect and in prospect, at a time when circumstances appeared to permit such changes. These food price increases were most marked in the first quarter, when the atmosphere of buoyant demand and high incomes gave rise for a while to an inflationary psychology in which such

CHART 15

CONSUMER PRICE INDEX

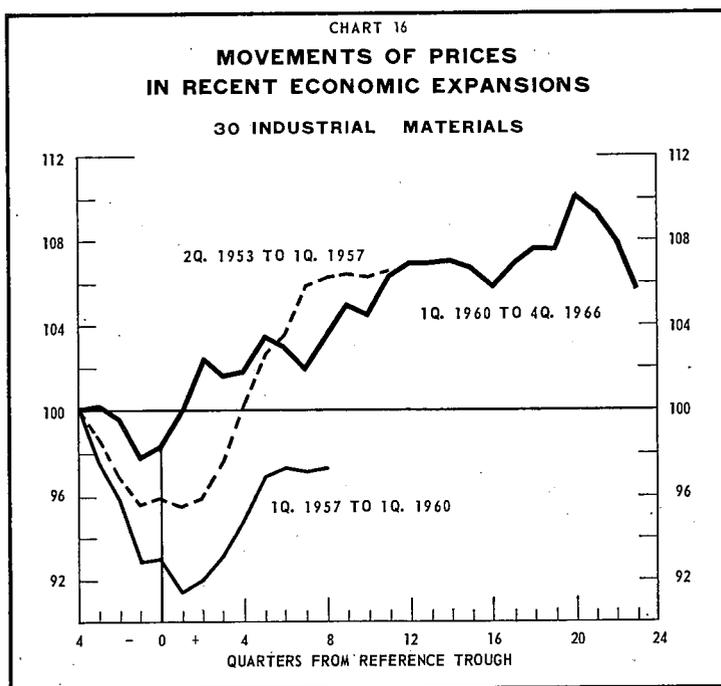
**ANNUAL PER CENT
CHANGE**

1963 - 1966



price changes appeared to offer only a limited threat to the competitive positions of sellers. These particular changes were thus in part independent of demand pressures and in part caused by rising costs. Rising wage costs, which are the most important element of service prices, were a major cause of the continued advance in prices of consumer services.

Consumer prices other than food, as recorded in the consumer price index, were affected by tax changes, particularly the higher rate of sales tax imposed in the most populous province in the spring, and also by the continued rise in property taxes in most municipalities. These tax changes, while raising prices to the consumer, are not themselves evidence of cyclical pressures. Higher interest rates on residential mortgages do, however, find their way into the index as part of the price paid for home ownership. This, as a cyclical phenomenon, occurred in the course of 1966.



The slackening in the rate of price advance which occurred in the latter part of the year was both a reflection of, and a contributory factor to, the ebbing of the tide of inflationary psychology. This change of pace is most easily observed in the movement of the implicit price indexes of gross national expenditure and its components, which rose sharply throughout the first half of the year but recorded smaller quarterly increases thereafter (reference table 20). Over the year as a whole, the GNE deflator advanced by 4.6 per cent, compared to 2.8 per cent in the previous year. It may be noted that the year-over-year fourth-quarter comparison was 4.9 per cent. The built-in wage increases in many industries, and the present unsatisfactory productivity record across the non-farm economy as a whole, however, indicate a continued rise in unit wage costs in coming months, and hence a continued, though more moderate, increase in the general level of prices.

Imports of Goods and Services

Although some of the elements of strength in Canada's exports in 1966 had their counterparts in the import accounts, the growth of 13.2 per cent in total imports of goods and services¹ was little greater than in 1965 (12.3 per cent), and slightly less than in a period of markedly lower pressure on domestic resources in 1964, when it was nearly 14 per cent. Moreover, the rise in merchandise imports alone was virtually the same in each year, at 14.5 per cent in 1965 and 14.6 per cent in 1966. Outpayments on services increased by a little more than 10 per cent, as against rather less than 8 per cent in 1965.

This virtually straight-line trend in imports was not really commensurate with the sharply accelerated pace of the expansion in the domestic economy. Imports did not show the increase that might have been expected, on the basis of their behaviour in previous periods of very heavy pressure on domestic resources. Even with due allowance for problems of seasonal adjustment resulting from the new patterns of trade that have developed in recent years, merchandise imports in particular were on only a relatively gentle rising trend from October 1965 right through September 1966.

The reasons for this somewhat unexpected out-turn are simply not known in full at present. It may be that a significant margin of import demand remained unfulfilled, as productive capacity in the main supplying industries in the United States was pre-empted by the surge of demand in that country, and that it only began to be met as the U.S. economy cooled off towards the end of 1966. If so, some import orders may have been cancelled or switched; total merchandise imports continued very strong through February of 1967, but on the basis of shipments from the U.K. and other overseas countries, rather than the United States. In general, however, the suggestion that import shipments were delayed, rather than cancelled or switched, is borne out by the marked pause in imports in the first, second and third quarters of 1966, and subsequent increases into early 1967.

The greater part of the increase that did occur in merchandise imports was accounted for by imports of machinery and equipment, and particularly of motor vehicles and parts and of production equipment associated with implementation of the Canada-U.S. automotive agreement. Other specific items contributing substantially to the higher rate of imports in this category were electric generators and motors, wheel tractors, ships and boats, aircraft and parts, electronic computers and other office machinery and equipment.

The automobile markets in both the United States and Canada weakened somewhat in the course of the year, although the bilateral trade in automobiles and parts was vastly expanded. Despite increased production of commercial vehicles, lower Canadian imports of iron and steel, particularly of plate, sheet and strip steel, can be partly attributed to a levelling-off in car production in the course of the year. Imports of structural shapes and steel piling similarly were affected by the trend in non-residential construction, but Canadian purchases of pipes and tubing and of some other iron and steel products were considerably higher, so that the net reduction in iron and steel imports was only moderate. Among fuels, imports of coal and other bituminous substances recorded substantial gains over 1965, but liftings of foreign crude petroleum declined for the third successive year, a fact which was reflected in the lower volume

⁽¹⁾ Preliminary estimate on a balance of payments basis, which includes outpayments of inheritances and emigrants' funds; on a national accounts basis, excluding such funds, the increase was 13.6 per cent.

of imports from Venezuela. Non-ferrous metals and ores, particularly aluminum and nickel, constituted another group of products to show large increases in imports.

TABLE 15
COMPOSITION OF IMPORTS⁽¹⁾
(millions of dollars)

	1964	1965	1966	Change 1965 to 1966	
				millions of dollars	Per cent
Fruits and Vegetables.....	289	304	315	+11	+3.6
Other agricultural and fishery products.....	636	596	635	+39	+6.9
Fibres, fabrics and textiles.....	509	526	535	+9	+1.7
Iron, steel and products.....	545	666	629	-37	-5.6
Coal, petroleum and products.....	547	622	635	+13	+2.1
Other metals, minerals and products.....	417	479	584	+105	+21.9
Forest products.....	157	172	169	-3	-1.7
Chemicals and products.....	463	524	550	+26	+5.0
Machinery.....	1,211	1,372	1,575	+203	+14.8
Motor vehicles and parts.....	818	1,125	1,581	+456	+40.5
Other equipment.....	980	1,202	1,473	+271	+22.5
Miscellaneous products.....	915	1,046	1,187	+141	+13.5
Total Imports.....	7,488	8,633	9,867	+1,234	+14.3

⁽¹⁾Trade of Canada basis.

The increase in imports of agricultural products was concentrated chiefly on meat and dairy products, eggs and honey, partly offset by a reduction in the value of imported raw sugar. Smaller purchases of cotton restrained the increase in imports of fibres, fabrics and textiles. Geographically, the U.S.A. accounted for the bulk of the increase in Canadian imports in 1966.

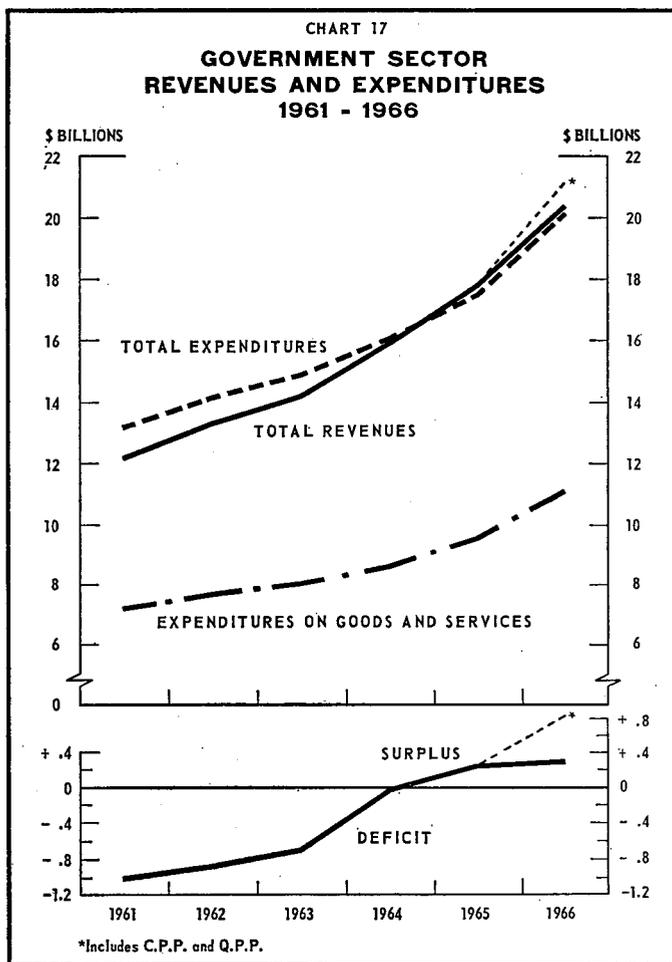
The growth of outpayments on most non-merchandise transactions ("imports" of services, including the use of foreign capital) was in general not much faster than in 1965, and a good deal less rapid than in 1964, a year which saw a particularly marked rise in payments associated with the servicing of capital. Payments of interest and dividends together rose by 10 per cent last year, the growth in interest payments being relatively much the greater. Reduced corporate profitability may have been a factor in the slower growth of dividend payments, but the extensive control of Canadian corporations by non-residents has long tended to over-ride any clear relationship between current profitability and distributions to non-resident shareholders. It is certainly the case that the trend of recent years has been considerably distorted by the erratic behaviour of dividend payments to the United States, which contributed to a rise of nearly 24 per cent in the outflow from Canada in respect of dividend payments in 1964, followed by increases of only 3½ per cent in 1965 and 7½ per cent in 1966.

Payments on "all other" current transactions also rose by about 10 per cent, and advertising expenditures in connection with Expo '67 were one of the contributory factors. The increase in payments on travel account was a good deal stronger, at nearly 18 per cent; but the rise in payments on freight and shipping was little more than 2 per cent, despite the substantial increase in the total of Canada's external trade in merchandise.

The major single factor in the acceleration that occurred in non-merchandise payments, however, was a near-doubling in official contributions, from \$92 million in 1965 to \$167 million in 1966. A major part of this increase is accounted for by the aid donation of some \$60 million of wheat to India. Since this was a donation in kind, a similar increase was recorded in merchandise exports.

GOVERNMENT SECTOR

This section deals with government transactions on a national accounts basis and for the calendar year, in order to make comparisons with other economic aggregates.



Looking back to the period when the economy emerged from the trough of the cycle in early 1961, government revenues were rising appreciably less than expenditures. As a result, the deficit of the total government sector continued to grow, and for that year it was enlarged to a postwar near-record level

of \$1,005 million. With the gathering momentum of expansion, revenues out-paced expenditures in successive years, until in 1965 the fiscal position of the total government sector moved to a surplus of \$246 million. The municipal sector continued to run deficits of around \$400 million annually until 1964, when these increased to over \$500 million. Burgeoning demands for schools, streets, sewers and other ancillary facilities generated by the expansion were met from the extra revenues made available to the municipalities from taxes and from larger transfers from the provincial governments.

The revenue and expenditure position by level of government is shown in the table below.

TABLE 16
REVENUES, EXPENDITURES AND FISCAL POSITION, BY LEVEL OF GOVERNMENT
(National accounts basis)

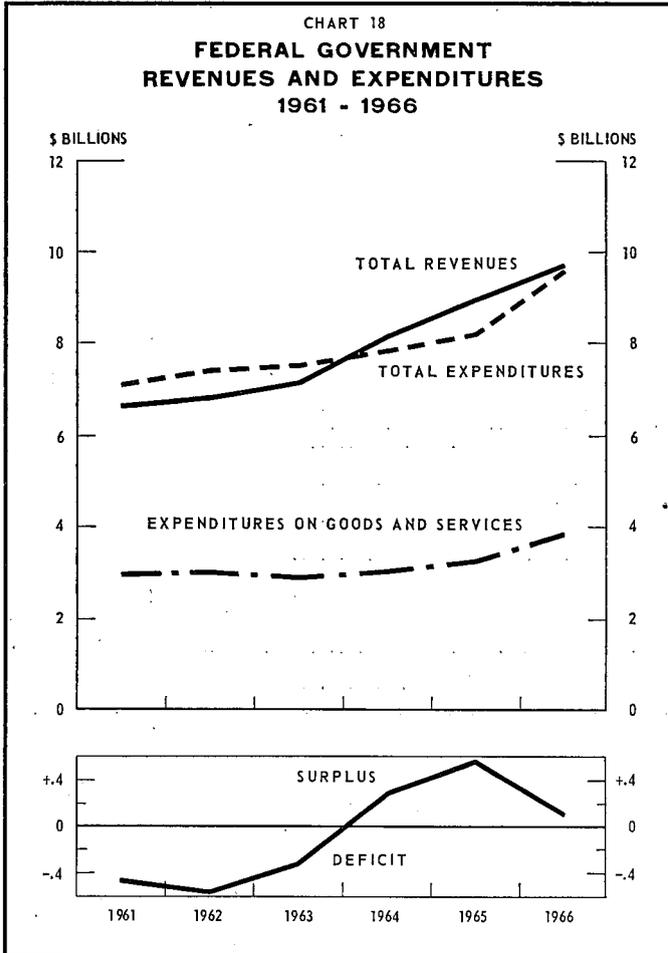
	1961	1964	1965	1966
	(Millions of dollars)			
Federal—Revenue.....	6,668	8,187	8,973	9,721
Expenditure.....	7,129	7,891	8,405	9,597
Surplus (+) or deficit (-).....	-461	+296	+568	+124
Provincial—Revenue.....	3,709	5,417	6,336	7,293
Expenditure.....	3,837	5,296	6,084	7,263
Surplus (+) or deficit (-).....	-128	+121	+252	+30
Municipal—Revenue.....	2,707	3,642	3,945	4,427
Expenditure.....	3,123	4,080	4,519	5,015
Surplus (+) or deficit (-).....	-416	-438	-574	-588
Canada Pension Plan.....	—	—	—	531
Quebec Pension Plan.....	—	—	—	183
Total ⁽¹⁾ —Revenue.....	11,099	14,697	16,373	18,780
Expenditure.....	12,104	14,718	16,127	18,500
Surplus (+) or deficit (-).....	-1,005	-21	+246	+280

⁽¹⁾Excluding inter-governmental transfers.

Because of the nature of the revenue base, federal and (to a lesser extent) provincial revenues are cyclically sensitive. Over a quarter of federal revenues are derived from personal income taxes which, because of the structure of exemptions and rates, yield a larger percentage increment than the growth in the income base to which they are applied. On the other hand, corporation income tax accruals, which are also an important source of revenue, are affected by changes in profit margins and the level of profits as the economic expansion proceeds. Again, the federal government derives a considerable amount of revenues from sales and excise taxes and customs import duties levied on cyclically responsive purchases of durable goods for consumption and investment. It should be observed however that year-to-year changes in revenues throughout this period were also affected by the gradual application of sales taxes on construction materials and production machinery and equipment, and at the provincial-municipal level by increases in sales, gasoline and property tax rates.

The net result of these factors over the period was the change from a deficit position at the federal level of \$461 million in 1961 to a surplus position of \$296 million in 1964 (on a national accounts basis). By the second quarter of 1965,

the federal surplus was running at a seasonally adjusted annual rate of some \$680 million. Despite the reduction in personal income taxes as of July 1, 1965, by an equivalent of 10 per cent of the basic tax subject to a maximum reduction of \$600 in a full year, the buoyancy of demand was such that gains in indirect tax revenues and revenue from other sources offset the reduction in personal income tax flows. On balance, the rate of federal surplus was relatively unchanged during the rest of the year.



From the fourth quarter of 1965, however, the federal surplus on the national accounts basis declined by \$240 million to an annual rate of \$416 million in the first quarter of 1966, to \$280 million in the second and to \$164 million in the third; a deficit of over \$360 million was recorded in the fourth quarter¹. A number of factors contributed to the drop in the first quarter of 1966. At the beginning of 1966, the flow of old age security payments increased appreciably with the first of the scheduled annual reductions to the eligible age limit from 70 to 69

¹This apparent change from surplus to deficit arises partly from the seasonal adjustment of interim payments to railways.

years. In the same quarter higher defence expenditures reflected the lump sum re-engagement bonus paid to service personnel. On the revenue side the basic abatement of personal income taxes to the provinces was raised from 21 to 24 percentage points.

In the succeeding quarters of 1966, the growth in revenues did not keep pace with the expansion of expenditures. A number of special factors contributed to this development. In the second quarter, for example, revenues from direct personal income taxes declined, due in part to a shift in tax refunds from the first to the second quarter. In the following quarter the flows of personal income taxes rebounded sharply as the higher tax rates came into effect, although this was offset to some extent by reduced corporate tax liabilities and reduced investment income. Increased expenditures in the third quarter reflected the larger payments for international assistance and grants to universities. Special factors in the fourth quarter included larger interim payments to the railways and pay increases to the armed forces personnel.

The government sector as a whole at the beginning of 1966 showed a rise in the government surplus (on a national accounts basis) from a rate of \$400 million in the fourth quarter of 1965 to a rate of close to \$544 million in the first quarter of 1966, as contributions from the Canada and Quebec pension plans began to flow in with no benefit payments to be made in the first year. By then, it was becoming evident that the demand pressures in the economy generally and the pace of the investment boom in particular were generating inflationary conditions in an economy already operating at or close to capacity. With this in mind, the Minister of Finance introduced a number of restraining measures in the spring budget.

After these and other changes had been taken into account a surplus of \$455 million, exclusive of the refundable tax, was forecast on a national accounts basis for 1966-67 in the spring budget. By late 1966 the pressure of excessive demand had moderated. Mainly because expenditures were higher than had been expected in the spring budget, it appeared the surplus would be substantially lower than the amount forecast earlier. A supplementary budget was brought down on December 19 to introduce measures for financing the recently-legislated "guaranteed income supplement" programme for needy pensioners. In reviewing the situation at that time, it was decided that, taking account of the changes since March, the action taken should be economically neutral, balancing the expenditures on the guaranteed incomes supplement with increased revenues. Accordingly, taxes were raised by an amount of \$290 million annually, to meet the forecast cost of the new programme.

Cash requirements of the federal government, which cover loans and investments as well as budgetary requirements, also proved to be greater than had been forecast in the budget of March 29, 1966. At that time the Minister had forecast for 1966-67 a budgetary requirement of \$150 million, and a further \$350 million for non-budgetary transactions such as loans, investments, advances, etc., exclusive of amounts collected from the refundable tax. By December, higher than anticipated expenditures had raised the budgetary deficit to \$340 million. On the non-budgetary side, cash requirements were raised also by \$150 million from those forecast earlier, mainly because of larger direct loans for housing.

In terms of statistical detail underlying recent federal revenue changes, three-quarters of the \$748 million increase from 1965 to 1966 is represented by larger revenues from personal direct taxes and indirect sales taxes. Personal

income tax flows strengthened with the growth in labour income and the restoration in June 1966 of most of the tax cut made a year earlier. Offsetting effects included the increase of the basic abatement to the provinces and, to some extent, the tax deductibility of contributions to the Canada and Quebec pension plans.

Federal sales and other indirect taxes rose by 10.2 per cent in 1966, a somewhat lower rate than in previous years. This was partly associated with a decline in the rate of growth of expenditure on durable goods and housing construction but also because the higher figures of the preceding years reflect the progressive application of the sales tax to building materials and production machinery and equipment.

On the expenditure side, total federal outlays rose by close to 14.2 per cent, slightly more than the rate of increase of the previous year. Of the total increase of \$1,192 million, approximately one-half is accounted for by larger purchases of goods and services. Wages and salaries, the largest single factor contributing to this increase, rose by 13.1 per cent, largely as a result of higher wage and salary rates.

Other factors included increased international assistance, re-enlistment bonuses and higher pay and allowances to armed service personnel, and special contributions to superannuation accounts consequent upon the pay increases. It should be noted, however, that the latter is an actuarial adjustment and does not represent cash outlays in the current period.

Transfers to other levels of government rose by \$232 million or 16.3 per cent, primarily because of larger payments to the provinces under federal-provincial fiscal arrangements and under the Technical and Vocational Training Assistance Act.

Transfers to persons rose by 7.0 per cent, with over two-thirds of the change arising from increased old age security payments associated in part with the reduction in the age limit at which these are paid. The balance of the increase was spread among a number of items, the largest being the payment to universities associated with the raising of the per capita grant from \$2 to \$5. Interest on the public debt rose by 9.4 per cent and transfers to business by 25.1 per cent, the latter reflecting mainly larger subsidies to railways.

The net position of the provincial-municipal governments on a national accounts basis also declined in 1966. Provincial-municipal expenditures rose by 15.4 per cent in 1966, compared to a 13.3 per cent increase in 1965, while the revenue increase was fractionally smaller in 1966 than in the previous year. As a result, the provincial-municipal government sector showed a deficit, on the national accounts basis, of \$558 million in 1966 compared to deficits of \$360, \$317 and \$322 millions in 1963, 1964 and 1965 respectively.

Provincial revenues rose by 15 per cent to \$7,293 million in 1966. Personal direct taxes, which accounted for one-fifth of provincial revenues, increased by roughly one quarter, mainly due to a 36 per cent rise in personal income tax receipts following the transfer of an additional abatement of 3 percentage points from the Government of Canada to the provinces. Indirect taxes increased by almost 15 per cent, largely because of an 18 per cent rise in gasoline and retail sales tax receipts. This reflected a widening of the retail sales tax base in Quebec, as well as a 2 percentage points increase of this tax in Ontario and an increase in gasoline tax in both Ontario and Saskatchewan. Additional transfers from the Government of Canada raised the level of federal transfers to roughly 20 per cent of provincial government revenue.

Expenditure on goods and services, which made up over a third of provincial government outlays, increased by almost one quarter, mainly because of a rapid rise in capital expenditures by provinces. This was particularly evident in the third quarter of the year, when there was a sharp upswing arising mainly from a spurt in capital spending on highways in some provinces. Transfers to persons rose by 16 per cent, reflecting a substantial increase in grants to non-commercial institutions, which for national accounts purposes are included in the personal sector. This again reflected the growing outlays of provincial governments for health and education. Finally, transfers from the provinces to municipalities increased by almost 18 per cent as grants to school corporations and for general purposes expanded sharply.

In 1966, municipal governments ran a deficit of \$588 million on a national accounts basis, a somewhat larger deficit than in the previous year. Revenue increased by 12 per cent to \$4,427 million and expenditure by 11 per cent to \$5,015 million. Indirect taxes, which at the municipal level consist largely of real property taxes, increased by over 7 per cent.

Municipal expenditure on goods and services, which forms over nine-tenths of the total expenditure of municipalities, rose by over 11 per cent over the previous year. Outlays on wages and salaries rose by 9 per cent, and there was a 24 per cent rise in outlays for buildings, machinery and equipment by municipal governments, including school authorities.

BALANCE OF PAYMENTS

The Current Account

Historically, the Canadian deficit on current international transactions has acted as a barometer of the economy's need to call upon external resources, tending to rise during an economic expansion, and shrink when the rate of economic growth slackens. This is due largely to the elasticity of imports to changes in income and pressures on domestic resources. However, the effect of this on the total current account balance is moderated by the relatively steady increase in payments to service past capital inflows. With the beginning of the present business expansion, the balance on current account might have been expected to deteriorate in accordance with the historical trend. The fact is that this did not happen, and it is not possible to relate recent changes in the balance of payments closely to trends in domestic demand.

Several factors account for this development. During the period of high unemployment between 1957 and 1961, a substantial proportion of domestic productive capacity had become idle, and this allowed subsequent increases in demand for goods and services to be met from domestic sources rather than imports. During the early part of the current expansion as well, imports were affected by the devaluation of the Canadian dollar in 1962 and more briefly by the emergency import surcharges imposed in that year. Imports did not begin to accelerate until later in the expansion when there was less spare domestic capacity to draw upon and more resources were being put into investment, which has a heavy import content. Exports, on the other hand, received a special stimulus from the devaluation in 1962 and from the long-term wheat contracts with the U.S.S.R. and Mainland China, under which deliveries were heaviest in 1964. The merchandise trade surplus continued to rise to a peak of \$701 million in 1964.

Looking at non-merchandise transactions, receipts started to grow in 1960 more rapidly than payments, in particular those related to travel, freight and shipping and inheritances and migrants' funds. This served to reduce substantially the growth rate for the deficit on non-merchandise transactions and actually led to an absolute decline in 1962 and 1963. The net effect of these factors was to reduce the current account deficit from \$928 million in 1961 to \$424 million in 1964, although the economy had entered upon a period of vigorous expansion. The reversal in 1965 was due to a pause in wheat shipments, which reduced the growth in exports to 6.2 per cent, while imports rose by 14.5 per cent. The latter was partly a result of the growing pressure on resources and partly due to the effect of the Canada-U.S. automotive agreement, which led to an increase in both exports and imports of automotive products. The consequent contraction of the trade surplus was accompanied by an increase in the deficit on non-merchandise transactions (although the growth rate for receipts continued to exceed that for payments), producing a current account deficit in excess of \$1 billion for 1965.

Exports and imports of goods and services in 1966 have been discussed already as separate elements in demand and supply in the domestic economy. It will be recalled that in neither case were developments in 1966 fully in accordance with cyclical experience. Even apart from wheat and autos, exports showed considerable strength as a result of demand pressure in the United States and some of this pressure was thereby transferred to the Canadian economy. The growth of Canadian imports on the other hand was less than could have been expected in the light of heavy pressures of demand in Canada.

For 1966 as a whole merchandise exports increased by more than 17 per cent while merchandise imports rose by less than 15 per cent. The surplus on merchandise trade amounted to \$380 million for the year compared with \$118 million in 1965. It was noted earlier that the reasons for the relatively modest increase in imports in a year of exceptional demand pressures cannot be fully explained on the basis of present information. At the same time, merchandise exports benefited from the special circumstances affecting wheat and automotive trade. Apart from these special circumstances, merchandise trade on other items moved from near balance in 1965 to a deficit of about \$100 million in 1966. It should be borne in mind, however, that a higher level of wheat exports generates income which is partly spent on imported items including agricultural machinery. By the same token, the much higher two-way trade in automotive parts has involved substantial increases in imports of capital equipment by the auto industry. Accordingly, one cannot regard the additional receipts from sales of wheat and trade in automotive products as being a net gain to the merchandise balance that was not offset by some additional imports.

The overall gain in the trade balance in 1966 was partly offset by the further increase in the deficit on non-merchandise transactions. As already suggested, however, not much of this deterioration can really be described as cyclical. The balance on inheritances and migrants' funds, which is not in any case an element in the national income and expenditure accounts, showed a further substantial improvement, owing to a steep rise in receipts and an actual decline in payments. The rate of emigration to the U.S.A. was sharply reduced in 1966, partly as a result of changes in immigration regulations and procedures in that country, while immigration into Canada reached the highest level since 1957. Payments for freight and shipping rose more moderately than in 1965, and the deficit for these transactions therefore declined again following a deterioration in the previous year. In total, there was a shift in the trend of the last few years,

CHART 19
BALANCE OF PAYMENTS, CURRENT ACCOUNT COMPONENTS
 1953 - 1966

AS PER CENT OF GNP

ANNUAL

(BASED ON CURRENT VALUES)

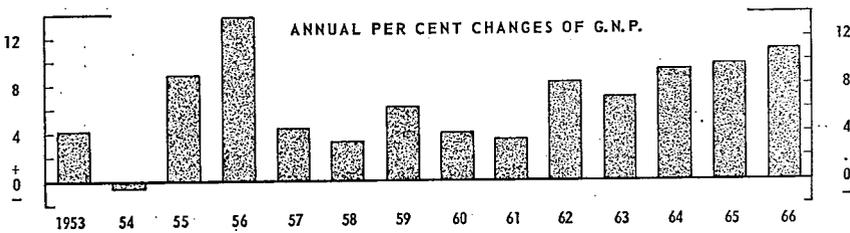
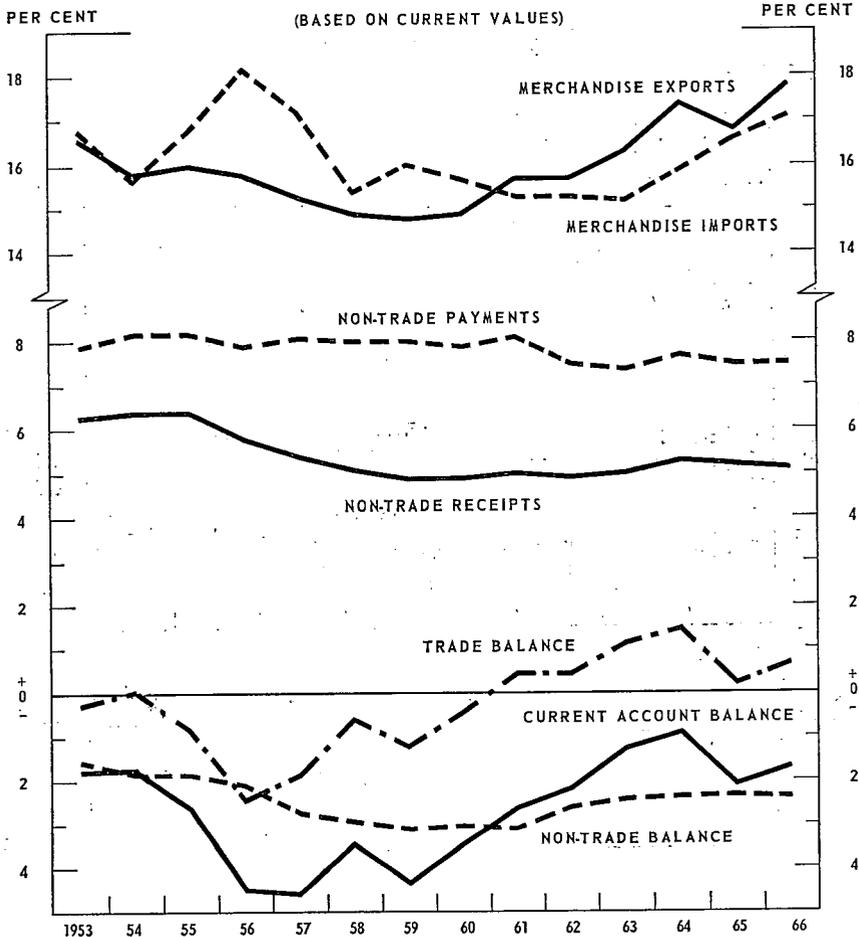
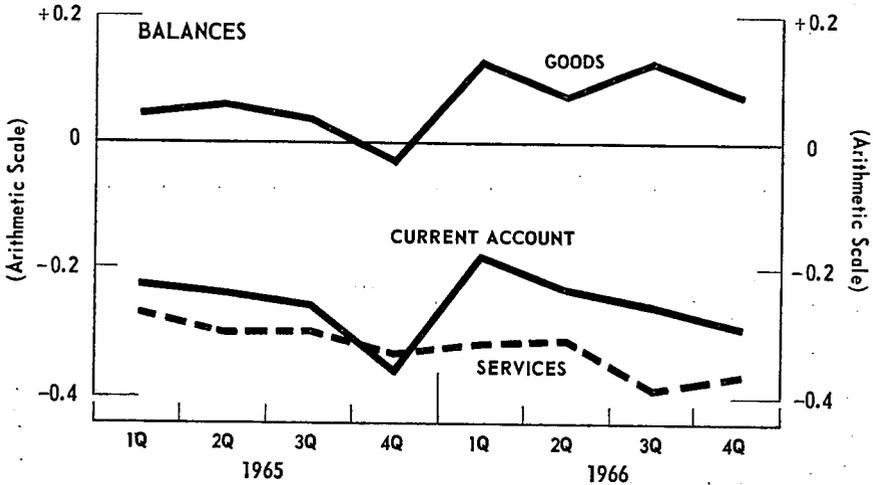
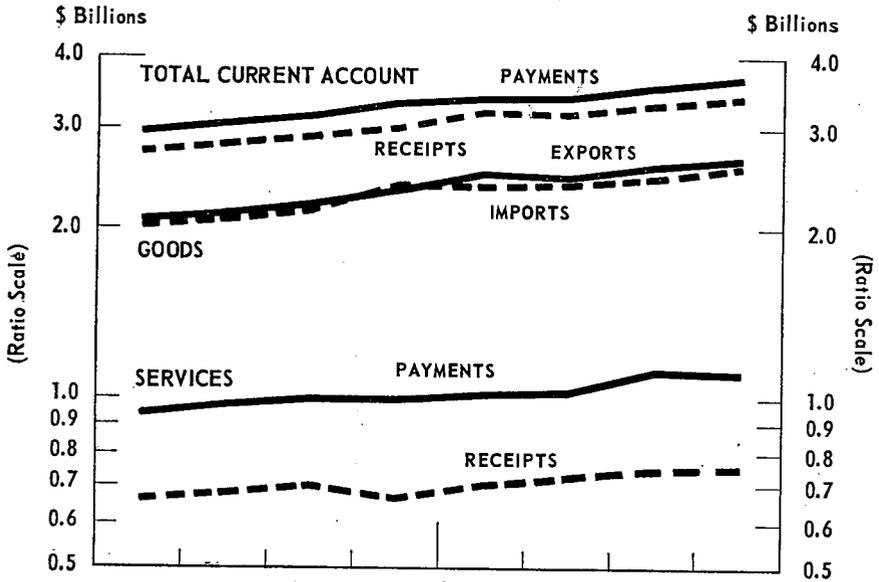


CHART 20
BALANCE OF PAYMENTS CURRENT ACCOUNT
1965 - 1966
 BY QUARTERS
 (SEASONALLY ADJUSTED)



in that payments for services now rose at a higher rate than receipts for the first time since 1959. Chiefly responsible for this change of trend and the deterioration of the deficit on non-merchandise transactions were an increase in official contributions and bigger deficits on interest and dividends and travel accounts. The larger outflow for official contributions was related to higher shipments of wheat under bilateral food aid programmes (particularly to India), and cash contributions under multilateral aid programmes. Receipts of interest and dividends declined for the second year in succession and thus added further to the rise in the deficit on this account. Expenditures by Canadian tourists abroad rose considerably faster than in the previous year, while Canadian receipts from tourism rose more slowly. As a result, the improvement which occurred in the travel balance in 1965 was more than reversed in 1966, contributing to the increase in the overall non-merchandise deficit. Gold production declined for the fifth consecutive year, and at about twice the 1965 rate. In all other non-merchandise transactions, receipts continued to rise more rapidly than payments, but not sufficiently to achieve a further reduction in the deficit for these items in 1966.

The growth in the deficit on non-merchandise transactions was incurred chiefly with the U.S.A., where it more than offset the improvement in the trade balance and produced a higher bilateral deficit on current account. Canada's current position with the U.K. also deteriorated, but the trade surplus earned in respect of other countries was sufficiently large to offset the increase in net payments on services and trade to the U.S. and U.K. and produce an aggregate deficit on current account some \$100 million smaller than in 1965.

TABLE 17
CURRENT ACCOUNT OF THE CANADIAN BALANCE OF PAYMENTS
(millions of dollars)

	1963	1964	1965	1966 (Preliminary estimates)
Merchandise trade	7,082	8,238	8,745	10,270
Exports.....	6,579	7,537	8,627	9,890
Imports.....				
Balance.....	503	701	118	380
Non-merchandise trade				
Balances—				
Gold production available for export.....	+154	+145	+138	+125
Travel.....	+ 24	- 50	- 32	- 60
Interest and dividends.....	-630	-678	-761	-884
Freight and shipping.....	- 85	- 35	- 82	- 74
Inheritances and migrants' funds.....	- 35	- 32	—	+ 60
Official contributions.....	- 65	- 69	- 92	-167
All other current transactions.....	-408	-406	-372	-363
Total.....	-1,045	-1,125	-1,201	-1,363
Current account balance.....	- 542	- 424	-1,083	- 983

Reference table 31 shows Canada's bilateral account with the United States. In 1966, the current account deficit with the U.S. increased to \$2,107 million from \$2,050 million in the preceding year. As in 1965, the greater part of the current account deficit with the United States was financed by means other than a net import of capital from the United States. The net inflow of long-term

capital from the U.S. rose from \$964 million to \$1,146 million, and there was a somewhat smaller net outflow of short-term capital to the United States than in 1965. The net overall balance remaining to be financed fell from \$1,594 million in 1965 to \$1,308 million in 1966. But whereas the overall deficit with the United States in 1965 had been more than covered by the combination of current account earnings elsewhere and an inflow of over a billion dollars of short-term capital from overseas, in 1966 the short-term capital account with overseas countries was virtually in balance. Current account earnings overseas rose from \$829 million to \$999 million, and the net outflow of long-term capital to the rest of the world was rather smaller; this left \$484 million of the 1966 deficit with the U.S. to be covered out of Canadian reserves and domestic gold production. Gold output was in fact smaller, by \$13 million in balance of payments terms, and about \$360 million of the net payments to the United States was therefore met by a net drawing-down of reserve assets.

The Capital Account and the Reserves

While there was an improvement of \$100 million in Canada's current account deficit in 1966, the financing of this deficit and associated matters of foreign exchange management led to a number of new developments and practices during the year.

On the one hand, long-term new borrowing in the United States market remained for the third full year the main means of such financing. This market continued open in practice to the Canadian borrower because an exemption from both the Interest Equalization Tax and quantitative guidelines was granted by U.S. authorities, while the Canadian government undertook not to use this exemption to increase the level of Canada's official reserves; the terms of this undertaking have tended over time towards a slightly lower level of such reserves.

The way in which credit conditions developed in Canada during 1966 in relation to credit market developments in the United States continued to have an important influence on the volume of new Canadian issues placed in the United States market and the need to maintain an adequate capital inflow in this form continued to be of concern in the conduct of Canadian monetary policy.

The undertaking with the U.S. respecting the level of exchange reserves was met in part by special repurchases of Government of Canada and IBRD securities from U.S. holders as a means of exporting capital. This new instrument of special repurchases gave additional flexibility to the monetary authorities in the carrying out of their policies.

Turning to the figures for the capital account, new issues of Canadian bonds abroad, net of ordinary retirements, rose by just about \$250 million in 1966, to \$1,053 million as against \$805 million in 1965, in large part as a result of the postponement of deliveries requested in November 1965. The majority of this increase was offset by the special repurchases of Government securities and purchases of IBRD bonds, which together totalled \$182 million, and which were carried out as a means of meeting the undertaking with the United States respecting the level of official reserves.

Direct investment in Canada by non-residents rose again, to well over double the level of 1964; much of the increase was associated with investment in the automobile industry, but there were also large increments in respect of electrical equipment, petroleum and other minerals, and pulp and paper capacity.

Over the year as a whole, there was a small net disinvestment by Canadian residents in directly-owned enterprises abroad, leading to a capital inflow from this source of \$10 million.

Portfolio transactions in Canadian stocks resulted in a net outflow in 1966 of about one-half of the 1965 total. A particularly heavy slate of repayments of export credits reduced net advances to only \$43 million, against \$187 million in 1965. Major offsets to these were a \$99 million net outflow for the repurchase of outstanding Canadian bonds, apart from the special purchases by the government for balance of payments reasons (against a \$62 million inflow in the previous year), and a quadrupling of the outflow for the acquisition of foreign securities: from \$84 million in 1965, net purchases rose to \$357 million last year.

In the first half of 1966, the net inflow of long-term capital into Canada, leaving aside the special repurchases, was \$785 million, just \$30 million more than the current account deficit incurred over the same period. The repurchases, combined with some outflow of short-term funds in the first quarter of the year, had brought the total of Canadian official reserve assets (here defined as holdings of gold and U.S. dollars and Canada's net creditor position with the International Monetary Fund) by the end of June to \$2,595 million, close to the agreed level of about US \$2,550 million.¹

Over the year as a whole, however, and especially in the third quarter (at a time when further government bond repurchases were being undertaken in order to offset some of the normal seasonal strength of the current account), there was a pronounced movement in short-term capital flows by comparison with 1965. The Canadian chartered banks had complied with a request of the Minister of Finance in March 1965, that they not worsen their net asset position vis-à-vis U.S. residents, as compared with the position of December 1964. This was done in order to protect the U.S. balance of payments position and Canada's access to U.S. capital markets. Canadian banks took substantial short positions in the Eurodollar markets overseas; in fact they had moved from a net foreign currency asset position overseas of over half a billion dollars in January 1965 to a net liability position of similar magnitude by October of that year. In doing so, they not only strengthened their net asset position in the United States, but reduced their net foreign currency liabilities to Canadian residents as well. This constituted a net inflow of short-term capital into Canada amounting to \$426 million, which lent more than incidental support to the Canadian balance of payments in that year. It was, however, a form of support which could not, by its nature, continue indefinitely; and in 1966 it ceased and was replaced by an outflow. This outflow was compounded of a continued rise in the banks' net asset position vis-à-vis U.S. residents, little change in their net liabilities overseas, and an increase in their net liabilities to Canadian residents. Although their own net foreign currency asset position vis-à-vis Canadian residents strengthened somewhat, most of the latter increase was reflected in an outflow to the United States, approaching half a billion dollars for the year as a whole, and more than accounting for the net outflow of \$325 million for all forms of short-term capital.

The net effect of these diverse capital movements and the current account balance upon Canada's official reserve asset position was a reduction of \$359 million in terms of Canadian dollars. Canada's net position with the IMF in

¹In December 1965, Canada agreed to reduce its target figures for reserves from US \$2,700 million fixed in 1963 to US \$2,600 million by the end of 1966. This target has been adjusted to take into account Canada's payment of gold to the value of \$47.5 million U.S. as part of its quota increase in the International Monetary Fund, since it was considered that a reduction in official holdings arising from this cause did not reflect a balance of payments requirement justifying the use of the United States capital market.

fact improved by rather more than \$100 million; roughly half of this represented the transfer of gold from Canada's official holdings as 25 per cent of an increase in IMF quota. The drop in official holdings of gold and foreign exchange (after this transfer, and including working balances of convertible currencies other than U.S. dollars), totalled \$462 million in terms of the Canadian dollar equivalent.

SOURCE AND DISPOSITION OF SAVING

On a national accounts basis total national saving in 1966 amounted to some \$11.8 billion, about \$1.3 billion higher than the 1965 total. National saving thus has continued to supply by far the greater part of the resources needed by the business sector for investment. The extent to which Canada drew upon foreign saving was fractionally less in 1966 than it was in 1965. These developments are summarized in table 18.

In the personal sector, where saving is the difference between personal income after taxes and personal expenditure on goods and services, total saving amounted to \$3.4 billion, some 17.5 per cent higher than the \$2.9 billion recorded a year earlier. This was very largely a reflection of the exceptionally sharp advance in farm income which occurred during the year, arising both from larger crops and higher prices of farm products. Personal saving represented 9.0 per cent of personal disposable income in 1966, compared to 8.4 per cent in 1965, and while some part of this represents larger inventories and higher inventory values in the hands of farmers, saving by wage and salary earners and out of other forms of income also rose. This level of saving relative to personal disposable income was higher than that of any other year in the expansion which began in 1961.

Business saving in 1966 was affected by the levelling-off in growth of corporation profits. Along with a continued rise in dividends paid this resulted in a reduced level of undistributed profits. At the same time capital consumption allowances, also a component of business saving, increased by less than in 1965; this was largely a result of the budget measures of March 1966, when the regulations were changed to reduce the capital cost allowances which could be claimed against some classes of capital assets acquired during the subsequent eighteen months. The moderating effects of these trends was slightly offset by an addition to saving arising out of the operations of the Canadian Wheat Board. The inventory valuation adjustment, which removes that part of recorded business profits arising from the effect of changing prices on inventory values, was little changed from 1965.

In the government sector, as discussed in detail in other pages of this review, expenditures accelerated while revenues, excluding the revenues of the Canada and Quebec pension plans, increased less. On this basis, the momentum of the swing from deficit to surplus which had been occurring over the preceding five years was not maintained in 1966. Within the framework of the national saving account, however, the revenues of the government pension plans are added to the revenues of the government sector and the addition to total saving represented by the net revenues of these plans is regarded as arising in the government sector. Inclusion of pension plan revenues in the government sector resulted in a moderately larger surplus in 1966 than was recorded in 1965.

TABLE 18
SOURCES OF SAVING

	1964	1965	1966
	(Millions of dollars)		
Personal net saving	2,059	2,927	3,438
Business gross saving, total	7,182	7,594	8,036
(a) Undistributed corporation profits	1,389	1,444	1,230
(b) Capital consumption allowances and miscellaneous valuation adjustment	5,600	6,110	6,591
(c) Adjustment on grain transactions	111	-44	156
(d) Capital assistance from governments	82	84	59
Inventory valuation adjustment	-131	-325	-318
Government surplus (+) or deficit (-)	- 21	+246	+280
Federal	+296	+568	+124
Provincial and Municipal	-317	-322	-558
Canada and Quebec Pension Plans	—	—	+714
Deficit on current account with non-residents	412	1,141	1,101
Residual error	- 6	8	336
Total	9,495	11,591	12,873

DISPOSITION OF SAVING

	1964	1965	1966
	(Millions of dollars)		
Business gross fixed capital formation	9,103	10,651	12,214
Value of physical change in inventories	386	948	995
Residual error	6	- 8	-336
Total	9,495	11,591	12,873

SOURCE: DBS *The National Accounts*.

