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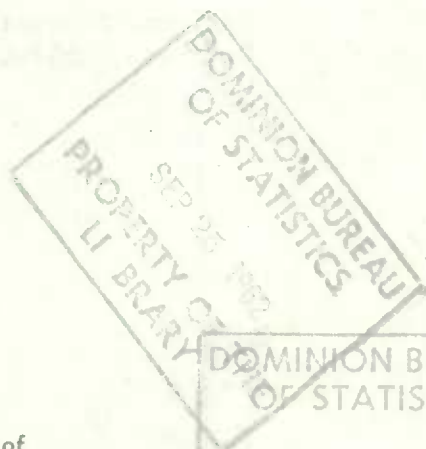


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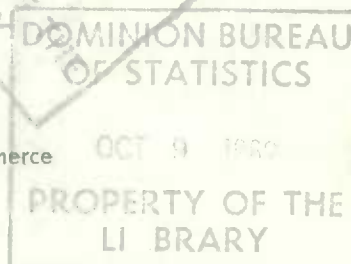
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NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
SECOND QUARTER

1962



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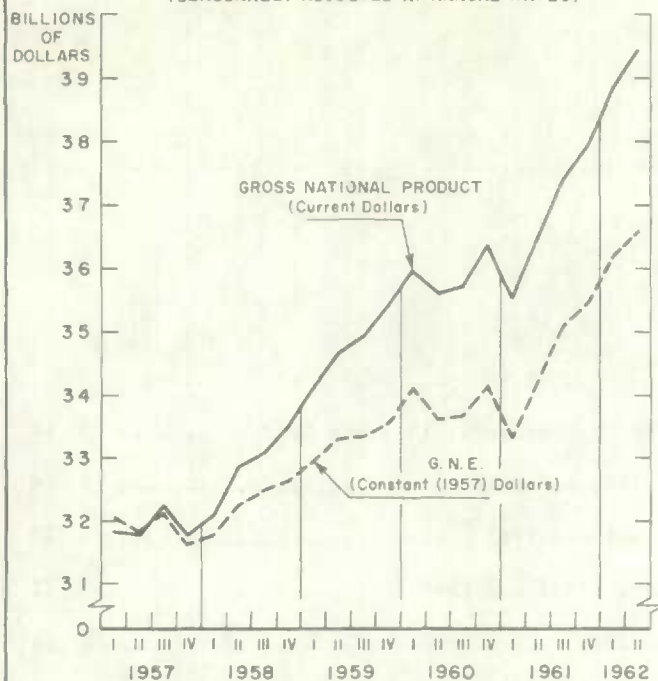
In order to obtain a complete historical record of the quarterly National Accounts, the following publication should be consulted:

"National Accounts, Income and Expenditure, by Quarters, 1947-61"

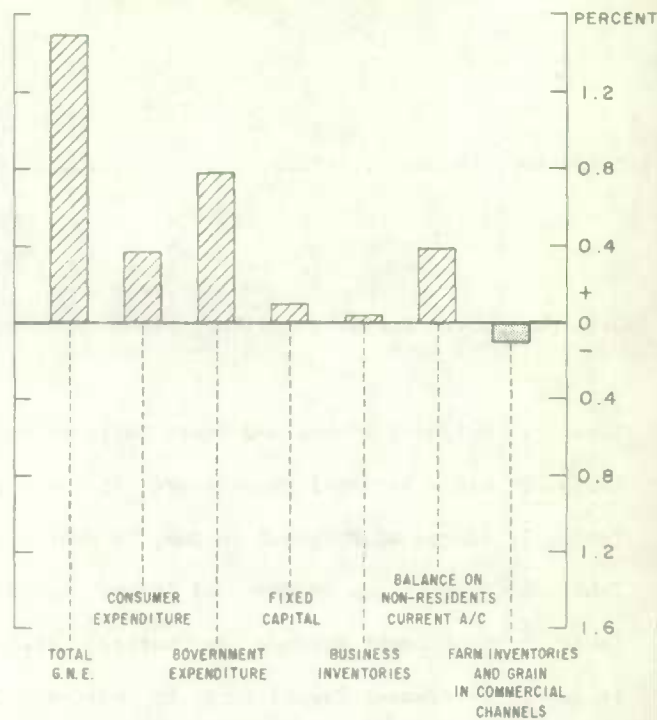
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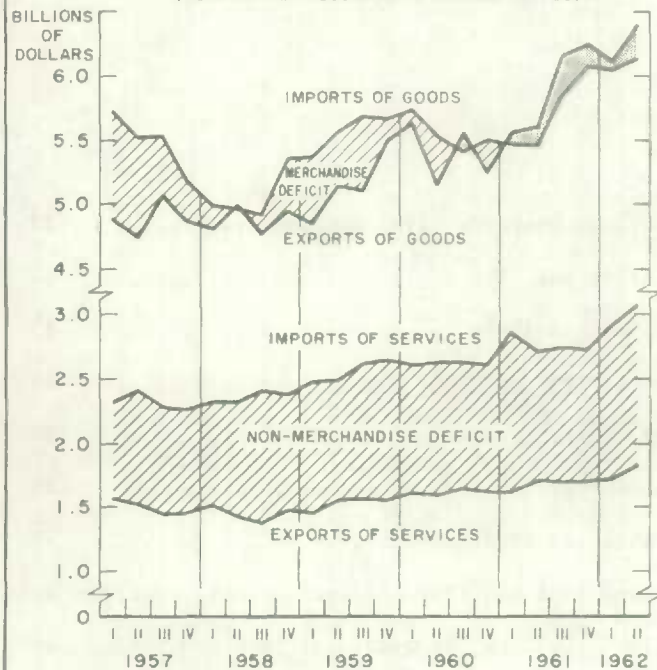
G.N.P. CONTINUED TO RISE IN THE SECOND QUARTER. OF THE 1½ PER CENT INCREASE IN VALUE, ½ PER CENT WAS ATTRIBUTABLE TO A PRICE RISE (SEASONALLY ADJUSTED AT ANNUAL RATES)



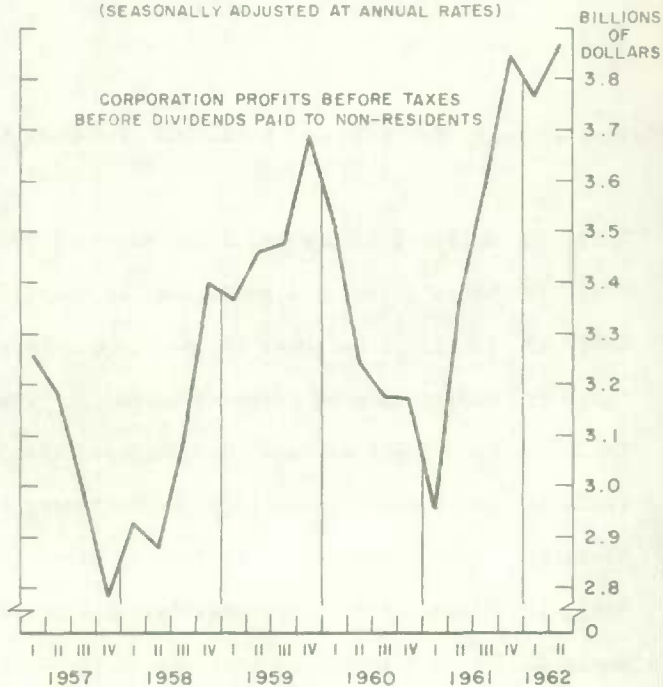
CONTRIBUTION TO THE PERCENTAGE CHANGE IN G.N.E. BY COMPONENTS 1st Q. 1962 TO 2nd Q. 1962 (BASED ON SEASONALLY ADJUSTED DATA)



THE TOTAL DEFICIT ON CURRENT ACCOUNT NARROWED IN THE SECOND QUARTER. THE IMPROVEMENT IN THE SURPLUS ON GOODS DAMPENED THE EXPANDED SERVICE DEFICIT (SEASONALLY ADJUSTED AT ANNUAL RATES)



CORPORATION PROFITS RECOVERED FROM THE FIRST QUARTER DIP AND ARE NOW OVER 30 PER CENT ABOVE THE FIRST QUARTER 1961 TROUGH (SEASONALLY ADJUSTED AT ANNUAL RATES)



INTRODUCTORY REVIEW

There was a further expansion in economic activity in the second quarter. Gross National Product was at a seasonally adjusted annual rate of \$39,424 million, $1\frac{1}{2}$ per cent higher than in the first quarter. Higher prices account for one-third of the increase, thus reducing the increase in real Gross National Product to about 1 per cent. The rate of increase in prices was of the same magnitude as that of the immediately preceding quarter.