The investment expenditures of the business sector in 1966 exceeded the saving originating in the business sector by \$4.9 billion. (The comparable figure in 1965 was \$4.0 billion, and in 1964 \$2.3 billion.) Within the framework of the national accounts, these figures indicate the magnitude of the transfer of claims on current production among sectors, and also give some indication of the speed of the growth of the transfer in recent years.

	1964	1965	1966
	(billions of dollars)		
Business investment (including investment by government business enterprises)	9.5	11.6	12.9
Business saving	7.2	7.6	8.0
Net use by business of saving in other sectors	2.3	4.0	4.9
Foreign sector saving used4	1.1	1.1
Saving supplied by non-business domestic sectors	1.9	2.9	3.8

It is, of course, important to bear in mind that these figures show the net saving and investment of major sectors in the economy. They do not show how this net saving is transferred from savers to borrowers through the medium of financial instruments. Developments in the financial markets, where the financial institutions perform the function of facilitating these transfers, are discussed in detail below.

FINANCIAL SECTOR

Introduction

The process of transferring funds from savers to borrowers in the economy during 1966 encountered strains arising both from domestic and from external sources.

Corporate profits in 1966 were no larger than in 1965, while dividend payments increased. As a result, undistributed profits were reduced, and corporations, faced with plans for large increases in capital expenditures, found it necessary to run down their liquid positions and to seek funds in substantial volume in Canada and abroad. However, the funds actually raised in 1966 were substantially less than in 1965. This fact, combined with the impact of the federal budget, probably contributed to the shortfall of actual capital expenditures from the level anticipated in mid-year.

Governments as a whole more than doubled their 1966 borrowings, from the level reached in 1965. Provinces and municipalities raised by way of bank loans and securities issues almost \$750 million more in 1966 than they had the previous year. However, some \$630 million of this financing took the form of transfers through the Canada and Quebec Pension Plans. The federal government, which had retired a small amount of its total debt in 1965, borrowed over \$400 million net in 1966.

The proportion of funds which was transferred from personal savers to borrowers through the medium of financial institutions was lower in 1966 than in 1965. Over the whole of 1966, total liabilities of deposit-accepting institutions increased at a rate of less than two-thirds that of 1965. The rate of growth of institutions which collect contractual savings was slightly less in 1966 than in 1965. The mortgage market was particularly affected by this development.

Canada's net use of foreign savings, as measured by the current account deficit, was fractionally smaller in 1966 than it had been in 1965. However, demands for funds abroad, both in the United States and in Europe, were very high. Credit conditions in foreign financial markets became markedly more restrictive during the course of 1966 until almost the end of the year. Canadian financial markets were inevitably affected by these developments abroad.

As is explained in some detail in the Annual Report of the Governor of the Bank of Canada, monetary policy remained restrictive during the first half of 1966, and the Bank Rate was raised in December 1965 and again in March 1966. However, "during the summer, when the upward pressure on interest rates in the United States became particularly severe, the Bank of Canada offered considerable resistance to a further tightening of credit conditions in Canada."¹

Interest rates during the year reached levels which had not been seen since the 1920's. In August yields on Government of Canada bonds reached 6 per cent, and after some easing again reached this level in late November and early

⁽¹⁾ Bank of Canada Annual Report p. 40.

December. Provincial, municipal and corporate long-term interest rates rose even more sharply. Shortly after mid-year municipal and corporate bonds reached levels of about 6.75 per cent on average, and provincial bonds yielded over 6.60 per cent, where they remained until the end of the year. By the fourth quarter of the year rates on prime conventional residential mortgages had reached 8 per cent.

However, by year end credit conditions both at home and abroad were easing and interest rates declining. This trend has continued into 1967.

Demand and Supply of Funds Through the Capital Markets

Private Financial Institutions

Changes in the magnitudes and composition of the assets and liabilities of all financial institutions taken together reflect trends in the amount and nature of savings made available by lenders to financial institutions and in the disposition of these funds to ultimate borrowers. While data are not available for all financial institutions, a consolidation of the assets and liabilities of deposit-accepting institutions, which account for a large proportion of the resources of financial institutions, is shown in reference tables 35 and 36, on a quarterly basis, for the period December 1964 to December 1966. The percentage distribution of these assets and liabilities for the same period is shown in reference tables 37 and 38. The institutions included are the chartered banks, Quebec savings banks, trust companies and loan companies; caisses populaires and credit unions are excluded only because the data are not yet available.

During 1966 the total assets and liabilities of the deposit-accepting institutions rose by \$2,259 million, or by 7.9 per cent, substantially less than that recorded in 1965.

ASSETS OR LIABILITIES OF THE DEPOSIT-ACCEPTING INSTITUTIONS
(Millions of dollars)

End of	Amount	Change	Percentage Change
1963.....	23,634	—	—
1964.....	25,371	1,737	7.35
1965.....	28,473	3,102	12.23
1966.....	30,732	2,259	7.93

This decline in the rate of growth occurred in the first half of 1966, particularly in the first quarter. During the second half of the year, as credit conditions became easier and the liquidity of deposit-accepting institutions improved, the growth rate strengthened and equalled that recorded during the same period in 1965. The Caisses Populaires Desjardins du Quebec, on the other hand, sustained their 1965 rate of expansion throughout most of 1966.

Total chequable deposits increased by \$1,092 million in 1966 and accounted for 48 per cent of the total increase in liabilities. Term and notice deposits, debentures and certificates, continuing a trend which was evident in 1964 and which accelerated in 1965 as the interest rates paid for these forms of savings increased, rose twice as fast as chequable deposits, by 12.8 per cent, and accounted for 33 per cent of the total increase in liabilities.

Of the increased funds available to these institutions in 1966, approximately \$890 million were channelled into new loans, mainly to businesses. Loans to instalment finance companies declined from the high level reached in the fourth quarter of 1965. Loans to individuals remained a relatively stable proportion of total assets. Investment in mortgages rose by \$367 million in 1966, decreasing slightly the proportion of assets held in this form. Investments in government bonds rose by only \$176 million during the year, leaving the proportion of assets held in this form approximately unchanged. A reduction in the proportion of assets held in provincial and municipal bonds was offset by an increase in Government of Canada securities. In the category of other securities, corporate bonds marked up a substantial increase but there was little change in the volume of funds invested in stocks.

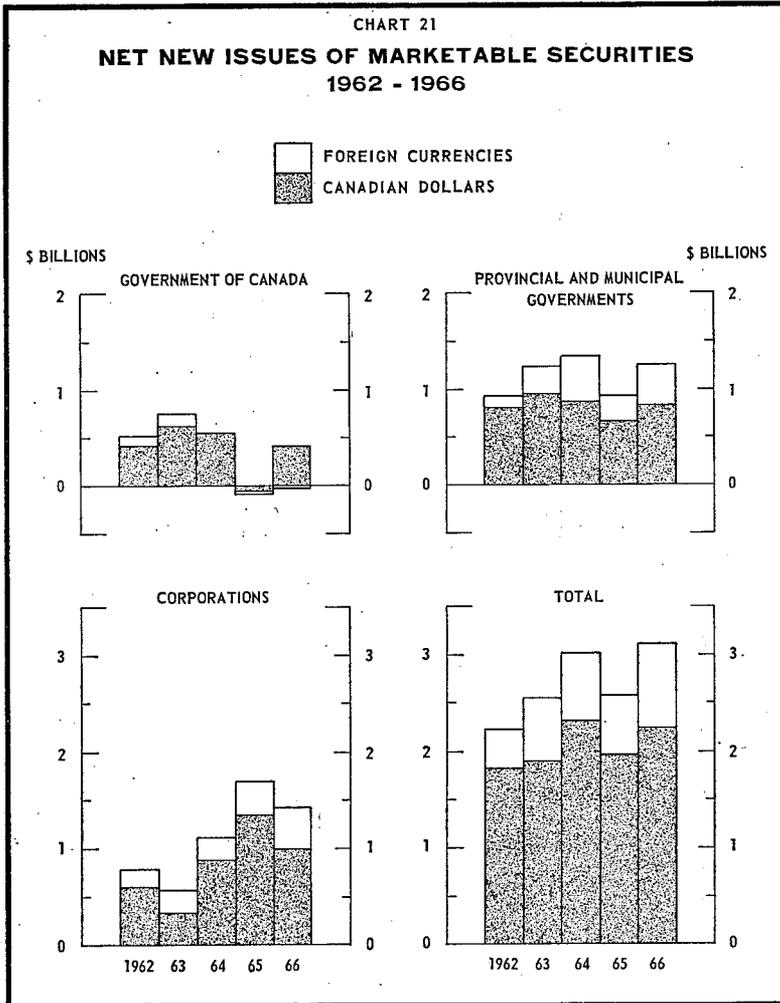
The insurance companies and the trustee pension plans are another important channel of saving. Their assets and liabilities have grown more uniformly than those of the deposit-accepting institutions, because the savings which they receive are contractual and respond in only a minor way to changes in credit conditions and interest rates. In 1966, the net flow of funds into sixteen Canadian life insurance companies, which together account for about 83 per cent of total premium income in Canada, amounted to \$640 million. Of the funds available in 1966, about 96 per cent arose from insurance operations in Canada (net premium income); the remainder, \$23.5 million, represents the amount transferred from abroad. The funds available for investment by these companies in 1966 were increased by a further \$75 million as a result of a net disinvestment in their holdings of Government of Canada, provincial and municipal government securities, and from a small reduction in holdings of finance company short-term paper. Of the total of \$715 million available for investment, \$457 million were channelled into mortgage loans and sales agreements, bringing this category to more than 50 per cent of the total assets of insurance companies. Of the remaining funds, \$136 million were invested in corporate bonds, \$44 million in real estate, \$34 million in preferred and common stocks, and about \$30 million in policy loans which were up substantially from previous years.

Of the remaining financial institutions, the sales finance and consumer loan companies are the largest, with assets valued at over \$4 billion. The mutual funds are also significant with assets approaching \$2 billion in value. Data for these institutions are not yet available for the fourth quarter of 1966. During the first three quarters of 1966 the assets of these institutions expanded at a slower rate than they did during the same period of 1965.

Non-Financial Corporations

As in 1965, investment outlays made by businesses in 1966 exceeded by a substantial amount business retained cash flows generated during the year. As noted above, on the national accounts basis businesses in 1966 had to meet \$4.9 billion of their requirements from sources other than 1966 retained cash flows, compared with a similar requirement of \$4.0 billion in 1965.

During the first half of 1966 particularly, in the face of a buoyant demand for funds from all sides and a very limited expansion of credit, many businesses experienced considerable difficulty in obtaining funds from outside sources. The cost of obtaining these funds, whether short-term or long-term, increased substantially through the year, as is shown in reference table 39. Since actual business investment outlays in 1966 did not in the event rise to the level predicted in the mid-year survey of investment intentions, it seems evident that both the high cost of funds and difficulties in getting them prevented many businesses from carrying out their revised intentions.



Funds obtained by non-financial businesses through the issue of new securities, bonds, common stock and preferred shares totalled \$1,434 million in 1966 compared with \$1,706 million in 1965. Whereas in 1965 \$1,207 million was in the form of bonds, and \$873 million of these bond issues were placed in Canada, in 1966 only \$905 million was in the form of bonds and of these only \$474 million were sold in Canada. Businesses seeking funds in the United States were faced during much of the year with severely strained market conditions, which restricted the amount of funds which could be made available to them. Canadian corporations managed to increase their sale of new issues in that market in 1966 as compared with 1965. However part of this reflected the postponements into 1966 of borrowings originally scheduled for delivery in late 1965. Direct investment from abroad, which plays an important role in providing funds for Canadian businesses, increased to \$660 million in 1966 from \$405 million in the previous year.

Chartered bank Canadian dollar loans to businesses increased by about \$400 million in 1966 compared with an increase of nearly \$700 million in 1965. Another very important source of shorter-term financing for businesses, sales finance companies, actually ran down outstanding loans by about \$150 million during the year.

Federal Government

The increase in Government of Canada outstanding securities during 1966 totalled \$430 million, compared with a net retirement of \$52 million in 1965. During 1966 the distribution shifted somewhat from the hands of the general public¹ to government accounts and the chartered banks. The holdings by the general public of Canada Savings Bonds increased by \$223 million, while their holdings of marketable government securities were reduced by \$252 million. The chartered banks, on the other hand, increased holdings of marketable Government of Canada securities by \$167 million. Holdings by government accounts of Treasury bills increased by \$10 million while their holdings of other government securities rose by \$282 million. The increases in government accounts' holdings of these securities included \$129 million special non-marketable bonds purchased by the Unemployment Insurance Commission and \$163 million Government of Canada U.S. dollar bonds purchased by the Securities Investment Account. \$157 million of these U.S. dollar bonds were purchased in connection with the management of Canada's foreign exchange reserves. Bank of Canada holdings of Treasury bills declined during the year by \$200 million while its holdings of other securities increased by \$201 million, leaving total holdings of Government of Canada securities virtually unchanged at the end of the year.

Provincial and Municipal Governments

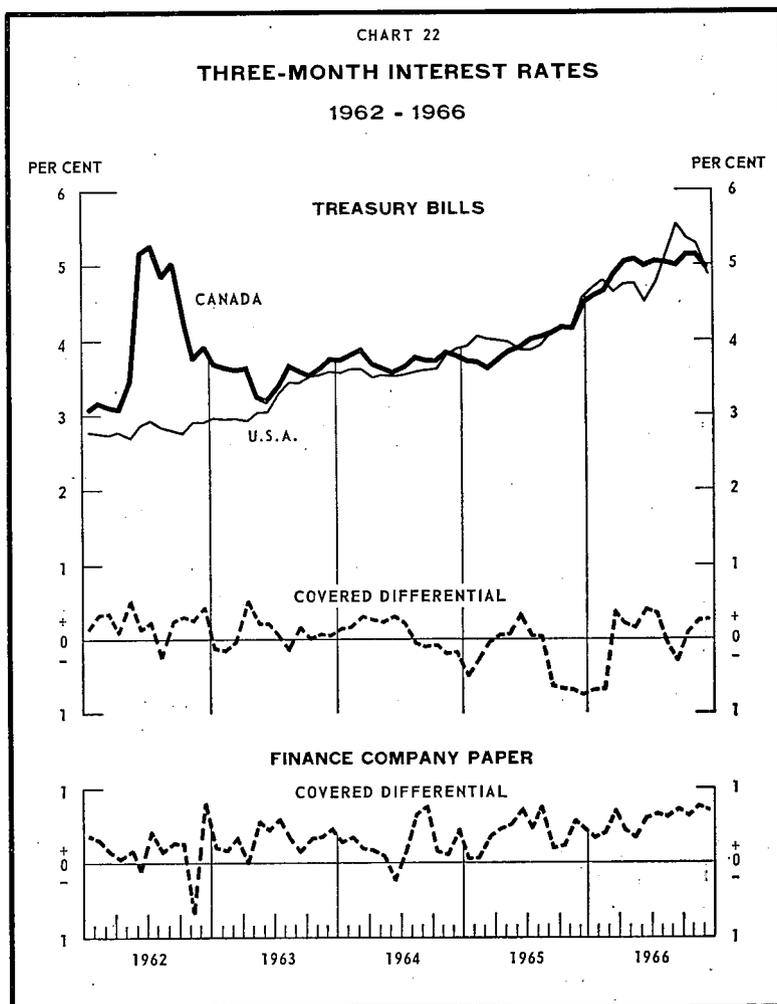
Major capital expenditure and lending programmes undertaken by provincial and municipal agencies and enterprises were largely responsible for a significant increase in provincial and municipal cash requirements during the past year. Also contributing to heavier demands for outside sources of funds was a 50 per cent increase in the combined provincial and municipal deficit on a national accounts basis, from \$322 million in 1965 to an estimated \$558 million in 1966.

The Canada Pension Plan and the Quebec Pension Plan provided the provincial governments with a new substantial source of funds during 1966. The total amount of funds received by provinces from the Canada Pension Plan in 1966 was about \$462 million. Quebec Pension Plan receipts available for investment through the Quebec Deposit and Investment Fund amounted to about \$170 million. A high proportion of these receipts was invested in direct and guaranteed marketable securities of the province and its municipalities.

Notwithstanding the funds made available to provinces and municipalities through the Canada and Quebec pension plans, net new borrowing from other sources was at a substantially higher level than in 1965. In particular, net new issues of provincial and municipal direct and guaranteed marketable securities totalled \$1,265 million² in 1966 compared with \$944 million in 1965. Net new issues in currencies other than Canadian dollars amounted to \$427 million of the total net new marketable issues of this sector in 1966 compared with \$270 million in 1965.

⁽¹⁾ Institutions, corporations, and individuals (including non-residents).

⁽²⁾ This figure overstates provincial borrowing to the extent that receipts of the Quebec Pension Plan were invested in these marketable securities. Net purchases of these marketable securities were also made by provincial accounts of other provinces.



Mortgage Market

Mortgage market conditions in 1966 were dominated by the general tightening in credit conditions. From mid-1965 to mid-1966 the rate of growth of assets of deposit-taking mortgage-lending institutions and life insurance companies slackened. This process was reversed, however, in the second half of 1966. By the end of the year mortgage lending institutions had worked off their overcommitments with respect to mortgages, and had achieved a more liquid and flexible position than earlier in the year.

Interest rates on conventional mortgages rose sharply in Canada and the United States over the 18-month period ending December 1966—in Canada, from $6\frac{3}{4}$ per cent to 8 per cent on prime urban residential property. Loan-to-value ratios and other private mortgage loan criteria were toughened during this period of tightness in the mortgage markets.

While new family formation, migration to urban areas and real income growth continued to provide an underlying strength in demand for housing, the supply of new housing continued to be dominated by the availability of mortgage funds, against a background of heavy competing demands for capital.

Mortgage approvals for the 18 months ending December 1966 were 27 per cent lower than in the preceding 18 months (reference table 40). Housing starts, which turned down in the latter part of 1965, continued to decline sharply until late 1966, then levelled out. The CMHC direct lending programme cushioned the impact on new single family housing starts, which continued their stable trend of recent years, while the bulk of the reduction in mortgage lending by private lenders fell on new apartment and row housing, non-residential property and used housing.

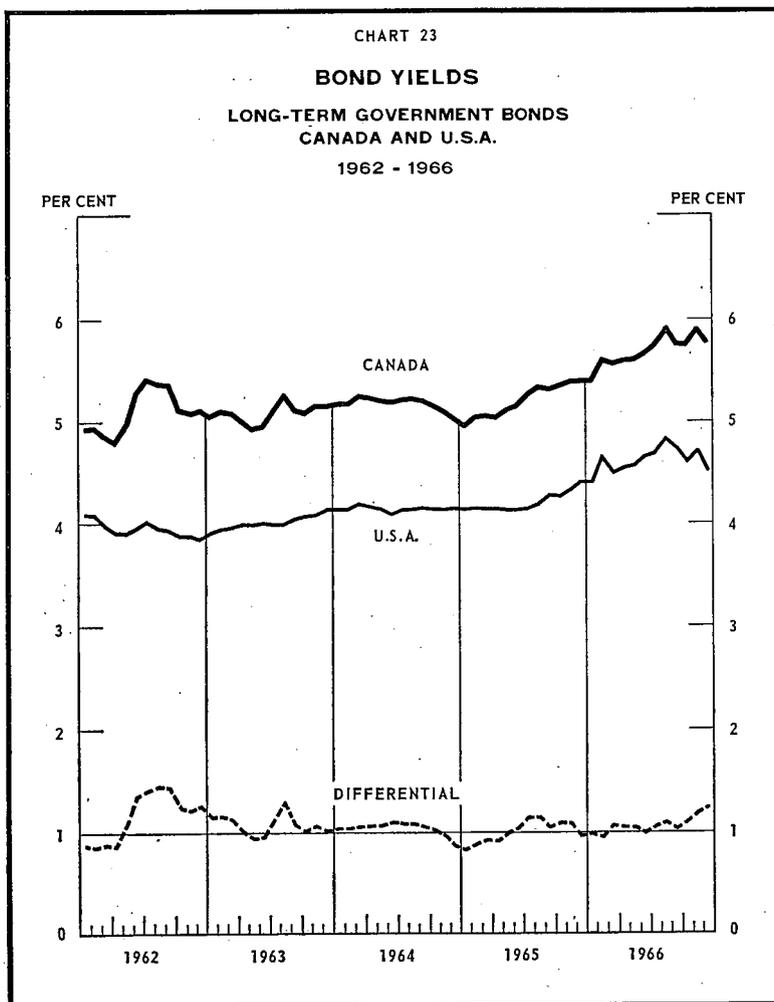
The Government late in 1966 and early in 1967 took a number of actions to stimulate housing construction. To encourage a larger and relatively more stable flow of private funds into the mortgage market, the maximum interest rate on National Housing Act insured mortgage loans, which had been raised to $6\frac{3}{4}$ per cent in January 1966, was fixed at $7\frac{1}{4}$ per cent in November, and arrangements were made for future automatic adjustments in this rate at quarterly intervals. On April 1, 1967, the NHA rate was automatically readjusted from $7\frac{1}{4}$ per cent to 7 per cent. Prime conventional residential mortgage rates have also declined from 8 per cent to $7\frac{3}{4}$ per cent early in 1967.

Amendments to the National Housing Act in 1966 raised the maximum permitted ratio of loan to lending value for NHA-financed rental accommodation. This change should encourage more borrowing from CMHC for the financing of rental construction in smaller communities where private mortgage money is not readily available. The legislation also permitted CMHC, for the first time, to provide mortgage funds for financing improvements to existing housing in urban renewal areas. A program of direct government loans to builders, similar to that used to promote winter building in recent years, was announced for the spring of 1967.

Chartered banks, which were authorized to enter the NHA mortgage-loan field in 1953 and were active in it until late 1959, have had their authority for mortgage lending significantly enlarged under the revision of the Bank Act passed in March 1967. The new Act allows the banks to make NHA mortgage loans at whatever interest rate is prescribed by the housing act and admits the banks to the conventional lending field for the first time.

Consumer Credit

The rate of growth in consumer credit slowed during late 1965, and continued at a slower pace through most of 1966. In the first nine months of 1966 consumer credit rose 5.6 per cent compared to 9.5 per cent in the corresponding period of the previous year. This occurred while personal incomes after taxes and personal spending on non-durable goods and services were increasing at substantial rates. However, the rate of growth of personal spending on automobiles and household durables, which are predominantly bought 'on time', slowed from 11.4 per cent in 1965 to 4.2 per cent in 1966. Individuals in Canada, as in the United States, appear to have reduced the rate at which they added to their financial assets during 1966.



Federal Government Debt Management

Government of Canada direct and guaranteed marketable securities maturing in the fiscal year 1966-67, excluding regular issues of three-month and six-month Treasury bills, amounted to \$1,275 million, or nearly \$500 million less than in the previous fiscal year. On the other hand, the cash requirements of the federal government were substantial in fiscal 1966-67. The economic and financial situation has been described above. Debt management operations were designed as far as possible to support fiscal and monetary policies in their response to current developments at home and abroad.

There were three maturity dates for Government of Canada direct marketable bonds and one maturity date for guaranteed marketable bonds during fiscal 1966-67. As shown in reference table 42, \$325 million 3½ per cent bonds were due May 1, 1966, \$450 million 3 per cent and 3¾ per cent bonds were due September 1, 1966, \$450 million 4 per cent and 4½ per cent bonds were due December 15, 1966 and \$50 million 2¾ per cent Canadian National Railways Company bonds

were due January 2, 1967. While difficult market conditions and developments affecting the Government's future cash requirements influenced to some degree all of the refunding operations, each refunding took into account specific conditions at the time.

The \$325 million bonds maturing on May 1, 1966 had been originally issued as money market bonds and were held predominantly by chartered banks and corporations. In view of prevailing monetary and fiscal policies and heavy demands for funds the extent to which current holders of these bonds would re-invest in new short-term bonds was uncertain, and it was difficult for the same reasons to assess potential demand in other sectors of the bond market. In order to give investors a wide choice, a \$325 million refunding issue in three tranches was offered, details of which are shown in reference table 42, and the Bank of Canada announced that it would take a minimum of \$50 million of the issue, open as to maturity. To provide additional flexibility, the Bank of Canada informed primary distributors that it was prepared to purchase the new issues in exchange for certain longer-term bonds from its portfolio. As a result of this offer \$49 million of 5 per cent bonds due June 1, 1988 and $5\frac{1}{2}$ per cent bonds due May 1, 1990 were sold by the Bank of Canada, principally in exchange for the new issue of $5\frac{1}{2}$ per cent bonds due August 1, 1980. It was considered desirable that the May 1 refunding should have little impact on the prevailing rate structure and in this regard the issue was successful.

It was evident, when refunding operations in connection with the \$450 million bonds maturing September 1, 1966 were being considered, that a serious cash shortage would develop if the high rate of Canada Savings Bond redemptions was not balanced by a successful CSB campaign in November. Cash requirements had already been revised upwards at this time, and deteriorating market conditions in the United States were being reflected in the Canadian market. Bond yields in the United States had risen to the highest level in 40 years, leading to widespread expectations in the Canadian market that Canadian interest rates would move to higher levels. Publication on August 2 of the mid-year review of the outlook for private and public investment in Canada for 1966, which showed an increase over the investment plans published in February despite the fiscal measures introduced in the March 29 budget, contributed to these expectations of higher interest rates. On the other hand, monetary policy was aimed at offering resistance to further tightening of credit conditions in Canada.

The new issue comprised \$425 million short-term bonds in two maturities, of which the Bank of Canada agreed to purchase a minimum of \$150 million, and \$75 million new $5\frac{1}{4}$ per cent bonds due September 1, 1992, of which the Bank agreed to acquire \$25 million. The Bank held \$115 million of the maturing bonds. The new issues were priced close to the market in an effort to avoid disturbing prevailing yields. After the new issues had been priced a series of events in the U.S. bond market, including prime lending rate increases by major U.S. commercial banks and an increase in reserve requirements on time deposits, sparked a sharp deterioration in U.S. bond prices, which had an immediate impact upon bond prices in Canada. In these circumstances, the Bank of Canada, with the objective of resisting an excessive increase in Canadian interest rates, provided strong support to the bond market and bought substantially more of the new issues than the \$175 million minimum undertaken at the time of issue. Despite these support operations interest rates in Canada rose significantly. The cash effects on the banking system of the Bank's support were largely offset by reversing temporary purchases of U.S. dollars from the Exchange Fund Account which had been bought by the Bank of Canada in earlier monetary operations.

The Canada Savings Bond campaign was planned at a time of heavy CSB redemptions, rising interest rates and extremely competitive and difficult market conditions. In order to stem the pace of redemptions and raise net new cash, an attractive instrument coupled with an aggressive sales campaign was necessary. It was assumed in these circumstances that there would be a substantial increase in redemptions of past issues to take advantage of a more attractive instrument. The Centennial Series, the most attractive Canada Savings Bond ever offered, averaged 5.48 per cent in yield if held to maturity. The incorporation of a new compound interest feature allowed the investor to double his money over a period of 13 years if all the interest coupons were held until the maturity date of the bond. The issue was highly successful and about \$2.25 billion gross sales were recorded by December 31, 1966. A net borrowing of about \$286 million from the sale of Canada Savings Bonds is anticipated for the fiscal year as a whole. Falling interest rates and changing market conditions helped to improve the attractiveness of the new Canada Savings Bonds and gross sales are continuing at a high level.

Growing evidence of moderating demand pressures and easier monetary conditions brought about a significant change in interest rate expectations during the last quarter of 1966. Market conditions were particularly buoyant in October and the Bank of Canada in its open-market operations was able to offer longer-term securities from its portfolio in exchange for bonds due December 15, 1966. The improved market conditions and the size of Bank of Canada and chartered bank holdings of the maturing issues promised to facilitate December 15 refunding operations. Despite the successful savings bond campaign in November it was recognized that government cash requirements would be substantial in the coming year and that for this reason cash balances should be maintained at a relatively high level.

A new technique was introduced in connection with the December 15 refunding to permit greater flexibility in debt management operations. The amount of the new issue was stated to be \$500 million "or thereabouts", on the understanding that the variation in the amount of the issue would be confined to competitive subscriptions and would not exceed 10 per cent of that part of the issue subject to competitive bids. The December 15 issue comprised \$100 million $5\frac{3}{4}$ per cent September 1, 1992 bonds, offered firm, and \$400 million or thereabouts, open as to maturity, of new $5\frac{1}{2}$ per cent bonds due January 15, 1968 and new $5\frac{3}{4}$ per cent bonds due December 15, 1970. The Bank of Canada undertook in advance to acquire a minimum of \$40 million long-term bonds, a minimum of \$35 million thirteen-month bonds and a minimum of \$175 million of the 4-year bonds. As shown in reference table 42, \$425 million of the short-term bonds and \$100 million long-term bonds were issued, raising \$25 million in new cash after allowing for repayment of the \$50 million $2\frac{3}{4}$ per cent CNR bonds due January 2, 1967. In order to offer alternative maturities to corporate investors, the Bank of Canada offered to purchase up to \$35 million of the new $5\frac{1}{2}$ per cent January 15, 1968 bonds in exchange for up to \$15 million of its portfolio holdings of the $4\frac{1}{4}$ per cent bonds due June 1, 1967 and up to \$20 million of the $4\frac{1}{4}$ per cent bonds due January 15, 1968.

An appropriate opportunity to raise new cash was available on February 1, 1967, since the next maturity date for Government of Canada bonds was not until April 1, 1967. Conditions in the bond market, characterized by evidence of excellent institutional response to new bond issues and widespread expectations of a continuing decline in interest rates, were favourable to a new Government of Canada bond issue at that time. A three-pronged \$150 million bond

issue comprising $5\frac{1}{2}$ per cent bonds due October 1, 1975, $5\frac{1}{2}$ per cent bonds due August 1, 1980 and $5\frac{3}{4}$ per cent bonds due September 1, 1992, open as to maturity, was floated. The Bank of Canada undertook to acquire a minimum of \$50 million of the new issue. In addition, \$100 million of 303-day Treasury bills, of particular interest to chartered banks, were auctioned on January 31, 1967. As a result of this financing \$250 million new cash was raised. The new bonds quickly moved to premium over issue price reflecting market expectations of lower interest rates.

During the fiscal year as a whole, \$715 million new cash was raised through the issue of new marketable securities and net sales of Canada Savings Bonds, and \$1,275 million marketable bonds were refunded. The introduction of innovations and new techniques helped to achieve these objectives. Six of the twelve different maturities issued on May 1, 1966, September 1, 1966, December 15, 1966 and February 1, 1967, were additions to existing issues. The new $5\frac{3}{4}$ per cent September 1, 1992 bonds and additions to the $5\frac{1}{2}$ per cent August 1, 1980 bonds helped to maintain the average term to maturity of Government of Canada marketable securities in the hands of the public at about 10 years.

INDEX TO REFERENCE TABLES

Reference Table Number	Title	PAGE
1	National Income and Gross National Product, quarterly, 1965 and 1966.....	75
2	Gross National Expenditure, quarterly, 1965 and 1966.....	76
3	Gross National Expenditure in Constant (1957) Dollars, quarterly, 1965 and 1966.....	77
4	Contribution of GNE components to total change—3 postwar expansions.....	78
5	Private and Public Investment—Reconciliation with National Accounts, 1957 to 1967.....	78
6	Investment as a percentage of GNE, annual, 1948 to 1966....	79
7	Changes in Manufacturers' Inventories, Shipments and Orders, quarterly, 1965 and 1966.....	79
8	Labour Force, Canada, annual, 1959 to 1966.....	80
9	Employment, Canada, annual, 1959 to 1966, and year-to-year percentage change.....	80
10	Labour Force, Employment and Unemployment by Regions, 1966.....	81
11	Unemployment Rates by Region, annual, 1959 to 1966.....	81
12	Labour Income, Employment and Average Income, 1964 to 1966.....	81
13	Corporation Profits before Taxes, by Industry, quarterly, 1965 and 1966.....	82
14	Percentage changes in Real Domestic Product, annual, 1963 to 1966.....	83
15	Percentage changes in Employment by Industrial Division, annual, 1963 to 1966.....	83
16	Percentage changes in Output per Employee, annual, 1963 to 1966.....	84
17	Earnings and Output, annual, 1963 to 1966.....	84
18	Consumer Price Index, annual, 1961 to 1966.....	85
19	Percentage changes in Consumer Price Index, 1961 to 1966....	85
20	Implicit Price Indexes, GNE and components, quarterly, 1963 to 1966.....	86
21	Government Transactions on a National Accounts Basis, 1963 to 1966.....	87

22	Federal Government Revenues and Expenditures, Public Accounts and National Accounts Reconciliation, 1964 to 1966.....	89
23	Summary of Balance of Payments, annual and quarterly, 1961 to 1966.....	91
24	International Payments: Current Account, annual, 1958 to 1966.....	92
25	Balance of Payments: Current Account, quarterly, 1965 and 1966.....	93
26	Balance on Travel Account, All Countries, annual, 1953 to 1966.....	94
27	Geographical Distribution of Merchandise Balances, 1965 and 1966.....	94
28	Merchandise and Non-Merchandise Balances, annual, 1946 to 1966.....	95
29	International Payments: Capital Movements, annual, 1961 to 1966.....	96
30	New Issues of Canadian Bonds sold to United States Residents, quarterly, 1965 and 1966.....	97
31	Financing of Canada's Bilateral Account with the United States, annual, 1962 to 1966.....	97
32	Official Holdings of Gold and Foreign Exchange, monthly, 1965 to 1967.....	98
33	International Monetary Fund Holdings of Canadian Dollars, 1966.....	98
34	Net Changes in Securities and Bank Loans Outstanding, annual, 1963 to 1966.....	99
35	Assets of Deposit-Accepting Institutions, quarterly, 1964 to 1966.....	100
36	Liabilities of Deposit-Accepting Institutions, quarterly, 1964 to 1966.....	101
37	Assets of Deposit-Accepting Institutions, Percentage Distribution.....	102
38	Liabilities of Deposit-Accepting Institutions, Percentage Distribution.....	103
39	Representative Interest Rates, quarterly, 1965 to 1967.....	104
40	Gross Mortgage Loan Commitments by CMHC and Private Institutions, annual, 1961 to 1966.....	105
41	Consumer Credit Outstanding, quarterly, 1965 and 1966.....	105
42	New Issues and Retirements of Marketable Bonds, Government of Canada, 1966 and 1967.....	106

REFERENCE TABLE 1
 NATIONAL INCOME AND GROSS NATIONAL PRODUCT
 (Seasonally adjusted at annual rates)

	1965				1966			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(Millions of dollars)							
Wages, salaries, and supplementary labour income.....	25,008	25,600	26,344	27,180	28,332	28,960	29,592	30,412
Military pay and allowances.....	596	592	600	560	684	568	588	644
Corporation profits before taxes.....	5,040	5,112	5,344	5,300	5,292	5,272	4,896	5,288
Deduct: Dividends paid to non-residents ⁽¹⁾	-700	-788	-772	-744	-760	-780	-780	-944
Rent, interest, and miscellaneous investment income.....	3,384	3,516	3,516	3,800	3,772	3,932	3,828	4,080
Accrued net income of farm operators from farm production ⁽²⁾	1,564	1,496	1,780	1,740	2,184	2,244	2,252	2,136
Net income of non-farm unincorporated business ⁽³⁾	2,736	2,872	2,980	2,920	2,936	2,852	3,000	3,008
Inventory valuation adjustment.....	-188	-308	-340	-464	-488	-232	-340	-212
National Income	37,440	38,092	39,452	40,292	41,952	42,816	43,036	44,412
Indirect taxes less subsidies.....	6,924	7,128	7,320	7,316	7,772	7,844	7,976	7,608
Capital consumption allowances and miscellaneous valuation adjustments.....	5,944	6,092	6,128	6,276	6,428	6,644	6,536	6,756
Residual error of estimate.....	-68	96	-36	40	240	316	420	368
Gross National Product at Market Prices	50,240	51,408	52,864	53,924	56,392	57,620	57,968	59,144
(Gross national product at market prices excluding accrued net income of farm operators).....	(48,676)	(49,912)	(51,084)	(52,184)	(54,208)	(55,376)	(55,716)	(57,008)

⁽¹⁾Includes the withholding tax applicable to this item.

⁽²⁾Includes an arbitrary smoothing of crop production and seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

⁽³⁾Includes net income of independent professional practitioners.

SOURCE: DBS *The National Accounts, Income and Expenditure, Quarterly*, Cat. 13-001.

REFERENCE TABLE 2
GROSS NATIONAL EXPENDITURE
(Seasonally adjusted at annual rates)

	1965				1966			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(Millions of dollars)							
Personal expenditure on consumer goods and services.....	30,748	31,644	32,520	33,340	33,956	34,112	35,304	35,988
Government expenditure on goods and services.....	9,248	9,540	9,660	9,936	10,592	10,872	11,648	11,564
Business gross fixed capital formation ⁽¹⁾	9,848	10,172	11,000	11,584	12,016	12,324	12,000	12,516
New residential construction.....	2,052	2,136	2,144	2,164	2,220	2,336	2,096	2,060
New non-residential construction.....	3,816	3,728	4,148	4,404	4,788	4,832	4,628	4,996
New machinery and equipment.....	3,980	4,308	4,708	5,016	5,008	5,156	5,276	5,460
Value of physical change in inventories—total ⁽²⁾	1,288	1,168	728	608	988	1,668	588	736
Non-farm business inventories.....	1,108	980	836	696	792	1,392	564	580
Farm inventories and grain in commercial channels.....	180	188	-108	-88	196	276	24	156
Exports of goods and services.....	10,624	10,972	11,316	11,712	12,516	12,572	13,096	13,292
Imports of goods and services.....	-11,588	-11,992	-12,392	-13,216	-13,436	-13,616	-14,248	-14,580
Residual error of estimate.....	72	-96	32	-40	-240	-312	-420	-372
Gross National Expenditure at Market Prices.....	50,240	51,408	52,864	53,924	56,392	57,620	57,968	59,144

⁽¹⁾ Includes private businesses and institutions, and publicly owned business enterprises.

⁽²⁾ The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment.

Source: DBS *The National Accounts*.

REFERENCE TABLE 3
GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS
(Seasonally adjusted at annual rates)

	1965				1966			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(Millions of dollars)							
Personal expenditure on consumer goods and services.....	27,564	28,144	28,808	29,332	29,484	29,292	30,240	30,552
Government expenditure on goods and services.....	7,380	7,544	7,676	7,684	7,924	8,148	8,600	8,328
Business gross fixed capital formation.....	7,956	8,156	8,828	9,196	9,416	9,560	9,248	9,496
New residential construction.....	1,616	1,656	1,656	1,648	1,664	1,736	1,540	1,480
New non-residential construction.....	3,096	2,968	3,284	3,436	3,684	3,664	3,472	3,692
New machinery and equipment.....	3,244	3,532	3,888	4,112	4,068	4,160	4,236	4,324
Value of physical change in inventories—total.....	1,252	1,156	720	624	1,004	1,564	528	672
Non-farm business inventories.....	1,080	944	804	668	788	1,280	496	544
Farm inventories and grain in commercial channels.....	172	212	-84	-44	216	284	32	128
Exports of goods and services.....	9,644	9,908	10,112	10,428	11,052	11,008	11,232	11,424
Imports of goods and services.....	-10,156	-10,540	-10,828	-11,476	-11,632	-11,744	-12,216	-12,372
Residual error of estimate.....	64	-80	28	-32	-200	-252	-340	-296
Gross National Expenditure in Constant (1957) Dollars.....	43,704	44,288	45,344	45,756	47,048	47,576	47,292	47,804

SOURCE: DBS *The National Accounts*.

REFERENCE TABLE 4
CONTRIBUTION OF GNE COMPONENTS TO TOTAL CHANGE IN GNE
OVER THREE POSTWAR EXPANSIONS

	2Q 1954 to 4Q 1956 (10 quarters after 2Q 1954 trough)	1Q 1958 to 1Q 1960 (8 quarters after 1Q 1958 trough)	1Q 1961 to 4Q 1966 (23 quarters after 1Q 1961 trough)
	(Per cent)		
Personal expenditure on goods and services.....	43.6	48.9	52.2
Non-durables.....	18.8	17.6	24.2
Durables.....	7.0	4.8	7.4
Services.....	17.8	26.5	20.6
Government expenditure on goods and services.....	15.6	15.5	19.7
Federal.....	4.7	-1.5	5.8
Provincial-Municipal.....	10.9	17.0	13.9
Business gross fixed capital formation.....	31.6	0.1	26.0
New residential construction.....	3.7	-0.7	2.8
New non-residential construction.....	16.1	-4.9	10.6
New machinery and equipment.....	11.8	5.7	12.6
Non-farm business inventories.....	15.1	33.8	1.2
Farm inventories and grain in commercial channels.....	7.4	3.6	2.1
Exports of goods and services.....	17.6	19.9	25.7
Imports of goods and services (-).....	-31.0	-21.8	-26.9
Gross National Expenditure (ex. error).....	100.0	100.0	100.0

SOURCE: DBS *The National Accounts*.

REFERENCE TABLE 5
PRIVATE AND PUBLIC CAPITAL EXPENDITURE
RECONCILIATION WITH NATIONAL ACCOUNTS INVESTMENT

	1957	1963	1964	1965	1966	1967
	(Millions of dollars)					
Private and Public Capital Expenditure Table 1.....	8,717	9,393	10,944	12,865	14,897	15,103
<i>Deduct:</i>						
New residential construction by gov- ernments.....	21	6	7	9	3	2
New non-residential construction by governments.....	1,251	1,609	1,618	1,958	2,356	2,533
New machinery and equipment out- lays by governments.....	110	187	216	247	324	308
Business Gross Fixed Capital Forma- tion—National Accounts definition, Reference table 2.....	7,335	7,591	9,103	10,651	12,214	12,260

SOURCE: DBS and Department of Trade and Commerce.

REFERENCE TABLE 6
INVESTMENT AS A PERCENTAGE OF GROSS NATIONAL EXPENDITURE
1948 to 1966

	Total Private and Public Investment	Housing and Social Capital ⁽¹⁾	Business Investment Private and Public ⁽²⁾
1948	20.4	7.8	12.6
1949	21.7	8.7	13.0
1950	21.9	8.9	13.0
1951	22.4	8.6	13.8
1952	22.9	9.0	13.9
1953	23.9	9.4	14.5
1954	23.0	9.6	13.4
1955	23.0	9.8	13.2
1956	26.3	9.9	16.4
1957	27.3	9.6	17.7
1958	25.4	10.6	14.8
1959	24.1	10.4	13.7
1960	22.8	9.3	13.4
1961	21.8	9.1	12.7
1962	21.5	9.2	12.3
1963	21.6	9.1	12.6
1964	23.1	9.1	14.0
1965	24.7	9.5	15.2
1966	25.8	9.5	16.3

⁽¹⁾Includes housing, outlays by government departments, institutions and municipal waterworks.

⁽²⁾Includes government business enterprises.

REFERENCE TABLE 7
CHANGE IN MANUFACTURERS' INVENTORIES, SHIPMENTS AND ORDERS
(Seasonally adjusted)

	1965				1966			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q ⁽¹⁾
	(Per cent)							
Inventories held:								
Raw materials	1.6	2.1	2.8	2.8	2.7	1.5	2.7	1.1
Goods in process	2.2	2.7	1.5	5.8	4.2	2.8	3.2	4.6
Finished products	1.4	0.5	1.9	1.2	1.0	3.7	2.9	2.6
Inventories owned	1.8	2.3	2.2	3.3	3.1	2.6	2.7	2.3
Shipments	1.4	2.9	0.7	5.7	2.6	-0.8	-1.5	4.1
Unfilled orders	4.5	4.9	3.2	6.7	1.4	4.8	2.7	2.2

⁽¹⁾Estimated.

SOURCE: DBS *Inventories, Shipments and Orders in Manufacturing Industries*; Cat. 31-001.

REFERENCE TABLE 8
LABOUR FORCE, CANADA
1959 to 1966

	1959	1960	1961	1962	1963	1964	1965	1966
	(Thousands of persons)							
Total labour force.....	6,242	6,411	6,521	6,615	6,748	6,933	7,141	7,420
Agricultural.....	712	697	698	675	662	641	602	551
Non-agricultural.....	5,530	5,714	5,823	5,940	6,086	6,292	6,540	6,869
Men.....	4,687	4,754	4,782	4,819	4,879	4,961	5,065	5,193
Women.....	1,554	1,657	1,739	1,797	1,870	1,972	2,076	2,227
Age 14 to 19 years.....	603	627	630	648	672	700	738	778
	Year to year change (Per cent)							
Total labour force.....	..	2.7	1.7	1.4	2.0	2.7	3.0	3.9
Agricultural.....	..	-2.1	0.1	-3.3	-1.9	-3.2	-6.1	-8.5
Non-agricultural.....	..	3.3	1.9	2.0	2.5	3.4	3.9	5.0
Men.....	..	1.4	0.6	0.8	1.2	1.7	2.1	2.5
Women.....	..	6.6	4.9	3.3	4.1	5.5	5.3	7.3
Age 14 to 19 years.....	..	4.0	0.5	2.9	3.7	4.2	5.4	5.4

SOURCE: DBS *The Labour Force*, Cat. 71-001.

REFERENCE TABLE 9
EMPLOYMENT, CANADA
1959 to 1966

	1959	1960	1961	1962	1963	1964	1965	1966
	(Thousands of persons)							
Total employment.....	5,870	5,965	6,055	6,225	6,375	6,609	6,862	7,152
Agricultural.....	700	683	681	660	649	630	594	543
Non-agricultural.....	5,170	5,282	5,374	5,565	5,726	5,979	6,268	6,609
Men.....	4,363	4,368	4,381	4,488	4,567	4,698	4,842	4,983
Women.....	1,507	1,597	1,674	1,737	1,808	1,911	2,020	2,169
Age 14 to 19 years.....	536	545	548	573	596	628	673	714
	Year to year change (Per cent)							
Total employment.....	..	1.6	1.5	2.8	2.4	3.7	3.8	4.2
Agricultural.....	..	-2.4	-0.3	-3.1	-1.7	-2.9	-5.7	-8.6
Non-agricultural.....	..	2.2	1.7	3.6	2.9	4.4	4.8	5.4
Men.....	..	0.1	0.3	2.4	1.8	2.9	3.1	2.9
Women.....	..	6.0	4.8	3.8	4.1	5.7	5.7	7.4
Age 14 to 19 years.....	..	1.7	0.6	4.6	4.0	5.4	7.2	6.1

SOURCE: DBS *The Labour Force*.

REFERENCE TABLE 10
LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT BY REGIONS
1966

	Atlantic	Quebec	Ontario	Prairie	British Columbia
	(Thousands of persons)				
Labour force.....	626	2,116	2,719	1,248	710
Employed.....	586	2,016	2,651	1,222	678
Unemployed.....	40	100	69	26	32
	(Per cent)				
Unemployment rate.....	6.5	4.8	2.5	2.1	4.6
Growth in labour force.....	2.5	4.6	4.0	1.6	6.6
Growth in employment.....	3.5	5.4	4.0	2.2	6.1
Growth in non-agricultural employment.....	3.9	6.3	4.7	6.2	5.7

SOURCE: DBS *The Labour Force*.

REFERENCE TABLE 11
UNEMPLOYMENT RATES BY REGION
1959 to 1966
(Unemployed as a per cent of the Labour Force)

Region	1959	1960	1961	1962	1963	1964	1965	1966
	(Per cent)							
Atlantic.....	10.9	10.7	11.2	10.7	9.5	7.8	7.5	6.5
Quebec.....	7.8	9.1	9.2	7.5	7.5	6.4	5.5	4.8
Ontario.....	4.5	5.4	5.5	4.3	3.8	3.2	2.6	2.5
Prairie.....	3.2	4.2	4.6	3.9	3.7	3.1	2.6	2.1
British Columbia.....	6.5	8.5	8.5	6.6	6.4	5.3	4.2	4.6
Canada.....	6.0	7.0	7.1	5.9	5.5	4.7	3.9	3.6

SOURCE: DBS *The Labour Force*.

REFERENCE TABLE 12
LABOUR INCOME, EMPLOYMENT AND AVERAGE INCOME
1964 to 1966
Selected Industries

	Per cent increase in					
	Labour income		Employment		Average income per employee	
	1965	1966	1965	1966	1965	1966
	1964	1965	1964	1965	1964	1965
Mining.....	13.0	8.7	6.4	1.8	6.2	6.8
Manufacturing (total).....	10.3	11.4	5.5	5.4	4.5	5.7
Construction.....	24.0	24.7	13.1	10.8	9.6	12.5
Transportation, communication and water utilities ⁽¹⁾	8.7	8.4	2.4	2.7	6.2	5.6
Trade.....	10.6	11.0	5.7	6.7	4.6	4.0
Finance, insurance, etc.....	8.4	8.5	4.2	3.3	4.0	5.0
Service.....	13.4	13.8	9.8	10.5	3.3	3.0
Composite.....	11.3	12.2	5.6	5.6	5.4	6.3

⁽¹⁾Includes storage, electric power, gas and water utilities.

SOURCE: DBS *Employment, Average Weekly Wages and Salaries*, monthly, Cat. 72-002, and *Estimates of Labour Income*, monthly, Cat. 72-005.

REFERENCE TABLE 13
CORPORATION PROFITS BEFORE TAXES, BY INDUSTRY,
1965 and 1966
(Seasonally adjusted, quarterly)

	1965					1966				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
	(Millions of dollars)									
Mines, quarries and oil wells.....	142	153	155	152	602	151	157	142	120	570
Manufacturing industries:										
Food and beverage industries.....	93	93	92	92	370	98	87	92	89	366
Rubber industries.....	7	7	8	10	32	9	8	9	8	34
Textile industries.....	22	21	23	20	86	24	14	15	12	65
Wood industries.....	27	25	32	35	119	43	33	25	27	128
Paper and allied industries.....	65	62	58	50	235	38	54	39	49	180
Printing, publishing and allied industries.....	23	24	21	20	88	24	21	24	26	95
Primary metal industries.....										
Metal fabricating industries.....										
Machinery industries.....	194	189	203	192	778	199	193	148	179	719
Transportation equipment industries.....										
Electrical products industries.....	28	24	28	31	111	30	30	22	35	117
Non-metallic mineral products industries.....	20	27	25	24	96	21	22	28	18	89
Petroleum and coal products industries.....	31	35	35	30	131	37	45	39	43	164
Chemical and chemical products industries.....	51	56	57	56	220	65	58	58	50	231
Other manufacturing industries ⁽¹⁾	26	26	25	28	105	30	28	28	39	125
Totals, manufacturing industries.....	587	589	607	588	2,371	618	593	527	575	2,313
Transportation.....										
Storage.....	121	127	132	156	536	120	145	133	186	584
Communication.....										
Electric power, gas and water utilities.....	22	21	24	25	92	23	23	23	25	94
Wholesale trade.....	89	93	92	104	378	116	102	95	106	419
Retail trade.....	72	77	86	77	312	77	66	82	72	297
Finance, insurance and real estate.....	167	159	175	159	660	153	159	158	173	643
Service industries.....	37	36	41	38	152	49	48	39	40	176
Other non-manufacturing ⁽²⁾	23	23	24	26	96	16	25	25	25	91
Totals, all industries.....	1,260	1,278	1,336	1,325	5,199	1,323	1,318	1,224	1,322	5,187

⁽¹⁾Includes tobacco, leather and miscellaneous manufacturing industries.

⁽²⁾Includes agriculture, forestry, fishing and construction.

SOURCE: DBS Corporation Profits, Quarterly, Cat. 61-003.

REFERENCE TABLE 14
 CHANGES IN REAL DOMESTIC PRODUCT
 Annual
 1963 to 1966

	1963	1964	1965	1966
	(Per cent change from previous year)			
Real domestic product, less agriculture.....	5.3	7.2	6.9	6.3
Mining, total.....	4.5	8.8	5.5	6.7
Manufacturing, total.....	7.0	9.3	8.6	7.3
Non-durables.....	6.2	8.4	6.1	7.2
Durables.....	8.1	10.3	11.5	7.4
Construction.....	1.6	9.7	10.9	7.0
Transportation, storage and communication.....	7.1	9.0	7.4	8.1
Trade, total.....	3.8	6.1	7.5	4.4
Wholesale.....	3.8	8.6	10.1	3.7
Retail.....	3.8	4.7	6.1	4.7
Finance, insurance and real estate.....	6.3	4.4	4.4	5.3
Services.....	4.3	3.6	4.6	4.3
Commercial industries, less agriculture.....	5.6	7.6	7.4	6.7

SOURCE: DBS *Index of Industrial Production*, monthly, Cat. 61-005.

REFERENCE TABLE 15
 CHANGES IN EMPLOYMENT BY INDUSTRIAL DIVISION
 Annual
 1963 to 1966

	1963	1964	1965	1966
	(Per cent change from previous year)			
Mining.....	-1.5	0.9	6.4	1.8
Manufacturing, total.....	2.2	4.7	5.5	5.4
Non-durables.....	1.3	3.1	3.3	3.8
Durables.....	3.4	6.6	8.0	7.1
Construction.....	-0.9	4.9	13.1	10.8
Transportation, storage and communication.....	0.7	1.4	2.4	2.7
Trade, total.....	2.3	4.4	5.7	6.7
Wholesale.....	1.3	2.9	5.0	6.1
Retail.....	2.7	5.0	6.0	7.3
Finance, insurance and real estate.....	4.3	4.0	4.2	3.3
Services.....	4.3	8.1	9.8	10.5
Industrial composite.....	2.2	3.6	5.6	5.6

SOURCE: DBS *Employment, Average Weekly Wages and Salaries*.

REFERENCE TABLE 16
 CHANGES IN OUTPUT PER EMPLOYEE
 Annual
 1963 to 1966

	1963	1964	1965	1966
	(Per cent change)			
Mining, total.....	6.1	7.8	-0.8	4.8
Manufacturing, total.....	4.7	4.4	2.9	1.8
Non-durables.....	4.8	5.1	2.7	3.3
Durables.....	4.5	3.5	3.2	0.3
Construction.....	2.5	4.6	-1.9	-3.4
Transportation, storage and communication.....	6.4	7.5	4.9	5.3
Trade, total.....	1.5	1.6	1.7	-2.2
Wholesale.....	2.5	5.5	4.9	-2.3
Retail.....	1.1	-0.3	0.1	-2.4
Finance, insurance and real estate.....	1.9	0.4	0.2	1.9
Services.....	—	-4.2	-4.7	-5.6
Commercial industries, less agriculture.....	3.3	3.9	1.7	1.0

SOURCE: Reference tables 14 and 15.

REFERENCE TABLE 17
 EARNINGS AND OUTPUT
 Annual
 1963 to 1966

	1963	1964	1965	1966
	(Per cent change from previous year)			
Wages and salaries per worker				
Non-farm.....	4.4	5.4	5.9	6.3
Manufacturing.....	3.8	4.0	4.5	5.7
Output per worker				
Non-farm.....	3.3	3.9	1.7	1.0
Manufacturing.....	4.7	4.4	2.9	1.8
Wages and salaries per unit of output				
Non-farm.....	1.0	1.5	4.1	5.2
Manufacturing.....	-0.8	-0.4	1.6	3.8
Corporate profits per unit of output				
Non-farm.....	3.8	7.0	0.5	-6.5
Manufacturing.....	5.2	-0.5	-1.8	-9.0

SOURCE: DBS *Estimates of Labour Income*.
 DBS *Index of Industrial Production*.
 DBS *Corporation Profits*.
 DBS *Employment and Average Weekly Wages and Salaries*.

REFERENCE TABLE 18
CONSUMER PRICE INDEX
1961 to 1966
(1949=100)

	1961	1962	1963	1964	1965	1966
All items.....	129.2	130.7	133.0	135.4	138.7	143.9
Food.....	124.0	126.2	130.3	132.4	135.9	144.5
Housing.....	133.2	134.8	136.2	138.4	140.9	144.7
Clothing.....	112.5	113.5	116.3	119.2	121.4	126.0
Transportation.....	140.6	140.4	140.4	142.0	147.3	150.8
Health and personal care.....	155.3	158.3	162.4	167.8	175.5	180.9
Recreation and reading.....	146.1	147.3	149.3	151.8	154.3	158.7
Tobacco and alcohol.....	116.3	117.8	118.1	120.2	122.3	125.1
All commodities.....	120.0	121.0	123.1	124.7	126.7	131.5
Durables.....	116.1	115.3	115.5	114.5	114.6	115.1
Non-durables.....	120.7	122.1	124.6	126.7	129.2	134.9
Non-durables excluding food.....	118.3	119.1	120.3	122.4	124.1	127.5
Services.....	155.4	157.6	159.8	163.8	170.6	176.6

SOURCE: DBS *Prices and Price Indexes*.

REFERENCE TABLE 19
CONSUMER PRICE INDEX
(1949=100)
(Year to year change)

	1961 to 1962	1962 to 1963	1963 to 1964	1964 to 1965	1965 to 1966	Apr. 1966 to Apr. 1967
	(Per cent)					
All items.....	1.2	1.8	1.8	2.4	3.7	3.2
Food.....	1.8	3.2	1.6	2.6	6.3	0.2
Housing.....	1.2	1.0	1.6	1.8	2.7	4.4
Clothing.....	0.9	2.5	2.5	1.8	3.8	5.3
Transportation.....	-0.1	—	1.1	3.7	2.4	4.2
Health and personal care.....	1.9	2.6	3.3	4.6	3.1	6.0
Recreation and reading.....	0.8	1.4	1.7	1.6	2.9	4.2
Tobacco and alcohol.....	1.3	0.3	1.8	1.7	2.3	2.2
All commodities.....	0.8	1.7	1.3	1.6	3.8	2.3
Durables.....	-0.7	0.2	-0.9	0.1	0.4	2.4
Non-durables.....	1.2	2.0	1.7	2.0	4.4	2.2
Non-durables excluding food.....	0.7	1.0	1.7	1.4	2.7	4.1
Services.....	1.4	1.4	2.5	4.2	3.5	5.4

SOURCE: Reference table 18.

REFERENCE TABLE 20
 IMPLICIT PRICE INDEXES
 GROSS NATIONAL EXPENDITURE AND COMPONENTS
 (Seasonally adjusted)
 (1957=100)

	Personal expenditure on consumer goods and services	Non-durable goods	Durable goods	Services	Government expenditure on goods and services	Business gross fixed capital formation	New residential construction	New non-residential construction	New machinery and equipment	Exports of goods and services	Imports of goods and services	Gross national expenditure
1963—												
1Q.....	108.2	106.3	101.1	113.2	116.2	112.9	114.6	111.6	113.2	107.3	111.0	109.6
2Q.....	108.5	106.5	101.0	113.7	117.5	113.8	116.0	112.7	113.6	107.4	112.1	109.9
3Q.....	109.1	107.3	101.4	114.2	118.4	115.4	116.9	114.7	115.3	107.6	113.1	110.6
4Q.....	109.4	107.7	101.3	114.6	119.6	116.5	119.6	115.5	115.8	109.1	113.7	111.2
Year...	108.8	106.9	101.2	113.9	117.9	114.7	116.8	113.7	114.5	107.9	112.5	110.3
1964—												
1Q.....	109.8	108.2	100.4	115.3	118.2	117.4	120.7	115.8	117.0	109.4	114.5	111.5
2Q.....	110.3	108.5	100.2	116.1	120.8	119.5	122.1	118.3	119.3	109.7	114.4	112.6
3Q.....	110.7	109.2	99.7	116.9	123.8	120.5	124.1	119.7	119.2	110.6	113.0	114.1
4Q.....	111.2	109.0	100.5	117.7	123.9	121.3	125.6	120.7	119.5	110.3	113.6	114.4
Year...	110.5	108.7	100.2	116.5	121.7	119.7	123.2	118.7	118.8	110.0	113.9	113.2
1965—												
1Q.....	111.6	109.4	100.1	118.4	125.3	123.8	127.0	123.3	122.7	110.2	114.1	115.0
2Q.....	112.4	110.7	100.1	119.2	126.5	124.7	129.0	125.6	122.0	110.7	113.8	116.1
3Q.....	112.9	111.3	99.7	120.2	125.8	124.6	129.5	126.3	121.1	111.9	114.4	116.6
4Q.....	113.7	112.2	99.7	121.1	129.3	126.0	131.3	128.2	122.0	112.3	115.2	117.9
Year...	112.7	110.9	99.9	119.8	126.7	124.8	129.2	125.9	121.9	111.3	114.4	116.4
1966—												
1Q.....	115.2	114.3	99.2	122.6	133.7	127.6	133.4	130.0	123.1	113.2	115.5	119.9
2Q.....	116.5	115.3	100.2	123.6	133.4	128.9	134.6	131.9	123.9	114.2	115.9	121.1
3Q.....	116.7	115.8	99.4	124.7	135.4	129.8	136.1	133.3	124.6	116.6	116.6	122.6
4Q.....	117.8	116.4	100.9	126.0	138.9	131.8	139.2	135.3	126.3	116.4	117.8	123.7
Year...	116.6	115.5	99.9	124.3	135.4	129.5	135.7	132.6	124.5	115.1	116.5	121.8

SOURCE: DBS *The National Accounts*.

REFERENCE TABLE 21
GOVERNMENT TRANSACTIONS ON A NATIONAL ACCOUNTS BASIS

	1963	1964	1965	1966	1966 ⁽¹⁾			
					1Q	2Q	3Q	4Q
	(Millions of dollars)							
GOVERNMENT REVENUE:								
Direct taxes—persons.....	2,916	3,428	3,912	4,434	4,216	4,156	4,564	4,800
Federal.....	2,193	2,558	2,715	2,955	2,832	2,744	3,048	3,196
Provincial and municipal.....	723	870	1,197	1,479	1,384	1,412	1,516	1,604
Direct taxes—corporations.....	1,827	1,996	2,164	2,190	2,128	2,248	2,188	2,196
Federal.....	1,362	1,498	1,623	1,642	1,596	1,688	1,636	1,648
Provincial.....	465	498	541	548	532	560	552	548
Withholding taxes.....								
Federal.....	127	140	168	203	176	204	200	232
Indirect taxes.....	5,911	6,695	7,482	8,277	8,148	8,208	8,344	8,408
Federal.....	2,451	2,847	3,247	3,577	3,524	3,556	3,596	3,632
Provincial and municipal.....	3,460	3,848	4,235	4,700	4,624	4,652	4,748	4,776
Investment income.....	1,395	1,526	1,688	1,860	1,796	1,912	1,804	1,928
Federal.....	510	570	618	663	612	716	608	716
Provincial and municipal.....	885	956	1,070	1,197	1,184	1,196	1,196	1,212
Employer and employee contributions to social insurance and government pension funds.....	852	912	959	1,816	1,504	1,852	1,928	1,980
Federal.....	534	574	602	681	624	696	700	704
Provincial and municipal.....	318	338	357	421	400	412	436	436
Canada Pension Plan.....				531	360	552	584	628
Quebec Pension Plan.....				183	120	192	208	212
Transfers from federal government.....								
Provincial and municipal.....	1,169	1,252	1,427	1,659	1,508	1,684	1,636	1,808
Total Revenue.....	14,197	15,949	17,800	20,439	19,476	20,264	20,664	21,352
Federal.....	7,177	8,187	8,973	9,721	9,364	9,604	9,788	10,128
Provincial and municipal.....	7,020	7,762	8,827	10,004	9,632	9,916	10,084	10,384
Canada Pension Plan.....				531	360	552	584	628
Quebec Pension Plan.....				183	120	192	208	212

⁽¹⁾Seasonally adjusted at annual rates.

REFERENCE TABLE 21

GOVERNMENT TRANSACTIONS ON A NATIONAL ACCOUNTS BASIS (concluded)

	1963	1964	1965	1966	1966 ⁽¹⁾			
					1Q	2Q	3Q	4Q
(Millions of dollars)								
GOVERNMENT EXPENDITURE:								
Goods and services.....	8,075	8,654	9,596	11,169	10,592	10,872	11,648	11,564
Federal—Total.....	2,934	3,046	3,267	3,880	3,652	3,676	3,992	4,200
—(Defence).....	(1,572)	(1,584)	(1,562)	(1,713)	(1,664)	(1,612)	(1,720)	(1,856)
Provincial and municipal.....	5,141	5,608	6,329	7,289	6,940	7,196	7,656	7,364
Transfer payments to persons.....	3,848	4,133	4,502	5,006	4,692	4,904	5,084	5,344
Federal.....	2,133	2,239	2,316	2,478	2,392	2,452	2,520	2,548
Provincial and municipal.....	1,715	1,894	2,186	2,528	2,300	2,452	2,564	2,796
Interest on the public debt.....	1,423	1,526	1,635	1,789	1,732	1,764	1,832	1,828
Federal.....	935	995	1,052	1,151	1,124	1,128	1,163	1,184
Provincial and municipal.....	488	531	583	638	608	636	664	644
Subsidies.....	311	323	310	477	376	364	368	800
Federal.....	275	277	259	370	240	296	252	692
Provincial.....	36	46	51	107	136	68	116	108
Capital Assistance:								
Federal.....	61	82	84	59	32	88	56	60
Transfers to provincial and municipal governments:								
Federal.....	1,169	1,252	1,427	1,659	1,508	1,684	1,636	1,808
Total Expenditure.....	14,887	15,970	17,554	20,159	18,932	19,676	20,624	21,404
Federal.....	7,507	7,891	8,405	9,597	8,948	9,324	9,624	10,492
Provincial and municipal.....	7,380	8,079	9,149	10,562	9,984	10,352	11,000	10,912
Surplus (+) or deficit (-).....	-690	-21	+246	+280	+544	+588	+40	-52
Federal.....	-330	+296	+568	+124	+416	+280	+164	-364
Provincial and municipal.....	-360	-317	-322	-558	-352	-436	-916	-528
Canada Pension Plan.....				+531	360	552	584	628
Quebec Pension Plan.....				+183	120	192	208	212

⁽¹⁾Seasonally adjusted at annual rates.

SOURCE: DBS *The National Accounts*.

REFERENCE TABLE 22
 FEDERAL GOVERNMENT REVENUES AND EXPENDITURES
 PUBLIC ACCOUNTS AND NATIONAL ACCOUNTS RECONCILIATION

	1964-65	1965-66	1966-67	1965				1966			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
(Millions of dollars)											
REVENUE:											
Budgetary revenue	7,180	7,696	8,366	1,853	1,918	1,862	1,944	1,972	1,999	1,978	2,169
Supplementary period adjustment ⁽¹⁾	- 42	56	7	-188	188	-	-	-132	132	-	-
Extra-budgetary revenues:											
Old age security tax collections	959	1,169	1,281	278	300	272	279	318	327	294	301
Prairie Farm Assistance Act levy	10	10	11	2	1	5	2	2	2	5	2
Unemployment insurance—employer-employee contributions	311	328	340	82	74	83	84	87	78	89	89
Government pension funds—employer-employee contributions	273	301	363	68	76	77	77	71	89	89	89
Interest receipts of social insurance and government pension funds	159	181	196	43	43	45	46	47	48	51	52
Corporate income tax ⁽²⁾ excess (+) of accruals over collections	-128	-128	-112	- 24	-131	12	51	- 60	- 73	- 3	48
Profits before taxes (net of losses) of government business enterprises	226	242	204	36	59	55	98	30	67	45	66
Interest on loans, advances and investments	190	222	270	46	55	56	55	56	63	55	83
Less: Budgetary return on investments	-382	-438	-522	-125	-138	-120	- 93	-137	-127	- 88	-164
Less: Postal revenue	-231	-237	-256	- 59	- 57	- 49	- 73	- 58	- 59	- 51	- 81
Budgetary revenue items offset against budgetary expenditures ⁽³⁾	-123	-127	-140	- 31	- 32	- 31	- 32	- 32	- 34	- 34	- 37
All other adjustments to budgetary revenue ⁽⁴⁾	- 42	- 69	- 10	- 28	- 23	- 25	7	- 28	- 13	3	36
Total Revenue, National Accounts Basis	8,360	9,156	9,998	1,953	2,333	2,242	2,445	2,136	2,499	2,433	2,653

⁽¹⁾In the National Accounts, revenues in the supplementary period are shifted to the following fiscal year.

⁽²⁾Taxes on government business enterprises are excluded from this item.

⁽³⁾See also footnote 3, expenditure reconciliation.

⁽⁴⁾These adjustments are largely revenue items not relevant for the National Accounts, such as proceeds from sales of existing assets.

REFERENCE TABLE 22
FEDERAL GOVERNMENT REVENUES AND EXPENDITURES
 PUBLIC ACCOUNTS AND NATIONAL ACCOUNTS RECONCILIATION (concluded)

	1964-65	1965-66	1966-67	1965				1966			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
(Millions of dollars)											
EXPENDITURE:											
Budgetary expenditure.....	7,218	7,735	8,794	2,314	1,492	1,785	1,915	2,543	1,667	2,072	2,264
Supplementary period adjustment ⁽¹⁾	- 55	- 6	-116	-463	463	-	-	-469	469	-	-
Expenditures of extra-budgetary funds:											
Old age security fund payments.....	885	927	1,075	223	224	226	228	249	251	252	254
Unemployment insurance benefits.....	335	298	307	141	92	36	44	126	82	38	49
Government pension fund—payments.....	101	114	128	26	28	29	28	29	32	32	32
Prairie Farm Assistance payments.....	11	7	6	9	2	-	1	4	-	-	1
Transfers to extra-budgetary funds.....	- 63	- 66	- 69	- 16	-16	-17	-17	- 16	-16	-18	-18
Adjustment to place other government funds and Crown agencies on a disbursement basis ⁽²⁾	17	- 16	42	99	-94	39	13	26	-73	26	33
Budgetary expenditures offset against income of government business enterprises:											
Post Office expenditures.....	-211	-242	-265	- 56	-54	-61	-63	- 64	-61	-60	-71
Deficits of government business enterprises.....	- 92	-104	- 74	- 11	-84	- 8	- 3	- 9	-50	- 6	-10
Reserves and write-offs.....	- 42	- 59	- 78	- 10	-32	-10	- 9	- 8	-52	-10	- 9
Budgetary revenue items offset against budgetary expenditure ⁽³⁾	-123	-127	-140	- 31	-32	-31	-32	- 32	-34	-34	-37
All other adjustments to budgetary expenditure.....	65	119	247	- 42	75	64	1	- 21	98	98	48
Total Expenditure, National Accounts Basis.....	8,046	8,580	9,857	2,183	2,064	2,052	2,106	2,358	2,313	2,390	2,536
Surplus (+) or deficit (-), National Accounts basis.....	314	576	141	-230	269	190	339	-222	186	43	117
Surplus (+) or deficit (-), budgetary basis.....	- 38	- 39	-428	-461	426	77	29	-571	332	-94	-95
Total, National Accounts basis.....	8,360	9,156	9,998	1,953	2,333	2,242	2,445	2,136	2,499	2,433	2,653

⁽¹⁾In the National Accounts, expenditures on goods and services in the supplementary period are split evenly between adjacent fiscal years. Most other expenditure items are shifted entirely to the next fiscal year.

⁽²⁾This adjustment replaces budgetary appropriations to various funds and agencies by the outlays actually made by these funds and agencies.

⁽³⁾The largest component of this item consists of revenue from sales of goods and services by the government. These sales appear as final expenditure of the private sector and are deducted to avoid double counting.

REFERENCE TABLE 23
SUMMARY OF BALANCE OF PAYMENTS
(not seasonally adjusted)

—	1961	1962	1963	1964	1965	1966	1965				1966			
							1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
(Millions of dollars)														
Merchandise trade balance.....	+ 173	+ 184	+ 503	+ 701	+ 118	+ 380	- 39	- 27	+161	+ 23	- 1	+ 7	+300	+ 74
Deficit on non-merchandise trans- actions ⁽¹⁾	-1,263	-1,169	-1,178	-1,270	-1,339	-1,488	-391	-367	-160	-421	-438	-366	-214	-470
Current account balance ⁽¹⁾	-1,090	-985	- 675	- 569	-1,221	-1,108	-430	-394	+ 1	-398	-439	-359	+ 86	-396
Gold production available for export	+ 162	+ 155	+ 154	+ 145	+ 138	+ 125	+ 35	+ 34	+ 35	+ 34	+ 34	+ 29	+ 30	+ 32
Capital movements (+ inflow) (- outflow)														
Long-term forms.....	+930	+688	+637	+820	+713	+949	+128	+134	+216	+235	+449	+214	+197	+ 39
Short-term forms.....	+288	+297	+ 30	- 33	+527	-325	+195	+227	- 26	+131	-182	- 1	-398	+256
	+290	+155	+146	+363	+157	-359	- 72	+ 1	+226	+ 2	-138	-117	- 85	-19
Change in official holdings of gold and foreign exchange (+ increase) (- decrease)	+229	+537	+ 60	+ 86	- 11	-462	-118	- 92	+144	+ 55	-166	-181	-105	- 10
Net International Monetary Fund position.....	+ 61	-378	+ 86	+277	+168	+103	+ 46	+ 93	+ 82	- 53	+ 28	+ 64	+ 20	- 9
	+290	+159	+146	+363	+157	-359	- 72	+ 1	+226	+ 2	-138	-117	- 85	-19

⁽¹⁾Excluding gold production available for export.
SOURCE: DBS.

REFERENCE TABLE 24
INTERNATIONAL PAYMENTS: CURRENT ACCOUNT
(Annual, 1958 to 1966)

	1958	1959	1960	1961	1962	1963	1964	1965	1966
	(Millions of dollars)								
Current Receipts—									
Merchandise exports (adjusted).....	4,890	5,151	5,392	5,889	6,387	7,082	8,238	8,745	10,270
Gold available for export.....	157	148	162	162	155	154	145	138	125
Travel expenditures.....	349	391	420	482	562	609	662	747	840
Interest and dividends.....	167	180	171	213	202	230	332	310	294
Freight and shipping.....	401	420	442	486	509	563	644	673	699
Inheritances and immigrants' funds.....	97	109	102	104	124	151	169	211	256
Other current receipts.....	391	414	447	452	484	500	557	640	738
Total Current Receipts.....	6,452	6,813	7,136	7,788	8,423	9,289	10,747	11,464	13,222
Current Payments—									
Merchandise imports (adjusted).....	5,066	5,572	5,540	5,716	6,203	6,579	7,537	8,627	9,890
Travel expenditures.....	542	598	627	642	605	585	712	779	900
Interest and dividends.....	614	671	656	764	783	860	1,010	1,071	1,178
Freight and shipping.....	400	525	533	568	595	648	679	755	773
Inheritances and emigrants' funds.....	159	165	184	176	175	185	201	211	196
Official contributions.....	53	72	61	56	36	65	69	92	167
Other current payments.....	695	697	768	794	856	888	963	1,012	1,101
Total Current Payments.....	7,589	8,300	8,369	8,716	9,253	9,810	11,171	12,547	14,205
Balance on merchandise trade.....	- 176	- 421	- 148	+ 173	+ 184	+ 503	+ 701	+ 118	+ 380
Balance on other transactions.....	- 961	-1,066	-1,085	-1,101	-1,014	-1,024	-1,125	-1,201	-1,363
Current Account Balance.....	-1,137	-1,487	-1,233	- 928	- 830	- 521	- 424	-1,083	- 983

SOURCE: DBS.

REFERENCE TABLE 25
 CURRENT ACCOUNT
 (Seasonally adjusted at quarterly rates)

	Goods			Services			Total Receipts	Total Payments	Current Account Balance
	Exports	Imports	Balance	Receipts	Payments	Balance			
1965—									
1Q.....	2,071	2,026	+ 45	666	936	-270	2,737	2,962	-225
2Q.....	2,138	2,077	+ 61	680	981	-301	2,818	3,058	-240
3Q.....	2,203	2,163	+ 40	705	1,002	-297	2,908	3,165	-257
4Q.....	2,333	2,361	- 28	668	1,001	-333	3,001	3,362	-361
1966—									
1Q.....	2,492	2,383	+109	716	1,029	-313	3,208	3,412	-204
2Q.....	2,499	2,421	+ 78	732	1,041	-309	3,231	3,462	-231
3Q.....	2,617	2,498	+119	750	1,126	-376	3,367	3,624	-257
4Q.....	2,662	2,588	+ 74	754	1,119	-365	3,416	3,707	-291

SOURCE: DBS.

REFERENCE TABLE 26
BALANCE ON TRAVEL ACCOUNT

	Receipts			Payments			Balance		
	U.S.	Rest of World	Total	U.S.	Rest of World	Total	U.S.	Rest of World	Total
(Millions of dollars)									
1953.....	282	20	302	307	58	365	- 25	- 38	- 63
1954.....	283	22	305	320	69	389	- 37	- 47	- 84
1955.....	303	25	328	363	86	449	- 60	- 61	-121
1956.....	309	28	337	391	107	498	- 82	- 79	-161
1957.....	325	38	363	403	122	525	- 78	- 84	-162
1958.....	309	40	349	413	129	542	-104	- 89	-193
1959.....	351	40	391	448	150	598	- 97	-110	-207
1960.....	375	45	420	462	165	627	- 87	-120	-207
1961.....	435	47	482	459	183	642	- 24	-136	-160
1962.....	512	50	562	419	186	605	+ 93	-136	- 43
1963.....	549	60	609	388	197	585	+161	-137	+ 24
1964.....	590	72	662	481	231	712	+109	-159	- 50
1965.....	660	87	747	531	248	779	+129	-161	- 32
1966.....	730	110	840	631	269	900	+ 99	-159	- 60

SOURCE: DBS.

REFERENCE TABLE 27
GEOGRAPHICAL DISTRIBUTION OF MERCHANDISE AND NON-MERCHANDISE
BALANCES

	United States		United Kingdom		Other Countries		All Countries	
	1965	1966	1965	1966	1965	1966	1965	1966
(Millions of dollars)								
Merchandise exports (adjusted)...	4,993	6,241	1,184	1,133	2,568	2,896	8,745	10,270
Merchandise imports (adjusted)...	6,034	7,166	624	635	1,969	2,089	8,627	9,890
Trade balance.....	-1,041	-925	+560	+498	+599	+807	+118	+380
Non-merchandise receipts.....	1,813	1,903	371	391	535	658	2,719	2,952
Non-merchandise payments.....	2,684	2,960	421	433	815	922	3,920	4,315
Non-merchandise balance.....	-871	-1,057	- 50	- 42	-280	-264	-1,201	-1,363
Total current receipts.....	6,806	8,144	1,555	1,524	3,103	3,554	11,464	13,222
Total current payments.....	8,718	10,126	1,045	1,068	2,784	3,011	12,547	14,205
Current account balance.....	-1,912	-1,982	+510	+456	+319	+543	-1,083	-983

SOURCE: DBS.

REFERENCE TABLE 28

BALANCE OF PAYMENTS ON CURRENT ACCOUNT: MERCHANDISE
AND NON-MERCHANDISE BALANCE
1946 to 1966

	Merchandise Trade	Non- Merchandise Trade	Current Account Balance
	(Millions of dollars)		
1946.....	+571	-208	+363
1947.....	+188	-139	+ 49
1948.....	+432	+ 19	+451
1949.....	+293	-116	+177
1950.....	+ 7	-326	-319
1951.....	-151	-361	-512
1952.....	+485	-298	+187
1953.....	- 60	-388	-448
1954.....	+ 18	-442	-424
1955.....	-211	-476	-687
1956.....	-728	-644	-1,372
1957.....	-594	-857	-1,451
1958.....	-176	-961	-1,137
1959.....	-421	-1,066	-1,487
1960.....	-148	-1,085	-1,233
1961.....	+173	-1,101	-928
1962.....	+184	-1,014	-830
1963.....	+503	-1,024	-521
1964.....	+701	-1,125	-424
1965.....	+118	-1,201	-1,083
1966.....	+380	-1,363	-983

SOURCE: DBS.

REFERENCE TABLE 29
INTERNATIONAL PAYMENTS: CAPITAL MOVEMENTS

	1961	1962	1963	1964	1965	1966	1966			
							1Q	2Q	3Q	4Q
	(Millions of dollars)									
Direct investment in Canada.....	+560	+505	+280	+270	+405	+660	+120	+190	+145	+205
Direct investment abroad.....	- 80	-105	-135	- 95	-125	+ 10	- 15	- 40	+ 90	- 25
Canadian securities—										
Trade in outstanding bonds and debentures.....	+ 61	+ 64	+ 39	+ 77	+ 62	- 99	- 11	- 24	+ 50	- 14
Trade in outstanding common and preference stocks.....	+ 39	-115	-170	- 98	-264	-131	- 13	- 42	- 33	- 43
New issues.....	+548	+729	+984	+1,100	+1,209	+1,448	+583	+358	+291	+216
Retirements.....	-301	-319	-404	-382	-382	-504	-112	-152	- 90	-150
Foreign securities (total).....	- 35	- 65	+ 22	- 52	- 84	-357	- 70	- 90	-114	- 83
Loans and capital subscriptions by Government of Canada—										
Advances, etc.....	- 8	- 22	- 18	- 10	- 14	- 20	+ 6	- 3	- 9	- 2
Repayments to Canada.....	+ 38	+129	+ 25	+ 10	+ 10	+ 24	+ 2	+ 2	+ 1	+ 19
Columbia River Treaty, net.....	-	-	-	+ 54	+ 32	+ 32	-	-	-	+ 32
Long-term capital transactions not included elsewhere.....	+108	-113	+ 14	- 54	-136	-114	- 29	+ 15	- 34	- 66
Change in certain Canadian assets of foreigners—										
Canadian dollar deposits.....	+ 33	- 10	+ 43	+ 28	+ 31	+ 11	- 15	- 7	+ 20	+ 13
Government of Canada demand liabilities ⁽¹⁾	- 2	- 4	+ 1	-	+ 2	+ 5	- 6	- 2	+ 5	+ 8
Canadian treasury bills.....	- 58	+ 4	- 27	- 16	+ 12	- 15	- 8	-	+ 2	- 9
Canadian commercial paper.....			- 23	- 11	+ 10	- 2	- 12	- 5	+ 10	+ 5
Canadian finance paper.....			+ 93	+196	-162	- 9	+ 23	- 5	- 55	+ 28
Canadian finance company obligations not included elsewhere.....	+ 95	+119	+ 35	+ 52	+209	+153	+ 34	- 12	+ 44	+ 87
Bank balances and other short-term funds abroad.....	+140	+ 93	-258	-528	+138	-587	-165	- 9	-299	-114
All other transactions.....	+ 80	+ 95	+166	+246	+287	+119	- 33	+ 39	-125	+238
Net Capital Movements excluding monetary items shown below.....	+1,218	+985	+667	+787	+1,240	+624	+267	+213	-201	+345
Official monetary movements in the form of:										
Change in official holdings of gold and foreign exchange.....	+229	+537	+ 60	+ 86	- 11	-462	-166	-181	-105	- 10
Change in net International Monetary Fund position.....	+ 61	-378	+ 86	+277	+168	+103	+ 28	+ 64	+ 20	- 9
Other special international financial assistance.....	-	- 4	-	-	-	-	-	-	-	-

⁽¹⁾Demand notes of international investment agencies other than the International Monetary Fund, Trust and Deposit Account of U.S. Government with Government of Canada.

SOURCE: DBS.

REFERENCE TABLE 30

NEW ISSUES OF CANADIAN BONDS SOLD TO UNITED STATES RESIDENTS

Period	Offerings	Deliveries	Undelivered ⁽¹⁾
(Millions of dollars)			
1965—			
1Q.....	344	263	132
2Q.....	282	311	103
3Q.....	399	284	218
4Q.....	391	291	318
1966—			
1Q.....	356	518	156
2Q.....	386	348	194
3Q.....	202	276	120
4Q.....	198	203	115

⁽¹⁾At end of period.

SOURCE: DBS.

REFERENCE TABLE 31

FINANCING OF CANADA'S BILATERAL ACCOUNT WITH THE UNITED STATES

	1962	1963	1964	1965	1966
(Millions of dollars)					
Transactions with U.S. (excluding international financial agencies)					
Current account deficit (exc. gold).....	-1,247	-1,310	-1,780	-2,050	-2,107
Capital inflow from U.S.....	+1,073	+ 829	+1,639	+ 456	+ 799
Net amount to be financed by other transactions.....	- 174	- 481	- 141	-1,594	-1,308
Other transactions					
Current account surplus with rest of world.....	+ 262	+ 635	+1,211	+ 829	+ 999
Net capital movement from (+) or to (-) rest of world.....	- 88	- 162	- 852	+ 784	- 175
New gold production available for export.....	+ 155	+ 154	+ 145	+ 138	+ 125
Increase (-) in Canadian holdings of gold and foreign exchange.....	- 533	- 60	- 86	+ 11	+ 462
Change in Canada's position with the International Monetary Fund ⁽¹⁾	+ 378	- 86	- 277	- 168	- 103
Total financing.....	+ 174	+ 481	+ 141	+1,594	+1,308

⁽¹⁾Improvement (-) in Canadian position represents net provision of resources by Canada to the IMF

SOURCE: DBS.

REFERENCE TABLE 32
OFFICIAL HOLDINGS OF GOLD AND FOREIGN EXCHANGE

End of Period	Gold	U.S. Dollars	Total
	(Millions of U.S. dollars)		
1965—January.....	1,036.0	1,632.2	2,668.2
February.....	1,040.6	1,608.1	2,648.7
March.....	1,044.1	1,510.0	2,554.1
April.....	1,044.7	1,521.8	2,566.5
May.....	1,081.4	1,417.3	2,498.7
June.....	1,089.1	1,391.0	2,480.1
July.....	1,096.3	1,395.2	2,491.5
August.....	1,104.0	1,494.0	2,598.0
September.....	1,111.9	1,502.2	2,614.1
October.....	1,123.7	1,520.1	2,643.8
November.....	1,137.5	1,543.6	2,681.1
December.....	1,150.8	1,513.7	2,664.5
1966—January.....	1,112.8	1,449.6	2,562.4
February.....	1,076.5	1,471.1	2,547.6
March.....	1,085.6	1,424.2	2,509.8
April.....	1,096.0	1,373.1	2,469.1
May.....	1,060.7	1,351.5	2,412.2
June.....	1,024.2	1,317.6	2,341.8
July.....	986.2	1,329.2	2,315.4
August.....	996.7	1,284.3	2,281.0
September.....	1,008.7	1,235.6	2,244.3
October.....	1,020.5	1,202.7	2,223.2
November.....	1,033.7	1,208.4	2,242.1
December.....	1,045.6	1,190.3	2,235.9
1967—January.....	1,055.9	1,182.3	2,238.2
February.....	1,069.6	1,124.6	2,194.2
March.....	1,083.5	1,119.9	2,203.4
April.....	1,042.3	1,145.9	2,188.2

SOURCE: Department of Finance.

REFERENCE TABLE 33
CHANGES IN IMF HOLDINGS OF CANADIAN DOLLARS DURING 1966

		U.S. \$ Million
IMF holdings of Canadian dollars at the end of 1965....		246.6
(minus)	Repurchases by Canada (net).....	—
	Drawings of Canadian dollars by other countries (net).....	47.6
(plus)	Subscription of 75 per cent of quota increase Borrowings from Canada under the General Arrangements to Borrow.....	142.5
	Net change during 1966.....	94.9
IMF holdings at the end of 1966.....		341.5

SOURCE: Department of Finance.

REFERENCE TABLE 34

NET CHANGES IN SECURITIES⁽¹⁾ AND BANK LOANS⁽²⁾ OUTSTANDING FOR CALENDAR YEARS

	1963	1964	1965	1966	1965		1966	
					1st half	2nd half	1st half	2nd half
(Millions of dollars)								
Federal Government.....	827	457	- 52	430	-529	477	-387	817
Provincial—Securities ⁽³⁾	901	947	728	1,016	460	269	612	404
Special non-marketable securities ⁽⁴⁾				462			185	277
Loans.....	19	-18	29	42	- 17	46	- 43	85
Sub-total.....	920	929	757	1,520	443	315	754	766
Municipal—Securities ⁽⁵⁾	334	401	215	247	101	114	170	77
Loans.....	57	62	158	93	42	116	24	69
Sub-total.....	391	463	373	340	143	230	194	146
Total Governments	2,138	1,849	1,078	2,290	57	1,022	561	1,729
Private Canadian borrowers								
Corporate bonds.....	582	761	1,198	922	642	556	681	241
Other bonds.....	30	-11	39	33	19	20	14	18
Corporate stocks.....	-49	332	459	495	265	194	314	182
Commercial Paper.....	123	305	-272	105	121	-393	227	-123
Bank loans to business and instalment finance companies.....	334	572	925	292	581	344	196	96
Call and day-to-day loans.....	-44	5	56	77	- 36	92	- 1	78
Other bank loans ⁽⁶⁾	234	417	661	320	417	244	155	165
Total Private	1,210	2,403	3,066	2,244	2,009	1,057	1,586	657
Grand Total	3,348	4,252	4,144	4,534	2,066	2,079	2,147	2,386

(1)Includes foreign pay issues.

(2)Excludes foreign bank loans.

(3)Includes securities guaranteed by provinces.

(4)Non-marketable securities sold by provinces to the Canada Pension Plan Investment Fund.

(5)Quebec Pension Plan receipts of about \$170 million were made available to the Quebec Deposit and Investment Fund for investment primarily in marketable securities. A high proportion of these receipts was invested in provincial and municipal securities.

(6)Includes loans to grain dealers, personal loans, loans to farmers, loans to institutions, loans for insured mortgages and for Canada Savings Bonds.

REFERENCE TABLE 35
ASSETS OF DEPOSIT-ACCEPTING INSTITUTIONS⁽¹⁾

	1964	1965			1966				
	31st December	31st March	30th June	30th September	31st December	31st March	30th June	30th September	31st December ⁽²⁾
	(Millions of dollars)								
Loans:									
Canadian day to day loans.....	253	167	213	266	251	169	248	268	278
Call and short loans.....	150	165	154	203	208	172	207	227	285
To instalment finance companies.....	299	288	357	425	527	408	435	359	424
To other businesses.....	5,757	6,051	6,469	6,618	6,609	6,770	7,032	7,141	7,106
To individuals.....	2,665	2,725	2,875	2,928	3,153	3,128	3,170	3,165	3,382
To non-profit institutions.....	262	246	268	269	283	299	297	297	313
To provinces.....	30	14	13	35	59	15	16	122	101
To municipalities.....	363	465	405	446	521	642	545	562	614
	9,779	10,121	10,754	11,190	11,613	11,587	11,952	12,141	12,503
Mortgages.....	3,941	4,127	4,383	4,641	4,748	4,842	4,954	5,049	5,115
Government Bonds									
Govt. of Canada treasury bills.....	1,755	1,797	1,747	1,825	1,984	1,917	1,936	1,922	1,980
Govt. of Canada bonds.....	5,565	5,536	5,693	5,584	5,692	5,705	5,632	5,788	5,911
Provincial bonds.....	660	684	686	642	637	624	598	593	611
Municipal bonds.....	489	514	511	497	496	494	479	493	483
	8,469	8,531	8,637	8,548	8,809	8,740	8,645	8,796	8,985
Other securities									
Short term notes ⁽³⁾	191	361	396	296	211	342	312	327	289
Industrial Development Bank debentures and stock.....	213	219	226	229	240	248	262	270	282
Other corporate bonds.....	737	752	780	803	805	835	850	870	850
Stocks.....	123	124	139	134	130	131	133	136	138
	1,264	1,456	1,541	1,462	1,386	1,556	1,557	1,603	1,559
Assets abroad (net).....	101	168	29	3	-58	-70	-21	69	251
All other assets.....	1,817	1,734	1,784	1,740	1,975	1,808	2,179	2,099	2,319
Total.....	25,371	26,137	27,128	27,584	28,473	28,463	29,266	29,757	30,732

⁽¹⁾Included are the chartered banks, Quebec Savings Banks, trust companies and loan companies. Credit unions and caisses populaires are excluded.

⁽²⁾Estimated.

⁽³⁾Of sales finance and other companies.

Source: DBS and Bank of Canada.