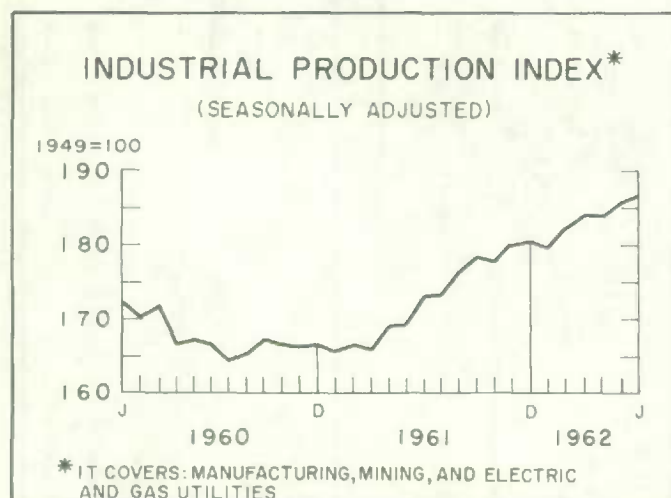
This expansion was based on final demand; since, as in the first quarter, investment in business inventories was virtually negligible; farm inventories continued to be drawn down. The major expansionary influences came from exports, and from government expenditure on goods and services which was higher at all levels of government. There was only a modest increase in consumer expenditure, with services absorbing most of the gain. Business gross fixed capital formation was up fractionally, construction activity showing no change and expenditure on machinery and equipment rising slightly. Imports were higher but to a much lesser extent than exports. The devaluation of the Canadian dollar has, of course, affected both import prices and export prices, making for a significant rise in prices in the external sector.

On the income side, the salient developments are the further expansion in labour income, but at a lower rate than in the preceding quarter, and a small advance in corporate profits (before dividends paid abroad), after a similar decline in the first quarter. Accrued net farm income increased substantially.

There was an unusually large divergence between national and personal income, mainly because of the exceptionally large payments made to farmers by the Canadian Wheat Board. This sharp increase in personal income, in conjunction with a very modest rise in consumer spending, made for a much higher rate of personal saving. There was a slight widening of the overall deficit on government transactions, as expenditures rose more than revenues.

Production

Seasonally adjusted, production for the second quarter of 1962 shows a volume increase of about 1 per cent over the previous quarter. Just under three-quarters of this increase was due to a $1\frac{1}{2}$ per cent gain in the goods-producing industries. The service-producing industries showed a volume increase of one-half of 1 per cent.



The only components of the goods-producing industries to show a percentage decline from the first to the second quarter were forestry, with a 5 per cent decline (most of which is accounted for by a drop in pulpwood production), and fishing and trapping. Other components and their increases include mining (1 per cent), manufacturing (2 per cent), and electric power and gas utilities (0.5 per cent).

Within mining, metal mining went up by about 3 per cent, with gains in iron ore and zinc accounting for most of the strength. Partially offsetting the above gains were declines in nickel and other metals (including uranium). Fuel mining and non-metal mining both declined by about 1 per cent.

Non-durable manufacturing, which increased by 1 per cent, contributed about 30 per cent to the total increase in manufacturing, while durables, with a 3 per cent gain, accounted for the remaining 70 per cent. The durables group resumed its advance after a slight decline in the first quarter.

Within non-durables, the industries showing the largest gains include clothing and textiles (each of which was up 3 per cent), foods and beverages, rubber products, printing and publishing, and chemicals.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

| | 3Q'58 to 4Q'58 | 4Q'58 to 1Q'59 | 1Q'59 to 2Q'59 | 2Q'59 to 3Q'59 | 3Q'59 to 4Q'59 | 4Q'59 to 1Q'60 | 1Q'60 to 2Q'60 | 2Q'60 to 3Q'60 | 3Q'60 to 4Q'60 | 4Q'60 to 1Q'61 | 1Q'61 to 2Q'61 | 2Q'61 to 3Q'61 | 3Q'61 to 4Q'61 | 4Q'61 to 1Q'62 | 1Q'62 to 2Q'62 |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 1. Personal Expenditure | 344 | 476 | 80 | 324 | 244 | - 4 | 476 | 44 | 528 | - 120 | 340 | 380 | 96 | 712 | 144 |
| 2. Government Expenditure | - | 72 | 240 | - 232 | 84 | 36 | 52 | 260 | 88 | 32 | 216 | 144 | 100 | 276 | 304 |
| 3. Residential Construction | 76 | - 52 | - 100 | - 32 | 20 | - 84 | - 252 | 24 | - 16 | - 36 | 92 | 140 | - 100 | 72 | - 12 |
| 4. Non-Res. Construction | - 96 | - 200 | 124 | - 24 | 32 | - 8 | - 100 | 56 | - | 36 | - 56 | 92 | 108 | - 12 | 12 |
| 5. Machinery and Equipment | 88 | - 84 | 256 | 148 | - 124 | 144 | - 108 | - 64 | 100 | - 256 | - 168 | 128 | 72 | 80 | 40 |
| 6. Exports | 248 | - 128 | 400 | - 20 | 372 | 192 | - 496 | 456 | - 312 | 292 | 132 | 540 | 100 | - 120 | 404 |
| 7. Total Final Purchases | 660 | 84 | 1,000 | 164 | 628 | 276 | - 428 | 776 | 388 | - 52 | 556 | 1,424 | 376 | 1,008 | 892 |
| 8. (Final Domestic Demand) | (412) | (212) | (600) | (184) | (256) | (84) | (68) | (320) | (700) | (- 344) | (424) | (884) | (276) | (1,128) | (488) |