REFERENCE TABLE 36

LIABILITIES OF DEPOSIT-ACCEPTING INSTITUTIONS⁽¹⁾

	1964		1965			1966			
	31st December	31st March	30th June	30th September	31st December	31st March	30th June	30th September	31st December ⁽²⁾
	(Millions of dollars)								
Bank of Canada notes.....	2,026	1,938	2,053	2,071	2,153	2,092	2,246	2,248	2,296
Chequable deposits of:									
Government of Canada.....	773	683	674	518	920	607	537	485	969
Provincial governments ⁽³⁾	204	267	360	344	344	366	381	351	303
Other financial institutions.....	125	120	143	157	225	153	151	162	180
Other Canadian residents ⁽⁴⁾	14,919	14,940	15,377	15,770	15,985	16,000	16,510	16,823	17,114
Total Chequable Deposits.....	16,021	16,010	16,554	16,789	17,474	17,126	17,579	17,821	18,566
Other deposits and deposit-type liabilities:									
Non-chequable demand deposits.....	710	736	771	752	764	780	760	752	739
Term deposits, G.I.C.'s, debentures and instalment certificates.....	2,516	2,804	2,908	2,977	3,058	3,291	3,388	3,498	3,534
Other notice deposits.....	1,505	1,818	2,031	2,186	2,044	2,172	2,268	2,350	2,346
Total Non-Chequable and Time De- posits.....	4,731	5,358	5,710	5,915	5,866	6,243	6,416	6,600	6,619
Deposits and deposit-type liabilities to non- residents ⁽⁵⁾	228	239	223	207	229	208	214	217	244
Total deposits and deposit-type liabilities.....	20,980	21,607	22,487	22,911	23,569	23,577	24,209	24,638	25,429
Shareholders' equity.....	1,724	1,757	1,774	1,800	1,851	1,857	1,857	1,879	1,910
All other liabilities.....	641	835	814	802	900	937	954	992	1,097
Total.....	25,371	26,137	27,128	27,584	28,473	28,463	29,266	29,757	30,732

⁽¹⁾Included are the chartered banks, Quebec Savings Banks, trust companies and loan companies. Credit unions and caisses populaires are excluded.

⁽²⁾Estimated.

⁽³⁾Includes non-chequable deposits.

⁽⁴⁾Includes demand and savings deposits at chartered banks and chequable demand deposits at trust and loan companies.

⁽⁵⁾Includes Canadian dollar deposits by foreign banks in chartered banks and foreign currency liabilities of the Bank of Canada.

Source: DBS and Bank of Canada.

REFERENCE TABLE 37
ASSETS OF DEPOSIT-ACCEPTING INSTITUTIONS⁽¹⁾

	1964	1965			1966				
	31st December	31st March	30th June	30th September	31st December	31st March	30th June	30th September	31st December
	(Percentage distribution)								
Loans:									
Canadian day to day loans.....	1.00	0.64	0.78	0.96	0.88	0.59	0.85	0.90	0.90
Call and short loans.....	0.59	0.63	0.57	0.74	0.73	0.60	0.71	0.76	0.93
To instalment finance companies.....	1.18	1.10	1.31	1.54	1.85	1.43	1.49	1.21	1.38
To other businesses.....	22.69	23.15	23.85	23.99	23.21	23.79	24.03	24.00	23.12
To individuals.....	10.51	10.43	10.60	10.61	11.07	10.99	10.83	10.63	11.00
To non-profit institutions.....	1.03	0.94	0.99	0.98	1.00	1.00	1.02	1.00	1.02
To provinces.....	0.12	0.05	0.05	0.13	0.21	0.05	0.05	0.41	0.33
To municipalities.....	1.43	1.78	1.49	1.62	1.83	2.26	1.86	1.89	2.00
	38.55	38.72	39.64	40.57	40.78	40.71	40.84	40.80	40.68
Mortgages.....	15.53	15.79	16.16	16.82	16.67	17.01	16.93	16.97	16.64
Government Bonds									
Govt. of Canada treasury bills.....	6.92	6.87	6.44	6.62	6.97	6.74	6.62	6.46	6.44
Govt. of Canada bonds.....	21.93	21.18	20.99	20.24	19.99	20.04	19.24	19.45	19.24
Provincial bonds.....	2.60	2.62	2.53	2.33	2.24	2.19	2.04	1.99	1.99
Municipal bonds.....	1.93	1.97	1.88	1.80	1.74	1.74	1.64	1.66	1.57
	33.38	32.64	31.84	30.99	30.94	30.71	29.54	29.56	29.24
Other securities									
Short term notes.....	0.75	1.38	1.46	1.07	0.74	1.20	1.07	1.10	0.94
Industrial Development Bank debentures and stock.....	0.84	0.84	0.83	0.83	0.84	0.87	0.90	0.91	0.92
Other corporate bonds.....	2.91	2.88	2.88	2.91	2.83	2.94	2.90	2.92	2.76
Stocks.....	0.48	0.47	0.51	0.49	0.46	0.46	0.45	0.46	0.45
	4.98	5.57	5.68	5.30	4.87	5.47	5.32	5.39	5.07
Assets abroad (net).....	0.40	0.64	0.10	0.01	-0.20	-0.25	-0.07	0.23	0.82
All other assets.....	7.16	6.64	6.58	6.31	6.94	6.35	7.44	7.05	7.55
Total.....	103.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

⁽¹⁾See footnotes Table 35.

SOURCE: DBS and Bank of Canada.

REFERENCE TABLE 38
LIABILITIES OF DEPOSIT-ACCEPTING INSTITUTIONS⁽¹⁾

	1964	1965				1966			
	31st December	31st March	30th June	30th September	31st December	31st March	30th June	30th September	31st December
	(Percentage distribution)								
Bank of Canada notes.....	7.99	7.42	7.57	7.51	7.56	7.35	7.67	7.55	7.47
Chequable deposits of:									
Government of Canada.....	3.05	2.61	2.48	1.88	3.23	2.13	1.84	1.63	3.15
Provincial governments.....	0.80	1.02	1.32	1.25	1.21	1.28	1.30	1.18	0.99
Other financial institutions.....	0.49	0.46	0.53	0.57	0.79	0.54	0.52	0.54	0.58
Other Canadian residents.....	58.80	57.16	56.68	57.17	56.14	56.21	56.41	56.54	55.69
Total Chequable Deposits.....	63.14	61.25	61.02	60.87	61.37	60.17	60.07	59.89	60.41
Other deposits and deposit-type liabilities:									
Non-chequable demand deposits.....	2.80	2.82	2.84	2.73	2.68	2.74	2.60	2.53	2.41
Term deposits, G.I.C.'s, debentures and instalment certificates.....	9.92	10.73	10.72	10.79	10.74	11.56	11.57	11.75	11.50
Other notice deposits.....	5.93	6.96	7.49	7.92	7.18	7.63	7.75	7.90	7.63
Total Non-Chequable and Time De- posits.....	18.65	20.51	21.05	21.44	20.60	21.93	21.92	22.18	21.54
Deposit and deposit-type liabilities to non- residents.....	0.90	0.91	0.82	0.75	0.81	0.73	0.73	0.73	0.79
Total deposits and deposit-type liabilities.....	82.69	82.67	82.89	83.06	82.78	82.83	82.72	82.80	82.74
Shareholders' equity.....	6.79	6.72	6.54	6.52	6.50	6.53	6.35	6.32	6.22
All other liabilities.....	2.53	3.19	3.00	2.91	3.16	3.29	3.26	3.33	3.57
Total.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

⁽¹⁾See footnotes Table 36.

SOURCE: DBS and Bank of Canada.

REFERENCE TABLE 39
 REPRESENTATIVE INTEREST RATES 1965 TO 1967

	Issuing Agency	Type of Investment	Time to Maturity	1965	1966				1967
				Dec.	Mar.	June	Sept.	Dec.	Mar.
<i>Representative short-term money market rates</i>	Chartered banks	Term deposits	30 days	5.25	5.37	5.50	5.85	6.36	5.00
			90 days	5.63	5.63	5.75	5.90	6.31	5.00
			1 year	5.63	5.50	5.75	5.75	5.50	5.75
		Swap deposits	30 days	5.45	4.79	5.50	5.20	5.92	4.57
			90 days	5.75	5.36	5.62	5.81	6.26	5.06
			1 year	5.75	5.62	5.87	5.87	6.00	5.00
	Trust companies	Term deposits	30 days	5.50	5.37	5.62	5.75	5.62	4.75
			90 days	5.75	5.62	5.87	5.87	6.00	5.00
			1 year	5.75	5.75	6.00	6.00	6.00	5.75
		Guaranteed Investment Certificates (G.I.C.'s)	30 days	5.38	5.38	5.30	5.37	5.40	4.68
			90 days	5.56	5.60	5.55	5.79	5.77	4.84
			1 year	5.76	5.72	5.79	6.00	6.06	5.03
	Finance companies	Prime finance paper	30 days	5.87	5.90	6.03	6.08	5.20	5.10
			90 days	6.00	5.98	6.18	6.36	6.55	5.50
			1 year	6.00	5.75	5.87	5.93	6.18	5.06
	Corporations	Prime commercial paper	30 days	6.00	5.87	6.06	6.18	6.43	5.31
			90 days	6.00	5.87	6.06	6.18	6.43	5.31
			1 year	6.00	5.87	6.06	6.18	6.43	5.31
		Bankers' acceptances	30 days	4.95	5.10	5.35	5.65	6.05	4.85
			90 days	5.05	5.20	5.45	5.85	6.25	4.95
1 year			5.05	5.20	5.45	5.85	6.25	4.95	
Chartered banks Govt. of Canada	Day loans	Demand	3.63	5.10	4.73	4.68	4.42	4.16	
		Treasury bills	4.54	5.06	5.00	5.01	4.96	4.13	
<i>Representative bond yields</i>	Govt. of Canada	Short term bonds	0-3 years	4.95	5.17	5.09	5.40	5.31	4.28
		Long term bonds	over 10 years	5.40	5.58	5.66	5.75	5.76	5.48
	Provinces	Long term bonds	—	5.90	6.03	6.14	6.51	6.63	6.18
	Municipalities	Long term bonds	—	6.03	6.28	6.31	6.80	6.73	6.40
	Corporations	Long term bonds	—	6.05	6.22	6.30	6.83	6.83	6.65

REFERENCE TABLE 40
GROSS MORTGAGE LOAN COMMITMENTS
BY CENTRAL MORTGAGE AND HOUSING CORPORATION
AND PRIVATE INSTITUTIONS

	1961	1962	1963	1964	1965	1966
	(Millions of dollars)					
Mortgage loans approved under National Housing Act						
CMHC direct ⁽¹⁾						
Single detached.....	225	152	253	312	367	401
Apartments and other.....	46	20	49	65	95	144
Sub-total.....	271	172	302	377	462	545
Approved lenders						
Single detached.....	321	316	281	178	129	71
Apartments and other.....	132	96	104	175	191	120
Sub-total.....	453	412	385	353	320	191
Total.....	724	584	687	730	782	736
Conventional mortgage approvals						
New residences						
Single detached.....	174	187	250	294	354	290
Apartments and other.....	158	264	402	518	548	284
Existing residences						
Single detached.....	215	256	306	443	540	373
Apartments and other.....	85	102	124	197	209	98
Commercial and other.....	298	311	373	507	581	382
Total conventional.....	930	1,120	1,455	1,959	2,232	1,427
Grand total.....	1,654	1,704	2,142	2,689	3,014	2,163
of which:						
Single residences new.....	720	655	784	784	850	762
Apartment residences, etc., new.....	336	380	555	758	834	548
Total residential new.....	1,056	1,035	1,339	1,542	1,684	1,310

⁽¹⁾In addition to direct CMHC loans for new housing, CMHC also made loans for \$38 million for existing housing in the period 1964-1966.

Source: CMHC and Bank of Canada.

REFERENCE TABLE 41
CONSUMER CREDIT

Amount outstanding seasonally adjusted	1965				1966			
	March	June	Sept.	Dec.	March	June	Sept.	Dec.
	(Millions of dollars)							
Chartered banks.....	1,899	2,003	2,118	2,207	2,291	2,264	2,335	
Sales finance companies.....	1,057	1,071	1,101	1,139	1,165	1,167	1,199	
Consumer loan companies.....	938	976	1,003	1,032	1,069	1,100	1,133	
Quebec Savings Banks.....	17	18	17	16	15	16	17	
Life insurance companies.....	401	403	407	412	416	425	434	
Retail dealers ⁽¹⁾	679	692	710	727	746	751	759	
Sub-total.....	4,991	5,163	5,356	5,533	5,702	5,722	5,877	
Other retail ⁽²⁾	447	449	454	462	477	477	n.a.	
Credit unions and caisses.....	n.a.	n.a.	n.a.	7,058	n.a.	n.a.	n.a.	n.a.

n.a. not available.

⁽¹⁾Includes department stores, furniture and appliance dealers and the instalment credit of motor vehicle dealers.

⁽²⁾Includes oil companies credit cards.

Source: Bank of Canada, Department of Insurance, Department of Finance, DBS and Department of Agriculture.

REFERENCE TABLE 42
 DETAILS OF NEW ISSUES AND RETIREMENTS OF GOVERNMENT OF CANADA
 DIRECT AND GUARANTEED MARKETABLE BONDS
 January 1, 1966 to March 31, 1967

Date of issue or retirement	Maturing bonds	Amount (\$ million par value)	New bonds	Amount (\$ million par value)	Net change in amount outstanding (\$ million par value)	Term of new bonds	Price at issue (%)	Yield at issue (%)
1966								
January 3.....	CNR 3% Jan. 3, 1966	35	—	—	-35			
February 1.....	3½% Feb. 1, 1966	330	4% April 1, 1967 5% July 1, 1970 5½% Aug. 1, 1980	170 50 80	-30	1 year 2 months 4 year 5 months 14 year 6 months	98.70 98.50 100.00	5.16 5.38 5.50
April 15.....	5% Oct. 15, 1987 ⁽¹⁾	3	—	—	-3			
May 1.....	3½% May 1, 1966	325	4½% April 1, 1967 5% July 1, 1970 5½% Aug. 1, 1980	155 40 130	0	11 months 4 year 2 months 14 year 3 months	98.90 98.00 98.00	5.49 5.54 5.71
September 1.....	3% Sept. 1, 1966 3½% Sept. 1, 1966	245 205	4½% Oct. 1, 1967 5½% Oct. 1, 1969 5½% Sept. 1, 1992	175 250 75	+50	1 year 1 month 3 year 1 month 26 year	98.60 99.63 97.50	5.60 5.88 5.94
October 15.....	5% Oct. 15, 1987 ⁽¹⁾	3	—	—	-3			
December 15.....	4% Dec. 15, 1966 4½% Dec. 15, 1966	150 300	5½% Jan. 15, 1968 5½% Dec. 15, 1970 5½% Sept. 1, 1992	125 300 100	+75	1 year 1 month 4 year 25 year 8½ months	99.60 99.50 97.50	5.88 5.89 5.94
December 21.....	CNR 5½% Jan. 1, 1985 ⁽²⁾ CNR 5% Oct. 1, 1987 ⁽²⁾	1 4	— —	— —	-1 -4			
	Totals (Calendar 1966)	1,601		1,650	+49			
1967								
January 2.....	CNR 2½% Jan. 2, 1967	50	—	—	-50			
February 1.....			5½% Sept. 1, 1975 5½% Aug. 1, 1980 5½% Sept. 1, 1992	70 30 50	+150	8 year 8 months 13 year 6 months 25 year 7 months	98.63 98.00 100.75	5.70 5.71 5.69
	Totals (Fiscal year 1966-67)	1,286		1,500	214			

⁽¹⁾This issue was made in New York and bonds of this issue are subject to partial redemption at par for the sinking fund on each interest payment date in a principal amount equal to U.S. \$2,500,000.

⁽²⁾Cancellation of securities held by Purchase Funds.

PART II

REVIEW OF GOVERNMENT ACCOUNTS 1966-67

TABLE OF CONTENTS

	PAGE
Introduction.....	109
Highlights of the government's financial operations during 1966-67.....	110
Budgetary accounts.....	113
Revenue.....	114
Expenditure.....	122
Assets and liabilities as at March 31, 1967.....	154
Summary.....	155
Liability accounts.....	155
Asset accounts.....	165
Net debt.....	178
The cash position.....	178
The public debt.....	181
Supplementary detailed tables.....	187

Part II
REVIEW OF GOVERNMENT ACCOUNTS
1966-67

INTRODUCTION

This Part of the Budget Papers presents in summary form a review of the accounts of the Government of Canada for the fiscal year 1966-67. Although the government's fiscal year ended on March 31, the books must remain open for some time after that date to record various adjusting entries and to take into account section 35 of the Financial Administration Act which provides that for thirty days after the end of each fiscal year payments for the discharge of debts properly applicable to the old year may be made and charged to that year. Consequently the figures used in this report are preliminary and subject to revision and the final figures when they become available next July or August will vary to some extent from those given in the following pages.

In 1965-66, in order to improve the functioning of the government service, changes were made in the control and supervision of the duties and functions of a number of departments pursuant to the Public Service Rearrangement and Transfer of Duties Act. In 1966-67, to more truly define the new duties and functions, the names of certain departments were changed and new departments established pursuant to the Government Organization Act, 1966, which came into force on October 1, 1966 by proclamation of the Governor in Council. The Department of Citizenship and Immigration was renamed the Department of Manpower and Immigration, the Department of Forestry was renamed the Department of Forestry and Rural Development, the Department of Mines and Technical Surveys was renamed the Department of Energy, Mines and Resources and the Department of Northern Affairs and National Resources was renamed the Department of Indian Affairs and Northern Development. New departments established were: the Registrar General, responsible for certain duties transferred from the Privy Council; the Solicitor General, responsible for certain duties transferred from the Department of Justice and the Treasury Board responsible for certain duties transferred from the Department of Finance and the Public Service Commission.

Similarly, the name of the Civil Service Commission was changed to the Public Service Commission pursuant to the Public Service Employment Act which came into force on March 13, 1967 by proclamation of the Governor in Council, and a new department was established called the Public Service Staff Relations Board, to administer collective bargaining in the civil service, pursuant to the Public Service Staff Relations Act which also came into force on March 13, 1967 by proclamation of the Governor in Council.

In addition, the duties, powers and functions pertaining to the Canadian Citizenship Act, under the former Department of Citizenship and Immigration, were transferred to the Department of Secretary of State of Canada.

HIGHLIGHTS OF THE GOVERNMENT'S FINANCIAL OPERATIONS DURING 1966-67

This section outlines the financial operations of the government in 1966-67 giving a brief summary of the budgetary and non-budgetary transactions, the unmatured debt transactions and the changes in the cash position during the fiscal year and the cash and debt position as at the end of the fiscal year. More detailed explanations of these transactions are given in subsequent sections of this review.

The following table summarizes the budgetary and non-budgetary transactions for 1966-67 with comparative figures for 1965-66 and indicates how these transactions affected the government's cash balances:

TABLE 1
(in millions of dollars)

SUMMARY OF BUDGETARY AND NON-BUDGETARY TRANSACTIONS AND CHANGES IN CASH POSITION	Fiscal year ended March 31	
	1967 (preliminary)	1966
Budgetary transactions—		
Revenue—		
Tax.....	7,436	6,850
Non-tax.....	930	846
	<u>8,366</u>	<u>7,696</u>
Expenditure—		
Defence.....	1,696	1,595
Non-defence.....	7,098	6,140
	<u>8,794</u>	<u>7,735</u>
Deficit (—).....	-428	-39
Non-budgetary transactions (excluding unmatured debt transactions)—		
Receipts and credits—		
Repayment of temporary loan to old age security fund.....		25
Net annuity, insurance and pension accounts receipts.....	938	627
Repayment of advances to exchange fund.....	341	
Canada pension plan account.....	591	89
Investment in special United States of America securities—		
Columbia River Treaty.....	32	32
Increase in non-interest-bearing notes payable on demand.....	111	
Other.....	454	260
	<u>2,467</u>	<u>1,033</u>
Disbursements and charges—		
Advances to exchange fund.....		75
Canada pension plan investment fund.....		35
Loans, investments and advances.....	1,594	853
Decrease in non-interest-bearing notes payable on demand.....		113
Other.....	583	78
	<u>2,768</u>	<u>1,154</u>
Net amount required for non-budgetary transactions.....	-291	-121
Overall cash requirements to be financed by increase in unmatured debt or decrease in cash balances.....	-719	-160
Net increase in unmatured debt outstanding in hands of the public.....	711	113
Net increase or decrease (—) in Receiver General bank balances....	-8	-47

Budgetary transactions

The budgetary revenue, expenditure and deficit as forecast in the budget speech of March 29, 1966 and revised on December 19, 1966 and the actual figures as now estimated are shown in the following table:

TABLE 2

(in millions of dollars)

BUDGETARY TRANSACTIONS FOR FISCAL YEAR 1966-67	Budget forecast March 29, 1966	Revised forecast Decem- ber 19, 1966	Actual (preliminary)	Increase or decrease (-) compared with December 19, 1966 forecast	
				Amount	Per cent
Revenue.....	8,300	8,260	8,366	106	1.28
Expenditure.....	8,450	8,580	8,794	214	2.49
Deficit.....	150	320	428	108	

Revenue

Budgetary revenue of the government amounted to \$8,366 million for 1966-67. This was \$106 million or $1\frac{1}{4}$ per cent more than the revised figure of \$8,260 million forecast on December 19, 1966 and \$670 million or 9 per cent more than the total collected in 1965-66.

Tax revenue accounted for \$586 million of the increase and non-tax revenue accounted for \$84 million of the increase over 1965-66 receipts.

The yield from the income taxes was \$350 million higher, from sales tax \$118 million higher and from customs import duties \$92 million higher than in 1965-66.

Expenditure

Budgetary expenditure amounted to \$8,794 million, \$214 million or $2\frac{1}{2}$ per cent more than the revised figure of \$8,580 million forecast on December 19, 1966 and \$1,059 million or 14 per cent higher than expenditure in 1965-66.

Defence expenditure of \$1,696 million was 19 per cent of total budgetary expenditure compared with \$1,595 million or 21 per cent in 1965-66 and was again the largest category.

Civil or non-defence expenditure was \$7,098 million compared with \$6,140 million in 1965-66, an increase of \$958 million. The main changes were increases of \$77 million in public debt charges, \$78 million in the government's contributions to the provinces under the Hospital Insurance and Diagnostic Services Act, \$70 million in payments to the provinces under the Technical and Vocational Training Assistance Act, \$62 million in payments in respect of the international food aid program, \$59 million in university grants and \$50 million in fiscal, subsidy and other payments to provinces.

Deficit

On the basis of these preliminary figures, expenditure of \$8,794 million exceeded revenue of \$8,366 million resulting in a deficit of \$428 million compared with a deficit of \$320 million as forecast on December 19, 1966 and a deficit of \$39 million in 1965-66.

Non-budgetary transactions (excluding unmatured debt transactions)

Non-budgetary transactions are those which increase or decrease the government's asset and liability accounts and do not enter into the calculation of the annual budgetary surplus or deficit.

In 1966-67 net disbursements and charges of \$2,758 million exceeded net receipts and credits of \$2,467 million, resulting in a net requirement of \$291 million. In 1965-66 net disbursements and charges totalled \$1,154 million and net receipts and credits totalled \$1,033 million, resulting in a net requirement of \$121 million.

Old age security fund

Receipts by the fund during 1966-67 of \$1,286 million exceeded payments of \$1,073 million by \$213 million. In 1965-66 receipts were \$1,169 million and payments were \$927 million.

The transactions in the fund during 1966-67 compared with those for 1965-66 were as follows:

	Fiscal year ended March 31	
	1967 (preliminary)	1966
	(in millions of dollars)	
Balance in fund at beginning of year.....	217	⁽¹⁾ -25
Receipts.....	1,286	1,169
Pension payments.....	-1,073	-927
	<u>430</u>	<u>217</u>
Balance in fund at end of year.....	<u>430</u>	<u>217</u>

⁽¹⁾Covered by temporary loans from Minister of Finance which were repaid during 1965-66.

Canada pension plan account

Receipts by the account during 1966-67 were \$600 million and disbursements were \$9 million. In 1965-66 receipts were \$95 million and disbursements were \$6 million.

The transactions in the account during 1966-67 compared with those for 1965-66 were as follows:

	Fiscal year ended March 31	
	1967 (preliminary)	1966
	(in millions of dollars)	
Balance in account at beginning of year.....	89	
Receipts.....	600	95
Disbursements.....	-9	-6
	<u>680</u>	<u>89</u>
Balance in account at end of year.....	<u>680</u>	<u>89</u>

At March 31, 1967 the balance in the account consisted of an operating balance of \$65 million on deposit with the government and provincial securities, purchased on instructions from the provinces, in the amount of \$613 million and Government of Canada securities in the amount of \$2 million recorded in the Canada pension plan investment fund.

Unmatured debt transactions

Unmatured debt transactions in 1966-67 reflected an increase of \$711 million in unmatured debt outstanding in the hands of the public compared with an increase of \$113 million in 1965-66.

Cash position

Receiver General bank balances in current deposits were \$8 million less at March 31, 1967 than at March 31, 1966. The budgetary deficit of \$428 million, plus non-budgetary requirements of \$291 million was financed by an increase of \$711 million in outstanding unmatuured debt and a draw-down of \$8 million in Receiver General bank balances.

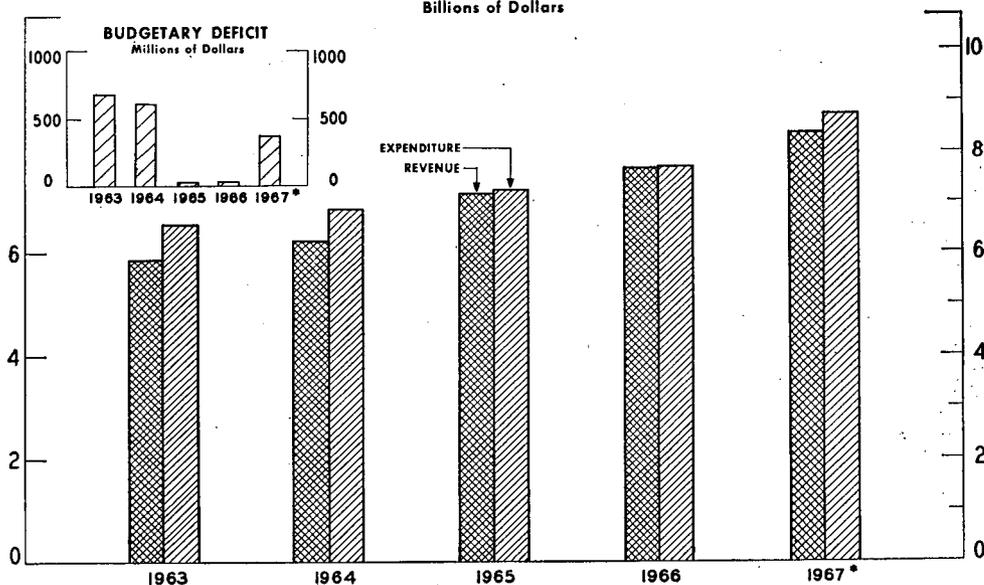
Debt position

As a result of budgetary and non-budgetary transactions the gross public debt increased by \$2,867 million to \$30,350 million at March 31, 1967, net recorded assets increased by \$2,439 million to \$14,379 million and net debt increased by \$428 million to \$15,971 million.

THE BUDGETARY ACCOUNTS

Total revenue at \$8,366 million for 1966-67 was \$670 million more than the total for the previous fiscal year. Total expenditure of \$8,794 million was \$1,059 million more than the total for 1965-66. The deficit for the fiscal year 1966-67 was \$428 million compared with \$39 million for the previous year.

BUDGETARY REVENUE AND EXPENDITURE
Fiscal Years Ended March 31
Billions of Dollars



* Preliminary

TABLE 3

BUDGETARY REVENUE, EXPENDITURE AND DEFICIT
(in millions of dollars)

FISCAL YEAR ENDED MARCH 31	Budgetary revenue	Budgetary expenditure	Deficit
1958.....	5,048.8	5,087.4	-38.6
1959.....	4,754.7	5,364.0	-609.3
1960.....	5,289.8	5,702.9	-413.1
1961.....	5,617.7	5,958.1	-340.4
1962.....	5,729.6	6,520.6	-791.0
1963.....	5,878.7	6,570.3	-691.6
1964.....	6,253.2	6,872.4	-619.2
1965.....	7,180.3	7,218.3	-38.0
1966.....	7,695.8	7,734.8	-39.0
1967. (preliminary).....	8,366.0	8,794.0	-428.0

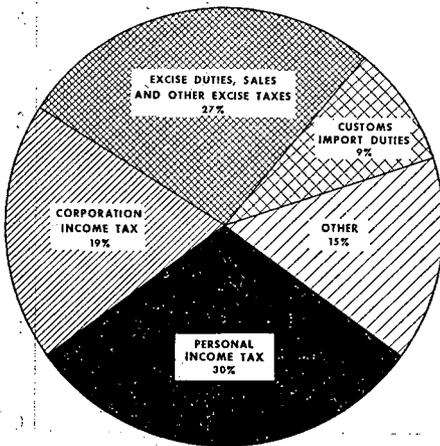
REVENUE

Budgetary revenue in 1966-67 was \$8,366 million, \$670 million or 9 per cent over the total of \$7,696 million received in 1965-66. Tax revenue at \$7,436 million accounted for 89 per cent of the total revenue for the fiscal year and non-tax revenue at \$930 million accounted for 11 per cent.

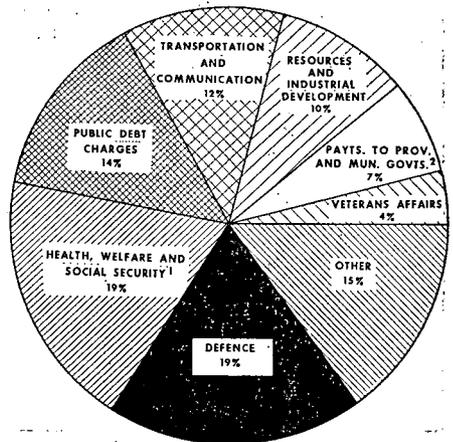
The more important items were increases of \$330 million in personal income tax collections, \$118 million in sales tax receipts, \$92 million in customs import duties and \$79 million in return on investments.

BUDGETARY REVENUE
BY MAJOR SOURCE

For Fiscal Year Ended March 31, 1967
Preliminary

BUDGETARY EXPENDITURE
BY MAJOR FUNCTION

For Fiscal Year Ended March 31, 1967
Preliminary



1. Does not include payments out of old age security fund.
2. Does not include those payments made to provincial and municipal governments for specific purposes.

TABLE 4
BUDGETARY REVENUE BY MAJOR SOURCES
(in millions of dollars)

SOURCE	Fiscal year ended March 31				Increase or decrease (-)	
	1967 (preliminary)		1966		Amount	Per cent
	Amount	Per cent	Amount	Per cent		
Tax revenue—						
Income tax—						
Personal ⁽¹⁾	2,472.0	29.6	2,142.5	27.8	329.5	15.4
Corporation ⁽²⁾	1,593.0	19.0	1,606.6	20.9	-13.6	-0.8
On dividends, interest, etc., going abroad.....	204.0	2.4	170.0	2.2	34.0	20.0
Excise taxes—						
Sales ⁽¹⁾⁽²⁾	1,513.0	18.1	1,395.1	18.1	117.9	8.5
Other.....	315.0	3.8	296.2	3.9	18.8	6.3
Customs import duties.....	777.0	9.3	685.5	8.9	91.5	13.3
Excise duties.....	461.0	5.5	445.9	5.8	15.1	3.4
Estate tax ⁽³⁾	100.8	1.2	108.3	1.4	-7.5	-6.9
Other taxes.....	0.2		0.2			
	<i>7,486.0</i>	<i>88.9</i>	<i>6,850.8</i>	<i>89.0</i>	<i>585.7</i>	<i>8.5</i>
Non-tax revenue—						
Return on investments.....	517.0	6.2	438.3	5.7	78.7	18.0
Post office—net postal revenue.....	254.0	3.0	237.5	3.1	16.5	6.9
Other non-tax revenue.....	159.0	1.9	169.7	2.2	-10.7	-6.3
	<i>930.0</i>	<i>11.1</i>	<i>845.5</i>	<i>11.0</i>	<i>84.5</i>	<i>10.0</i>
Total budgetary revenue.....	8,366.0	100.0	7,695.8	100.0	670.2	8.7

1966-67
(preliminary)

1965-66

⁽¹⁾Excluding credits to:

The old age security fund—

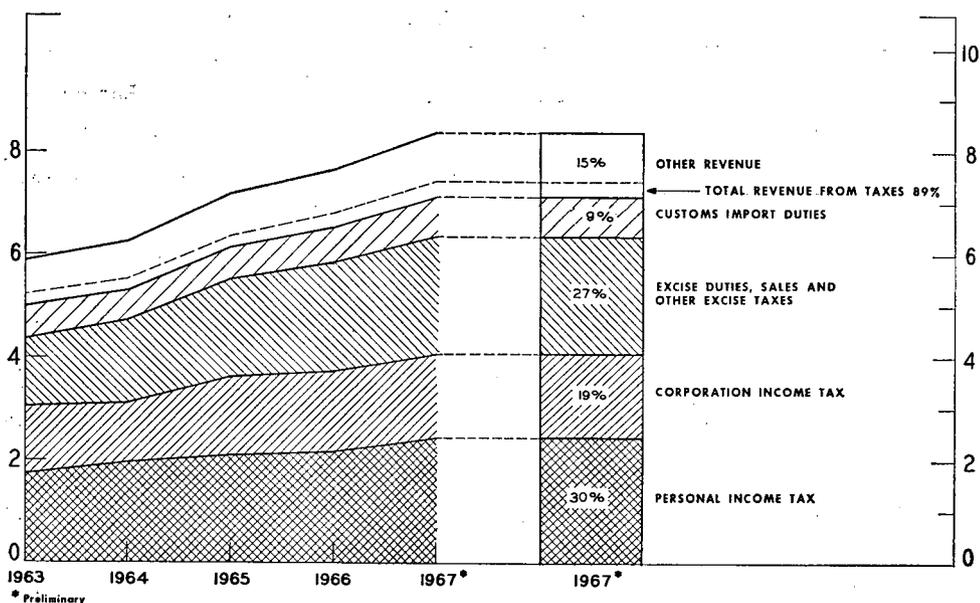
Personal income tax.....	576.0	494.9
Corporation income tax.....	150.0	152.3
Sales tax.....	560.0	522.1
	<u>1,286.0</u>	<u>1,169.3</u>

The Canada pension plan—

Personal income tax.....	588.8	94.9
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⁽²⁾Net after deduction of refunds and drawbacks.⁽³⁾Includes duties levied under the Dominion Succession Duty Act.

BUDGETARY REVENUE BY SOURCE



TAX REVENUE

Federal-provincial fiscal arrangements

Under fiscal arrangements, that became operative in 1962, the federal government withdrew in part from the field of direct taxation and left the vacated area to the provinces. The federal government offered to collect the provincial income taxes without charge provided that provincial personal income tax was expressed as a percentage of federal personal income tax otherwise payable and provincial corporation income tax applied to taxable income calculated in the same way as for federal income tax purposes. To allow for the imposition of the provincial income taxes, the Income Tax Act was amended to abate the federal income tax otherwise payable by individuals in all provinces by 16 per cent in 1962, 17 per cent in 1963, 18 per cent in 1964, 21 per cent in 1965, 24 per cent in 1966 and 28 per cent in 1967. For 1965 and 1966 the abatements of federal income tax otherwise payable in the Province of Quebec were 44 per cent and 47 per cent respectively; for 1967, the corresponding figure was 50 per cent. These higher abatements for Quebec are in compensation of the fact that the payment of youth allowances and the full cost of certain programs which are supported jointly by federal and provincial governments in the other provinces have been assumed by that province. For the years 1962 to 1966 the federal corporation income tax rates were abated by 9 percentage points for taxable income earned in a province other than Quebec and by 10 percentage points for taxable income earned in Quebec. For 1967, the corresponding abatement was 10 per cent for all provinces. The federal government has entered into tax-collection agreements under which it collects the provincial personal income taxes for all provinces except Quebec and the provincial corporation income taxes for all provinces except Ontario and Quebec.

Under these collection agreements, payments are made monthly to each province based on an estimate of that province's tax revenue. When the actual amounts of assessed returns are established, usually in the month of December following the end of the fiscal year, adjustments are made with the provinces.

Under the 1962-67 fiscal arrangements, the federal government agreed to abate its estate tax by 50 per cent in the fiscal years 1962-63 and 1963-64, and by 75 per cent in the fiscal years 1964-65, 1965-66 and 1966-67 in any province that imposed its own succession duties. To a province that did not wish to re-enter the succession duty field the federal government agreed to pay 50 per cent of the federal estate tax revenue in 1962-63 and 1963-64 and 75 per cent in 1964-65, 1965-66 and 1966-67. During 1962-63, Quebec and Ontario collected their own succession duties while the other provinces received a payment in lieu of imposing duties. Starting in 1963-64 British Columbia joined Ontario and Quebec in imposing its own succession duties. When the abatement was raised to 75 per cent in 1964-65, British Columbia increased its rates accordingly but Quebec and Ontario accepted in lieu of the extra abatement a payment equivalent to 25 per cent of the federal estate tax in those provinces.

Tax on personal income

In 1966-67 the largest source of government revenue was again the personal income tax. The yield (excluding the old age security tax) was \$2,472 million or 30 per cent of all budgetary revenue. The increase of \$330 million or 15 per cent over 1965-66 collections was due principally to a higher level of personal incomes and to the termination of the tax reduction introduced in 1965 and its replacement by a smaller tax reduction for 1966 and subsequent years. This was partly offset by higher provincial abatements. In addition to the federal revenue, \$696 million was allocated to the provincial tax collection agreements account under the terms of federal-provincial fiscal arrangements. In 1965-66 federal revenue from this source was \$2,142 million and in addition \$529 million was allocated to the provincial tax collection agreements account.

The tax on personal incomes levied under the Old Age Security Act and credited to the old age security fund was \$576 million compared with \$495 million in 1965-66. The maximum amount payable by an individual on account of the 4 per cent tax on personal income under the Old Age Security Act was raised from \$120 per year to \$240 per year with effect from January 1, 1967.

Corporation income tax

The corporation income tax was the second largest source of government revenue. The yield (excluding the old age security tax) was \$1,593 million or 19 per cent of all budgetary revenue. The decrease of \$14 million or 1 per cent less than the 1965-66 collections was attributable to a combination of a levelling off of corporation profits and to the absence from 1966-67 tax receipts of amounts similar to those collected in 1965-66 in respect of the movement forward of the payment period of corporation income tax that had been initiated in 1963. In addition to the federal revenue, \$132 million was allocated to the provincial tax collection agreements account under terms of federal-provincial fiscal arrangements. In 1965-66 federal revenue from this source was \$1,607 million and in addition \$132 million was allocated to the provincial tax collection agreements account.

The tax on incomes of corporations levied under the Old Age Security Act and credited to the old age security fund was \$150 million, \$2 million less than in 1965-66.

Taxes on dividends, interest, etc., going abroad

Revenue in this category was derived from taxes withheld from payments of dividends, interest, rents, royalties, alimony and income from estates and trusts paid to non-residents. Collections for 1966-67 were \$204 million, an increase of \$34 million or 20 per cent over the 1965-66 total.

Excise taxes

Revenue under this heading was from the general sales tax and other excise taxes.

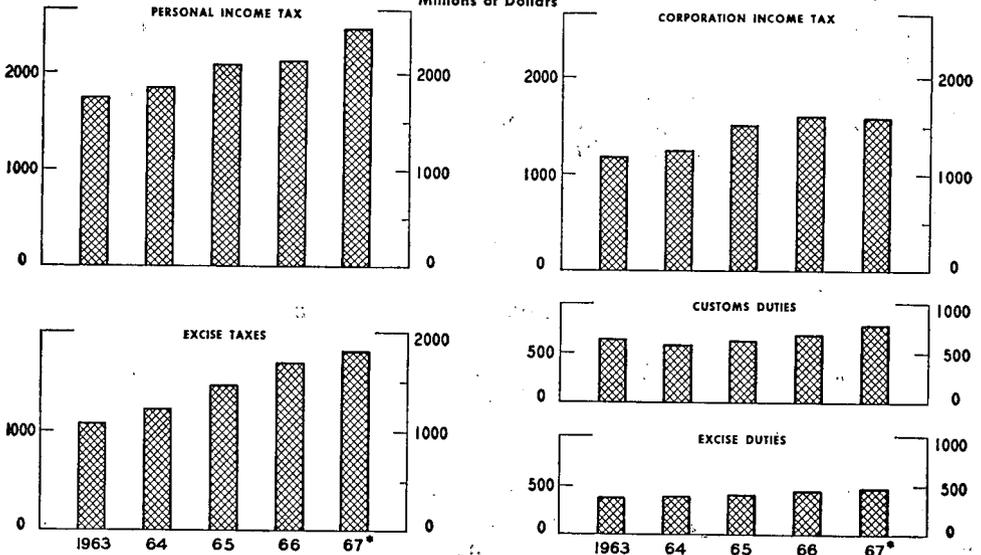
From a revenue standpoint the general sales tax was the most important tax levied under the Excise Tax Act. Receipts (excluding the old age security tax) were \$1,513 million or 9 per cent higher than in the previous fiscal year. The rate of the general sales tax was raised from 11 per cent to 12 per cent with effect from January 1, 1967. The increase did not apply to production machinery and equipment and building materials that had been exempt from tax before the 1963 budget.

The tax on sales levied under the Old Age Security Act and credited to the old age security fund was \$560 million.

The yield from excise taxes levied under the Excise Tax Act, other than the general sales tax, at \$315 million was \$19 million more than in 1965-66.

PRINCIPAL SOURCES OF TAX REVENUE

Fiscal Years Ended March 31
Millions of Dollars



* Preliminary

Customs import duties

Receipts from this source were \$777 million compared with \$686 million in 1965-66. The increase of \$92 million or 13 per cent reflected the greater volume and value of imports during 1966-67.

Excise duties

Excise duties were levied on alcoholic beverages (other than wines) and tobacco products. (Additional taxes on tobacco products were levied under the Excise Tax Act.) Net receipts in 1966-67 were \$461 million compared with \$446 million in 1965-66.

Gross receipts of \$271 million from duties on alcoholic beverages (\$159 million in respect of spirits and \$112 million in respect of beer) and \$197 million from duties on tobacco products were reduced by refunds and drawbacks of \$7 million. In 1965-66 gross receipts of \$265 million from duties on alcoholic beverages (\$157 million in respect of spirits and \$108 million in respect of beer) and \$187 million from duties on tobacco products were reduced by refunds and drawbacks of \$6 million.

Estate tax

Revenue in this category was derived under the Estate Tax Act. Net receipts of \$101 million were \$7 million less than in 1965-66.

Other taxes

Revenue under this heading during the fiscal year was \$200 thousand, the same as in the previous year.

NON-TAX REVENUE

Non-tax revenue was \$930 million, an increase of \$85 million over the 1965-66 total.

TABLE 5
(in millions of dollars)

NON-TAX REVENUE	Fiscal year ended March 31		Increase or decrease (-)	
	1967 (preliminary)	1966	Amount	Per cent
Return on investments.....	517.0	438.3	78.7	18.0
Post office—net postal revenue.....	254.0	237.5	16.5	6.9
Services and service fees.....	64.0	63.1	0.9	1.4
Privileges, licences and permits.....	37.0	39.0	-2.0	-5.1
Proceeds from sales.....	21.0	22.9	-1.9	-8.3
Refunds of previous years' expenditure.....	17.0	18.9	-1.9	-10.1
Bullion and coinage.....	5.0	11.2	-6.2	-55.4
Other.....	15.0	14.6	0.4	2.7
	930.0	845.5	84.5	10.0

Return on investments

These receipts, in an amount of \$517 million, consisted of income derived from loans and advances made by the government and from investments by the government in productive or earning assets. In 1965-66 receipts were \$438 million.

Receipts from Crown corporations at \$371 million were \$51 million more than in the previous year. The main changes were increases of \$22 million in payments by the Central Mortgage and Housing Corporation, \$8 million in the Bank of Canada profits paid to the government and \$8 million in respect of the Farm Credit Corporation.

The yield from other loans and investments at \$146 million was \$28 million more than the 1965-66 total. This was mainly accounted for by the receipt of \$20 million in interest on the loan to the United Kingdom and \$6 million in interest on loans to the Municipal Development and Loan Board. In 1965-66 interest payable on the United Kingdom loan was deferred in accordance with special agreements.

TABLE 6
(in millions of dollars)

RETURN ON INVESTMENTS	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Loans to, and investments in, Crown corporations—			
Bank of Canada—profits.....	150.6	143.1	7.5
Canadian Broadcasting Corporation.....	2.5	1.0	1.5
Canadian Corporation for the 1967 World Exhibition....	3.5	0.2	3.3
Canadian National Railways.....	16.2	12.0	4.2
Canadian Overseas Telecommunication Corporation.....	2.5	2.7	-0.2
Central Mortgage and Housing Corporation.....	129.8	107.8	22.0
Eldorado Mining and Refining Limited.....	1.0	1.5	-0.5
Export Credits Insurance Corporation.....	7.7	6.8	0.9
Farm Credit Corporation.....	29.1	21.0	8.1
National Capital Commission.....	3.9	3.3	0.6
National Harbours Board.....	1.7	4.1	-2.4
Northern Canada Power Commission.....	3.2	2.2	1.0
Polymer Corporation Limited.....	5.0	4.5	0.5
The St. Lawrence Seaway Authority.....	13.8	9.4	4.4
Miscellaneous.....	0.5	0.4	0.1
	<i>371.0</i>	<i>320.0</i>	<i>51.0</i>
Other loans and investments—			
United Kingdom.....	21.6	2.0	19.6
Other national governments.....	4.0	4.5	-0.5
Provincial governments.....	0.8	0.9	-0.1
Exchange fund account.....	63.0	62.9	0.1
Interest-bearing deposits with chartered banks.....	21.0	21.7	-0.7
Municipal Development and Loan Board.....	6.5	0.7	5.8
Defence production revolving fund.....	2.5		2.5
Securities investment account.....	3.5	1.3	2.2
Soldier and general land settlement loans and veterans land act advances.....	9.4	9.1	0.3
Special United States of America securities—Columbia River Treaty.....	7.9	9.2	-1.3
Miscellaneous.....	5.8	6.0	-0.2
	<i>146.0</i>	<i>118.3</i>	<i>27.7</i>
	517.0	438.3	78.7

Post Office revenue

Gross post office receipts were \$295 million but authorized disbursements from revenue for salaries and rent allowances, other allowances and commissions at semi-staff and revenue offices, commissions at sub-offices, transit charges on Canadian mail forwarded through and delivered in foreign countries, etc. in the amount of \$41 million brought net revenue to \$254 million. In the previous fiscal year gross revenue was \$276 million, authorized disbursements were \$38 million and net revenue was \$238 million.

TABLE 7
(in millions of dollars)

POST OFFICE REVENUE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Postage—			
In Canada.....	277.3	257.8	19.5
From foreign countries.....	4.2	5.0	-0.8
Commission on money orders.....	9.1	9.1	
Rental of post office boxes.....	2.3	2.4	-0.1
Other.....	1.6	1.7	-0.1
	294.5	276.0	18.5
Less—			
Salaries and allowances to semi-staff and revenue offices.....	-35.7	-33.6	-2.1
Transit charges to or through foreign countries.....	-3.4	-3.5	0.1
Other.....	-1.4	-1.4	
	-40.5	-38.5	-2.0
	254.0	237.5	16.5

Net costs of operating the Post Office Department during 1966-67 (excluding the \$41 million charged to revenue) of \$269 million exceeded net revenue by \$15 million. However, in making this comparison, it should be noted that the total shown for post office revenue does not reflect any payment for the franking privilege covering parliamentary and departmental mail or for certain miscellaneous services provided for other government departments and agencies, nor does the total shown for operating expenses reflect any charges for premises occupied by the Post Office Department or for accounting and miscellaneous services provided by other departments.

Services and service fees

Revenue at \$64 million during 1966-67 was \$1 million more than in the previous fiscal year.

The Department of Transport received \$21 million including aircraft landing fees of \$12 million, marine steamers earnings of \$3 million and harbour dues and wharfage of \$2 million; the Royal Canadian Mounted Police received \$17 million for police services mainly to provinces and municipalities; the Department of Agriculture received \$10 million of which \$7 million was for services in connection with the inspection, weighing, storage and elevation of grain and \$2 million for race track supervision; the Department of National Health and

Welfare received \$6 million including a \$4 million reimbursement by the provinces for treatment of Indians in federal government hospitals and the Department of Trade and Commerce received \$2 million, mainly from weights and measures and electricity and gas inspection fees.

Privileges, licences and permits

Revenue from this category totalled \$37 million for 1966-67, \$2 million less than for the previous fiscal year.

The Department of Transport received \$16 million mainly from rentals, concessions and radio licence fees; the Department of Indian Affairs and Northern Development received \$8 million of which \$3 million was from fees, leases and royalties in respect of oil, gas and gold and \$1 million from transient motor vehicle licences; the Department of the Registrar General received \$4 million from patents, trade marks, charters, etc.; and the Department of Public Works received \$3 million for rental of public buildings and sites.

Proceeds from sales

Receipts of \$21 million were \$2 million less than the total for 1965-66.

The Department of Defence Production received \$5 million mainly from the sale of surplus Crown assets, Central Mortgage and Housing Corporation received \$4 million from the sales of properties and the Department of Public Printing and Stationery received \$2 million mainly from the sale of publications.

Refunds of previous years' expenditure

Refunds in 1966-67 of expenditures made in prior years were \$17 million, a decrease of \$2 million from the comparable total for 1965-66.

The Department of National Defence received \$6 million of which \$1 million was due to cost audits and the Department of Veterans Affairs received \$3 million in refunds of veterans' pensions, allowances and re-establishment credits.

Bullion and coinage

Revenue of \$5 million derived from the operation of the Royal Canadian Mint consisted mainly of a net gain on coinage. Small amounts were also obtained from gold refining charges, handling charges and gain on gold refining. In 1965-66 revenue from these sources was \$11 million.

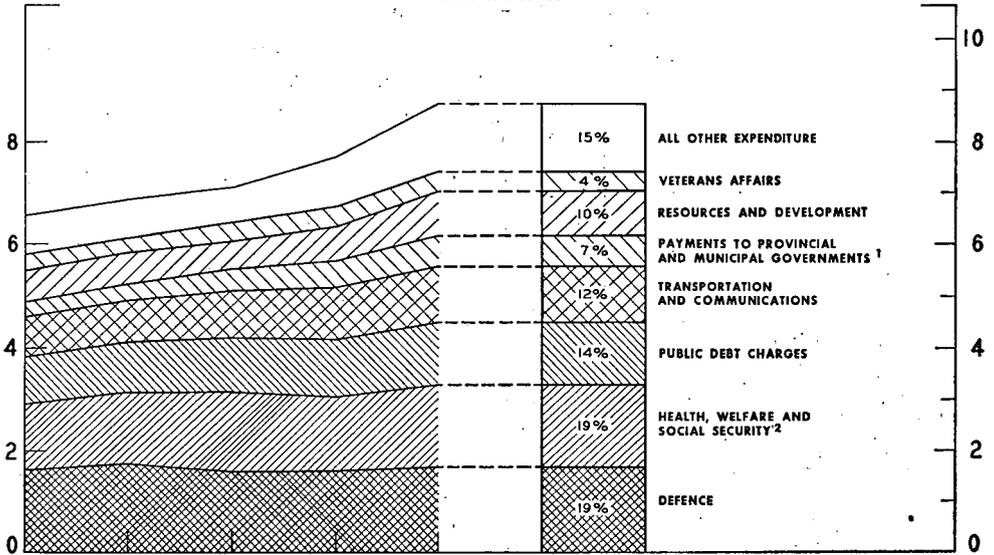
Other non-tax revenue

Other non-tax revenue in the amount of \$15 million was the same as in 1965-66.

EXPENDITURE

Budgetary expenditure amounted to \$8,794 million for 1966-67, \$1,059 million or 14 per cent higher than in 1965-66.

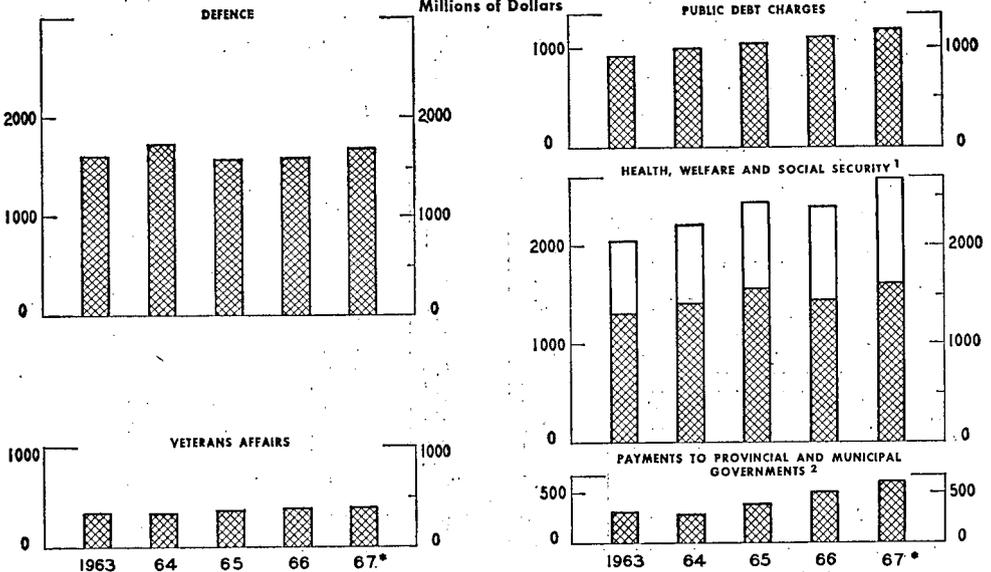
BUDGETARY EXPENDITURE, CLASSIFIED BY FUNCTION
Fiscal Years Ended March 31
Billions of Dollars



1963 1964 1965 1966 1967* 1967*

1. Does not include those payments made to provincial and municipal governments for specified purposes.
2. Does not include pension payments out of the old age security fund not charged to budgetary expenditure in the year in which they were paid.
* Preliminary

PRINCIPAL CLASSES OF BUDGETARY EXPENDITURE
Fiscal Years Ended March 31
Millions of Dollars



* Preliminary
1. The unshaded areas of the columns in the chart for health, welfare and social security represent pension payments out of old age security fund not charged to budgetary expenditure in the year in which they were paid.
2. Does not include those payments made to provincial and municipal governments for specific purposes.

TABLE 8

STATEMENT OF BUDGETARY EXPENDITURE BY DEPARTMENTS AND MAJOR CLASSIFICATIONS

(in millions of dollars)

	Fiscal year ended March 31				Increase or decrease (-)	
	1967 (preliminary)		1966		Amount	Per cent
	Amount	Per cent	Amount	Per cent		
Defence expenditure—						
National Defence.....	1,642.2	18.7	1,548.4	20.0	93.8	6.1
Defence Production ⁽¹⁾	33.0	0.4	23.0	0.3	10.0	43.5
Industry ⁽²⁾	21.3	0.2	23.9	0.3	-2.6	-10.9
	1,696.5	19.3	1,595.3	20.6	101.2	6.3
Non-defence expenditure—						
Agriculture.....	230.1	2.6	186.3	2.4	43.8	23.5
Atomic Energy.....	60.2	0.7	54.4	0.7	5.8	10.7
Canadian Broadcasting Corporation.....	115.3	1.3	97.5	1.3	17.8	18.3
Central Mortgage and Housing Corporation.....	20.1	0.2	21.6	0.3	-1.5	-6.9
Dominion Bureau of Statistics.....	26.7	0.3	15.6	0.2	11.1	71.2
Energy, Mines and Resources.....	128.4	1.5	107.3	1.4	21.1	19.7
External Affairs.....	230.2	2.6	152.5	2.0	77.7	51.0
Finance—						
Public debt charges.....	1,188.0	13.5	1,110.9	14.4	77.1	6.9
Fiscal, subsidy and other payments to provinces.....	515.5	5.9	466.0	6.0	49.5	10.6
Other.....	129.9	1.5	105.9	1.4	24.0	22.7
	1,833.4	20.9	1,682.8	21.8	150.6	8.9
Fisheries.....	41.2	0.5	34.5	0.4	6.7	19.4
Forestry and Rural Development.....	66.5	0.8	57.1	0.7	9.4	16.5
Indian Affairs and Northern Development—						
Indian affairs branch.....	104.3	1.2	81.7	1.0	22.6	27.7
Northern development.....	93.7	1.1	74.7	1.0	19.0	25.4
	198.0	2.3	156.4	2.0	41.6	26.6
Industry.....	13.4	0.2	5.4	0.1	8.0	148.1
Justice.....	12.3	0.1	11.4	0.1	0.9	7.9
Labour.....	25.7	0.3	24.0	0.3	1.7	7.1
Legislation.....	17.6	0.2	14.7	0.2	2.9	19.7
Manpower and Immigration.....	320.7	3.6	236.5	3.1	84.2	35.6
National Health and Welfare—						
Family allowances.....	555.8	6.3	551.7	7.2	4.1	0.7
Government's contributions under the Hospital Insurance and Diagnostic Services Act.....	397.5	4.5	319.6	4.1	77.9	24.4
Other.....	362.7	4.2	303.8	3.9	58.9	19.4
	1,316.0	15.0	1,175.1	15.2	140.9	12.0
National Research Council including the Medical Research Council.....	96.1	1.1	74.4	1.0	21.7	29.2
National Revenue.....	106.0	1.2	95.0	1.2	11.0	11.6
Post Office.....	268.7	3.1	240.2	3.1	28.5	11.9
Public Works.....	294.4	3.3	275.1	3.5	19.3	7.0
Secretary of State.....	133.9	1.5	54.1	0.7	79.8	147.5
Solicitor General.....	159.8	1.8	138.9	1.8	20.9	15.0
Trade and Commerce.....	72.9	0.8	68.0	0.9	4.9	7.2
Transport.....	603.4	6.9	532.5	6.9	70.9	13.3
Treasury Board.....	153.0	1.7	102.7	1.3	50.3	49.0
Unemployment Insurance Commission.....	105.9	1.2	98.0	1.3	7.9	8.1
Veterans Affairs.....	391.2	4.4	369.7	4.8	21.5	5.8
All Other Departments.....	56.4	0.6	57.8	0.7	-1.4	-2.4
	7,097.5	80.7	6,139.5	79.4	958.0	15.6
Total budgetary expenditure.....	8,794.0	100.0	7,734.8	100.0	1,059.2	13.7

⁽¹⁾ Does not include non-defence expenditure of \$9.4 million which is included in "All Other Departments".

⁽²⁾ Does not include \$13.4 million in non-defence expenditure.

DEFENCE EXPENDITURE

Expenditures of the Department of National Defence and the defence expenditures of the Department of Defence Production and the Department of Industry were again the largest category of government expenditure. The total of \$1,696 million for 1966-67 was 19 per cent of the aggregate budgetary expenditure of the government for the year and was \$101 million more than the total for 1965-66 when it was 21 per cent of total expenditure.

National Defence

Expenditures of the Department of National Defence were \$1,642 million compared with \$1,548 million, an increase of \$94 million.

Expenditures of \$1,437 million for defence services included \$1,162 million for operation and maintenance, \$238 million for construction or acquisition of buildings, works, land and major equipment and \$17 million for development. In 1965-66 expenditures of \$1,401 million for defence services included \$1,128 million for operation and maintenance, \$220 million for construction or acquisition and \$31 million for development.

TABLE 9
(in millions of dollars)

DEFENCE EXPENDITURE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Department of National Defence—			
Defence services—			
Operation and maintenance.....	1,161.8	1,127.8	34.0
Construction or acquisition of buildings, works, land and major equipment.....	237.6	220.1	17.5
Development.....	17.0	30.9	-13.9
Other.....	20.7	22.5	-1.8
	1,437.1	1,401.3	35.8
Canadian forces superannuation account—			
Government's contribution.....	42.7	58.8	-16.1
Amortization of deferred charges.....	72.6	16.8	55.8
Defence research.....	44.2	41.6	2.6
Mutual aid to NATO countries including contributions towards military costs of NATO.....	18.7	14.6	4.1
Defence Construction (1951) Limited.....	2.2	2.0	0.2
Administration and general.....	24.7	13.3	11.4
	1,642.2	1,548.4	93.8
Department of Industry ⁽¹⁾ —			
Technological capability.....	21.3	23.9	-2.6
Department of Defence Production ⁽²⁾ —			
Canada Emergency Measures Organization.....	9.4	7.8	1.6
Canadian Arsenals Limited.....	1.3	1.7	-0.4
Production capacity and capital assistance.....	8.1	2.9	5.2
Administration and general.....	14.2	10.6	3.6
	33.0	23.0	10.0
	1,696.5	1,595.3	101.2

⁽¹⁾ Does not include \$13.4 million in non-defence expenditure.

⁽²⁾ Does not include non-defence expenditure of \$9.4 million which is included in "All Other Departments".

The government's contribution to the Canadian forces superannuation account, of an amount equal to $1\frac{2}{3}$ times the contributions of the permanent services personnel, was \$43 million compared with \$59 million in 1965-66. An amount of \$17 million equal to one fifth of the actuarial deficiency arising out of pay increases in previous years plus an additional amount of \$56 million for 1966-67 have been charged to budgetary expenditure in 1966-67.

Defence research costs at \$44 million reflected an increase of \$3 million over the 1965-66 total.

Mutual aid to NATO countries including contributions towards military costs of NATO at \$19 million were \$4 million more than in 1965-66.

Defence Production

Defence expenditures of the Department of Defence Production including those for the Canada Emergency Measures Organization and the Canadian Arsenals Limited totalled \$32 million compared with \$23 million in 1965-66.

Canada Emergency Measures Organization

Expenditures of the Canada Emergency Measures Organization at \$9 million were \$2 million more than in the previous fiscal year.

Industry

Defence expenditures of the Department of Industry were \$21 million, a decrease of \$3 million over the previous year. The decrease was due to lower outlays in connection with the government program instituted in 1959-60 of supporting selected defence development programs in order to sustain technological capability in Canadian industry.

Cash outlays for defence

In addition to these budgetary expenditures for defence, there were other cash outlays which must be considered in arriving at the cost of Canada's defence program.

Under authority of the Department of National Defence vote 48, Appropriation Act No. 2, 1966, an account which has been named surplus Crown assets is to be credited with: (a) all revenues received during the current and subsequent fiscal years from the sale of surplus materials, supplies and equipment; and (b) revenues received during the current and subsequent fiscal years from the sale during the current year of surplus buildings, works and land not exceeding an aggregate amount of \$5 million. Expenditures are subject to the approval of Treasury Board for any purposes of the Department of National Defence. During 1966-67 proceeds from sales amounted to \$15 million resulting in a balance in the account of \$24 million.

The Department of Defence Production also makes cash disbursements for the procurement of materials for use in the manufacture of defence equipment which are not recorded as budgetary expenditures. For purposes of accounting and control, these amounts are charged to the defence production revolving fund and are treated as assets on the books of the government until they are charged to the Department of National Defence or sold to defence contractors for use in the manufacture of defence equipment. During 1966-67 purchases of \$45 million exceeded proceeds from sales of \$30 million, resulting in a balance of \$37 million in the account as at March 31, 1967.

TABLE 10
(in millions of dollars)

CASH OUTLAYS FOR DEFENCE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Budgetary expenditures—			
Department of National Defence.....	1,642.2	1,548.4	93.8
Department of Industry ⁽¹⁾	21.3	23.9	-2.6
Department of Defence Production ⁽²⁾	23.6	15.2	8.4
Canada Emergency Measures Organization.....	9.4	7.8	1.6
	<i>1,696.5</i>	<i>1,595.3</i>	<i>101.2</i>
Disbursements for—			
Surplus Crown assets.....	-15.2	-9.1	-6.1
Defence production revolving fund (net).....	14.6	-7.6	22.2
	<i>-0.6</i>	<i>-16.7</i>	<i>16.1</i>
Net cash outlays for defence.....	1,695.9	1,578.6	117.3

⁽¹⁾ Does not include \$13.4 million in non-defence expenditure.

⁽²⁾ Does not include \$9.4 million which is included in "All Other Departments".

NON-DEFENCE EXPENDITURE

Agriculture

Expenditures of the Department of Agriculture amounted to \$230 million, an increase of \$44 million over the total for 1965-66.

TABLE 11
(in millions of dollars)

AGRICULTURE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Production and marketing—			
Agricultural stabilization board—net operating loss.....	90.0	39.4	50.6
Plant and plant products.....	20.3	16.4	3.9
Grants, contributions and subsidies to milk producers.....	0.4	19.2	-18.8
Animal and animal products.....	19.7	18.3	1.4
Agricultural products board—net operating loss.....	5.7	1.6	4.1
Administration and general.....	2.9	2.5	0.4
	<i>159.0</i>	<i>97.4</i>	<i>41.6</i>
Research.....	35.4	32.6	2.8
Land rehabilitation, irrigation and water storage projects.....	24.9	28.4	-3.5
Health of animals.....	16.2	15.0	1.2
Board of grain commissioners.....	7.8	7.2	0.6
Farm Credit Corporation—net operating loss.....	2.6	1.0	1.6
Administration and general.....	4.2	4.7	-0.5
	<i>230.1</i>	<i>186.3</i>	<i>43.8</i>

Outlays for production and marketing were \$139 million, an increase of \$42 million over 1965-66 expenditures. This was due mainly to increases of \$51 million in the net operating loss of the agricultural stabilization board principally

in payments for stabilization of prices in respect of milk and milk products, \$4 million in respect of plant and plant products and a decrease of \$19 million in payments to eligible producers for manufacturing milk and cream delivered to plants in accordance with terms and conditions prescribed by the Governor in Council.

Research expenditures were \$35 million compared with \$32 million in the previous fiscal year.

Expenditures for land rehabilitation, irrigation and water storage projects totalled \$25 million, \$3 million less than in 1965-66.

Atomic Energy

Expenditures by the government in respect of Atomic Energy of Canada Limited and the Atomic Energy Control Board were \$60 million compared with \$54 million in 1965-66.

Atomic Energy of Canada Limited received \$58 million in respect of its research program, of which \$48 million was for operation and maintenance and \$10 million for construction or acquisition of buildings, works, land and equipment. In 1965-66 the company received \$52 million of which \$39 million was for operation and maintenance and \$13 million for construction or acquisition.

The Atomic Energy Control Board received \$2 million, slightly more than in the previous fiscal year mainly for grants for researches and investigations.

In addition, loans in the amount of \$29 million were made to Atomic Energy of Canada Limited.

TABLE 12
(in millions of dollars)

ATOMIC ENERGY	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Atomic Energy of Canada Limited—			
Research program—			
Current operation and maintenance.....	48.0	39.6	8.4
Construction or acquisition of buildings, works, land and equipment.....	10.0	13.0	-3.0
	58.0	52.6	5.4
Atomic Energy Control Board—			
Grants for researches and investigations with respect to atomic energy.....	2.0	1.6	0.4
Administration.....	0.2	0.2	
	2.2	1.8	0.4
	60.2	54.4	5.8

Canadian Broadcasting Corporation

Payments of \$115 million by the government to the Canadian Broadcasting Corporation and charged to budgetary expenditures were \$18 million more than the total of \$97 million in 1965-66.

Grants for net operating requirements in respect of the national broadcasting service were \$112 million, \$17 million more than in 1965-66.

In addition loans to the corporation for capital expenditures amounted to \$47 million in 1966-67.

TABLE 13
(in millions of dollars)

CANADIAN BROADCASTING CORPORATION	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Grants in respect of the national broadcasting service—			
Net operating requirements.....	112.5	95.1	17.4
International broadcasting service.....	2.8	2.4	0.4
	115.3	97.5	17.8

Central Mortgage and Housing Corporation

Budgetary expenditure of the government in respect of Central Mortgage and Housing Corporation at \$20 million was \$2 million less than in 1965-66.

Contributions of \$8 million to provinces or municipalities for urban renewal were \$1 million more than in 1965-66.

Loans in the amount of \$8 million, originally made to municipalities and municipal sewerage corporations, were forgiven by Central Mortgage and Housing Corporation pursuant to section 36G of the National Housing Act and written off to budgetary expenditures and were \$3 million less than in 1965-66.

In addition, loans in the amount of \$607 million were made to the corporation.

TABLE 14
(in millions of dollars)

CENTRAL MORTGAGE AND HOUSING CORPORATION	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Loans forgiven by the corporation.....	7.9	10.5	-2.6
Contributions to provinces or municipalities for urban renewal	7.9	6.9	1.0
Losses sustained—			
Federal-provincial projects.....	2.1	2.0	0.1
Sale of mortgages.....		0.7	-0.7
Housing research and community planning.....	2.2	1.5	0.7
	20.1	21.6	-1.5

Dominion Bureau of Statistics

Expenditures of the Dominion Bureau of Statistics were \$27 million compared with \$16 million in 1965-66, an increase of \$11 million due mainly to an increase of \$8 million in outlays in respect of the 1966 Quinquennial Census of Canada over expenditures of \$1 million in 1965-66.

TABLE 15
(in millions of dollars)

DOMINION BUREAU OF STATISTICS	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Administration and operation.....	18.0	14.5	3.5
1966 Quinquennial Census of Canada.....	8.6	0.9	7.7
1961 Decennial Census of Canada.....	0.1	0.2	-0.1
	26.7	15.6	11.1

Energy, Mines and Resources

Expenditures of the Department of Energy, Mines and Resources were \$128 million compared with \$107 million in the previous fiscal year.

The increase of \$21 million was due mainly to outlays of \$38 million in respect of the Dominion coal board compared with \$23 million in 1965-66, \$15 million in respect of water resources compared with \$14 million, \$17 million in respect of marine surveys and research compared with \$12 million and \$10 million in respect of geological research compared with \$8 million in the previous fiscal year.

TABLE 16
(in millions of dollars)

ENERGY, MINES AND RESOURCES	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Dominion coal board.....	38.0	23.4	14.6
Water resources.....	14.8	13.6	1.2
Marine surveys and research.....	16.5	11.6	4.9
Emergency gold mining assistance.....	15.0	14.8	0.2
Geological research.....	9.9	7.8	2.1
Field and air surveys, mapping and aeronautical charting....	7.6	8.0	-0.4
Mining and metallurgical investigations and research.....	5.7	6.7	-1.0
Research in astronomy and geophysics.....	5.3	4.9	0.4
Contributions to provinces to assist in the development of roads leading to resources.....	4.3	7.3	-3.0
Subventions pursuant to the Atlantic Provinces Power Development Act in respect of electric power generated from eastern coal.....	3.0	2.5	0.5
Polar continental shelf.....	2.0	1.3	0.7
National energy board.....	1.1	0.9	0.2
Geographical surveys and research.....	1.1	0.9	0.2
Administration and general.....	4.1	3.6	0.5
	128.4	107.3	21.1

External Affairs

Expenditures of the Department of External Affairs were \$230 million for 1966-67, \$78 million more than the total for the previous fiscal year.

TABLE 17
(in millions of dollars)

EXTERNAL AFFAIRS	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
External aid office—			
Economic, technical, education and other assistance—			
International food aid program.....	96.4	34.5	61.9
International development assistance.....	48.5	48.5	
Contribution to the Indus Basin development fund.....	3.0	1.8	1.2
Other.....	0.6	0.1	0.5
Forgiveness of payment of principal re purchase of wheat and flour by India.....	9.4		9.4
Administration.....	1.8	1.1	0.7
	159.7	86.0	73.7
Representation abroad.....	23.7	19.7	4.0
Contributions to the United Nations and its agencies.....	12.5	13.5	-1.0
Assessments for membership in the international (including commonwealth) organizations.....	12.3	11.0	1.3
Contributions, grants and payments to other international and commonwealth organizations.....	6.5	7.5	-1.0
Administration and general.....	15.5	14.8	0.7
	230.2	152.5	77.7

Outlays of \$160 million by the external aid office were \$74 million more than in 1965-66. This was due mainly to increases of \$62 million in the international food aid program, \$9 million in respect of forgiveness of a loan to India, for which there was no comparable amount in 1965-66, and \$1 million in contributions to the Indus Basin development fund.

Costs of representation abroad at \$24 million were \$4 million higher than in 1965-66, contributions to the United Nations and its agencies at \$13 million were \$1 million less, assessments for membership in the international (including commonwealth) organizations at \$12 million were \$1 million higher and contributions, grants and payments to other international and commonwealth organizations at \$7 million were \$1 million less than in 1965-66.

Finance

Expenditures of the Department of Finance were \$1,833 million for 1966-67, \$151 million more than the previous year's total due mainly to increases of \$77 million in public-debt charges and \$50 million in payments to provinces.

Certain expenditures which in 1965-66 were included in Department of Finance expenditures are now reported as follows: The Canadian Wheat Board under the Department of Trade and Commerce; grants to universities under the Department of Secretary of State; and the public service superannuation account (except administration expenses which are under the Office of the Comptroller of

the Treasury), the government's share of surgical-medical insurance premiums, the government's contributions as an employer to the unemployment insurance fund and the Canada pension plan and the Quebec pension plan under the Treasury Board. Previous years' figures have been amended for comparative purposes.

TABLE 18
(in millions of dollars)

FINANCE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Public debt charges.....	1,188.0	1,110.9	77.1
Fiscal, subsidy and other payments to provinces.....	515.5	466.0	49.5
Forgiveness of indebtedness—municipal development and loan board.....	41.8	33.9	7.9
Grants to municipalities in lieu of taxes on federal property...	37.6	36.8	0.8
Office of the Comptroller of the Treasury.....	29.2	25.4	3.8
Contributions to the Government of Manitoba re Red River Flood in 1966.....	7.1		7.1
Administration and general.....	14.2	9.8	4.4
	1,833.4	1,682.8	150.6

Public debt charges

Public debt charges were again the third largest item of budgetary expenditure, exceeded only by those for defence and those for health, welfare and social security.

Public debt charges consisted of interest on the public debt, the annual amortization of bond discounts and commissions, the cost of issuing new loans and other costs incurred in servicing the public debt. These charges were \$1,188 million for 1966-67 or 14 per cent of all budgetary expenditure compared with \$1,111 million or 14 per cent for 1965-66.

Interest on public debt amounted to \$1,154 million of which \$899 million was in respect of unmatured debt and \$255 million in respect of other liabilities. In 1965-66 total interest was \$1,077 million of which \$847 million was for unmatured debt and \$230 million for other liabilities.

The increase of \$52 million in interest on unmatured debt reflected higher interest rates and an increase in unmatured debt. The increase in interest on other liabilities was due mainly to increases of \$9 million in respect of the public service superannuation account and \$9 million in respect of the Canadian forces superannuation account.

Other public debt charges at \$34 million were slightly less than in 1965-66.

When considering the magnitude of these public debt charges and the burden they place upon the public treasury, it must be borne in mind that a substantial portion of the debt is attributable to, or is invested in, productive or earning assets. Therefore, in calculating the *net* burden of the government's annual interest charges, the income derived from loans, investments and other productive assets must be taken into account. For 1966-67 this income totalled \$517 million

TABLE 19
(in millions of dollars)

INTEREST AND OTHER PUBLIC DEBT CHARGES	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Interest on public debt—			
Unmatured debt including treasury bills—			
Payable in Canada.....	883.0	830.8	52.2
Payable in New York.....	16.0	16.2	-0.2
	899.0	847.0	52.0
Other liabilities—			
Annuity, insurance and pension accounts.....	252.0	226.9	25.1
Deposit and trust accounts.....	3.5	3.4	0.1
	255.5	230.3	25.2
Total interest on public debt.....	1,154.5	1,077.3	77.2
Other public debt charges—			
Annual amortization of bond discounts and commissions	30.0	30.8	-0.8
Cost of issuing new loans.....	2.3	1.8	0.5
Servicing of public debt.....	1.2	1.0	0.2
	33.5	33.6	-0.1
	1,188.0	1,110.9	77.1

as shown in the non-tax revenue section under the heading "return on investments". This amount deducted from the gross total of \$1,154 million for interest as shown in the table leaves a net amount of \$637 million compared with a net of \$639 million in 1965-66. Measured as a percentage of the net debt the burden of the net annual interest charges was 3.99 per cent in 1966-67 compared with 4.11 per cent in 1965-66.

TABLE 20
(in millions of dollars)

NET BURDEN OF ANNUAL INTEREST CHARGES	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Total interest on public debt.....	1,154.5	1,077.3	77.2
Less return on investments.....	-517.0	-438.3	-78.7
Net interest cost.....	637.5	639.0	-1.5
Net interest cost as a percentage of net debt.....	3.99	4.11	

Fiscal, subsidy and other payments to provinces

Payments to provinces in the amount of \$516 million were \$50 million more than in 1965-66.

However, in addition to the above payments, \$828 million in provincial income taxes collected by the federal government on behalf of the provinces has been allocated to the provincial tax collection agreements account under the terms of the Federal-Provincial Fiscal Arrangements Act. A more detailed explanation of these arrangements is given in the tax revenue section of this Part.

TABLE 21
(in millions of dollars)

FISCAL, SUBSIDY AND OTHER PAYMENTS TO PROVINCES	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Payments under the Federal-Provincial Fiscal Arrangements Act.....	(1)423.2	(1)356.1	67.1
Payments under the Established Programs (Interim Arrangements) Act ⁽²⁾	57.6	81.5	-23.9
Statutory subsidies.....	23.7	23.6	0.1
Payments under the Federal-Provincial Tax-Sharing Arrangements Act.....	9.1	3.3	5.8
Transfer of certain public utility tax receipts.....	6.0	6.4	-0.4
Federal-Provincial Fiscal Revision Act (youth allowances).....	(3)4.1 Cr.	(3)4.9 Cr.	0.8
	515.5	466.0	49.5

(1)Gross prior to recovery of an excess abatement under the Federal-Provincial Fiscal Revision Act (youth allowances) to the Province of Quebec.

(2)Payments made to the Province of Quebec in respect of opting out agreements.

(3)Recovered from payments to the Province of Quebec under the Federal-Provincial Fiscal Arrangements Act.

A summary of payments, by provinces, during 1966-67 is given in the following table:

TABLE 22
(in millions of dollars)

FISCAL, SUBSIDY AND OTHER PAYMENTS TO PROVINCES	Fiscal year ended March 31, 1967 (preliminary)						
	Payments under fiscal arrange- ments	Payments under Interim Arrange- ments Act	Statutory subsidies	Payments under the Federal- Provincial Fiscal Revision Act (youth allow- ances)	Transfer of certain public utility tax receipts	Payments under Federal- Provincial Tax- Sharing Arrange- ments Act	Total
Newfoundland.....	48.5		1.7		0.3	0.2	50.7
Prince Edward Island.....	10.9		0.7		0.1		11.7
Nova Scotia.....	54.1		2.1		0.6	0.3	57.1
New Brunswick.....	47.9		1.8		(1)	0.2	49.9
Quebec.....	(2) 165.9	57.6	4.0	(3) 4.1 Cr.	0.6	1.9	225.9
Ontario.....	19.7		4.6		1.1		25.4
Manitoba.....	35.6		2.1		0.1	1.2	39.0
Saskatchewan.....	36.5		2.1		(1)	0.2	38.8
Alberta.....	4.1		2.9		3.0	0.5	10.5
British Columbia.....			1.7		0.2	4.6	6.5
	423.2	57.6	23.7	4.1 Cr.	6.0	9.1	515.5

(1)Less than \$50,000.

(2)Gross prior to recovery of the excess tax abatement of \$4.1 million under the Federal-Provincial Fiscal Revision Act (youth allowances).

(3)Recovered from payments under the Federal-Provincial Fiscal Arrangements Act.

Forgiveness of indebtedness, the municipal development and loan board

Under the Municipal Development and Loan Act, advances are made to the municipal development and loan board to provide financial assistance by way of loans to municipalities to augment or accelerate capital works programs. The act also provides that the board shall, under certain conditions, forgive payment by the municipality of 25 per cent of the principal amount of the loan. During 1966-67 payments forgiven amounted to \$42 million compared with \$34 million in the previous year.

Grants to municipalities

Payments to municipalities in lieu of taxes on federal property amounted to \$38 million, \$1 million more than in 1965-66.

Fisheries

Expenditures of the Department of Fisheries were \$41 million, an increase of \$7 million over the 1965-66 total, due mainly to increases of \$4 million in respect of fisheries management and development and \$2 million in respect of the fisheries research board.

TABLE 23
(in millions of dollars)

FISHERIES	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Fisheries management and development—			
Conservation and development services.....	14.4	11.3	3.1
Industrial development service.....	3.8	2.8	1.0
Grants, contributions and subsidies.....	4.1	3.9	0.2
Inspection service.....	2.5	2.5	
Canadian share of the expenses of international com- missions.....	1.4	1.3	0.1
Other.....	2.3	2.3	
	28.5	24.1	4.4
Fisheries Research Board of Canada.....	11.0	9.0	2.0
Administration and general.....	1.7	1.4	0.3
	41.2	34.5	6.7

Forestry and Rural Development

Expenditures of the Department of Forestry and Rural Development amounted to \$66 million compared with \$57 million in the previous fiscal year.

The increase was due mainly to higher expenditures of \$20 million in respect of programs for rural development under the Agricultural Rehabilitation and Development Act and the Maritime Marshland Rehabilitation Act compared with \$14 million in 1965-66.

Outlays for freight assistance and grain storage costs on western feed grains at \$21 million were in the same amount as in 1965-66, outlays of \$13 million for forestry research and research institutes were \$2 million higher than in 1965-66 and contributions to provinces for assistance in forest inventory, reforestation, forest fire protection, forest stand improvement and forest access road construction at \$11 million were \$2 million higher.

TABLE 24
(in millions of dollars)

FORESTRY AND RURAL DEVELOPMENT	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Forestry—			
Regional research and services.....	8.1	7.9	0.2
Research institutes.....	3.4	1.6	1.8
Administration.....	1.5	1.4	0.1
Contributions to the provinces—			
Assistance in forest inventory, reforestation, forest fire protection and forest stand improvement....	8.0	6.6	1.4
Forest access road construction.....	2.5	2.0	0.5
	<i>23.5</i>	<i>19.5</i>	<i>4.0</i>
Freight assistance and grain storage costs on western feed grains.....	21.0	21.0	
Rural development—			
Agricultural Rehabilitation and Development Act.....	18.3	13.4	4.9
Maritime Marshland Rehabilitation Act.....	1.6	0.7	0.9
	<i>19.9</i>	<i>14.1</i>	<i>5.8</i>
Administration and general.....	2.1	2.5	-0.4
	66.5	57.1	9.4

Indian Affairs and Northern Development

Expenditures of the Department of Indian Affairs and Northern Development were \$198 million compared with \$156 million in the previous fiscal year.

Indian affairs expenditures were \$104 million, an increase of \$22 million over the previous year's total. There were increases of \$11 million in respect of development and maintenance of Indian communities and \$11 million for education.

TABLE 25
(in millions of dollars)

INDIAN AFFAIRS AND NORTHERN DEVELOPMENT	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Indian affairs—			
Education.....	53.0	41.7	11.3
Development and maintenance of Indian communities..	45.6	34.7	10.9
Administration and general.....	5.7	5.3	0.4
	<i>104.3</i>	<i>81.7</i>	<i>22.6</i>
Northern administration—			
Northwest Territories and other field services.....	21.7	16.5	5.2
Education.....	12.0	10.2	1.8
Welfare and industrial divisions.....	7.6	4.6	3.0
Yukon Territory.....	7.0	5.2	1.8
Payments to governments of Yukon Territory and Northwest Territories.....	6.3	5.5	0.8
Administration.....	1.4	1.2	0.2
	<i>56.0</i>	<i>43.2</i>	<i>12.8</i>
Natural and historic resources.....	34.1	29.0	5.1
Administration and general.....	3.6	2.5	1.1
	198.0	156.4	41.6

Outlays of \$56 million in respect of northern administration were \$13 million more than in 1965-66 and outlays of \$34 million for natural and historic resources were \$5 million more than in the previous fiscal year.

Industry

Non-defence expenditures of this department were \$13 million in 1966-67 compared with \$5 million in the previous year.

The increase was due mainly to expenditures of \$3 million to provide incentives for the development of industrial employment opportunities in designated areas in Canada, for which there was no comparative expenditure in 1965-66, and an increase of \$4 million for technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects.

TABLE 26
(in millions of dollars)

INDUSTRY ⁽¹⁾	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Technological capability of Canadian manufacturing industry	4.6	0.4	4.2
Incentives for the development of industrial employment opportunities in designated areas in Canada.....	2.5		2.5
Administration and general.....	6.3	5.0	1.3
	13.4	5.4	8.0

⁽¹⁾Additional expenditures of \$21.3 million are included under "defence expenditure".

Justice

Expenditures of the Department of Justice at \$12 million, of which \$9 million was for judges salaries, travelling allowances and pensions and \$3 million for administration, were \$1 million more than in 1965-66.

TABLE 27
(in millions of dollars)

JUSTICE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Judges salaries, travelling allowances and pensions.....	9.4	9.0	0.4
Administration and general.....	2.9	2.4	0.5
	12.3	11.4	0.9

Labour

Expenditures of the Department of Labour totalled \$26 million compared with \$24 million in 1965-66.

Under the winter house building program payments are made, in accordance with terms and conditions approved by the Governor in Council, of \$500 per dwelling unit substantially built during the period November 15, 1965 to April 15, 1966 and in respect of previous winter house building incentive programs. In 1966-67 payments amounted to \$15 million, approximately the same as in the previous fiscal year.

Payments under the Government Employees Compensation Act totalled \$3 million in 1966-67, slightly more than in 1965-66.

TABLE 28
(in millions of dollars)

LABOUR	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Winter house building incentive program.....	15.3	15.8	-0.5
Payments under the Government Employees Compensation Act.....	3.1	2.8	0.3
Administration and general.....	7.3	5.4	1.9
	25.7	24.0	1.7

Legislation

Costs of Legislation were \$18 million compared with \$15 million in 1965-66.

TABLE 29
(in millions of dollars)

LEGISLATION	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
House of Commons.....	13.9	11.5	2.4
The Senate.....	3.1	2.7	0.4
Library of Parliament.....	0.6	0.5	0.1
	17.6	14.7	2.9

Manpower and Immigration

Expenditures of the Department of Manpower and Immigration were \$321 million, an increase of \$84 million over the total of \$237 million in the previous fiscal year.

Payments of \$223 million to provinces under the Technical and Vocational Training Assistance Act were \$70 million more than the 1965-66 total, payments of \$37 million to provinces and in respect of Indian bands under the municipal winter works incentive program were \$4 million less, outlays of \$34 million in respect of the national employment service were \$11 million more and immigration expenditures of \$21 million were \$7 million higher than in 1965-66.

Expenditures in respect of citizenship, which were included previously under the Department of Citizenship and Immigration, are included now under expenditures of the Department of the Secretary of State.

TABLE 30
(in millions of dollars)

MANPOWER AND IMMIGRATION	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Technical and Vocational Training Assistance Act—			
Payments to provinces.....	223.1	152.8	70.3
Administration and general.....	1.0	1.1	-0.1
	224.1	153.9	70.2
Municipal winter works incentive program.....	37.3	41.1	-3.8
National employment service.....	33.8	22.7	11.1
Immigration.....	21.0	14.3	6.7
Administration and general.....	4.5	4.5	
	320.7	236.5	84.2

National Health and Welfare

Expenditures of the Department of National Health and Welfare at \$1,316 million were \$141 million more than the previous year's total of \$1,175 million due mainly to increases of \$78 million in the government's contributions under

TABLE 31
(in millions of dollars)

NATIONAL HEALTH AND WELFARE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Welfare services—			
Family allowances.....	555.8	551.7	4.1
Youth allowances.....	47.4	46.5	0.9
Old age assistance.....	20.1	26.9	-6.8
Blind persons allowances.....	3.4	3.6	-0.2
Disabled persons allowances.....	14.6	15.0	-0.4
Unemployment assistance.....	143.4	101.7	41.7
Canada assistance plan.....	10.4		10.4
Fitness and amateur sport.....	4.7	2.5	2.2
Family assistance.....	5.0	2.8	2.2
Other.....	7.1	6.3	0.8
	811.9	757.0	54.9
Health services—			
Government's contributions under the Hospital Insurance and Diagnostic Services Act.....	397.5	319.6	77.9
Grants to provinces—			
General health.....	26.6	27.9	-1.3
Hospital construction.....	18.9	17.6	1.3
Health resources fund.....	4.7		4.7
Other.....	8.3	7.6	0.7
	456.0	372.7	83.3
Medical services.....	38.2	37.5	0.7
Food and drug services.....	6.8	5.4	1.4
Administration and general.....	3.1	2.5	0.6
	1,316.0	1,175.1	140.9

the Hospital Insurance and Diagnostic Services Act, \$10 million under the Canada assistance plan for which there was no comparative expenditure in 1965-66 and \$42 million under the Unemployment Assistance Act.

Welfare services accounted for \$812 million, \$55 million more than in 1965-66, health services accounted for \$456 million compared with \$373 million and medical services accounted for \$38 million, \$1 million more than in the previous fiscal year.

Family allowances

Family allowances are payable in respect of all children under sixteen years of age, resident in Canada, with minor exceptions such as in the case of children of immigrants who must reside in Canada one year before an allowance is payable. The monthly allowance is \$6 if the child is under 10 years of age and \$8 in the age group 10 to 15. Children of immigrants receive family assistance at the same rates during their first year of residence in Canada.

In 1966-67 payments of \$556 million accounted for 6 per cent of all budgetary expenditure compared with \$552 million and 7 per cent in 1965-66.

TABLE 32
(in millions of dollars)

FAMILY ALLOWANCES PAYMENTS	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Newfoundland.....	17.0	16.9	0.1
Nova Scotia.....	21.5	21.6	-0.1
Prince Edward Island.....	3.2	3.2	
New Brunswick.....	18.8	19.0	-0.2
Quebec.....	165.2	165.0	0.2
Ontario.....	185.2	182.4	2.8
Manitoba.....	25.6	25.9	-0.3
Saskatchewan.....	26.9	27.0	-0.1
Alberta.....	42.6	42.4	0.2
British Columbia.....	48.5	47.0	1.5
Northwest and Yukon Territories.....	1.3	1.3	
	555.8	551.7	4.1

Youth allowances

Under provision of the Youth Allowances Act allowances of \$10 per month are payable in respect of persons resident in Canada, other than those resident in the Province of Quebec, who have attained the age of 16 years and have not attained the age of 18 years who are in full-time attendance at a school or university or are by reason of mental or physical infirmity precluded from attending school or university. In 1966-67 payments totalled \$47 million, \$1 million more than in 1965-66.

No payments were made under this act in respect of persons resident in the Province of Quebec. However, under authority of the Federal-Provincial Fiscal Revision Act, 1964 abatements in federal income taxes otherwise payable by individuals resident in the Province of Quebec were allowed in compensation of the fact that the payment of youth allowances had been assumed by the province and to allow for the imposition of the required provincial income taxes.