Quarter to Quarter Changes in Other Selected Items

| | | | | | | | | | | | | | | | |
|---|-----|-----|-------|-----|-------|-----|-------|-------|-----|-------|-------|------|-----|-------|-----|
| 9. "Shift" in Non-Farm Business Inventories | 76 | 488 | - 336 | 308 | - 192 | 352 | - 312 | - 512 | 288 | - 96 | 108 | - 64 | 400 | - 480 | 16 |
| 10. Imports | 400 | 112 | 208 | 244 | 4 | 40 | - 204 | - 108 | 76 | 232 | - 160 | 424 | 204 | 152 | 252 |
| 11. G.N.P. (ex Farm) | 388 | 652 | 536 | 292 | 568 | 368 | - 256 | 96 | 552 | - 436 | 860 | 824 | 616 | 664 | 492 |

Constant (1957) Dollars
Quarter to Quarter Percentage Changes in Selected Items

| | | | | | | | | | | | | | | | |
|--------------------------------------|-----|-------|-----|-------|-----|-----|-------|-----|-----|-------|-----|-----|-----|-----|-----|
| 12. Final Domestic Demand | 0.5 | - | 1.2 | 0.1 | 0.2 | 0.1 | - 0.4 | 0.6 | 1.5 | - 1.1 | 1.1 | 2.1 | 0.3 | 2.4 | 0.7 |
| 13. Total Final Purchases | 0.9 | - 0.4 | 2.0 | - 0.1 | 1.0 | 0.6 | - 1.7 | 1.7 | 0.5 | - 0.2 | 1.2 | 2.7 | 0.4 | 1.6 | 1.2 |
| 14. Gross National Expenditure | 0.4 | 0.9 | 1.1 | 0.1 | 0.6 | 1.8 | - 1.5 | 0.2 | 1.4 | - 2.4 | 2.7 | 2.5 | 1.1 | 2.0 | 1.1 |

Within durables, iron and steel products continued to advance, increasing by 5 per cent, with iron castings and primary iron and steel accounting for the bulk of this increase. In aggregate, iron and steel products contributed just under half of the total increase in durables. Transportation equipment was up by 7 per cent, with most of the gain in the motor vehicle industries. The transportation equipment industry accounted for roughly one-third of the rise in durables manufacturing. The remainder of the increase was due to a 7 per cent gain in non-metallic mineral products (mostly as a result of an increase in concrete products), and a gain in the electrical apparatus and supplies industry. The only major groups within durable manufacturing which showed a decline in the second quarter were non-ferrous metal products, down by 2 per cent, and wood products, which showed a fractional decline.

The relatively small increase of 0.5 per cent in the output of service-producing industries was the result of fairly large but mainly offsetting movements. Trade was up by $1\frac{1}{2}$ per cent, finance, insurance and real estate by $1\frac{1}{2}$ per cent and public administration and defence, as well as other services, increased by 0.5 per cent.

The transportation, communication and storage industry group declined by 2 per cent. Within transportation, strikes and union jurisdictional disputes were the cause of the most significant declines, and especially affected the shipping and trucking industries. This labour unrest also had repercussions in the railway industry. A 7 per cent decline in the output of the air transport industry was also a major contributing factor to the decline of this industry group. There was a considerable decline in the storage industries (21 per cent), due largely to the depletion through sales in recent months of grain stored in grain elevators. The communication industries showed a small upward movement in the quarter.

Within trade, the most significant increase was shown by wholesale trade (3 per cent), with wholesalers proper contributing approximately two-thirds to this increase. Retail trade increased by 1 per cent. Within retail trade the more significant volume gains include the following: department stores, family clothing stores, women's clothing stores, jewellery stores and lumber and building material dealers. Among the more significant declines were garage and filling stations, fuel dealers, and independent grocery and combination stores.