TABLE 33
(in millions of dollars)

YOUTH ALLOWANCES PAYMENTS	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Newfoundland.....	1.7	1.6	0.1
Nova Scotia.....	2.7	2.7	
Prince Edward Island.....	0.4	0.4	
New Brunswick.....	2.3	2.3	
Ontario.....	22.4	22.0	0.4
Manitoba.....	3.3	3.3	
Saskatchewan.....	3.4	3.4	
Alberta.....	4.9	4.8	0.1
British Columbia.....	6.1	5.9	0.2
Northwest and Yukon Territories.....	0.2	0.1	0.1
	47.4	46.5	0.9

Old age assistance, blind persons allowances, disabled persons allowances and unemployment assistance

Under the Old Age Assistance Act, the federal government reimburses the provinces by paying 50 per cent of the lesser of \$75 monthly or the amount of assistance given by the provinces in the form of monthly pensions to eligible persons in need who are in the age group 65 to 69. (Under the Old Age Security Act, all persons who satisfy the residence requirements of the act may receive a pension of \$75 per month from the federal government out of the old age security fund provided that no pension is paid in any month before January 1966 in which the person had not attained 70 years of age, the age limit being reduced by one in each subsequent year until 1970.) An amendment to the Old Age Security Act authorizes the payment of a monthly guaranteed income supplement to eligible pensioners. The amount of the supplement that may be paid to a pensioner for a month is (a) in the year 1967, \$30, and (b) in any year after 1967, 40 per cent of the amount of the pension that may be paid to him for that month, dependent upon the amount of his income for the preceding year. Similarly, the federal government reimburses the provinces under the Blind Persons Act for allowances of not more than \$75 per month to blind persons in need 18 years of age or over by paying 75 per cent of the total payments, and under the Disabled Persons Act by paying 50 per cent of not more than \$75 per month for allowances to disabled persons in need 18 years of age or over. In 1966-67 payments for old age assistance amounted to \$20 million, for disabled persons allowances \$15 million and for blind persons allowances \$3 million. In 1965-66 payments were \$27 million for old age assistance, \$15 million for disabled persons allowances and \$4 million for blind persons allowances. The decrease in the old age assistance payments was due to the lowering of the age limit for old age security benefits. The Province of Quebec has opted out of these programs under federal-provincial agreement.

Under the Unemployment Assistance Act, the Minister may, with the approval of the Governor in Council, enter into an agreement with any province for the payment by Canada to the province of contributions not exceeding 50 per cent of unemployment assistance costs in the province. Contributions in 1966-67 were \$143 million compared with \$102 million in 1965-66. Under federal-provincial agreement the Province of Québec has opted out of a portion of this program.

The following table presents a distribution of these payments to provinces for 1966-67:

TABLE 34
(in millions of dollars)

FEDERAL SHARE OF OLD AGE ASSISTANCE, DISABLED PERSONS ALLOWANCES, BLIND PERSONS ALLOWANCES AND UNEMPLOYMENT ASSISTANCE	Fiscal year ended March 31, 1967 (preliminary)			
	Old age assistance	Disabled persons allowances	Blind persons allowances	Unemploy- ment assistance
Newfoundland.....	1.6	0.6	0.3	8.7
Nova Scotia.....	1.7	1.6	0.4	3.0
Prince Edward Island.....	0.5	0.4	0.1	0.4
New Brunswick.....	1.7	1.0	0.4	2.4
Quebec.....				35.2
Ontario.....	7.5	8.4	1.2	45.8
Manitoba.....	1.5	0.6	0.2	6.8
Saskatchewan.....	1.3	0.1	0.2	6.4
Alberta.....	2.0	0.9	0.3	13.4
British Columbia.....	2.2	1.0	0.3	21.2
Northwest and Yukon Territories.....	0.1	(¹)	(¹)	0.1
	20.1	14.6	3.4	143.4

(¹) Less than \$50,000.

Canada assistance plan

The Canada assistance plan was enacted in 1966 authorizing the making of contributions to provinces by Canada towards the cost of programs for the provision of assistance and welfare services to and in respect of persons in need.

Expenditures during 1966-67 amounted to \$10 million. There were no comparative expenditures in 1965-66.

Government's contributions under the Hospital Insurance and Diagnostic Services Act

Contributions of \$398 million to the provinces under the Hospital Insurance and Diagnostic Services Act were \$78 million more than the 1965-66 total. Under federal-provincial agreement, the Province of Quebec has opted out of this program.

TABLE 35
(in millions of dollars)

GOVERNMENT'S CONTRIBUTIONS UNDER THE HOSPITAL INSURANCE AND DIAGNOSTIC SERVICES ACT	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Newfoundland.....	12.5	11.7	0.8
Nova Scotia.....	19.9	18.1	1.8
Prince Edward Island.....	2.7	2.4	0.3
New Brunswick.....	16.2	14.9	1.3
Quebec.....	(¹)4.0	(²)26.9 Cr.	30.9
Ontario.....	192.8	171.9	20.9
Manitoba.....	25.4	23.1	2.3
Saskatchewan.....	28.0	25.9	2.1
Alberta.....	44.4	36.9	7.5
British Columbia.....	50.5	40.5	10.0
Northwest and Yukon Territories.....	1.1	1.1	
	397.5	319.6	77.9

(¹) Adjustment for 1964.

(²) Transferred as a charge to payments under the Established Programs (Interim Arrangements) Act by the Department of Finance.

General health grants and hospital construction grants to provinces

Grants to provinces for general health services totalled \$27 million and for hospital construction grants \$19 million compared with \$28 million and \$18 million respectively in 1965-66. Under federal-provincial agreement the Province of Quebec has opted out of a portion of this program.

TABLE 36
(in millions of dollars)

GENERAL HEALTH GRANTS AND HOSPITAL CONSTRUCTION GRANTS	Fiscal year ended March 31, 1967 (preliminary)		
	General health grants	Hospital construction grants	Total
Newfoundland.....	1.0	0.8	1.8
Nova Scotia.....	1.5	0.4	1.9
Prince Edward Island.....	0.3	0.1	0.4
New Brunswick.....	1.1	0.5	1.6
Quebec.....	1.0	3.0	4.0
Ontario.....	11.7	7.0	18.7
Manitoba.....	2.4	1.0	3.4
Saskatchewan.....	1.8	1.6	3.4
Alberta.....	2.4	1.7	4.1
British Columbia.....	3.3	2.7	6.0
Northwest and Yukon Territories.....	0.1	0.1	0.2
	26.6	18.9	45.5

Health resources fund

The Health Resources Fund Act provides for the establishment of a health resources fund to assist provinces in the acquisition, construction and renovation of health training facilities and research institutions.

Expenditures during 1966-67 amounted to \$5 million. There were no comparative expenditures in the previous fiscal year.

National Research Council, including the Medical Research Council

Expenditures of the National Research Council, including the Medical Research Council, were \$96 million, an increase of \$22 million over the previous year's total.

TABLE 37
(in millions of dollars)

NATIONAL RESEARCH COUNCIL, INCLUDING THE MEDICAL RESEARCH COUNCIL	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Scholarships and grants in aid of research.....	46.7	33.7	13.0
Construction or acquisition of buildings, works, land and equipment.....	8.1	6.1	2.0
Assistance towards research in industry.....	4.2	3.3	0.9
Administration and general.....	37.1	31.3	5.8
	96.1	74.4	21.7

Outlays of \$47 million in respect of scholarships and grants in aid of research accounted for \$13 million of the increase and higher outlays of \$37 million for administration accounted for \$6 million.

National Revenue

Expenditures of the Department of National Revenue amounted to \$106 million, an increase of \$11 million over the 1965-66 total of \$95 million.

TABLE 38
(in millions of dollars)

NATIONAL REVENUE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Customs and excise.....	54.0	47.7	6.3
Taxation.....	51.7	47.0	4.7
Income tax appeal board.....	0.3	0.3	
	106.0	95.0	11.0

Post Office

Costs of the Post Office Department charged to budgetary expenditure at \$269 million were \$29 million more than in 1965-66 due mainly to normal staff growth and to salary increases.

Costs of operations at \$183 million were \$22 million more than in the previous fiscal year and costs of movement of mail at \$78 million were \$6 million more.

TABLE 39
(in millions of dollars)

POST OFFICE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Charged to budgetary expenditure—			
Operations—salaries and other expenses of staff post offices, district offices and railway mail services; and supplies and equipment and other items for revenue post offices.....	182.9	160.9	22.0
Transportation—movement of mail by land, air and water.....	78.4	72.6	5.8
Financial services.....	3.7	3.6	0.1
Administration and general.....	3.7	3.1	0.6
	268.7	240.2	28.5
Charged to revenue—			
Operations—salaries of postmasters and staffs at revenue and semi-staff offices, commissions paid at sub-offices and other disbursements.....	40.5	38.5	2.0
	309.2	278.7	30.5

Remuneration of postmasters and staffs at revenue and semi-staff offices and certain other authorized disbursements are paid from revenue. These payments at \$40 million (\$2 million more than in 1965-66) brought gross post office expenditures to \$309 million in 1966-67.

Public Works

Expenditures of the Department of Public Works amounted to \$294 million, \$19 million more than in 1965-66.

Accommodation services

Expenditures for these services were \$109 million, \$7 million higher than the 1965-66 total.

TABLE 40
(in millions of dollars)

PUBLIC WORKS	Fiscal year ended March 31		Increase or decrease (—)
	1967 (preliminary)	1966	
Accommodation services—			
Maintenance and operation of public buildings and grounds—			
Ottawa and Hull.....	28.2	24.4	3.8
Other than Ottawa and Hull.....	41.6	38.0	3.6
Office furniture and furnishings.....	5.0	4.1	0.9
Acquisition of equipment and furnishings other than office furnishings.....	0.9	1.2	-0.3
Construction, acquisition, major repairs, etc. of public buildings—			
Ottawa.....	14.7	17.0	-2.3
Other than Ottawa.....	18.5	17.0	1.5
	108.9	101.7	7.2
Harbours and rivers engineering services—			
Operation and maintenance.....	7.5	7.4	0.1
Construction or acquisition of equipment.....	1.0	0.5	0.5
Construction, acquisition, major repairs, etc. of harbour and river works.....	29.0	27.3	1.7
Dry dock subsidies.....	0.2	0.2	
	37.7	35.4	2.3
Roads, bridges and other engineering services—			
Operation and maintenance.....	6.0	5.5	0.5
Construction, acquisition, major repairs and improvements of, and plans and sites for, roads, bridges and other engineering works.....	8.0	4.8	3.2
Trans-Canada highway—			
Contributions to provinces under terms of the Trans-Canada Highway Act.....	81.1	83.4	-2.3
Construction through national parks.....	0.5	0.3	0.2
	95.6	94.0	1.6
National Capital Commission—			
Operation and maintenance.....	4.7	3.8	0.9
Interest charges (net).....	3.3	2.7	0.6
Payment to the national capital fund.....	25.0	12.1	12.9
	33.0	18.6	14.4
Testing laboratories.....	1.2	1.1	0.1
Federal share of an ice control structure.....		7.5	-7.5
Administration and general.....	18.0	16.8	1.2
	294.4	275.1	19.3

Maintenance and operation of public buildings and grounds at \$75 million were \$8 million higher and construction or acquisition of buildings, etc. at \$33 million were \$1 million less than in 1965-66.

Harbours and rivers engineering services

Expenditures for these services totalled \$38 million, \$2 million higher than in 1965-66 due mainly to an increase in outlays for construction or acquisition, etc. of harbour and river works which were \$29 million compared with \$27 million in the previous fiscal year.

Roads, bridges and other engineering services

Expenditures for these services totalled \$96 million, \$2 million more than in 1965-66. Contributions of \$81 million to provinces in respect of the Trans-Canada highway were \$2 million less than in 1965-66.

National Capital Commission

Expenditures of the National Capital Commission were \$33 million, \$14 million more than in 1965-66.

Payments into the national capital fund amounted to \$25 million, an increase of \$13 million over the previous year. Outlays for the operation and maintenance of parks, parkways, etc. at \$5 million were \$1 million more than in the previous fiscal year and interest charges of \$3 million were \$1 million more than in the previous year.

Secretary of State

Expenditures of the Department of the Secretary of State amounted to \$134 million, an increase of \$80 million over the previous fiscal year's total.

TABLE 41
(in millions of dollars)

SECRETARY OF STATE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
University grants.....	87.1	27.7	59.4
Centennial Commission—			
Programs and projects of national significance.....	12.7	3.8	8.9
Payment to the centennial of confederation fund.....	13.0	9.0	4.0
General administration.....	4.5	1.8	2.7
	30.2	14.6	15.6
National Arts Centre—			
Construction or acquisition of buildings, works, land and equipment.....	6.5	3.7	2.8
Administration.....	0.1	0.1	
	6.6	3.8	2.8
Translation bureau.....	3.5	2.7	0.8
Citizenship.....	2.6	2.1	0.5
National Museum of Canada.....	2.6	1.7	0.9
Office of the Representation Commissioner.....	0.2	0.8	-0.6
Administration and general.....	1.1	0.7	0.4
	133.9	54.1	79.8

Payments of \$87 million to the association of universities and colleges of Canada for the purpose of making grants to universities of higher learning were \$59 million higher than in 1965-66. These expenditures, in previous years, were included under the Department of Finance.

Centennial Commission expenditures of \$30 million were \$16 million higher than in 1965-66 due mainly to increases of \$9 million in outlays for programs and projects of national significance and \$4 million in payments to the centennial of confederation fund to enable grants to be made to the provinces for local projects of a lasting nature.

Expenditures of the National Arts Centre at \$7 million were \$3 million higher than in 1965-66. The previous year's expenditures were included in the expenditures of the Centennial Commission.

Outlays of \$4 million in respect of the translation bureau, \$3 million in respect of citizenship and \$3 million in respect of the National Museum of Canada were each \$1 million higher than in 1965-66.

Expenditures in respect of the companies and corporations branch, which in previous years were included under this department, are now included under expenditures of the Department of the Registrar General.

Solicitor General

Expenditures of the Department of the Solicitor General amounted to \$160 million compared with \$139 million in the previous fiscal year. The main change was an increase of \$20 million in respect of the Royal Canadian Mounted Police.

TABLE 42
(in millions of dollars)

SOLICITOR GENERAL	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Royal Canadian Mounted Police—			
Land, air and training divisions.....	72.4	59.5	12.9
Headquarters administration and national police services.....	12.7	10.7	2.0
Pensions and other benefits—			
Pensions.....	4.9	4.5	0.4
Royal Canadian Mounted Police superannuation account—			
Government's contribution.....	4.5	3.9	0.6
Amortization of deferred charges.....	3.3	1.0	2.3
Other.....	1.0	0.2	0.8
Marine services.....	2.8	2.2	0.6
	101.6	82.0	19.6
Correctional services—			
Administration of the Canadian penitentiaries service.....	1.0	0.8	0.2
Operation and maintenance of penitentiaries.....	36.7	26.6	10.1
Parole Act administration.....	1.3	0.9	0.4
Construction or acquisition of buildings, works, land and equipment.....	18.6	28.2	-9.6
	57.6	56.5	1.1
Office of the Solicitor General.....	0.6	0.4	0.2
	159.8	138.9	20.9

Royal Canadian Mounted Police

Expenditures of the Royal Canadian Mounted Police were \$102 million compared with \$82 million in 1965-66. Receipts of \$17 million, arising out of expenditures for policing certain provinces, territories and municipalities; were credited to revenue. In 1965-66 receipts of \$16 million were credited to revenue.

Correctional services

Outlays of \$58 million in respect of correctional services were \$1 million higher than in 1965-66 due mainly to the cost of operation and maintenance of penitentiaries increasing to \$37 million from \$27 million being partly offset by construction or acquisition of buildings, etc. decreasing to \$19 million from \$28 million in the previous fiscal year.

Trade and Commerce

Expenditures of the Department of Trade and Commerce including the Canadian Wheat Board were \$73 million, \$5 million higher than in 1965-66.

Outlays of \$10 million in respect of the Canadian government travel bureau were \$4 million higher than in 1965-66, outlays of \$9 million in respect of the Canadian corporation for the 1967 world exhibition were \$4 million higher and outlays of \$9 million in respect of the trade commissioner service were \$1 million higher. There was also an increase of \$1 million in respect of the exhibitions branch.

Expenditures of the Dominion Bureau of Statistics, which in previous years were included in expenditures of the Department of Trade and Commerce, are now shown under their own heading. Previous year's figures have been amended for purposes of comparison.

Canadian Wheat Board

Expenditures of the Canadian Wheat Board which were included under the Department of Finance in 1965-66 are now included under the Department of Trade and Commerce. Previous year's figures have been amended for purposes of comparison.

TABLE 43
(in millions of dollars)

TRADE AND COMMERCE	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Canadian Wheat Board—			
Carrying costs of temporary wheat reserves.....	29.9	36.8	-6.9
Prairie Grain Advance Payments Act.....	0.6	0.7	-0.1
	30.5	37.5	-7.0
Trade commissioner service.....	8.6	7.8	0.8
Canadian government travel bureau.....	9.9	6.3	3.6
Canadian corporation for the 1967 world exhibition—			
Canadian government participation.....	8.9	4.6	4.3
Exhibitions branch.....	4.3	2.8	1.5
Standards branch.....	3.9	3.5	0.4
Administration and general.....	6.8	5.5	1.3
	72.9	68.0	4.9

Expenditures during 1966-67 amounted to \$31 million compared with \$38 million in the previous fiscal year and were mainly in respect of carrying costs of temporary wheat reserves.

Transport

Expenditures of the Department of Transport including the Atlantic Development Board were \$603 million compared with \$532 million in 1965-66.

Air services

Outlays for air services at \$166 million were \$23 million higher than the 1965-66 total due mainly to an increase of \$12 million in respect of airports and other ground services.

Board of Transport Commissioners

Expenditures in respect of the board amounted to \$138 million compared with \$110 million in 1965-66.

Included are \$116 million in payments to the railways for the maintenance of the rates of freight traffic compared with \$88 million in 1965-66, \$5 million in payments to railways for maintenance of trackage in northern Ontario compared with \$7 million and \$15 million in contributions to the railway grade crossing fund compared with \$14 million in the previous year. The increase in the maintenance of the rates of freight traffic was due to the payment in 1966 of amounts owing to the railways in the two previous calendar years in respect of the 1967 wage settlement.

Marine services

Expenditures of \$100 million for marine services were \$16 million more than in 1965-66. Included in these expenditures are \$56 million in respect of the Canadian coast guard, \$7 million higher than in 1965-66, and \$19 million in respect of aids to navigation, \$4 million more than in the previous year.

Railways and steamships

Expenditures for these services were \$86 million compared with \$100 million in the previous fiscal year.

Costs of construction or acquisition of buildings, works, land, etc. were \$25 million, \$2 million higher than in 1965-66 due mainly to construction of dock and terminal facilities in respect of North Sydney—Port aux Basques and Argentina, Nfld. ferry services; payments under the Maritime Freight Rates Act at \$15 million were slightly less than in 1965-66; and the subsidy of \$1 million in respect of a railway to Great Slave Lake was \$8 million less.

The charge of \$25 million to budgetary expenditure in 1966-67 to cover the 1966 operating deficit of the Canadian National Railways was \$9 million less than the charge of \$34 million in 1965-66 to cover the railway's 1965 operating deficit.

Canadian Maritime Commission

Expenditures of the commission in the amount of \$47 million were \$3 million less than in 1965-66 due mainly to a decrease in outlays in respect of capital subsidies for the construction of commercial and fishing vessels.

TABLE 44
(in millions of dollars)

TRANSPORT	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Air services—			
Airports and other ground services.....	63.6	51.2	12.4
Radio aids to air and marine navigation.....	38.1	39.3	-1.2
Meteorological services.....	26.6	23.7	2.9
Air traffic control.....	12.5	9.7	2.8
Control of civil aviation.....	7.8	6.3	1.5
Radio Act and Regulations.....	4.9	4.1	0.8
Administration and general.....	12.2	8.7	3.5
	165.7	143.0	22.7
Board of Transport Commissioners for Canada—			
Payments to the railways for the maintenance of the rates of freight traffic.....	115.9	87.6	28.3
Maintenance of trackage.....	4.8	7.0	-2.2
Contributions to the railway grade crossing fund.....	15.0	14.0	1.0
Administration and general.....	2.0	1.6	0.4
	137.7	110.2	27.5
Marine services—			
Canadian coast guard.....	56.1	49.1	7.0
Aids to navigation.....	18.9	14.6	4.3
Canals.....	8.7	8.5	0.2
Marine hydraulics including the St. Lawrence and Saguenay Rivers ship channels.....	7.3	5.9	1.4
Marine regulations.....	7.2	5.0	2.2
Administration and general.....	1.8	1.4	0.4
	100.0	84.5	15.5
Railways and steamships—			
Construction or acquisition.....	25.4	23.8	1.6
Maritime Freight Rates Act—			
Difference between tariffs and normal tolls.....	15.0	15.1	-0.1
Railway to Great Slave Lake.....	1.3	9.7	-8.4
Victoria Bridge.....	0.8	0.8	
Deficits—			
Canadian National Railways.....	24.6	33.4	-8.8
Newfoundland ferry and terminals.....	13.0	12.4	0.6
Prince Edward Island car ferry and terminals.....	4.6	4.2	0.4
Yarmouth, N.S.—Bar Harbour, Maine, U.S.A. ferry service.....	0.1		0.1
Other.....	0.8	0.7	0.1
	85.6	100.1	-14.5
Canadian Maritime Commission.....	47.0	50.3	-3.3
Atlantic Development Board—			
Payments to the Atlantic Development Board.....	29.6	20.9	8.7
Federal share of the cost of a trunk highway program...	8.6	2.1	6.5
Administration and general.....	1.8	0.8	1.0
	40.0	23.8	16.2
Canals and works entrusted to The St. Lawrence Seaway Authority—			
Welland Canal deficit.....	10.0	8.2	1.8
Other operating deficit and capital requirements.....	2.9	1.9	1.0
	12.9	10.1	2.8
National Harbours Board.....	7.0	4.8	2.2
Administration and general.....	7.5	5.7	1.8
	603.4	532.5	70.9

Atlantic Development Board

Expenditures of \$40 million in respect of the Atlantic Development Board were \$16 million more than the previous year's total.

The increase was due mainly to payments of \$30 million to the board, which were credited to the Atlantic development fund to finance and assist in financing programs and projects as contemplated by the board, and outlays of \$9 million for the federal share of the cost of a trunk highway program for the Atlantic provinces. Comparative amounts were \$21 million and \$2 million, respectively, in 1965-66.

Canals and works entrusted to The St. Lawrence Seaway Authority

Expenditures of \$13 million were \$3 million more than in 1965-66 due to increases of \$2 million in the Welland Canal deficit for 1966 and \$1 million for other operating deficit and capital requirements.

National Harbours Board

Non-active advances to the board which are charged to budgetary expenditure totalled \$7 million in 1966-67, \$2 million more than in 1965-66. The net increase reflected increases of \$2 million and \$1 million in respect of reconstruction and capital expenditures of the Halifax and Quebec harbours, respectively and \$1 million in the operating deficit of the Jacques Cartier Bridge, Montreal, partly offset by a decrease of \$3 million in expenditures in connection with the 1967 World Exhibition.

In addition, loans to the board amounted to \$17 million in 1966-67.

Treasury Board

Expenditures of the Treasury Board amounted to \$153 million in 1966-67, an increase of \$50 million over the total for 1965-66. In previous years, these expenditures were included under the Department of Finance. Previous year's figures have been amended for purposes of comparison.

TABLE 45
(in millions of dollars)

TREASURY BOARD	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Public service superannuation account—			
Government's contribution.....	59.3	57.8	1.5
Amortization of deferred charges.....	56.4	25.9	30.5
	115.7	83.7	32.0
Government's contributions as an employer—			
Canada pension plan and the Quebec pension plan.....	14.5	4.1	10.4
Unemployment insurance fund.....	1.2	1.1	0.1
	15.7	5.2	10.5
Government's share of surgical-medical insurance premiums.	15.2	9.7	5.5
Administration and general.....	6.4	4.1	2.3
	153.0	102.7	50.3

Public service superannuation account

The government's contribution to the public service superannuation account, in an amount equal to the estimated current and prior service payments of individuals in 1965-66, was \$59 million compared with \$58 million in 1965-66.

A further amount of \$56 million, equal to one fifth of the actuarial deficiencies arising out of pay increases, was charged to budgetary expenditure in 1966-67, \$30 million more than in the previous fiscal year.

Contribution to the Canada pension plan and the Quebec pension plan

The government's contribution as an employer to these pension plans amounted to approximately \$15 million compared with \$4 million in 1965-66. The increase was due to the fact that 1965-66 contributions covered only three months as the plan was effective from January 1, 1966.

Unemployment Insurance Commission

Expenditures for the commission amounted to \$106 million including the government's contribution of \$69 million to the fund. In 1965-66 expenditures were \$98 million of which \$66 million was the government's contribution.

Unemployment benefit payments are not charged to budgetary expenditure but are paid from the fund which is financed by equal contributions from employees and employers, by interest earned on investments and by the government's contribution of an amount equal to one fifth of the combined employee-employer contributions. Further information about the fund is given under the liability category "annuity, insurance and pension accounts".

TABLE 46
(in millions of dollars)

UNEMPLOYMENT INSURANCE COMMISSION	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Government's contribution to the unemployment insurance fund.....	68.7	65.6	3.1
Administration of the Unemployment Insurance Act.....	37.2	32.4	4.8
	105.9	98.0	7.9

Veterans Affairs

Expenditures of the Department of Veterans Affairs were \$391 million, an increase of \$21 million over the 1965-66 total.

War veterans allowances and civilian allowances at \$104 million were \$4 million higher, pensions for disability and death at \$196 million were \$10 million higher and costs of \$55 million for treatment services were \$5 million higher than in 1965-66.

TABLE 47
(in millions of dollars)

VETERANS AFFAIRS	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Pensions—			
Disability and death.....	196.1	185.6	10.5
Administration and general.....	3.2	2.8	0.4
	199.3	188.4	10.9
Welfare services, allowances and other benefits—			
War veterans allowances and civilian allowances.....	103.6	99.9	3.7
Assistance under provisions of the Assistance Fund (War Veterans Allowances) Regulations.....	5.9	5.7	0.2
Veterans welfare services.....	4.6	4.0	0.6
Treatment and related allowances.....	2.5	2.6	-0.1
Administration and general.....	3.6	3.6	
	120.2	115.8	4.4
Treatment services.....	54.6	49.9	4.7
Soldier settlement and veterans land act—			
Provision for reserve for conditional benefits.....	3.5	3.2	0.3
Administration and general.....	5.2	4.5	0.7
	8.7	7.7	1.0
Administration and general.....	8.4	7.9	0.5
	391.2	369.7	21.5

All Other Departments

Expenditures of the departments not dealt with individually amounted to \$56 million, a decrease of \$1 million from the total for 1965-66.

TABLE 48
(in millions of dollars)

ALL OTHER DEPARTMENTS	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Auditor General's Office.....	2.1	1.7	0.4
Board of Broadcast Governors.....	0.6	0.4	0.2
Office of the Chief Electoral Officer.....	0.9	13.0	-12.1
Defence Production ⁽¹⁾	9.4	8.2	1.2
Governor General and Lieutenant-Governors.....	0.8	0.7	0.1
Insurance.....	1.7	1.5	0.2
National Film Board.....	8.0	6.9	1.1
National Gallery of Canada.....	1.9	1.8	0.1
Privy Council.....	6.4	4.8	1.6
Economic Council of Canada.....	1.4	1.1	0.3
Public Archives and National Library.....	2.7	2.0	0.7
Public Printing and Stationery.....	4.0	3.0	1.0
Public Service Commission.....	10.9	8.0	2.9
Public Service Staff Relations Board.....	⁽²⁾	⁽²⁾	⁽²⁾
Registrar General.....	5.6	4.7	0.9
	56.4	57.8	-1.4

⁽¹⁾ See also under defence expenditure at the beginning of this section.

⁽²⁾ Less than \$50,000.

Expenditures under the Combines Investigation Act in respect of the restrictive trade practices commission and the office of investigation and research and expenditures of the patent division, copyright and industrial designs division and the trade marks office, which were included previously under Privy Council, expenditures in respect of the companies and corporations branch, which were included previously under the Department of the Secretary of State, and expenditures in respect of the Bankruptcy Act administration, which were included previously under expenditures of the Department of Justice, are now included under expenditures of the Department of the Registrar General.

The main changes were a decrease of \$12 million in respect of the Office of the Chief Electoral Officer, which incurred expenditures of a general election in 1965-66, and small increases in expenditures of other departments under this heading.

ASSET AND LIABILITY ACCOUNTS

The assets and liabilities of the Government of Canada as at March 31, 1967, the comparable balance at March 31, 1966, and the changes in each category during 1966-67 are shown in condensed form in the following table:

TABLE 49
(in millions of dollars)

	Balance at March 31		Increase or decrease (—)
	1967 (preliminary)	1966	
LIABILITIES			
Current and demand liabilities.....	1,682.0	1,398.8	283.2
Deposit and trust accounts.....	541.8	310.7	231.1
Annuity, insurance and pension accounts.....	7,921.3	6,392.2	1,529.1
Undisbursed balances of appropriations to special accounts..	78.1	101.9	-23.8
Deferred credits.....	137.6	138.1	-0.5
Suspense accounts.....	49.0	31.4	17.6
Unmatured debt.....	19,940.2	19,109.8	830.4
Total liabilities.....	30,350.0	27,482.9	2,867.1
ASSETS			
Current assets.....	1,395.5	1,016.0	379.5
Cash in blocked currency.....	1.0	1.0	
Advances to the exchange fund account.....	2,355.0	2,696.0	-341.0
Investments in United States dollar securities issued by other than the Government of Canada.....	180.0	187.2	-7.2
Investments held for retirement of unmaturred debt.....	3.2		3.2
Canada pension plan investment fund.....	615.5	34.9	580.6
Loans to, and investments in, Crown corporations.....	6,727.8	5,659.1	1,068.7
Loans to national governments.....	1,201.6	1,225.2	-23.6
Other loans and investments.....	1,717.5	1,263.2	454.3
Securities held in trust.....	50.9	52.0	-1.1
Deferred charges.....	582.2	256.5	325.7
Capital assets.....	(1)	(1)	
Inactive loans and investments.....	94.8	94.8	
Total recorded assets.....	14,925.0	12,485.9	2,439.1
Less reserve for losses on realization of assets.....	-546.4	-546.4	
Net recorded assets.....	14,378.6	11,939.5	2,439.1
Net debt, represented by excess of liabilities over net recorded assets.....	15,971.4	15,543.4	(2)428.0

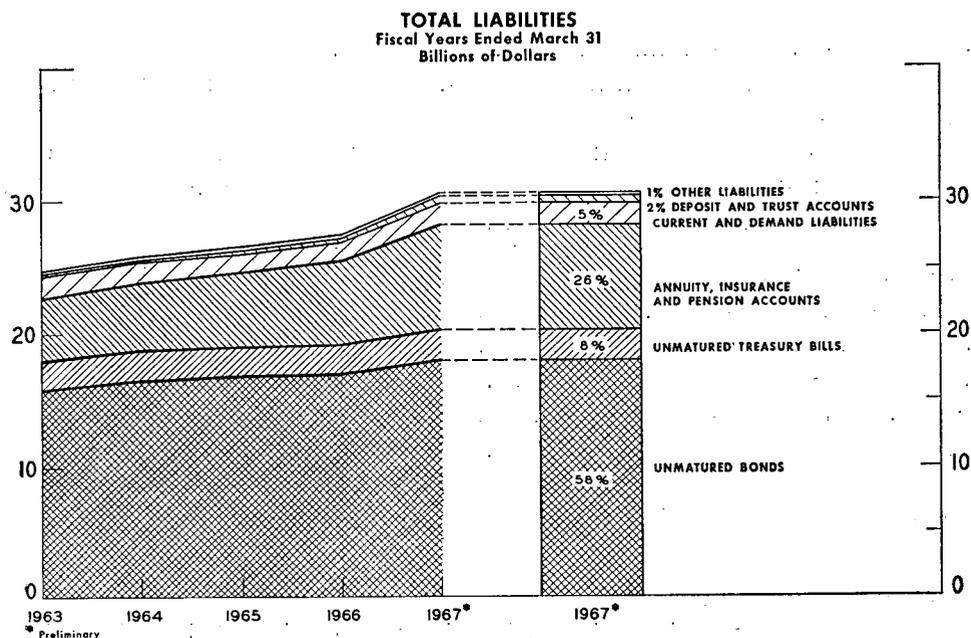
(1) Shown at nominal value of \$1.

(2) Reflecting the budgetary deficit of \$428 million.

SUMMARY

The gross liabilities of the government totalled \$30,350 million as at March 31, 1967 an increase of \$2,867 million over the total at March 31, 1966. The main changes were increases of \$283 million in current and demand liabilities, \$231 million in deposit and trust accounts, \$1,529 million in annuity, insurance and pension accounts and \$830 million in unmatured debt.

Net recorded assets totalled \$14,379 million as at March 31, 1967, an increase of \$2,439 million over the total at March 31, 1966. The main changes were increases of \$1,069 million in loans to, and investments in, Crown corporations, \$380 million in current assets, \$454 million in other loans and investments, \$581 million in the Canada pension plan investment fund and \$326 million in deferred charges partly offset by a decrease of \$341 million in advances to the exchange fund account.



LIABILITY ACCOUNTS

Current and demand liabilities

These liabilities, which consist of obligations of the government payable currently or on demand, in the amount of \$1,682 million were \$283 million more than the total at March 31, 1966.

The main changes during 1966-67 were increases of \$111 million in non-interest-bearing notes payable on demand, \$33 million in accrued interest, \$50 million in outstanding treasury cheques and \$77 million in accounts payable.

Non-interest-bearing notes represent those portions of Canada's equities in the capital of certain international agencies which are not covered by cash or gold. Notes in respect of the international monetary fund in the amount of \$339 million were \$106 million more than at March 31, 1966 and notes in respect of the international development association in the amount of \$26 million were \$4 million more.

TABLE 50
(in millions of dollars)

CURRENT AND DEMAND LIABILITIES	Balance at March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Outstanding treasury cheques.....	382.8	332.9	49.9
Accounts payable.....	457.0	380.3	76.7
Non-interest-bearing notes payable to—			
The international development association.....	26.0	22.4	3.6
The international monetary fund.....	339.0	233.0	106.0
The asian development bank.....	1.4		1.4
	366.4	255.4	111.0
Matured debt outstanding.....	30.7	27.3	3.4
Interest due and outstanding.....	113.0	110.9	2.1
Interest accrued.....	287.2	254.3	32.9
Post office—outstanding money orders.....	36.7	27.5	9.2
Outstanding letter of credit cheques.....	7.5	8.5	-1.0
Other current liabilities.....	0.7	1.7	-1.0
	1,682.0	1,398.8	283.2

Deposit and trust accounts

Sundry funds deposited with, or held in trust by, the Receiver General of Canada for various purposes are recorded in these accounts.

A net increase of \$231 million during 1966-67 brought the total to \$542 million as at March 31, 1967 due mainly to \$196 million in refundable corporation tax and increases of \$1 million in guarantee deposits, \$8 million in the prairie farm emergency fund, \$4 million in Royal Canadian Mint prepayments and \$26 million in provincial tax collection agreements account partly offset by a decrease of \$5 million in National Harbours Board—special accounts.

Refundable corporation tax is recorded as a contra in the asset category "current assets".

TABLE 51
(in millions of dollars)

DEPOSIT AND TRUST ACCOUNTS	Balance at March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Refundable corporation tax.....	196.2		196.2
Indian trust funds.....	34.1	32.0	2.1
Guarantee deposits—			
Energy, Mines and Resources.....	9.8		9.8
Indian Affairs and Northern Development.....	25.0	33.5	-8.5
National Revenue.....	5.4	5.6	-0.2
	40.2	39.1	1.1
Post office savings bank.....	20.1	22.0	-1.9
Crown corporations deposits—			
Atomic Energy of Canada Limited.....	4.0	5.0	-1.0
Crown Assets Disposal Corporation.....	0.8	0.7	0.1
Eldorado Mining and Refining Limited.....	10.0	10.0	
Export Credits Insurance Corporation.....	14.0	14.0	
Northern Ontario Pipe Line Crown Corporation.....	0.7	0.7	
	29.5	30.4	-0.9
Canadian Pension Commission—administration trust fund...	16.0	15.2	0.8
National Harbours Board—special accounts.....	17.1	21.6	-4.5
Instalment purchase of bonds, public service.....	16.3	13.6	2.7
Contractors holdbacks.....	13.3	10.4	2.9
Contractors securities—sundry departments—			
Bonds.....	3.7	3.5	0.2
Cash.....	1.0	1.5	-0.5
Certified cheques.....	0.2	0.2	
	4.9	5.2	-0.3
Army benevolent fund.....	5.2	5.4	-0.2
Canadian Arsenals Limited pension fund.....	1.0	1.0	
Canadian vessel construction assistance.....	4.1	7.0	-2.9
Common school funds—Ontario and Quebec.....	2.7	2.7	
Emergency gold mining assistance—holdbacks.....	2.2	2.3	-0.1
Federal Republic of Germany.....	1.1	2.5	-1.4
Immigration guarantee fund.....	1.8	1.6	0.2
National Research Council—special fund.....	2.8	2.2	0.6
Northwest Territories revenue account.....	3.0	3.4	-0.4
Permanent services deferred pay.....	3.4	3.5	-0.1
Prairie farm emergency fund.....	10.8	3.3	7.5
Provincial tax collection agreements account.....	91.8	66.3	25.5
Royal Canadian Mint—prepayments.....	4.2	0.5	3.7
Veterans land act trust account—general.....	7.2	7.0	0.2
United States of America.....	0.1	0.6	-0.5
Veterans care trust fund.....	3.5	3.0	0.5
Other.....	9.2	8.9	0.3
	541.8	310.7	231.1

Annuity, insurance and pension accounts

This category records the government's liability in respect of various annuity, insurance and pension accounts.

During 1966-67 an increase of \$1,529 million brought the total to \$7,921 million as at March 31, 1967. The main changes were increases of \$308 million in the public service superannuation account, \$393 million in the Canadian forces superannuation account, \$213 million in the old age security fund and \$591 million in the Canada pension plan account.

TABLE 52
(in millions of dollars)

ANNUITY, INSURANCE AND PENSION ACCOUNTS	Balance at March 31		Increase or decrease (—)
	1967 (preliminary)	1966	
Unemployment insurance fund.....	279.8	162.2	117.6
Less investment in bonds and accrued interest.....	-266.6	-148.6	-118.0
Uninvested funds on deposit with the government.....	13.2	13.6	-0.4
Superannuation accounts—			
Public service.....	2,698.0	2,390.4	307.6
Canadian forces.....	2,577.0	2,184.2	392.8
Royal Canadian Mounted Police.....	85.0	65.4	19.6
	5,360.0	4,640.0	720.0
Canada pension plan account.....	680.6	89.4	591.2
Government annuities.....	1,323.5	1,317.1	6.4
Old age security fund.....	429.6	217.0	212.6
Other.....	114.4	115.1	-0.7
	7,921.3	6,392.2	1,529.1

Unemployment insurance fund

The balance in the fund as at March 31, 1967 was \$280 million (of which \$21 million represented a liability for unredeemed warrants and deposits from employers) and consisted of \$267 million invested in special government bonds (including accrued interest) and \$13 million on deposit with the Receiver General.

TABLE 53
(in millions of dollars)

UNEMPLOYMENT INSURANCE FUND	Fiscal year ended March 31				
	1963	1964	1965	1966	1967 (preliminary)
Revenue—					
Contributions—					
Employee and employer ⁽¹⁾	286.4	296.6	310.8	328.3	352.9
Government ⁽²⁾	57.3	59.3	62.1	65.7	68.7
Net income from investments.....	2.5	1.1	1.8	4.7	10.9
Other income.....	0.1	0.1	0.1	0.1	0.1
	346.3	357.1	374.8	398.8	432.6
Expenditure—					
Benefit payments.....	-403.2	-365.7	-335.0	-297.8	-315.6
Interest on loans.....		-0.2	-0.2		
Excess of revenue over expenditure or expenditure over revenue (—).....	-56.9	-8.8	39.6	101.0	117.0
Balance at credit of fund at fiscal year-end.....	9.7	0.9	40.5	141.5	258.5
Unredeemed benefit warrants and deposits from employers.....	16.7	15.9	17.8	20.7	21.3
	26.4	16.8	58.3	162.2	279.8
Investment in bonds and accrued interest.....	-11.8		-44.0	-148.6	-266.6
Balance on deposit with the government.....	14.6	16.8	14.3	13.6	13.2

⁽¹⁾ Contributions by employees and employers are on an equal basis.

⁽²⁾ Government contribution is equal to 20 per cent of the combined employee-employer contributions.

The balance in the fund at March 31, 1966 was \$162 million (of which \$21 million represented a liability for unredeemed warrants and deposits from employers) consisting of \$149 million invested in special government bonds (including accrued interest) and \$14 million on deposit with the government.

Receipts of \$433 million during the fiscal year included employee and employer contributions of \$353 million, the government's contribution of \$69 million and \$11 million in interest from investments. As benefit payments totalled \$316 million, receipts exceeded payments from the fund by \$117 million during 1966-67. Receipts during 1965-66 totalled \$399 million and included employee and employer contributions of \$328 million, the government's contribution of \$66 million and \$5 million in income from investments. Benefit payments during 1965-66 totalled \$298 million.

Public service superannuation account

The balance of \$2,698 million in this account as at March 31, 1967 was \$308 million higher than the balance at the end of the previous fiscal year.

Receipts of \$382 million during the year consisted of credits of \$152 million in respect of a salary revision made in 1966-67, contributions of \$68 million by individuals, a contribution of \$59 million by the government, contributions of \$4 million by certain Crown corporations and interest of \$99 million credited to the account by the government. Contributions by the government and Crown corporations are equal to the estimated current and prior service payments of individuals in 1965-66. Interest at 4 per cent per annum is credited to the account quarterly and is computed quarterly on the outstanding balance at the end of the previous quarter.

Disbursements totalled \$75 million and included \$63 million in annuities and \$11 million in withdrawals of contributions.

In 1965-66 receipts totalled \$299 million and disbursements totalled \$70 million.

TABLE 54
(in millions of dollars)

PUBLIC SERVICE SUPERANNUATION ACCOUNT	Fiscal year ended March 31				
	1963	1964	1965	1966	1967 (preliminary)
Receipts—					
Contributions—					
Employees.....	57.0	59.2	61.1	66.7	67.7
Crown corporations.....	2.9	3.0	3.4	3.7	3.7
Government.....	51.1	54.0	55.6	57.8	59.3
Interest.....	66.4	71.8	78.7	89.5	98.7
Actuarial liability adjustment.....			169.5	79.6	152.2
Other.....	11.6	1.1	1.3	1.2	0.6
	189.0	189.1	369.6	298.5	382.2
Disbursements—					
Annuities.....	43.6	47.8	52.6	57.7	62.8
Withdrawals of contributions.....	7.6	8.4	10.8	11.3	10.8
Other.....	0.6	0.6	0.8	0.9	1.0
	51.8	56.8	64.2	69.9	74.6
Excess of receipts over disbursements.....	137.2	132.3	305.4	228.6	307.6
Balance in fund brought forward.....	1,586.9	1,724.1	1,856.4	2,161.8	2,390.4
Balance at credit of fund.....	1,724.1	1,856.4	2,161.8	2,390.4	2,698.0

Canadian forces superannuation account

The balance of \$2,577 million as at March 31, 1967 reflected an increase of \$393 million during the fiscal year.

Receipts of \$438 million included a credit of \$279 million in respect of additional liabilities resulting from the quinquennial actuarial valuation made as at December 31, 1965, \$24 million in contributions by personnel, \$43 million in regular government contributions and \$92 million in interest credited by the government. Regular government contributions are made at the rate of one and two-thirds times the current and prior service contributions by personnel. Interest at 4 per cent per annum is credited to the account quarterly and is computed quarterly on the outstanding balance at the end of the previous quarter.

Disbursements of \$45 million included \$36 million in pensions and \$9 million in cash termination allowances and return of contributions.

In 1965-66 receipts were \$193 million and disbursements were \$37 million.

TABLE 55
(in millions of dollars)

CANADIAN FORCES SUPERANNUATION ACCOUNT	Fiscal year ended March 31				
	1963	1964	1965	1966	1967 (preliminary)
Receipts—					
Contributions—					
Personnel.....	34.5	36.0	35.2	34.1	24.4
Government.....	58.1	136.2	58.8	58.8	42.7
Interest.....	53.1	66.3	75.0	83.2	91.7
Actuarial liability.....	198.5		67.2	16.6	279.2
Other.....	0.3	0.2	0.2	0.3	0.3
	344.5	238.7	236.4	193.0	438.3
Disbursements—					
Pensions and retiring allowances.....	9.9	13.4	18.6	26.7	36.5
Cash termination allowances and return of contributions.....	8.0	9.5	11.0	10.1	8.8
Other.....	0.1	0.1	0.2	0.1	0.2
	18.0	23.0	29.8	36.9	45.5
Excess of receipts over disbursements.....	326.5	215.7	206.6	156.1	392.8
Balance in fund brought forward.....	1,279.3	1,605.8	1,821.5	2,028.1	2,184.2
Balance at credit of fund.....	1,605.8	1,821.5	2,028.1	2,184.2	2,577.0

Royal Canadian Mounted Police superannuation account

The balance of \$85 million in this account as at March 31, 1967 was \$20 million more than the previous fiscal year-end balance of \$65 million.

Receipts during the year of \$21 million consisted of a credit of \$11 million to provide for additional liabilities resulting from pay increases, \$2 million in contributions by personnel, \$3 million in interest credited to the account and \$5 million in contributions by the government.

Disbursements of \$1 million consisted mainly of annuities and allowances, cash termination allowances and return of contributions.

In 1965-66 receipts were \$8 million and disbursements were \$1 million.

Canada pension plan account

The balance of \$680 million in this account as at March 31, 1967 was \$591 million higher than the balance at March 31, 1966.

Credits to the account of \$600 million consisted of \$589 million in contributions under the act, \$10 million in interest earned on securities of Canada or the provinces and \$1 million in interest earned on the operating balance in the account on deposit with the Receiver General. Charges to the account were \$9 million and consisted mainly of administrative costs.

During the year securities totalling \$581 million were purchased and are recorded in the asset account "Canada pension plan investment fund".

TABLE 56
(in millions of dollars)

CANADA PENSION PLAN ACCOUNT	Fiscal year ended March 31	
	1966	1967 (preliminary)
Receipts—		
Contributions.....	94.9	588.8
Interest on investments.....	(1)	10.3
Interest on operating balance.....		1.2
Other.....		0.2
	94.9	600.5
Payments—		
Administrative expenses.....	-5.5	-9.2
Benefit payments.....		-0.1
	-5.5	-9.3
Excess of receipts over payments.....	89.4	591.2
Balance in fund brought forward.....		89.4
Balance at credit of fund.....	89.4	680.6
Less investment in securities held in the Canada pension plan investment fund.....	-34.8	-615.5
Operating balance on deposit with the government.....	54.6	65.1

(1) Less than \$50,000.

Government annuities account

The balance in this account as at March 31, 1967 of \$1,323 million was \$6 million higher than the balance at March 31, 1966. Receipts of \$71 million included \$20 million from premiums and \$51 million in interest from the government. Disbursements of \$65 million consisted mainly of vested annuity and commuted value payments and refunds of premiums. In 1965-66 receipts amounted to \$78 million and disbursements were \$64 million.

Old age security fund

Under the Old Age Security Act, as amended, all persons who satisfy the residence requirements of the act may receive a pension of \$75 per month from the federal government out of the old age security fund provided that no pension is paid in any month before January 1966 in which the person had not attained 70 years of age, the age limit being reduced by one in each subsequent year until 1970.

Receipts of \$1,286 million in 1966-67 exceeded pension payments of \$1,073 million by \$213 million leaving a balance in the fund of \$430 million as at March 31, 1967.

In 1965-66 receipts of \$1,169 million exceeded pension payments of \$927 million by \$242 million. Temporary loans of \$25 million to the fund by the Minister of Finance as at March 31, 1965 were repaid leaving a balance of \$217 million in the fund at March 31, 1966.

TABLE 57
(in millions of dollars)

OLD AGE SECURITY FUND	Fiscal year ended March 31				
	1963	1964	1965	1966	1967 (preliminary)
Tax receipts—					
Sales tax.....	302.2	331.8	383.2	522.1	560.0
Personal income tax.....	273.7	302.6	431.9	494.9	576.0
Corporation income tax.....	115.2	115.7	145.2	152.3	150.0
Total tax receipts.....	691.1	750.1	960.3	1,169.3	1,286.0
Pension payments.....	-734.4	-808.4	-885.3	-927.3	-1,073.4
Excess of receipts over payments.....	-43.3	-58.3	75.0	242.0	212.6
Temporary loans brought forward.....		-41.7	-100.0	-25.0	
Balance in fund brought forward.....	1.6				217.0
Temporary loans by the Minister of Finance to cover deficit in fund.....	41.7	100.0	25.0		
Balance in fund.....				217.0	429.6

A distribution by provinces of pension payments from the old age security fund is shown in the following table:

TABLE 58
(in millions of dollars)

OLD AGE SECURITY PAYMENTS	Fiscal year ended March 31		Increase
	1967 (preliminary)	1966	
Newfoundland.....	20.3	17.6	2.7
Nova Scotia.....	48.0	42.0	6.0
Prince Edward Island.....	8.3	7.4	0.9
New Brunswick.....	35.2	31.0	4.2
Quebec.....	238.4	201.0	37.4
Ontario.....	395.0	337.2	57.8
Manitoba.....	62.6	55.5	7.1
Saskatchewan.....	63.4	56.8	6.6
Alberta.....	71.8	62.8	9.0
British Columbia.....	129.7	115.3	14.4
Northwest and Yukon Territories.....	0.7	0.7	
	1,073.4	927.3	146.1

Undisbursed balances of appropriations to special accounts

These special accounts record the undisbursed balances of appropriations for which moneys have been appropriated by parliament and from which disbursements may be made for authorized purposes in periods subsequent to that in which the appropriation was made. The balance of \$78 million as at March 31, 1967 was \$24 million less than the balance at March 31, 1966.

The balance of \$62 million in the international assistance account was \$17 million less than the balance at March 31, 1966. Disbursements of \$66 million from the account were partly offset by a credit of \$49 million, which amount was charged to budgetary expenditure of the Department of External Affairs.

The balance of \$10 million in the railway grade crossing fund was \$1 million less than the balance at the previous fiscal year-end. The decrease was due to an amount of \$15 million credited to the fund and charged to budgetary expenditure and to disbursements of \$16 million from the fund.

The balance of \$5 million in the centennial of confederation fund was \$6 million less than the balance at March 31, 1966. The amount of \$13 million was credited to the fund and charged to budgetary expenditure and disbursements of \$19 million from the fund were made during the year.

TABLE 59
(in millions of dollars)

UNDISBURSED BALANCES OF APPROPRIATIONS TO SPECIAL ACCOUNTS	Balance at March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
International assistance account.....	61.6	78.7	-17.1
Railway grade crossing fund.....	10.3	11.0	-0.7
Centennial of confederation fund.....	4.7	10.5	-5.8
National capital fund.....		1.6	-1.6
Area development account.....	1.3		1.3
Other.....	0.2	0.1	0.1
	78.1	101.9	-23.8

Deferred credits

Recorded in these accounts are amounts due the government in respect of which payment is deferred. These are contra accounts to corresponding items under the following asset categories: "loans to, and investments in, Crown corporations", "loans to national governments" and "other loans and investments". The balance of \$138 million as at March 31, 1967 was the same as at March 31, 1966.

Also included in this category are premiums, received on the issue of Government of Canada bonds, which are being credited to interest on public debt on a monthly amortization basis.

TABLE 60
(in millions of dollars)

DEFERRED CREDITS	Balance at March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Deferred interest—			
Atomic Energy of Canada Limited.....	0.1	(1)	0.1
Government of India.....		0.3	-0.3
Northern Canada Power Commission.....	2.3	2.2	0.1
The St. Lawrence Seaway Authority.....	47.8	45.2	2.6
United Kingdom Financial Agreement Act, 1946.....	83.0	83.0	
	133.2	130.7	2.5
Balances receivable under agreements of sale of Crown assets	0.3	1.3	-1.0
Crown Assets Disposal Corporation—government equity....	3.0	5.0	-2.0
Unamortized premium on loans.....	1.1	1.1	
	137.6	138.1	-0.5

(1) Less than \$50,000.

Deferred interest in respect of The St. Lawrence Seaway Authority, which is a contra account to a corresponding item in "loans to, and investments in, Crown corporations" increased by \$3 million during the year bringing the balance at March 31, 1967 to \$48 million. See the asset account for an explanation of this increase.

Balances receivable under agreements of sale of Crown assets are contra accounts to corresponding items under the asset category "other loans and investments". During the year payments of \$1 million left an outstanding balance of \$300 thousand at March 31, 1967. There were no new agreements of sale during the year.

The government equity in the agency account of Crown assets disposal corporation is a contra account to a corresponding asset account under "other loans and investments". The balance in the account of \$3 million was \$2 million less than the total at the end of the previous fiscal year.

Suspense accounts

These consist of balances where some uncertainty as to disposition exists.

There was a net increase of \$18 million during 1966-67 to bring the outstanding balances to \$49 million as at March 31, 1967.

The surplus Crown assets account, established by vote 48 of the Department of National Defence, Appropriation Act No. 2, 1966, is credited with all revenue received during the current and subsequent fiscal years from the sale of surplus materials, supplies and equipment and from the sale during the current fiscal year of surplus buildings, works and land. The account is debited with expenditures, subject to the approval of Treasury Board, for any of the purposes of the Department of National Defence. Credits of \$15 million during the year brought the balance in the account to \$24 million. There were no disbursements.

TABLE 61
(in millions of dollars)

SUSPENSE ACCOUNTS	Balance at March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Provision for estimated premium on redemption of bonds.....	17.3	15.0	2.3
Surplus Crown assets.....	24.3	9.1	15.2
Unclaimed cheques.....	1.2	1.2	
Replacement of materiel, sec. 11, National Defence Act.....	0.6	0.6	
Other.....	5.6	5.5	0.1
	49.0	31.4	17.6

Unmatured debt

The unmatured debt of Canada in the amount of \$19,940 million was \$830 million more than the previous fiscal year-end total. Obligations payable in Canada were \$19,574 million and those payable in New York were \$366 million compared with \$18,739 million and \$371 million respectively at March 31, 1966.

TABLE 62
(in millions of dollars)

UNMATURED DEBT	Balance at March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Payable in Canada—			
Marketable bonds.....	10,986.3	10,711.5	274.8
Non-marketable bonds—			
Canada savings bonds.....	6,016.4	5,733.2	283.2
Canada pension plan.....	1.9	0.1	1.8
Unemployment Insurance Commission.....	260.0	144.0	116.0
	17,264.6	16,588.8	675.8
Treasury bills.....	2,310.0	2,150.0	160.0
	19,574.6	18,738.8	835.8
Payable in New York ⁽¹⁾⁽²⁾	365.6	371.0	-5.4
	19,940.2	19,109.8	830.4

⁽¹⁾Marketable bonds.

⁽²⁾Converted at the official parity rate of \$1 U.S. = \$1.08108 Canadian.

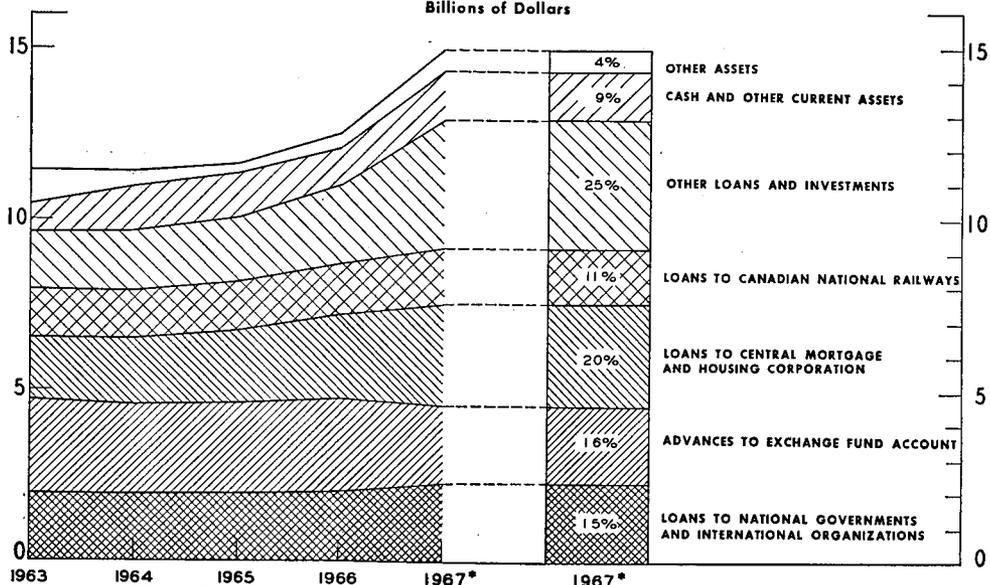
Details of the various loan issues, maturities and redemptions resulting in the net increase are described more fully in the section "The Public Debt".

ASSET ACCOUNTS

Current assets

These accounts consist of various cash accounts, working capital advances and the securities investment account.

TOTAL ASSETS¹
Fiscal Years Ended March 31
Billions of Dollars



¹ As shown on table "Summary of assets and liabilities". This chart does not reflect the reserve for losses on realization of assets.
* Preliminary

Total current assets at \$1,396 million were \$380 million more than in the previous fiscal year. The main changes were \$188 million in refundable corporation tax and increases of \$116 million in the securities investment account, \$38 million in departmental working capital advances and \$31 million in cash in hands of collectors and in transit.

The agricultural commodities stabilization account records the operations of the Agricultural Stabilization Board. Outstanding advances were \$1 million at March 31, 1967, \$5 million less than at March 31, 1966.

In the Budget Speech of March 29, 1966 the Minister of Finance announced a refundable tax on cash profits of businesses. It is payable by all corporations not exempt from tax under section 62 of the Income Tax Act and by certain types of trusts on specified types of income. During the year \$196 million was collected from this source. A contra account is recorded under the liability category "deposit and trust accounts".

The defence production revolving fund records the cost of materials procured for use in the manufacture of defence equipment until such time as they are billed to the Department of National Defence or sold to defence contractors for use in the manufacture of defence equipment, as well as working capital loans and advances for their production. During 1966-67 purchases exceeded sales by \$15 million bringing the balance in the account to \$37 million at March 31, 1967.

The stockpiling of uranium concentrates account records the acquisition of uranium concentrates in accordance with contracts entered into with the approval of the Governor in Council by the Eldorado Mining and Refining Limited on behalf of Her Majesty in right of Canada with certain mining companies. The balance as at March 31, 1967 at \$57 million was \$20 million higher than the balance at the previous fiscal year-end.

TABLE 63
(in millions of dollars)

CURRENT ASSETS	Balance at March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Cash accounts—			
Cash in current deposits ⁽¹⁾	625.4	633.4	-8.0
Refundable corporation tax.....	⁽²⁾ 187.9		187.9
	813.3	633.4	179.9
Cash in special deposits.....	3.5	1.6	1.9
Cash in hands of collectors and in transit.....	155.0	124.1	30.9
Moneys received after March 31 but applicable to the current year.....	42.5	42.9	-0.4
Post Office—cash on hand and in transit.....	24.5	11.9	12.6
	1,038.8	813.9	224.9
Departmental working capital advances—			
Agricultural commodities stabilization account.....	0.9	5.4	-4.5
Canadian government supply.....	3.0		3.0
Defence production revolving fund.....	37.2	22.6	14.6
Miscellaneous departmental imprest and advance ac- counts.....	23.4	21.1	2.3
Royal Canadian Mint.....	17.9	14.8	3.1
Stockpiling of uranium concentrates.....	57.2	37.1	20.1
Other.....	19.4	19.6	-0.2
	159.0	120.6	38.4
Securities investment account.....	197.7	81.5	116.2
	1,395.5	1,016.0	379.5

⁽¹⁾ Receiver General year-end balances in London, New York, Paris and Bonn are at the Canadian dollar equivalent of exchange rates at March 31.

⁽²⁾ In addition, \$8.3 million is included in "cash in hands of collectors and in transit".

Advances to the exchange fund account

Advances during the year to finance the purchase of gold and foreign exchange amounted to \$1,098 million and repayments to \$1,439 million, a decrease of \$341 million bringing the outstanding advances to \$2,355 million at March 31, 1967.

During 1965-66 advances of \$1,121 million and repayments of \$1,046 million resulted in a balance of \$2,696 million at March 31, 1966.

Investments in United States dollar securities issued by other than the Government of Canada

This account records the special securities issued by the Government of the United States of America and purchased by Canada pursuant to agreements made to carry out the Columbia River Treaty between the Government of the United States and the Government of Canada. During 1966-67 securities in the amount of \$32 million were redeemed leaving a balance of \$155 million as at March 31, 1967. Also included is an investment of \$25 million in bonds of the international bank for reconstruction and development made in 1966-67.

Investments held for retirement of unmatured debt

Recorded herein is \$3 million of the 5½ per cent loan issued August 1, 1962 and maturing August 1, 1980.

Canada pension plan investment fund

The Canada pension plan investment fund records securities purchased under the Canada Pension Plan Act and the sale of these securities. The amount by which the operating balance of the Canada pension plan account in any month exceeds the estimated amount required to meet all payments in the following three-month period is available for the purchase of securities of participating provinces. Securities of Canada shall be purchased with the excess remaining after purchasing securities of each province as required. The holdings in the account at March 31, 1967 totalled \$615 million of which \$2 million was in federal government securities.

Loans to, and investments in, Crown corporations

Loans and investments in this category totalled \$6,728 million, an increase of \$1,069 million over the total at March 31, 1966.

TABLE 64
(in millions of dollars)

LOANS TO, AND INVESTMENTS IN, CROWN CORPORATIONS	Balance at March 31		Increase or decrease (—)
	1967 (preliminary)	1966	
Atomic Energy of Canada Limited.....	106.0	77.6	28.4
Bank of Canada.....	5.9	5.9	
Canadian Arsenals Limited.....	5.0	5.0	
Canadian Broadcasting Corporation.....	9.0	3.0	6.0
Canadian Commercial Corporation.....	10.0	5.5	4.5
Canadian National Railways.....	1,610.6	1,489.7	120.9
Air Canada.....	7.3	4.3	3.0
	1,617.9	1,494.0	123.9
Canadian Overseas Telecommunication Corporation.....	49.8	52.5	—2.7
Central Mortgage and Housing Corporation.....	2,941.5	2,452.9	488.6
Eldorado Mining and Refining Limited.....	8.2	8.2	
Export Credits Insurance Corporation.....	164.4	128.2	36.2
Farm Credit Corporation.....	752.5	588.4	164.1
National Capital Commission.....	37.2	32.1	5.1
National Harbours Board.....	222.3	202.8	19.5
Northern Canada Power Commission.....	29.8	29.9	—0.1
Polymer Corporation Limited.....	30.0	30.0	
The St. Lawrence Seaway Authority—			
Loans.....	326.7	326.7	
Deferred interest.....	47.8	45.2	2.6
Interest-free loans.....	90.5	64.0	26.5
	465.0	435.9	29.1
Recovery likely to require parliamentary appropriations—			
Canadian Broadcasting Corporation.....	55.7	26.7	29.0
Canadian Corporation for the 1967 World Exhibition....	175.0	44.0	131.0
National Capital Commission—greenbelt.....	37.2	35.2	2.0
	267.9	105.9	162.0
Other Crown Corporations.....	5.4	1.3	4.1
	6,727.8	5,659.1	1,068.7

Atomic Energy of Canada Limited

At March 31, 1967 there was a balance in this account of \$106 million consisting of an investment of \$15 million by the government in capital stock, and loans of \$91 million of which \$67 million was in respect of the Douglas Point generating station. Comparable amounts at March 31, 1966 were \$78 million consisting of \$15 million in capital stock and loans of \$63 million of which \$48 million was for the Douglas Point generating station.

Canadian Broadcasting Corporation

Advances for working capital during 1966-67 amounted to \$6 million bringing the total to \$9 million as at March 31, 1967. During the year net advances to the corporation for the purpose of capital expenditures amounted to \$29 million, bringing the total of advances to \$56 million at the fiscal year-end. Recovery of these advances is likely to require parliamentary appropriations in subsequent fiscal years.

Canadian Corporation for the 1967 World Exhibition

This account records the acquisition of securities issued by the corporation in accordance with the Canadian Corporation for the 1967 World Exhibition Act. The balance in the account at March 31, 1967 was \$175 million compared with \$44 million at March 31, 1966. Recovery of these advances is likely to require parliamentary appropriations in subsequent fiscal years.

Canadian National Railways (including Air Canada)

Outstanding advances to the Canadian National Railways at March 31, 1967 of \$1,618 million were \$124 million more than the balance of \$1,494 million at the previous fiscal year-end.

TABLE 65
(in millions of dollars)

ADVANCES TO THE CANADIAN NATIONAL RAILWAYS	Balance at March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Capital Revision Act, 1952—			
Preferred stock	1,075.2	1,044.3	30.9
Twenty-year obligation	100.0	100.0	
Financing and Guarantee Act, 1960	27.0	27.0	
Financing and Guarantee Act, 1961	28.4	28.4	
Financing and Guarantee Act, 1965	40.0		40.0
Refunding Act, 1955	323.0	273.0	50.0
Canadian Government Railways	17.0	17.0	
Air Canada	7.3	4.3	3.0
	1,617.9	1,494.0	123.9

During 1966-67 the government made available \$144 million to the company and received repayments of \$20 million, resulting in a net increase of \$124 million in outstanding advances. In 1965-66 advances were \$99 million and repayments were \$39 million.

TABLE 66
(in millions of dollars)

ADVANCES TO, AND REPAYMENTS BY, THE CANADIAN NATIONAL RAILWAYS	Fiscal year ended March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Advances—			
For the refunding of debt.....	50.0	35.0	15.0
For the Financing and Guarantee Act, 1965.....	40.0		40.0
For the financing of income deficits—			
Canadian National Railways.....	16.0	33.4	-17.4
Air Canada.....	7.3	6.0	1.3
Total advances.....	113.3	74.4	38.9
Purchase of 4 per cent preferred stock (C. N. R. Capital Revision Act, 1952).....	30.9	24.1	6.8
	144.2	98.5	45.7
Repayments—			
Advances for interim financing of income deficits—			
Canadian National Railways.....	-16.0	-33.4	17.4
Air Canada.....	-4.3	-5.3	1.0
	-20.3	-38.7	18.4
Net increase or decrease (-) during fiscal year.....	123.9	59.8	64.1

In 1966-67 the government advanced to the company \$90 million for capital purposes and the refunding of debt in the hands of the public.

To assist the company to finance further capital expenditure during the year, the government purchased \$31 million of the 4 per cent preferred stock of the company. This stock is issued under the authority of the Canadian National Railways Capital Revision Act, 1952, in an amount equal to 3 per cent of the gross revenue of the company.

The government also provided the company with temporary loans of \$16 million in respect of its 1966 deficit which were repaid when the company's income deficit of \$25 million was charged to the 1966-67 budgetary expenditures.

At March 31, 1966 temporary loans of \$4 million were outstanding to Air Canada in respect of its 1966 operations. These have been repaid by the company during 1966-67. However, additional loans of \$7 million have been made during 1966-67 in respect of the company's 1967 operations.

Central Mortgage and Housing Corporation

The balance of \$2,942 million in this account at March 31, 1967 was \$489 million higher than at March 31, 1966, and comprised the Crown's investment of \$25 million in the capital of the corporation and \$2,917 million in loans and advances.

Loans and advances to the corporation were \$607 million in 1966-67 and repayments were \$118 million. In 1965-66 advances were \$514 million and repayments were \$199 million.

TABLE 67
(in millions of dollars)

ADVANCES TO, AND REPAYMENTS BY CENTRAL MORTGAGE AND HOUSING CORPORATION	Fiscal year ended March 31		Increase or (decrease -)
	1967 (preliminary)	1966	
Advances—			
Direct lending and limited dividend housing.....	497.7	403.8	93.9
Federal-provincial projects—housing.....	21.5	4.5	17.0
Loan and mortgage purchase fund.....	16.5	30.0	-13.5
Municipal sewage treatment.....	35.0	40.4	-5.4
University housing.....	36.0	35.0	1.0
	606.7	513.7	93.0
Repayments—			
Direct lending and limited dividend housing.....	-86.5	-156.3	69.8
Federal-provincial projects—housing.....	-4.0	-3.3	-0.7
Loan and mortgage purchase fund.....	-14.5	-12.1	-2.4
Municipal sewage treatment.....	-9.6	-23.3	13.7
University housing.....	-0.5	-0.3	-0.2
Acquisition or construction of real estate.....	-3.0	-3.3	0.3
	-118.1	-198.6	80.5
Net increase during the year.....	488.6	315.1	173.5

Advances comprised \$498 million for direct lending and limited dividend housing, \$21 million for federal-provincial projects for housing, \$17 million for the loan and mortgage purchase fund, \$35 million in respect of municipal sewage treatment and \$36 million for university housing.

Repayments of \$118 million included \$87 million for direct lending and limited dividend housing, \$4 million for housing, \$14 million for the loan and mortgage purchase fund, \$10 million for municipal sewage treatment and \$3 million in respect of acquisition or construction of real estate.

Export Credits Insurance Corporation

The outstanding balance of \$164 million in this account at March 31, 1967 consisted of \$5 million for capital stock, \$5 million for working capital and \$154 million for loans under section 21A of the Export Credits Insurance Act. This section of the act authorizes the making of loans, on security of a guaranteed

instrument, to the corporation by the Minister of Finance. Comparable amounts in 1965-66 were \$5 million for capital stock, \$5 million for working capital and \$118 million for loans.

Farm Credit Corporation

The government provides loans to the corporation which makes loans on farm property. The balance of \$753 million in the account at March 31, 1967 consisted of the Crown's investment of \$30 million in the capital of the corporation and \$723 million in loans and advances. At March 31, 1966 the balance was \$588 million consisting of capital investment of \$23 million and loans and advances of \$565 million.

The 1966-67 transactions in the account consisted of additional subscriptions by the government of \$7 million to the capital of the corporation, loans and advances of \$183 million and repayments by the corporation of \$26 million. In 1965-66 additional subscriptions were \$6 million, loans and advances were \$162 million and repayments were \$21 million.

National Capital Commission

Loans to acquire property in the "Greenbelt" area increased by \$2 million during the year bringing the balance to \$37 million. Recovery of these loans is likely to require parliamentary appropriations in subsequent fiscal years.

Loans to acquire property excluding the "Greenbelt" area increased by \$5 million to \$37 million at March 31, 1967.

The St. Lawrence Seaway Authority

Outstanding obligations in this account at March 31, 1967 amounted to \$465 million and comprised \$327 million in interest-bearing loans, \$90 million in interest-free loans and \$48 million in deferred interest. At March 31, 1966 outstanding obligations were \$436 million consisting of \$327 million in interest-bearing loans, \$64 million in interest-free loans and \$45 million in deferred interest.

Other Crown Corporations

Advances to the Canadian Commercial Corporation increased by \$5 million during 1966-67 and advances to the National Harbours Board increased by \$20 million.

Loans to national governments

There was a net decrease of \$24 million in this category bringing total balances to \$1,202 million at March 31, 1967.

The United Kingdom repaid \$19 million of the \$1,185 million loan made under the \$1,250 million credit authorized by the United Kingdom Financial Agreement Act, 1946, reducing the principal to \$976 million at March 31, 1967.

Advances under Part II of the Export Credits Insurance Act to Belgium, France and The Netherlands to assist them in the purchasing of goods in Canada were reduced by a repayment of \$2 million, bringing the balance at March 31, 1967 to \$122 million. The decrease of \$2 million is the regular annual payment by the Government of Belgium.

Special loans by Canada to Colombo plan countries to finance the purchase of wheat and flour from Canada decreased by \$10 million from the previous fiscal year-end balance due to the forgiveness by Canada of the payment by India of the total principal and interest accruing thereon under agreements related to the purchase of Canadian wheat and flour in the amount of \$10 million.

Loans to India for the purchase in Canada of aircraft and associated parts at \$4 million were \$2 million less than at March 31, 1966.

Special loan assistance—developing countries account is an account which records loans, not to exceed \$50 million, which are subject to terms and conditions as the Governor in Council may approve, for the purpose of undertaking agreed-upon economic, educational and technical projects. The balance in the account at March 31, 1967 was \$15 million, an increase of \$10 million.

TABLE 68
(in millions of dollars)

LOANS TO NATIONAL GOVERNMENTS	Balance, at March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Loans to United Kingdom—			
The United Kingdom Financial Agreement Act, 1946...	976.2	995.1	-18.9
Deferred interest.....	83.0	83.0	
	<i>1,059.2</i>	<i>1,078.1</i>	<i>-18.9</i>
Loans under the Export Credits Insurance Act, Part II—			
Belgium.....	23.0	25.4	-2.4
France.....	67.0	67.0	
The Netherlands.....	32.1	32.1	
	<i>122.1</i>	<i>124.5</i>	<i>-2.4</i>
Special loans to Colombo plan countries to finance the purchase of wheat and flour from Canada—			
Ceylon.....	0.3	0.5	-0.2
India.....		9.7	-9.7
	<i>0.3</i>	<i>10.2</i>	<i>-9.9</i>
Miscellaneous loans and advances—			
India—loan for purchase of aircraft and associated spare parts.....	3.7	6.4	-2.7
France—interim credits—consolidated interest.....	0.7	0.7	
Special loan assistance—developing countries.....	15.1	5.2	9.9
Other.....	0.5	0.1	0.4
	<i>20.0</i>	<i>12.4</i>	<i>7.6</i>
	1,201.6	1,225.2	-23.6

Other loans and investments

Balances in these accounts totalled \$1,718 million at March 31, 1967, \$454 million more than at the end of the previous fiscal year.

TABLE 69
(in millions of dollars)

OTHER LOANS AND INVESTMENTS	Balance at March 31		Increase or decrease (—)
	1967 (preliminary)	1966	
Subscriptions to capital of, and working capital advances and loans to, international organizations—			
Canada's subscriptions to capital of—			
Asian development bank.....	2.7		2.7
International bank for reconstruction and development.....	85.0	80.5	4.5
International development association.....	70.7	55.7	15.0
International finance corporation.....	3.5	3.5	
International monetary fund.....	782.7	577.3	205.4
Working capital advances and loans to international organizations.....	7.6	7.7	—0.1
	952.2	724.7	227.5
Loans to provincial governments—			
Alberta.....	5.4	5.9	—0.5
British Columbia.....	10.3	11.2	—0.9
Manitoba.....	9.2	10.0	—0.8
New Brunswick.....	31.7	29.1	2.6
Newfoundland.....	17.7	3.5	14.2
Nova Scotia.....	22.5	7.0	15.5
Saskatchewan.....	26.3	30.0	—3.7
	123.1	96.7	26.4
Veterans land act fund.....	332.8	278.8	54.0
Less reserve for conditional benefits.....	—22.4	—22.6	0.2
	310.4	256.2	54.2
Municipal development and loan board advances.....	236.3	115.5	120.8
Less reserve for forgiveness of indebtedness.....	—5.1	—6.6	1.5
	231.2	108.9	122.3
Miscellaneous—			
Advances to employees re retirement fund and the Canada/Quebec pension plan.....	8.9	4.1	4.8
Assisted passage scheme.....	11.0	6.4	4.6
Balances receivable under agreements of sale of Crown assets.....	1.4	2.4	—1.0
City of Montreal—			
Atwater tunnel.....	1.7	1.8	—0.1
St. Remi tunnel.....	1.0	1.0	
City of Whitehorse.....	1.9	1.9	
Construction of dock and rail facilities for Steep Rock Iron Mines Limited.....	0.7	0.9	—0.2
Crown Assets Disposal Corporation—			
Government equity in agency account.....	2.4	5.0	—2.6
Dominion Coal Company Limited.....	4.5	4.5	
Fraser River Harbour Commission.....	1.2	1.3	—0.1
Hamilton Harbour Commission.....	1.6	1.7	—0.1
Housing project for Canadian forces.....	20.5	20.6	—0.1
Loans to manufacturers of automotive products in Canada.....	12.7	0.1	12.6
Municipal Improvements Assistance Act, 1938.....	0.7	0.8	—0.1
Northwest Territories.....	8.3	6.4	1.9
Ottawa Civil Service recreational association re W. Clifford Clark Memorial Recreational Centre.....	1.0	1.1	—0.1
Toronto Harbour Commission.....	1.5		1.5
Town of Oromocto Development Corporation.....	1.1	1.1	
Yukon Territory.....	8.5	6.6	1.9
Other.....	5.8	4.8	1.0
Recovery likely to require parliamentary appropriations—			
Town of Oromocto, N.B.....	4.2	4.2	
	100.6	76.7	23.9
	1,717.5	1,263.2	454.3

Canada's subscriptions to the capital of international organizations were \$228 million higher due mainly to additional subscriptions of \$15 million to the international development association and \$205 million to the international monetary fund. Working capital advances and loans to international organizations at \$8 million were approximately the same as at the previous fiscal year-end.

Loans to provincial governments totalled \$123 million at March 31, 1967, an increase of \$26 million over the total at the previous fiscal year-end due mainly to increases of \$16 million in loans to Nova Scotia and \$14 million in loans to Newfoundland.

The veterans land act fund was established by An Act to amend the Veterans' Land Act, assented to June 30, 1965, to record advances made under the Veterans' Land Act, not to exceed the amount of \$380 million, for the acquisition, by the Director, of properties, buildings, materials, livestock, farm equipment and commercial fishing equipment for purposes of the act, for sale to qualified veterans of world war 2 and Korea under sales agreements which carry specified conditional benefits if the terms of such agreements are adhered to by the veterans, and for progress payments to veterans during construction of housing. The veterans land act advances and reserve for conditional benefits and the veterans land act housing account are combined in this account. Advances during the year of \$83 million and repayments of \$29 million brought outstanding advances at March 31, 1967 to \$333 million. This was partly offset by a reserve for conditional benefits amounting to \$23 million, resulting in a balance in this account of \$310 million at the fiscal year-end.

Under the Municipal Development and Loan Act advances are made to the Municipal Development and Loan Board to provide financial assistance by way of loans to municipalities to augment or accelerate municipal capital works programs. Where the municipal project in respect of which a loan is made is completed on or before September 30, 1966, the board shall forgive payment by the municipality of 25 per cent of the principal amount of the loan. If a project is not completed as at September 30, 1966, the board shall forgive 25 per cent of that portion of the loan that has been advanced to the municipality as of September 30, 1966.

At March 31, 1967, advances totalled \$236 million, an increase of \$121 million over the total at March 31, 1966. These advances were partly offset by a reserve for forgiveness of indebtedness consisting of amounts charged to budgetary expenditure to cover 25 per cent of the amounts of the advances. At March 31, 1967, there was a reserve of \$5 million compared with \$7 million at March 31, 1966.

Miscellaneous loans and investments totalled \$101 million at March 31, 1967, an increase of \$24 million over the balance at March 31, 1966, due mainly to loans of \$13 million to manufacturers of automotive products in Canada.

Loans to manufacturers of automotive products in Canada were set up under authority of vote L27c, Appropriation Act No. 5, 1965, to record loans in the current and subsequent fiscal years, in accordance with terms and conditions prescribed by the Governor in Council, to assist manufacturers of automotive products in Canada affected by the Canada-United States Agreement on Automotive Products to adjust and expand their production; such loans to be made

for the purpose of acquisition, construction, installation, modernization, development, conversion or expansion of land, buildings, equipment, facilities or machinery and for working capital. Loans to these manufacturers amounted to \$13 million in 1966-67 compared with \$125 thousand in 1965-66.

Securities held in trust

Recorded herein are the security holdings in connection with various deposit and trust accounts and annuity, insurance and pension accounts. Bonds and certified cheques held in connection with contractors' securities included in the deposit and trust category are also recorded under this heading. The balance at March 31, 1967, was \$51 million, a decrease of \$1 million from the previous fiscal year.

Deferred charges

The balance of \$582 million in this account was \$326 million more than at March 31, 1966, reflecting increases of \$311 million in the unamortized portions of actuarial deficiencies in the superannuation accounts and \$15 million in unamortized loan flotation costs.

TABLE 70
(in millions of dollars)

DEFERRED CHARGES	Balance at March 31		Increase or decrease (-)
	1967 (preliminary)	1966	
Unamortized portions of actuarial deficiencies—			
Canadian forces superannuation account.....	260.2	53.6	206.6
Public service superannuation account.....	189.4	93.6	95.8
Royal Canadian Mounted Police superannuation account.....	11.0	3.1	7.9
	460.6	150.3	310.3
Unamortized loan flotation costs.....	121.6	106.2	15.4
	582.2	256.5	325.7

Unamortized portions of actuarial deficiencies

At March 31, 1967 these totalled \$461 million compared with \$150 million at March 31, 1966, an increase of \$311 million.

Any actuarial deficiencies revealed by quinquennial valuations are credited to the superannuation accounts and charged to this account and amortized to budgetary expenditure in five equal annual instalments commencing in the fiscal year in which the report is laid before parliament. Also, the cost of benefits payable under the superannuation acts as a result of the authorization of salary increases are credited to the superannuation accounts and charged to this account, and amortized to budgetary expenditure over a period of five years commencing in the year in which the increase is authorized.

The unamortized portion of the actuarial deficiency in the Canadian forces superannuation account was \$260 million compared with \$54 million at March 31, 1966. During the year \$279 million was charged thereto as a result of the quinquennial actuarial valuation, made as at December 31, 1965, of the Canadian forces superannuation account and \$73 million was amortized as a charge to budgetary expenditure.

The unamortized portion of the public service superannuation account was \$190 million compared with \$94 million at March 31, 1966. During the year \$152 million was charged thereto as a result of salary increases and \$56 million was amortized as a charge to budgetary expenditure.

The unamortized portion of the actuarial deficiency in the Royal Canadian Mounted Police superannuation account was \$11 million compared with \$3 million at March 31, 1966. During the year \$11 million was charged thereto as a result of salary increases and \$3 million was amortized as a charge to budgetary expenditure.

Unamortized loan flotation costs

This account records the residual balances of discounts, commissions, redemption bonuses and conversion premiums on loan flotations that have not been charged to budgetary expenditures. The balance of \$122 million was \$15 million more than the previous fiscal year-end balance.

TABLE 71
(in millions of dollars)

UNAMORTIZED LOAN FLOTATION COSTS	Fiscal year ended March 31	
	1967 (preliminary)	1966
Balance of account at beginning of fiscal year.....	106.2	110.8
New loan flotation costs to be amortized—		
4½% loan May 1, 1966—April 1, 1967.....	1.8	
5% loan May 1, 1966—July 1, 1970.....	0.9	
5½% loan May 1, 1966—August 1, 1980.....	3.6	
4½% loan September 1, 1966—October 1, 1967.....	2.6	
5½% loan September 1, 1966—October 1, 1969.....	1.3	
5½% loan September 1, 1966—September 1, 1992.....	2.2	
5½% loan December 15, 1966—September 1, 1992.....	2.9	
5½% loan December 15, 1966—January 15, 1968.....	0.6	
5½% loan December 15, 1966—December 15, 1970.....	1.9	
5½% loan February 1, 1967—October 1, 1975.....	1.2	
5½% loan February 1, 1967—August 1, 1980.....	0.7	
5½% loan February 1, 1967—September 1, 1982.....	0.2	
Adjustments ⁽¹⁾		5.9
Treasury bills discount.....	20.9	16.5
Canada savings bonds—adjustment previous issues.....	0.5	0.8
Canada savings bonds—new issue.....	20.6	7.4
4½% loan July 1, 1965—June 1, 1967.....		0.3
5% loan July 1, 1965—July 1, 1970.....		1.4
3½% loan September 1, 1965—September 1, 1966.....		2.2
5½% loan September 1, 1965—October 1, 1969.....		0.1
4% loan December 1, 1965—December 15, 1966.....		1.8
5½% loan December 1, 1965—April 1, 1969.....		0.1
5½% loan December 1, 1965—October 1, 1975.....		0.2
4% loan February 1, 1966—April 1, 1967.....		2.3
5½% loan February 1, 1966—August 1, 1980.....		0.4
	61.9	39.4
Less—		
Amortization applicable to fiscal year—		
Canada savings bonds and general loans.....	-30.0	-30.8
Discount on treasury bills charged to interest on public debt.....	-16.5	-13.2
	-46.5	-44.0
Increase or decrease (-) during the year.....	15.4	-4.6
Balance of account at end of fiscal year.....	121.6	106.2

⁽¹⁾ Adjustments due to additional issues of existing loans.

Cost of new loans issued during 1966-67 and charged to the account amounted to \$62 million, of which \$21 million is in respect of treasury bills discounts which will be charged to interest on public debt in 1967-68. Credits to the account are \$46 million, of which \$30 million is a charge to the budgetary item "annual amortization costs" and \$16 million (representing discount applicable to 1966-67 on treasury bills sold in 1965-66) is a charge to the budgetary item "interest on public debt".

Treasury bills discounts applicable to the current fiscal year are charged to interest on public debt at time of sale. That portion of the discounts applicable to the subsequent fiscal year is charged to this account and transferred to interest on public debt in the following year.

Capital assets

Assets of the government such as land, buildings, works and equipment, etc., that are charged to budgetary expenditure at the time of acquisition or construction, are included in this category and are shown on the statement of assets and liabilities at a nominal value of \$1.

Inactive loans and investments

Loans and investments which are not currently revenue-producing or realizable are recorded herein. Included are the loan of \$49 million to China under the Export Credits Insurance Act, loans of \$24 million and \$7 million made to Roumania and Greece in 1919-20 and 1920-21 respectively and advances of \$15 million in respect of the implementation of guarantees (Ming Sung Industrial Company Limited).

Reserve for losses on realization of assets

The balance of this account at March 31, 1967 was \$546 million, unchanged from the end of the previous fiscal year.

NET DEBT

The net debt of Canada, or the excess of liabilities over net recorded assets, was \$15,971 million at March 31, 1967, \$428 million higher than at March 31, 1966 reflecting the 1966-67 budgetary deficit of \$428 million.

THE CASH POSITION

The government's bank balances represent current deposits to the credit of the Receiver General of Canada in the Bank of Canada, chartered banks in Canada and certain banks in London, New York, Paris and Bonn. These balances totalled \$625 million at March 31, 1967, a decrease of \$8 million from the balance of \$633 million at March 31, 1966.

The cash position of the government is affected not only by budgetary transactions but also by changes in the government's unmatured debt and other non-budgetary transactions. Non-budgetary transactions are those which affect the government's assets and liability accounts and must be taken into account when considering the full scope of the government's financial operations and their effect on the economy of the country.

On the asset side, the non-budgetary transactions consist, for the most part, of loans and advances to, and repayments by, Crown corporations and other government agencies and funds (including the old age security fund), national, provincial and municipal governments, international organizations, veterans and other borrowers. On the liability side they relate mainly to receipts and payments in connection with the many deposit and trust accounts, and annuity, insurance and pension funds held or administered by the government.

The following statement summarizes both the budgetary and non-budgetary transactions for 1966-67 and indicates how they affected the government's cash position. For purposes of comparison the corresponding figures for 1965-66 are also shown.

TABLE 72
(in millions of dollars)

CHANGES IN CASH POSITION	Fiscal year ended March 31	
	1967 (preliminary)	1966
Budgetary transactions—		
Revenue.....	8,366.0	7,695.8
Expenditure.....	-8,794.0	-7,734.8
Deficit.....	-428.0	-39.0
Non-budgetary transactions (excluding unmatured debt transactions)—		
Receipts and credits (net).....	2,466.9	710.1
Disbursements and charges (net).....	-2,757.9	-831.0
Net amount required for non-budgetary transactions...	-291.0	-120.9
Overall cash requirement to be financed by increase in unmatured debt or decrease in cash balances..	-719.0	-159.9
Net increase in unmatured debt outstanding in the hands of the public—		
Unmatured debt—		
Canada savings bonds.....	283.2	180.8
Marketable issues.....	269.4	-160.3
Treasury bills.....	160.0	10.0
Special issues—		
Unemployment Insurance Commission.....	116.0	101.0
Canada pension plan.....	1.8	0.1
	<i>830.4</i>	<i>131.6</i>
Securities investment account.....	-116.2	-19.0
Investments held for retirement of unmatured debt....	-3.2	
	711.0	112.6
Net increase or decrease (-) in Receiver General bank balances.....	-8.0	-47.3

In 1966-67 a deficit of \$428 million in budgetary transactions and net disbursements of \$291 million for non-budgetary transactions (excluding unmatured debt transactions) resulted in a net cash requirement of \$719 million for the fiscal year. As transactions in unmatured debt during the year resulted in an increase of \$711 million in outstanding unmatured debt as at March 31, 1967,

Receiver General bank balances were reduced by \$8 million. In 1965-66 the budgetary deficit of \$39 million and net disbursements of \$121 million from non-budgetary transactions resulted in a cash requirement of \$160 million. As outstanding unmatured debt increased by \$113 million, Receiver General bank balances were reduced by \$47 million.

Non-budgetary receipts and credits (excluding unmatured debt transactions)

Non-budgetary receipts and credits of \$2,467 million in 1966-67 included \$1,529 million in respect of annuity, insurance and pension accounts, \$404 million in repayments of loans, investments and advances and \$534 million in sundry other accounts.

Further details are given in the following table:

TABLE 73
(in millions of dollars)

NON-BUDGETARY RECEIPTS AND CREDITS (NET)	Fiscal year ended March 31	
	1967 (preliminary)	1966
Repayments of loans, investments and advances—		
Agricultural commodities stabilization account.....	4.5	17.8
Exchange fund account.....	341.0	-75.0
Canadian Overseas Telecommunication Corporation.....	2.7	2.6
Special United States of America securities (Columbia River Treaty)...	32.2	32.2
National governments.....	23.6	-18.6
	404.0	-41.0
Annuity, insurance and pension accounts—		
Public service superannuation account.....	307.6	228.6
Canadian forces superannuation account.....	392.8	156.1
Royal Canadian Mounted Police superannuation account.....	19.6	7.7
Canada pension plan account.....	591.2	89.4
Old age security fund.....	212.6	217.0
Other.....	5.3	17.5
	1,529.1	716.3
Other receipts and credits—		
Outstanding treasury cheques.....	49.9	17.8
Accounts payable.....	76.7	16.4
Non-interest-bearing notes payable on demand.....	111.0	-112.5
Matured debt.....	3.4	8.2
Interest due and outstanding.....	2.1	8.9
Interest accrued.....	32.9	23.1
Post office outstanding money orders.....	9.2	0.9
Deposit and trust.....	9.4	30.4
Provincial tax-collection agreements account.....	25.5	17.5
Surplus Crown assets (Department of National Defence).....	15.2	9.1
Provision for estimated premium on redemption of bonds.....	2.3	15.0
Refundable corporation tax.....	196.2	
	533.8	34.8
	2,466.9	710.1

Non-budgetary disbursements and charges (excluding unmatured debt transactions)

Non-budgetary disbursements and charges of \$2,758 million in 1966-67 included \$1,594 million for loans, investments and advances and \$1,164 million in other charges.

Further details are given in the following table:

TABLE 74
(in millions of dollars)

NON-BUDGETARY DISBURSEMENTS AND CHARGES (NET)	Fiscal year ended March 31	
	1967 (preliminary)	1966
Loans, investments and advances—		
Defence production revolving fund.....	14.6	-7.6
Royal Canadian Mint working capital advance.....	3.1	-3.9
Stockpiling of uranium concentrates.....	20.1	12.7
Atomic Energy of Canada Limited.....	28.4	11.9
Canadian Broadcasting Corporation.....	35.0	12.5
Canadian Commercial Corporation.....	4.5	2.0
Canadian Corporation for the 1967 World Exhibition.....	131.0	44.0
Canadian National Railways (including Air Canada).....	123.9	59.8
Central Mortgage and Housing Corporation.....	488.6	315.1
Export Credits Insurance Corporation.....	36.2	36.4
Farm Credit Corporation.....	164.1	147.0
National Capital Commission.....	7.1	7.4
National Harbours Board.....	19.5	3.0
The St. Lawrence Seaway Authority.....	29.1	26.7
Subscriptions to capital of international organizations.....	227.5	
Provincial governments.....	26.4	-1.7
Veterans land act fund.....	54.2	24.1
Municipal Development and Loan Board advances.....	122.3	101.3
Loans to manufacturers of automotive products in Canada.....	12.6	0.1
International bank for reconstruction and development (bonds).....	25.0	
Other.....	20.4	2.6
	<i>1,593.6</i>	<i>793.4</i>
Other disbursements and charges—		
Refundable corporation tax.....	(1)187.9	
Cash in hands of collectors and in transit.....	30.9	-43.9
Canada pension plan investment fund.....	580.6	34.9
Deferred charges.....	325.7	47.9
Deferred credits.....	0.5	-24.9
International assistance account.....	17.1	3.6
Other.....	21.6	20.0
	<i>1,164.3</i>	<i>37.6</i>
	2,757.9	831.0

(1) In addition, \$8.3 million is included in "cash in hands of collectors and in transit".