Accompanying this increase in production, was a commensurate rise in employment. The labour force increased by 1.1 per cent, the proportion of the labour force which was unemployed falling from 6.0 to 5.8 per cent between the first and second quarters, after seasonal factors are taken into account.

Price Movements

Between the first and second quarters of 1962, the price component of Gross National Expenditure was estimated to have increased by about $\frac{1}{2}$ of 1 per cent. The price increases in the current quarter have been evident in all the expenditure categories. For example, prices associated with personal expenditure, and gross fixed capital formation, as well as with exports and imports showed increases during the second quarter. The following table shows quarter-to-quarter changes in the seasonally adjusted price indexes from the third quarter of 1961 through to the second quarter of 1962.

Quarter-to-Quarter Percentage Changes
Implicit Price Indexes of Gross National Expenditure and Its Components
(Based on Seasonally Adjusted Data)

| | 2Q'61 - 3Q'61 | 3Q'61 - 4Q'61 | 4Q'61 - 1Q'62 | 1Q'62-2Q'62 |
|--|---------------|---------------|---------------|-------------|
| Personal Expenditure | 0.3 | 0.2 | 0.2 | 0.6 |
| Food | - | 0.3 | 0.7 | 0.6 |
| Other Goods | 0.3 | -0.3 | -0.2 | 0.3 |
| Total Goods | 0.2 | -0.1 | 0.1 | 0.4 |
| Services 1/ | 0.4 | 0.5 | 0.5 | 0.5 |
| Government Expenditure 2/ | 0.3 | 1.6 | 0.8 | 0.3 |
| Gross Fixed Capital Formation | 0.1 | 0.2 | 1.1 | 0.9 |
| New Residential Construction | -0.1 | 0.4 | 1.5 | 0.4 |
| New Non-Residential Construction | -0.6 | 0.5 | 1.0 | 0.6 |
| New Machinery and Equipment | 0.8 | -0.1 | 0.9 | 1.5 |
| Exports | 1.5 | 0.5 | 1.0 | 0.9 |
| Imports | 2.6 | 0.5 | 0.7 | 1.7 |
| Gross National Expenditure | - | 0.3 | 0.4 | 0.4 |

1/ In this table percentage changes are based on the implicit price index for personal expenditure on services, before adjustment for the components of net expenditure abroad.

2/ Little significance should be attached to small changes in quarter-to-quarter price change for this component.

Personal Expenditure on Consumer Goods and Services

Personal expenditure, at a seasonally adjusted annual rate of \$25.5 billion, increased one-half of 1 per cent from the first quarter. This increase is almost entirely accounted for by the rise in prices in the consumer sector.

The one-half of 1 per cent rise in prices of consumer goods and services was the largest in recent quarters. On a seasonally adjusted basis, prices of goods and services showed the same degree of increase. The major part of the rise in prices was in foods (mainly meats), new cars and purchased transportation; prices of electricity declined; other prices were stable or showed only the average increase.

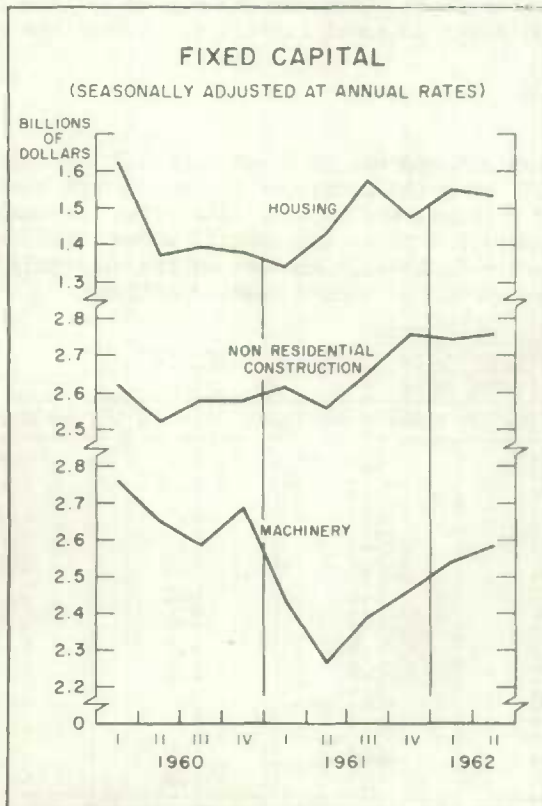
Expenditures on services showed the only significant rise; the $1\frac{1}{2}$ per cent rise reflecting increases in shelter (3 per cent), transportation services ($2\frac{1}{2}$ per cent), and personal services ($1\frac{1}{2}$ per cent). Net expenditure abroad decreased sharply, reflecting increased spending by foreign tourists in Canada.