THE PUBLIC DEBT

Gross and net debt

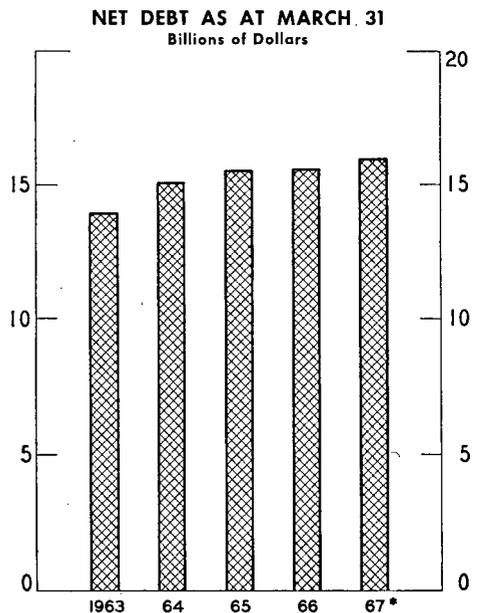
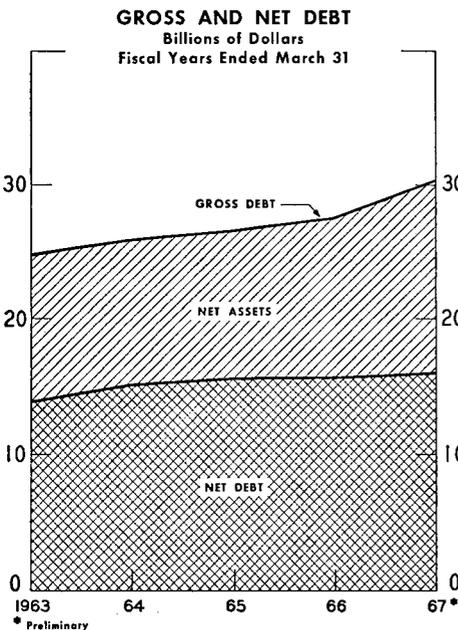
The gross debt of Canada, or the total of liabilities as recorded on the statement of assets and liabilities, was \$30,350 million at March 31, 1967, an increase of \$2,867 million over the total at March 31, 1966. The main changes were increases of \$1,529 million in annuity, insurance and pension accounts, \$830 million in unmatured debt, \$283 million in current and demand liabilities and \$231 million in deposit and trust accounts. Unmatured debt at \$19,940 million represented 66 per cent of the total and annuity, insurance and pension accounts

at \$7,921 million represented 26 per cent. At March 31, 1966 unmatured debt was \$19,110 million or 70 per cent and annuity, insurance and pension accounts totalled \$6,392 million or 23 per cent.

The government's net recorded assets were \$14,379 million at March 31, 1967 an increase of \$2,439 million over the total at March 31, 1966. The main changes were increases of \$1,069 million in loans to, and investments in, Crown corporations, \$581 million in the Canada pension plan investment fund, \$454 million in other loans and investments, \$380 million in current assets and \$326 million in deferred charges partly offset by a decrease of \$341 million in advances to the exchange fund account. Loans to, and investments in, Crown corporations

TABLE 75
STATEMENT OF PUBLIC DEBT, UNMATURED DEBT, NET RECORDED ASSETS AND NET DEBT OF CANADA
(in millions of dollars)

As at March 31	Gross Public Debt			Less net recorded assets	Net debt	Increase in net debt during fiscal year
	Unmatured debt	Other liabilities	Total			
1963	17,961.8	6,837.4	24,799.2	10,879.5	13,919.7	691.6
1964	18,740.1	7,183.3	25,923.4	10,853.3	15,070.1	1,150.4
1965	18,978.2	7,585.7	26,563.9	11,059.5	15,504.4	434.3
1966	19,109.8	8,373.1	27,482.9	11,939.5	15,543.4	39.0
1967 (preliminary)	19,940.2	10,409.8	30,350.0	14,378.6	15,971.4	428.0



represented 47 per cent of the total and advances to the exchange fund represented 16 per cent. At March 31, 1966 loans to, and investments in, Crown corporations were \$5,659 million or 47 per cent and advances to the exchange fund were \$2,696 million or 23 per cent.

The net debt of Canada was \$15,971 million at March 31, 1967 reflecting an increase of \$428 million, equivalent to the 1966-67 budgetary deficit.

Unmatured debt

Total unmaturred debt of \$19,940 million was \$830 million more than the balance at March 31, 1966.

The government's holdings of its own securities as at March 31, 1967 was comprised of \$198 million in the securities investment account (of which \$37 million was in respect of the employees instalment purchase plan) and \$3 million in investments held for retirement of unmaturred debt. This was an increase of \$120 million over the previous fiscal year-end total when holdings were \$82 million in the securities investment account (of which \$32 million was in respect of the employees instalment purchase plan).

Of the total unmaturred debt, \$19,574 million is payable in Canada and \$366 million in New York. Securities payable in New York have been valued at the official parity rate of \$1 U.S. = \$1.08108 Canadian.

TABLE 76
(in millions of dollars)

UNMATURED DEBT TRANSACTIONS	Fiscal year ended March 31	
	1967 (preliminary)	1966
Balance at beginning of year.....	19,110	18,978
New issues—		
For cash—		
Canada savings bonds series 19.....		86
Canada savings bonds series 20.....	50	868
Canada savings bonds series 21.....	2,272	
Marketable bonds.....	1,500	1,550
Non-marketable bonds (Unemployment Insurance Commission).....	157	(1) 144
Non-marketable bonds (Canada pension plan).....	2	
Treasury bills (net).....	160	10
	<u>4,141</u>	<u>2,658</u>
Less—		
Matured marketable bonds.....	-1,231	-1,710
Redeemed non-marketable bonds (Unemployment Insurance Commission).....	-41	-43
Canada savings bonds redeemed or matured.....	-2,039	-773
	<u>-3,311</u>	<u>-2,526</u>
Increase in unmaturred debt.....	830	132
Balance at end of year.....	19,940	19,110

(1) There was an issue of \$102,000 in 1965-66.

Summary of security issues, maturities and redemptions

Excluding the refunding of treasury bills which mature weekly, the government has issued securities of \$4,141 million and redemptions and maturities totalled \$3,311 million.

Net sales of Canada savings bonds series 21 were \$2,272 million and additional sales of series 20 were \$50 million. Redemptions and maturities of series 9 to 20 totalled \$2,039 million. The net increase for all series was \$283 million bringing the total of outstanding Canada savings bonds to \$6,016 million.

Treasury bills in the amount of \$2,310 million consisted of \$1,430 million in three-month bills, \$780 million in six-month bills and \$100 million in ten-month bills.

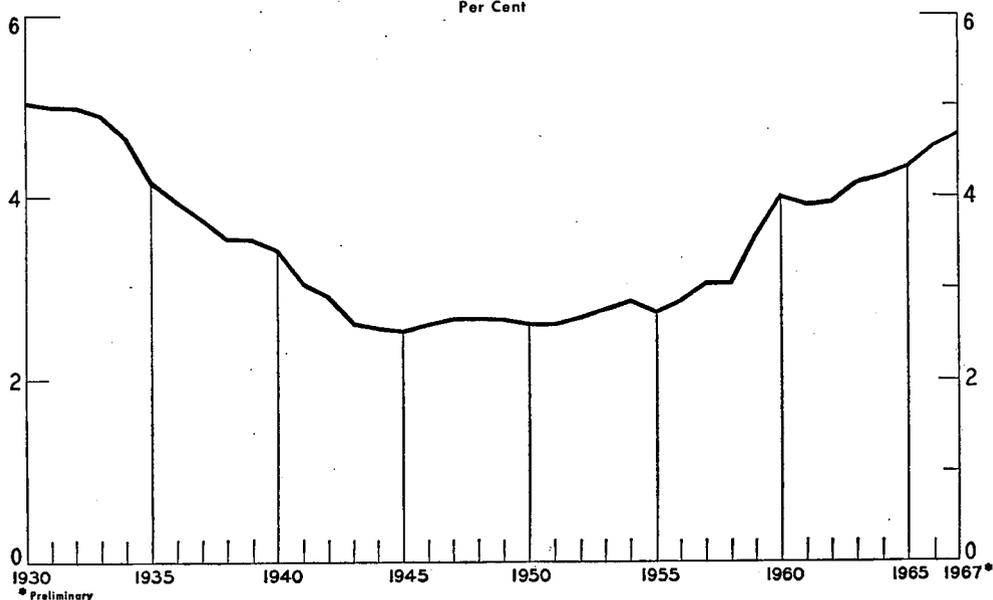
TABLE 77
DEBT MATURED OR REDEEMED DURING THE FISCAL YEAR ENDED MARCH 31, 1967
(in millions of dollars)

	Matured	Redeemed	Total
Marketable bonds—			
3½% 1965-66.....CT16	325.0		325.0
3% 1964-66.....P7	245.2		245.2
3½% 1965-66.....CT20	205.0		205.0
4½% 1961-66.....AT 6	175.0		175.0
4½% 1963/64-66.....CT 5	125.0		125.0
4% 1965-66.....CT22	150.0		150.0
5% 1962-87 (N.Y. loan).....		5.4	5.4
	1,225.2	5.4	1,230.6
Non-marketable bonds—			
Canada savings bonds S9.....	22.7		22.7
Canada savings bonds S9-20.....		2,016.0	2,016.0
Unemployment Insurance Commission, 4½%.....		41.0	41.0
	1,247.9	2,062.4	3,310.3

TABLE 78
NEW SECURITIES ISSUED DURING FISCAL YEAR ENDED MARCH 31, 1967
(in millions of dollars)

	Price to government	Yield at price to government	Total amount issued	Amount issued for cash
Marketable bonds—				
		per cent		
4½% 1966-67.....F 1	98.90	5.49	155.0	155.0
5% 1966-70.....F 2	98.00	5.54	40.0	40.0
5½% 1966/67-80.....F 3	98.00	5.71	160.0	160.0
4½% 1966-67.....F 4	98.60	5.60	175.0	175.0
5½% 1966-69.....F 5	99.625	5.88	250.0	250.0
5½% 1966-92.....F 6	97.50	5.94	175.0	175.0
5½% 1967-92.....F 6	100.75	5.69	50.0	50.0
5½% 1966-68.....F 7	99.60	5.88	125.0	125.0
5½% 1966-70.....F 8	99.50	5.89	300.0	300.0
5½% 1967-75.....F 9	98.625	5.70	70.0	70.0
			1,500.0	1,500.0
Non-marketable bonds—				
Unemployment Insurance Commission—				
5½%.....	100.00	5.25	89.0	89.0
5½%.....	100.00	5.50	68.0	68.0
Canada savings bonds—				
Nov. 1, 1965—Nov. 1, 1977,				
4½-5½%.....S 20	100.00	5.03	50.4	50.4
Nov. 1, 1966—Nov. 1, 1979,				
5-6% (net).....S 21	100.00	5.48	2,271.5	2,271.5
Canada pension plan—				
5.36-5.61%.....	100.00		1.8	1.8
Weekly treasury bills (net).....				
			160.0	160.0
			4,140.7	4,140.7

AVERAGE INTEREST RATE ON UNMATURED DEBT

As At March 31
Per Cent

Interest rates

The average interest rate on the government's unmatured debt rose to 4.69 per cent during the fiscal year from 4.55 per cent at March 31, 1966.

The yield on three-month treasury bills which was 5.06 per cent at tender on March 31, 1966 was 4.13 per cent at tender on March 30, 1967.

The yield on six-month treasury bills which was 5.30 per cent at tender on March 31, 1966 was 4.11 per cent at tender on March 30, 1967.

The following table shows the high and low yields together with the yield on the latest issues for the fiscal years 1962-63 to 1966-67 inclusive:

TABLE 79
TREASURY BILL YIELDS AT TENDER

FISCAL YEAR ENDED MARCH 31	High per cent	Low per cent	Last issue per cent
Three-month bills—			
1963.....	5.51	3.04	3.62
1964.....	3.90	3.19	3.88
1965.....	3.87	3.53	3.62
1966.....	5.06	3.61	5.06
1967.....	5.20	4.10	4.13
Six-month bills—			
1963.....	5.74	3.19	3.74
1964.....	4.06	3.30	4.04
1965.....	4.06	3.69	3.73
1966.....	5.30	3.71	5.30
1967.....	5.33	4.04	4.11
Ten-month bills.....	4.51	4.51	4.51

Indirect debt or contingent liabilities

In addition to the direct debt as set out in the statement of assets and liabilities, the government has assumed certain indirect or contingent liabilities. These consist of securities of the Canadian National Railways, guaranteed as to principal and interest, the guarantees of insured loans made by chartered banks and other approved lending institutions under the National Housing Act, deposits maintained by the chartered banks in the Bank of Canada, advances under the Export Credits Insurance Act and bank loans under a number of Federal Statutes.

TABLE 80
SUMMARY OF INDIRECT DEBT OR CONTINGENT LIABILITIES (preliminary)

	Amount of guarantee	Amount outstanding
	\$	\$
Railway securities guaranteed as to principal and interest ⁽¹⁾ —		
1. Canadian National 4½% due April 1, 1967.....	72,300,000	72,300,000
2. Canadian National 5% due May 15, 1968.....	55,800,000	55,800,000
3. Canadian National 2½% due September 15, 1969.....	70,000,000	70,000,000
4. Canadian National 2½% due January 16, 1971.....	40,000,000	40,000,000
5. Canadian National 5½% due December 15, 1971.....	190,561,500	190,561,500
6. Canadian National 3½% due February 1, 1974.....	200,000,000	200,000,000
7. Canadian National 2½% due June 15, 1975, U.S. \$6,000,000 ⁽²⁾	6,486,486	6,486,486
8. Canadian National 5% due May 15, 1977.....	83,925,000	83,925,000
9. Canadian National 4% due February 1, 1981.....	300,000,000	300,000,000
10. Canadian National 5½% due January 1, 1985.....	98,500,000	98,500,000
11. Canadian National 5% due October 1, 1987.....	158,375,000	158,375,000
	1,275,947,986	1,275,947,986
Other outstanding guarantees and contingent liabilities—		
12. Deposits maintained by the chartered banks in the Bank of Canada ⁽¹⁾	Unstated	1,133,996,567
13. Loans made by lenders under Part IV of the National Housing Act, 1954, for home extensions and improvements ⁽³⁾	25,000,000	18,693,000
14. Insured loans made by approved lenders under the National Housing Act, 1954 ⁽³⁾	9,500,000,000	5,789,000,000
15. Liability for insurance and guarantees and other commitments with respect to long-term financing under sections 20 and 21A of the Exports Credits Insurance Act ⁽³⁾	1,100,000,000	485,354,000
16. Loans made by chartered banks under the Farm Improvement Loans Act ⁽³⁾	120,173,000	82,116,000
17. Loans made by chartered banks under the Veterans' Business and Professional Loans Act ⁽³⁾	2,000	2,000
18. Loans made by chartered banks and credit unions under the Fisheries Improvement Loans Act ⁽³⁾	2,700,000	525,000
19. Loans made by chartered banks under the Small Businesses Loans Act ⁽³⁾	14,434,000	14,434,000
20. Loans made by chartered banks and credit unions under the Canada Student Loans Act ⁽⁴⁾	160,230,000	115,600,000
21. Notes issued by the Canadian Corporation for the 1967 World Exhibition ⁽¹⁾	Unstated	166,000,000
22. Loans made by chartered banks to the Canadian Wheat Board ⁽⁵⁾	565,698,000	321,482,000
		8,127,202,567
23. Loans maintained by approved lending institutions under National Housing Acts prior to 1954 Act.....	Unstated	Indeterminate
24. Guarantees to owners of returns from moderate rental housing projects ⁽⁶⁾	Unstated	Indeterminate

(1) As of March 15, 1967.

(2) Converted at \$1.08108 Canadian official parity rate.

(3) As of December 31, 1966.

(4) As of December 31, 1966. Includes contingent liability in respect of alternative payments to non-participating province.

(5) As of February 28, 1967.

(6) As of December 31, 1966, funds totalling \$4,135,376 were held by the Central Mortgage and Housing Corporation. In 1966 rental contracts totalled \$13,112,000.

SUPPLEMENTARY DETAILED TABLES

REVENUE

EXPENDITURE

ANNUAL CHANGES IN LOANS AND INVESTMENTS

UNMATURED DEBT

STATEMENT OF REVENUE FOR THE LAST FIVE FISCAL YEARS

(in millions of dollars)

	1962-63	1963-64	1964-65	1965-66	1966-67 (preliminary)
Tax Revenue—					
Income tax—					
Personal ⁽¹⁾	1,744.6	1,865.1	2,103.3	2,142.5	2,472.0
Corporation ⁽¹⁾	1,182.8	1,259.0	1,523.8	1,606.6	1,593.0
On dividends, interest, etc., going abroad..	129.2	124.5	143.7	170.0	204.0
	<i>3,056.6</i>	<i>3,248.6</i>	<i>3,770.8</i>	<i>3,919.1</i>	<i>4,269.0</i>
Excise taxes—					
Sales tax ⁽¹⁾⁽²⁾	806.0	946.1	1,204.6	1,395.1	1,513.0
Other taxes—					
Automobiles.....	(3)	(3)	(3)		
Cigarettes, tobacco and cigars.....	217.8	226.9	218.3	238.1	248.0
Electric power export.....	0.5	0.1	(3)		
Jewellery, watches, ornaments, etc.....	5.8	6.4	6.9	7.9	9.5
Matches and lighters.....	1.2	1.3	1.2	1.2	1.2
Television sets, radios and phonographs.....	19.9	22.0	23.5	27.0	32.8
Toilet preparations.....	10.2	11.1	12.8	14.1	16.0
Wines.....	3.7	3.8	4.1	4.4	4.8
Sundry commodities.....	1.2	1.3	1.4	2.2	1.4
Interest and penalties.....	0.5	0.8	1.2	1.6	1.8
Less refunds.....	-0.4	-0.3	-0.3	-0.3	-0.5
	<i>260.4</i>	<i>273.4</i>	<i>269.1</i>	<i>296.2</i>	<i>315.0</i>
Customs import duties.....	645.0	581.4	622.1	685.5	777.0
Excise duties—					
Spirits.....	122.1	129.4	134.7	157.0	159.1
Beer.....	98.2	102.9	105.4	107.9	112.1
Cigarettes, tobacco and cigars.....	166.5	165.7	177.2	187.1	196.5
Licences.....	(3)	(3)	(3)	(3)	(3)
Less refunds.....	-4.9	-4.7	-5.9	-6.1	-6.7
	<i>381.9</i>	<i>393.3</i>	<i>411.4</i>	<i>446.9</i>	<i>461.0</i>
Estate tax ⁽⁴⁾	87.1	90.6	88.6	108.3	100.8
Miscellaneous tax revenue.....	(3)	0.1	0.2	0.2	0.2
Total tax revenue.....	5,237.0	5,533.5	6,366.8	6,850.3	7,436.0
Non-Tax Revenue—					
Return on investments.....	311.9	366.4	422.7	438.3	517.0
Post office—net postal revenue.....	192.8	200.7	230.4	237.5	254.0
Other.....	137.0	152.6	160.4	169.7	159.0
Total non-tax revenue.....	641.7	719.7	813.5	845.5	930.0
Total revenue.....	5,878.7	6,253.2	7,180.3	7,695.8	8,366.0

⁽¹⁾Excluding credits to:

	1962-63	1963-64	1964-65	1965-66	1966-67 (preliminary)
Old age security fund—					
Personal income tax.....	273.7	302.6	431.9	494.9	576.0
Corporation income tax.....	115.2	115.7	145.2	152.3	150.0
Sales tax.....	302.2	331.8	383.2	522.1	560.0
Canada pension plan account—					
Personal income tax.....				94.9	588.8

⁽²⁾Net after deduction of refunds and drawbacks as well as transfers to the old age security fund.⁽³⁾Less than \$50,000.⁽⁴⁾Includes duties levied under the Dominion Succession Duty Act.

STATEMENT OF EXPENDITURE BY DEPARTMENTS AND MAJOR CATEGORIES
FOR THE LAST FIVE FISCAL YEARS

(in millions of dollars)

	1962-63	1963-64	1964-65	1965-66	1966-67 (preliminary)
AGRICULTURE—					
Administration and general.....	3.3	3.6	4.1	4.7	4.2
Board of Grain Commissioners.....	6.2	6.7	6.6	7.2	7.8
Farm Credit Corporation—net operating loss.....		1.1	0.5	1.0	2.6
Health of animals.....	13.4	13.2	13.5	15.0	16.2
Production and marketing, including grants and other assistance—					
Administration and general.....	9.9	3.2	3.0	21.7	3.3
Agricultural commodities stabilization account—net operating loss	71.9	122.2	57.1	39.4	90.0
Agricultural products board account—net operating loss.....	0.9	1.0	0.3	1.6	5.7
Animal and animal products.....	14.3	16.3	17.7	18.3	19.7
Plant and plant products.....	8.7	7.1	7.7	16.4	20.3
Rehabilitation and reclamation projects.....	27.8	23.7	26.4	28.4	24.9
Research.....	27.0	27.6	28.8	32.6	35.4
	185.4	225.7	165.7	186.8	230.1
ATOMIC ENERGY.....	63.2	45.9	46.5	54.4	60.2
AUDITOR GENERAL'S OFFICE.....	1.2	1.3	1.6	1.7	2.1
BOARD OF BROADCAST GOVERNORS.....	0.4	0.3	0.4	0.4	0.6
CANADIAN BROADCASTING CORPORATION—					
Grants in respect of the net operating requirements of the national broadcasting service.....	79.0	85.7	85.9	95.1	112.5
International broadcasting service..	1.8	1.9	2.1	2.4	2.8
	80.8	87.6	88.0	97.5	115.3
CENTRAL MORTGAGE AND HOUSING CORPORATION.....	8.7	13.5	15.0	21.6	20.1
OFFICE OF THE CHIEF ELECTORAL OFFICER.....	11.8	11.9	0.6	13.0	0.9
DEFENCE PRODUCTION—					
Defence expenditure.....	24.2	25.0	27.4	23.0	33.0
Non-defence expenditure.....	1.9	1.9	3.1	8.2	9.4
	26.1	26.9	30.5	31.2	42.4
DOMINION BUREAU OF STATISTICS.....	11.9	12.3	13.5	15.6	26.7
ENERGY, MINES AND RESOURCES—					
Administration and general.....	47.2	40.7	42.5	54.6	59.5
Dominion Coal Board.....	20.4	20.6	23.2	23.4	38.0
Emergency gold mining assistance..	15.2	15.0	15.7	14.8	15.0
National Energy Board.....	0.5	0.6	0.7	0.9	1.1
Water resources branch.....	5.5	10.3	12.2	13.6	14.8
	88.8	87.2	94.3	107.3	128.4
EXTERNAL AFFAIRS—					
Administration and general.....	23.4	26.2	29.8	34.5	39.2
Assessments, contributions and other payments to international organizations and international multilateral economic and special aid programs.	15.3	22.4	20.0	32.0	31.3
External aid.....	46.5	48.4	81.4	86.0	159.7
	85.2	97.0	131.2	152.5	230.2
FINANCE—					
Administration and general.....	18.3	7.7	7.2	9.8	21.3
Office of the Comptroller of the Treasury.....	23.3	23.8	24.9	25.4	29.2
Grants to municipalities in lieu of taxes.....	29.2	31.5	35.7	36.8	37.6

STATEMENT OF EXPENDITURE BY DEPARTMENTS AND MAJOR CATEGORIES
FOR THE LAST FIVE FISCAL YEARS—*Continued*
(in millions of dollars)

	1962-63	1963-64	1964-65	1965-66	1966-67 (preliminary)
FINANCE—<i>Concluded</i>					
Municipal Development and Loan Board.....		0.1	2.7	33.9	41.8
Public debt charges including interest and amortization.....	917.8	993.7	1,051.3	1,110.9	1,188.0
Subsidies and fiscal arrangements payments to provinces.....	275.3	254.3	358.4	466.0	515.5
	<i>1,263.9</i>	<i>1,311.1</i>	<i>1,480.2</i>	<i>1,682.8</i>	<i>1,833.4</i>
FISHERIES.....	23.3	23.7	25.6	34.5	41.2
FORESTRY AND RURAL DEVELOPMENT—					
Administration and general.....	16.2	18.5	20.6	22.0	25.6
Freight assistance and grain storage costs.....	14.4	18.7	19.1	21.0	21.0
Rural development—rehabilitation and reclamation projects including payments to provinces.....	1.2	4.6	10.0	14.1	19.9
	<i>31.8</i>	<i>41.8</i>	<i>49.7</i>	<i>57.1</i>	<i>66.5</i>
GOVERNOR GENERAL AND LIEUTENANT-GOVERNORS.....	0.5	0.5	0.7	0.7	0.8
INDIAN AFFAIRS AND NORTHERN DEVELOPMENT—					
Indian affairs.....	51.0	55.6	64.8	81.7	104.3
Northern development.....	69.2	58.6	62.5	74.7	93.7
	<i>120.2</i>	<i>114.2</i>	<i>127.3</i>	<i>156.4</i>	<i>198.0</i>
INDUSTRY—					
Defence expenditure.....	8.0	19.0	20.5	23.9	21.3
Non-defence expenditure.....	0.4	0.7	3.3	5.4	13.4
	<i>8.4</i>	<i>19.7</i>	<i>23.8</i>	<i>29.3</i>	<i>34.7</i>
INSURANCE.....	1.4	1.4	1.4	1.5	1.7
JUSTICE.....	8.4	9.9	10.7	11.4	12.3
LABOUR.....	7.2	7.9	23.4	24.0	25.7
LEGISLATION—					
House of Commons.....	5.9	10.1	11.1	11.5	13.9
Senate.....	1.8	2.5	2.7	2.7	3.1
Library of Parliament.....	0.4	0.3	0.4	0.5	0.6
	<i>8.1</i>	<i>12.9</i>	<i>14.2</i>	<i>14.7</i>	<i>17.6</i>
MANPOWER AND IMMIGRATION—					
Administration and general.....	1.8	2.4	5.3	5.6	5.5
Immigration.....	10.8	11.4	12.2	14.3	21.0
Municipal winter works incentive program.....	27.1	26.7	42.8	41.1	37.3
National employment service.....	18.8	19.0	21.7	22.7	33.8
Technical and vocational training assistance payments to provinces..	207.9	136.4	97.2	152.8	223.1
	<i>266.4</i>	<i>195.9</i>	<i>179.2</i>	<i>236.5</i>	<i>320.7</i>
NATIONAL DEFENCE—					
Administration and general.....	14.7	14.3	14.4	15.3	26.9
Defence services including development.....	1,445.6	1,473.1	1,387.0	1,401.3	1,437.1
Defence research.....	30.9	33.6	36.7	41.6	44.2
Canadian forces superannuation account—					
Government's contribution.....	58.1	59.6	58.8	58.8	42.7
Special government contribution..		76.5			
Amortization of deferred charges..			13.4	16.8	72.6
Mutual aid to NATO countries.....	25.0	23.9	27.5	14.6	18.7
	<i>1,574.3</i>	<i>1,686.0</i>	<i>1,537.8</i>	<i>1,548.4</i>	<i>1,642.2</i>
NATIONAL FILM BOARD.....	5.6	5.8	6.4	6.9	8.0
NATIONAL GALLERY.....	1.0	1.1	1.3	1.8	1.9

STATEMENT OF EXPENDITURE BY DEPARTMENTS AND MAJOR CATEGORIES
FOR THE LAST FIVE FISCAL YEARS—*Continued*
(in millions of dollars)

	1962-63	1963-64	1964-65	1965-66	1966-67 (preliminary)
NATIONAL HEALTH AND WELFARE—					
Administration and general.....	1.9	2.0	2.3	2.5	3.1
Food and drug services.....	2.8	3.4	4.3	5.4	6.8
Health services—					
General health and hospital construction grants to provinces....	50.3	53.0	56.7	45.5	45.5
Government's contribution under the Hospital Insurance and Diagnostic Services Act.....	336.7	392.2	433.9	319.6	397.5
Health resources fund.....					4.7
Other.....	6.6	6.9	7.7	7.6	8.3
Medical services.....	28.9	30.6	32.5	37.5	38.2
Welfare services—					
Canada assistance plan.....					10.4
Family allowances.....	531.6	538.3	545.8	551.7	555.8
Youth allowances.....			26.9	46.5	47.4
Fitness and amateur sports payments.....	1.1	1.6	2.0	2.5	4.7
Old age assistance, blind persons and disabled persons allowances.....	62.7	64.4	74.0	45.5	38.1
Unemployment assistance.....	96.5	107.4	107.5	101.7	143.4
Other.....	5.9	6.9	7.0	9.1	12.1
	<i>1,125.0</i>	<i>1,206.7</i>	<i>1,300.6</i>	<i>1,175.1</i>	<i>1,316.0</i>
NATIONAL RESEARCH COUNCIL, INCLUDING THE MEDICAL RESEARCH COUNCIL	40.6	47.3	56.7	74.4	96.1
NATIONAL REVENUE	78.7	83.0	86.9	95.0	106.0
POST OFFICE	189.4	206.9	210.5	240.2	268.7
PRIVY COUNCIL	2.1	2.9	4.6	4.8	6.4
Economic Council of Canada.....		0.2	0.8	1.1	1.4
	<i>2.1</i>	<i>3.1</i>	<i>5.4</i>	<i>5.9</i>	<i>7.8</i>
PUBLIC ARCHIVES AND NATIONAL LIBRARY	1.1	1.1	1.5	2.0	2.7
PUBLIC PRINTING AND STATIONERY	2.0	2.2	2.7	3.0	4.0
PUBLIC SERVICE COMMISSION	4.8	5.2	6.2	8.0	10.9
PUBLIC SERVICE STAFF RELATIONS BOARD					(1)
PUBLIC WORKS—					
Administration and general.....	17.5	17.6	30.3	36.0	33.7
Accommodation services.....	72.2	74.3	87.3	101.7	108.9
Harbours and rivers engineering services.....	30.8	23.7	30.3	35.4	37.7
National Capital Commission.....	13.0	12.2	10.3	18.6	33.0
Trans-Canada highway—contributions to provinces.....	29.2	39.2	76.1	83.4	81.1
	<i>162.7</i>	<i>167.0</i>	<i>234.3</i>	<i>275.1</i>	<i>294.4</i>
REGISTRAR GENERAL	3.3	3.5	3.9	4.7	5.6
SECRETARY OF STATE—					
Administration and general.....	5.0	5.1	16.1	11.0	16.4
Centennial Commission.....	1.3	3.9	7.3	14.6	30.2
Office of the Representation Commissioner.....		(1)	0.2	0.8	0.2
University grants.....	26.3	26.8	27.3	27.7	87.1
	<i>32.6</i>	<i>35.8</i>	<i>50.9</i>	<i>54.1</i>	<i>133.9</i>
SOLICITOR GENERAL—					
Administration and general.....			0.3	0.4	0.6
Correctional services.....	25.5	27.9	39.0	56.5	57.6
Royal Canadian Mounted Police.....	65.4	66.9	76.2	82.0	101.6
	<i>90.9</i>	<i>94.8</i>	<i>115.5</i>	<i>138.9</i>	<i>159.8</i>

STATEMENT OF EXPENDITURE BY DEPARTMENTS AND MAJOR CATEGORIES
FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(in millions of dollars)

	1962-63	1963-64	1964-65	1965-66	1966-67 (preliminary)
TRADE AND COMMERCE—					
Administration and general.....	13.9	14.8	16.9	19.6	23.6
Assistance re storage costs of grain..	35.7	40.5	34.6	37.5	30.5
Canadian Corporation for the 1967 World Exhibition.....	0.3	1.2	19.5	4.6	8.9
Canadian government travel bureau..	3.3	3.9	4.9	6.3	9.9
	<i>53.2</i>	<i>60.4</i>	<i>75.9</i>	<i>68.0</i>	<i>72.9</i>
TRANSPORT—					
Administration and general.....	8.0	4.5	7.1	5.7	7.5
Air services.....	136.9	121.1	131.5	143.0	165.7
Atlantic Development Board.....	⁽¹⁾	0.2	4.3	23.8	40.0
Board of Transport Commissioners for Canada.....	1.3	1.4	1.5	1.6	2.0
Payments to railways for the main- tenance of the rates of freight traffic.....	70.6	68.1	68.7	87.6	115.9
Maintenance of trackage.....	7.0	7.0	7.0	7.0	4.8
Contributions to the railway grade crossing fund.....	5.8	5.1	5.1	14.0	15.0
Canadian Maritime Commission....	31.1	49.8	40.6	50.3	47.0
Canals and works entrusted to The St. Lawrence Seaway Authority....	2.9	3.0	29.0	10.1	12.9
Marine services.....	57.8	64.1	64.5	84.5	100.0
Non-active assets—					
National Harbours Board.....	5.2	0.3	7.6	4.8	7.0
Railways and steamships.....	15.9	30.3	35.3	35.0	28.3
Maritime Freight Rates Act.....	12.9	13.4	14.7	15.1	15.0
Deficits—					
Canadian National Railways... ..	48.9	43.0	38.7	33.4	24.6
Newfoundland ferry and ter- minals.....	8.2	8.6	11.1	12.4	13.0
Prince Edward Island car ferry and terminals.....	3.3	3.4	4.0	4.2	4.6
Yarmouth-Bar Harbour ferry service.....	0.2	0.2	0.1		0.1
	<i>416.0</i>	<i>423.5</i>	<i>470.8</i>	<i>532.5</i>	<i>603.4</i>
TREASURY BOARD—					
Administration and general.....	13.5	14.5	15.0	19.0	37.3
Public service superannuation account—					
Government's contribution.....	51.1	54.0	55.6	57.8	59.3
Amortization of deferred charges..			10.0	25.9	56.4
	<i>64.6</i>	<i>68.5</i>	<i>80.6</i>	<i>102.7</i>	<i>153.0</i>
UNEMPLOYMENT INSURANCE COM- MISSION—					
Administration and general.....	29.3	29.8	32.7	32.4	37.2
Government's contribution to the fund.....	57.3	59.3	62.1	65.6	68.7
	<i>86.6</i>	<i>89.1</i>	<i>94.8</i>	<i>98.0</i>	<i>105.9</i>
VETERANS AFFAIRS—					
Administration and general.....	10.3	10.0	10.5	10.7	11.6
Pensions for disability and death....	175.9	173.2	180.3	185.6	196.1
Provision for reserve for conditional benefits.....	3.2	3.2	3.1	3.2	3.5
Soldier settlement and veterans land act.....	4.6	4.5	4.5	4.5	5.2
Treatment services.....	45.3	45.5	46.8	49.9	54.6
Welfare services, allowances and other benefits.....	95.4	96.4	106.9	115.8	120.2
	<i>334.7</i>	<i>332.8</i>	<i>352.1</i>	<i>369.7</i>	<i>391.2</i>
Total Expenditure.....	6,570.3	6,872.4	7,218.3	7,734.8	8,794.0

Where transfers have taken place during the current fiscal year, pursuant to the Public Service Re-arrangement and Transfer of Duties Act, necessitating the transfer of part votes, such changes as required have been made in 1965-66 and 1966-67, but not in prior years.

⁽¹⁾Less than \$50,000.

ANNUAL CHANGES IN LOANS AND INVESTMENTS FOR THE LAST FIVE
FISCAL YEARS

(in millions of dollars)

	1962-63	1963-64	1964-65	1965-66	1966-67 (preliminary)
Loans to, and investments in, Crown corporations—					
Air Canada.....	-0.4	0.4	-1.4	0.7	3.0
Atomic Energy of Canada Limited.....	-12.5	0.4	12.0	11.9	28.4
Canadian Arsenals Limited.....				-2.5	
Canadian Broadcasting Corporation.....			14.3	12.5	35.0
Canadian Commercial Corporation.....	-0.5	-4.0	-2.0	2.0	4.5
Canadian Corporation for the 1967 World Exhibition.....				44.0	131.0
Canadian National Railways.....	274.7	-28.8	24.7	59.1	120.9
Canadian Overseas Telecommunication Corporation.....	11.4	6.2	-0.4	-2.6	-2.7
Central Mortgage and Housing Corporation..	101.8	113.3	221.7	315.1	488.6
Export Credits Insurance Corporation.....	19.6	23.4	33.4	36.4	36.2
Farm Credit Corporation.....	59.0	69.9	102.4	147.0	164.1
National Capital Commission.....	9.4	12.1	6.9	7.4	7.1
National Harbours Board.....	13.8	5.5	1.7	3.0	19.5
Northern Canada Power Commission.....	-7.2	3.4	5.4	2.1	-0.1
Northern Ontario Pipe Line Crown Corporation.....	-8.4	-110.6			
The St. Lawrence Seaway Authority.....	(1)22.7	(1)24.9	(1)-6.5	(1)26.7	(1)29.1
Other.....	-0.6		-0.1		4.1
	482.8	116.1	412.1	662.8	1,068.7
Loans to national governments—					
United Kingdom.....	-17.5	-17.8	(2)19.6	(2)19.2	-18.9
Export Credits Insurance Act.....	-105.9	-2.3	-2.3	-2.3	-2.4
Special loans to Colombo plan countries to finance the purchase of wheat and flour from Canada.....	-5.0	-5.0	-5.0	-1.3	-9.9
Loans to India for the purchase in Canada of aircraft and associated spare parts and equipment.....		10.0	-1.4	-2.2	-2.7
Special loan assistance—developing countries				5.2	9.9
Other.....	-0.6				0.4
	-129.0	-15.1	10.9	18.6	-23.6
Other loans and investments—					
Subscriptions to capital of, and working capital advances and loans to, international organizations—					
Canada's subscription to capital of—					
Asian development bank.....					2.7
International monetary fund.....	12.6				205.4
International bank for reconstruction and development.....	6.8				4.5
International development association... ..	8.5	7.9	7.9	15.0	15.0
Working capital advances and loans to international organizations.....	6.2	0.2	-0.2	-0.1	-0.1
Loans to provincial governments.....	5.8	-0.5	-4.8	-1.7	26.4
Municipal development and loan board.....			7.6	101.3	122.3
Veterans land act advances.....	18.6	21.0	14.3	24.1	54.2
Provincial tax collection agreements— advances.....	13.1	-2.7	-10.4		
Balances receivable under agreements of sale of Crown assets.....	-2.3	-2.3	-1.8	-1.7	-1.0
Housing projects for Canadian forces.....	6.1	5.4	2.5	0.2	-0.1
Old age security fund.....	41.7	58.3	-75.0	-25.0	
Loans to manufacturers of automotive parts in Canada.....				0.1	12.6
Other.....	-0.3	-0.2	1.5	10.9	12.4
	116.8	87.1	-58.4	123.1	454.3
Net total of changes in loans and investments..	470.6	188.1	364.6	804.5	1,499.4

(1) Includes deferred interest.

(2) Deferred interest.

UNMATURED DEBT INCLUDING TREASURY BILLS AS AT MARCH 31, 1967
AND THE ANNUAL INTEREST THEREON (preliminary)

	Date of maturity	Rate per cent	Amount of loan	Annual interest	
			\$	\$	
Payable in Canada—					
Loan of 1966.....	CT 25	1967 Apr. 1	4	170,000,000	6,800,000
Loan of 1966.....	F 1	Apr. 1	4½	155,000,000	6,587,500
Loan of 1961 and 1963.....	AT 9	June 1	4½	275,000,000	11,687,500
Loan of 1965.....	CT 18	June 1	4½	50,000,000	2,125,000
Loan of 1962.....	AT 12	Oct. 1	3½	100,000,000	3,750,000
Loan of 1964 and 1965.....	CT 14	Oct. 1	3½	250,000,000	9,375,000
Loan of 1966.....	F 4	Oct. 1	4½	175,000,000	7,437,500
Canada savings bonds, 1965.....	S 10	Nov. 1	3½	(1)17,457,550	567,370
Loan of 1962.....	AT 11	1968 Jan. 15	4½	250,000,000	10,625,000
Loan of 1964.....	CT 8	Jan. 15	4½	130,000,000	5,525,000
Loan of 1966.....	F 7	Jan. 15	5½	125,000,000	6,875,000
Refunding loan, 1950.....	P 9	June 15	2½	308,581,000	8,485,978
Loan of 1964.....	CT 3	Oct. 1	5	441,000,000	22,050,000
Canada savings bonds, 1959.....	S 14	Nov. 1	5	(1)770,574,000	38,528,700
Loan of 1960.....	T 39	1969 Apr. 1	5½	80,000,000	4,400,000
Loan of 1965.....	CT 23	Apr. 1	5½	100,000,000	5,500,000
Loan of 1962.....	AT 16	Apr. 1	5½	100,000,000	5,500,000
Canada savings bonds, 1966.....	S 11	May 1	4	(1)32,084,850	1,283,394
Loan of 1964.....	CT 11	July 1	5	325,000,000	16,250,000
Loan of 1962.....	AT 13	Oct. 1	5½	80,000,000	4,400,000
Loan of 1965.....	CT 21	Oct. 1	5½	145,000,000	7,975,000
Loan of 1966.....	F 5	Oct. 1	5½	250,000,000	14,375,000
Loan of 1958.....	T 24	1970 May 1	3½	200,000,000	7,000,000
Loan of 1965 and 1966.....	CT 19	July 1	5	175,000,000	8,750,000
Loan of 1966.....	F 2	July 1	5	40,000,000	2,000,000
Canada savings bonds, 1957.....	S 12	Nov. 1	4½	(1)185,669,300	8,819,292
Canada savings bonds, 1960.....	S 15	Nov. 1	5	(1)251,179,450	12,558,972
Loan of 1966.....	F 8	Dec. 15	5½	300,000,000	17,250,000
Loan of 1964.....	CT 15	1971 June 1	5	350,000,000	17,500,000
Canada savings bonds, 1961.....	S 16	Nov. 1	4½	(1)187,994,750	8,459,764
Conversion loan, 1958.....	T 28	1972 Sept. 1	4½	1,267,203,100	53,856,132
Loan of 1965.....	CT 17	1973 Oct. 1	5	275,000,000	13,750,000
Canada savings bonds, 1958.....	S 13	Nov. 1	4½	(1)64,377,850	2,736,059
Canada savings bonds, 1964.....	S 19	1974 Nov. 1	4½	(1)466,015,450	20,970,695
Loan of 1959.....	T 36	1975 Oct. 1	5½	310,361,000	17,069,855
Loan of 1965.....	CT 24	Oct. 1	5½	50,000,000	2,750,000
Loan of 1966.....	F 9	Oct. 1	5½	70,000,000	3,850,000
Canada savings bonds, 1963.....	S 18	Nov. 1	5	(1)498,387,450	24,919,372
Loan of 1960.....	T 38	1976 Apr. 1	5½	436,198,000	23,990,890
Loan of 1954.....	T 11	June 1	3½	247,046,500	8,029,011
Canada savings bonds, 1962.....	S 17	Nov. 1	5	(1)870,682,450	43,534,122
Canada savings bonds, 1965.....	S 20	1977 Nov. 1	4½	(1)400,569,864	18,025,644
Loan of 1953 and 1958.....	T 5	1978 Jan. 15	3½	207,911,500	7,796,681
Loan of 1954.....	T 13	1979 Oct. 1	3½	345,246,500	11,155,511
Canada savings bonds, 1966.....	S 21	Nov. 1	5	(1)2,271,476,936	113,573,847
Loan of 1962.....	AT 14	1980 Aug. 1	5½	120,000,000	6,600,000
Loan of 1966.....	CT 26	Aug. 1	5½	80,000,000	4,400,000
Loan of 1966.....	F 3	Aug. 1	5½	160,000,000	8,800,000
Conversion loan, 1958.....	T 29	1983 Sept. 1	4½	1,992,679,450	89,670,575
Loan of 1963.....	AT 21	1988 June 1	5	100,000,000	5,000,000
Loan of 1964.....	CT 9	June 1	5	50,000,000	2,500,000
Loan of 1964.....	CT 12	1990 May 1	5½	225,000,000	11,812,500
Loan of 1966.....	F 6	1992 Sept. 1	5½	225,000,000	12,937,500
Conversion loan, 1956.....	T 15	1998 Mar. 15	3½	197,045,000	7,389,188
Loan of 1936.....	P 1	Perpetual	3	55,000,000	1,650,000
Three-month treasury bills.....			(2)4.13	1,430,000,000	64,955,000
Six-month treasury bills.....			(2)4.11	780,000,000	38,079,000
Ten-month treasury bills.....			4.51	100,000,000	4,510,000
Special non-marketable bonds—					
Unemployment Insurance Commission.....			4½	39,500,000	1,777,500
			4½	63,500,000	3,095,625
			5½	89,000,000	4,672,500
			5½	68,000,000	3,740,000
Canada pension plan investment fund.....			(3)5.36	1,894,000	104,231
				19,574,635,950	920,142,408

UNMATURED DEBT INCLUDING TREASURY BILLS AS AT MARCH 31, 1967
AND THE ANNUAL INTEREST THEREON (preliminary)—*Concluded*

—	Date of maturity	Rate per cent	Amount of loan	Annual interest
			\$	\$
Payable in New York—				
Loan of 1949.....	1974 Sept. 1	2½	(4)65,087,502	1,789,906
Loan of 1950.....	1975 Sept. 15	2½	(4)41,047,527	1,128,807
Loan of 1962.....	1987 Oct. 15	5	(4)259,459,200	12,972,960
			365,594,229	15,891,673
			19,940,230,179	936,034,081

The interest shown is a projection for one year at the annual rates on principal amounts outstanding at March 31, 1967. Where various rates of interest are applicable during the term of a loan the interest rate in effect at March 31, 1967 has been used.

- (1) Preliminary.
- (2) Rate of discount at tender on March 30, 1967.
- (3) Rate of interest on bonds issued March 2, 1967.
- (4) Conversion rate \$1 U.S. = \$1.08108 Canadian.