Spending on consumer goods was unchanged, with a 1 per cent increase in durables offsetting a fractional decline in non-durables. Within durable goods net purchases of new and used cars increased about 1 per cent. Home furnishings and appliances and radios increased by 2 per cent, while purchases of furniture showed a 1 per cent decline.

The slight decline in non-durables reflects largely offsetting movements within its components. Decreases were registered by fuel (-6 per cent); electricity (-1 per cent, reflecting rate adjustments in British Columbia); clothing (-1 per cent); and food ($-\frac{1}{2}$ per cent); while increases were shown by tobacco and alcoholic beverages ($1\frac{1}{2}$ per cent); and household supplies (1 per cent).

The small rise in personal spending did not match the 4 per cent rise in personal disposable income, resulting in an unusually sharp increase in personal saving. The large increase in personal income mainly reflected payments made to western farmers by the Canadian Wheat Board.

Business Gross Fixed Capital Formation



No marked change in overall fixed capital formation occurred -- at an annual rate of \$6,880 million after allowance for seasonal variation, the level showed a fractional increase from the previous quarter. Within the total, construction activity showed no change in the second quarter, while outlays on machinery and equipment rose. This rate of investment left the proportion of current production devoted to fixed capital at one of the lowest levels in the past decade. The rate of investment in the first half of the year coincided closely with the rate anticipated for the full year as recorded in the mid-year survey of investment intentions for 1962.

Outlays on housing declined by almost 1 per cent from the previous quarter -- to an annual rate of \$1,536 million. This decline in value was in line with the reduction in the number of dwelling units upon which construction was started in the second quarter. Although down from the first quarter, the seasonally adjusted annual rate of 133 thousand starts achieved in the second quarter was still high in relation to the average over the past two and a half years. Housing starts in municipalities of population of over 5,000 in July indicate little change from the second quarter level for these centres. Completions in the quarter were running at a seasonally adjusted rate of 115,000 units.

Non-residential building and engineering outlays were at an annual rate of \$2,760 million, discounting seasonal factors, or one-half of 1 per cent above the first quarter level. Although employment in the industry fell in the second quarter, higher hourly earnings raised the level of labour income in the industry.

Spending on machinery and equipment continued to increase for the fourth successive quarter, bringing the seasonally adjusted annual rate to \$2,584 million, 1½ per cent above the first quarter and 14 per cent above the previous low one year earlier. Much of the strength in machinery and equipment sprang from substantially increased purchases of commercial trucks and vehicles.

Business spending on plant and equipment combined, at an annual rate of \$5,344 million, was a return to approximately the level existing prior to the 1960 downturn in business activity; the current level of investment has in fact been exceeded on only two occasions since the beginning of 1958.

As in the previous quarter, there was a rise in prices of investment goods of approximately 1 per cent. Although prices in residential construction and non-residential construction rose, the upward pressure was more apparent in the machinery and equipment component, reflecting the increased cost of imported machinery and equipment following the devaluation of the Canadian dollar.

Investment in Non-Farm Business Inventories

As in the first quarter, virtually no support to the level of economic activity came from investment in inventories. There was only a small accumulation, which took place in retail trade and in "other" industries. Manufacturing and wholesale trade drew down their stocks. The changes in non-farm business inventories from the first to the second quarter are shown in the following table:

Changes in Non-Farm Business Inventories, by Quarters
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

| <u>Industry</u> | <u>1Q 1962</u> | <u>2Q 1962</u> |
|---------------------|----------------|----------------|
| Manufacturing | 88 | -104 |
| Durables | -60 | -16 |
| Non-Durables | 148 | -88 |
| Wholesale | -48 | -160 |
| Retail | -76 | 196 |
| Other | 60 | 108 |
| Total | 24 | 40 |

Inventory liquidation in manufacturing industries, far from being widespread, was most pronounced among non-durable industries, especially food and chemicals; among durables, the transportation equipment and non-metallic mineral products industries showed the greatest depletion of stocks. Classified by level of processing, stocks showed conflicting tendencies; stocks of raw materials and goods in process were accumulated, while inventories of finished goods were run down, as shipments rose by over 2 per cent. These movements reduced the ratio of total stocks to shipments below the level of the preceding quarter, but not below the average for the past six years. Available data showing total book value of stocks held by manufacturers suggest that part of the strength in inventory accumulation normally associated with periods of economic recovery was lacking in recent quarters, since only marginal reductions in stock took place in the preceding downturn in activity.

Wholesalers continued to draw down their inventories, at a greater rate than that of the previous quarter. The ratio of stocks to sales was lower than in the previous quarter, and below the average since 1958. Here, as in manufacturing industries, non-durable industries reduced their stocks at a faster rate than durable industries. Depletion was quite widespread in non-durables, though at varying rates. With the notable exception of stocks of hardware which were accumulated, the rest of the durable goods wholesalers reduced their stocks, the reduction being most pronounced in industrial machinery and commercial equipment.

Inventories were increased in retail trade, reversing the trend of the previous quarter. As a consequence, the stock to sales ratio was the highest of the last decade. Accumulation was slightly higher in durables than non-durables. Increase in stocks of motor vehicle dealers, and of farm implement dealers among durables, and of food dealers among non-durables, was responsible for most of the total stock accumulation in retail trade.

Exports and Imports of Goods and Services

One of the main sources of strength in the current quarter was the level of foreign demand for Canadian goods and services, exports rising by 5 per cent to a seasonally adjusted annual rate of \$8,240 million. The rise in total imports was less and at an annual level of \$9,216 million was a little under 3 per cent higher than the previous quarter. These movements in foreign trade combined to reduce the deficit on current account from \$1,128 million to \$976 million, seasonally adjusted at annual rates.

The positive balance on merchandise trade was larger than in the first quarter. Exports of merchandise at an annual rate of \$6,400 million were up 5 per cent in total and sales to the United States, United Kingdom and all other countries combined registered increases, as wheat, aluminum, copper, petroleum, iron ore, lumber and wood pulp all showed increases in level. Increased Canadian demand for imported goods raised the total by 1½ per cent, to \$6,136 million, seasonally adjusted at annual rates but commodity composition of this demand is not yet available.

Exports and Imports of Merchandise and Services (Seasonally Adjusted at Annual Rates)

| | <u>3Q 1961</u> | <u>4Q 1961</u> | <u>1Q 1962</u> | <u>2Q 1962</u> |
|-------------------|-----------------------|----------------|----------------|----------------|
| | (Millions of Dollars) | | | |
| <u>Exports</u> | | | | |
| Merchandise | 6,156 | 6,256 | 6,112 | 6,400 |
| Services | 1,700 | 1,700 | 1,724 | 1,840 |
| Total | 7,856 | 7,956 | 7,836 | 8,240 |
| <u>Imports</u> | | | | |
| Merchandise | 5,856 | 6,072 | 6,048 | 6,136 |
| Services | 2,752 | 2,740 | 2,916 | 3,080 |
| Total | 8,608 | 8,812 | 8,964 | 9,216 |

The deficit on the services account, after seasonal factors are discounted, increased to \$1,240 million at annual rates, from \$1,192 million in the first quarter. The main factors in this increase were the sharp 13 per cent increase in the outflow of interest and dividend payments, which boosted this figure to the second highest recorded and the rise in payments for miscellaneous services which rose by almost 6 per cent. The level of total payments stood at \$3,080 million in the second quarter. Some offset to these increases occurred in the higher level of receipts, particularly in respect of travel expenditures of foreigners in Canada, which rose by 15 per cent. Increases in receipts of interest and dividends and in receipts for the supply of freight and shipping services, combined to raise the total annual rate of receipts, seasonally adjusted, to \$1,840 million.

Between the first and second quarters of 1962 the price component of both exports and imports of goods and services showed a significant increase, largely the result of a decline in the exchange value of the Canadian dollar, which automatically raises the price of imports and of those exports priced in foreign currency. Comparing the unadjusted data for the second quarter of 1961 with the second quarter of 1962, it is estimated that about one-third of the 12 per cent increase in the value of merchandise exports and about one-half of the 13 per cent increase in the value of merchandise imports have resulted from price changes.

Labour Income

The seasonally adjusted labour income estimate for the second quarter of 1962 was 1.6 per cent higher than the corresponding figure for the first quarter of the year. This rise was slightly smaller than that occurring between the fourth quarter of 1961 and the first quarter of 1962, which amounted to 1.9 per cent. Both these quarterly increases were larger than the average for the past decade, as were preceding quarterly gains back to the beginning of 1961. It appears that increases in the volume and in the price of labour inputs both contributed to the first-to-second quarter rise in labour income.

Excluding supplementary income, for which quarterly data are not available on an industrial basis, the wages and salaries for the second quarter were also 1.6 per cent higher than the corresponding first quarter figure. The gain for the goods-producing industries amounted to 2.0 per cent, and the

rise for the service-producing industries was 1.2 per cent. In both segments, the increases were slightly smaller than those occurring in the previous quarter. The seasonally adjusted total for goods-producing industries continued to rise more rapidly than the corresponding figure for service-producing industries, as has been usual at similar stages of business cycle upswings.

Seasonally Adjusted Estimates of Wages and Salaries, 1960-1962
Quarter-to-Quarter Percentage Changes

| | 3Q'60 to 4Q'60 | 4Q'60 to 1Q'61 | 1Q'61 to 2Q'61 | 2Q'61 to 3Q'61 | 3Q'61 to 4Q'61 | 4Q'61 to 1Q'62 | 1Q'62 to 2Q'62 | Percentage of Wages & Salaries 1961 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| All Industries | 0.5 | 0.8 | 1.8 | 1.7 | 1.4 | 1.9 | 1.6 | 100.0 |
| <u>Goods-Producing Industries</u> | -0.7 | -0.1 | 1.5 | 1.7 | 1.9 | 2.4 | 2.0 | 42.2 |
| Manufacturing | -0.1 | 0.5 | 1.9 | 2.4 | 1.9 | 1.3 | 2.5 | 29.6 |
| Construction | -2.2 | -1.2 | 0.6 | 0.6 | 0.9 | 5.9 | 2.4 | 6.3 |
| Primary Industries | -2.2 | -1.5 | 0.5 | -0.6 | 2.6 | 3.7 | -1.0 | 5.8 |
| <u>Service-Producing Industries</u> | 1.5 | 1.4 | 2.0 | 1.7 | 1.1 | 1.6 | 1.2 | 57.8 |
| Finance, Service and Public Adminis- tration | 2.4 | 2.0 | 2.4 | 2.2 | 1.8 | 1.8 | 1.4 | 30.3 |
| Trade | 0.8 | 0.7 | 1.1 | 1.4 | 0.6 | 1.5 | 2.1 | 15.2 |
| Transportation, Communication and Other Utilities | - | 0.8 | 2.2 | 1.1 | - | 1.2 | -0.1 | 12.3 |

The quarter-to-quarter gain in manufacturing was 2.5 per cent, the second largest recorded since 1956. Nevertheless, the 2.0 per cent rise for the goods-producing industries fell short of the 2.4 per cent gain occurring between the fourth quarter of 1961 and the first quarter of 1962 owing to developments in construction and the primary industries. Marked wage and salary increases had occurred in both these areas in the previous quarter. The second quarter estimates indicated a reduced rate of gain in construction, and a decline in total wages and salaries originating in primary industries.

The first to second quarter increase in the service-producing industries was 1.2 per cent. In the previous quarter, the gain had been 1.6 per cent, a figure equal to the average for the last ten years. A reduced rate of gain for the large finance, service and public administration grouping was partly responsible for the change. The 1.4 per cent rise for this grouping was small in comparison with those recorded from quarter to quarter in 1960 and 1961, and one of the smallest for recent years. However, the first-to-second quarter gain in trade was 2.1 per cent, one of the largest quarterly increases for this industry since 1957. Wages and salaries in transportation, communication and other utilities (which have tended to move erratically from quarter to quarter) did not increase from the first to second quarter of 1962, partly because of industrial disputes in trucking.

Accrued Net Income of Farm Operators

Accrued net income of farm operators from farm production rose by 8 per cent, seasonally adjusted, from the first to the second quarter of 1962, reflecting primarily the accumulation of inventories of livestock and grains and the higher trading profits of the Canadian Wheat Board. Cash receipts of farm operators from the sale of grains declined, reflecting the low crop production of last year, but in the current quarter this was partially offset by increased tobacco sales with the result that total cash income declined fractionally.

Seasonally adjusted, net income received by farm operators in the second quarter rose to its highest level since the third quarter of 1953. The net income estimate differs from the accrued net income series in that the former reflects the cash payments to the farmer from the Canadian Wheat Board, whereas the latter series includes the full amount accruing from the Board's operations. Thus, the increase in net income can be attributed to the exceptionally large payments made by the Canadian Wheat Board. The closing out of the 1960-1961 wheat pool account resulted in the largest average final payment in the history of the Board's operations. Adjustment payments to take account of the increase in the initial prices of wheat effective on all deliveries in the 1961-1962 crop year were also made during the quarter.

Net Income of Unincorporated Business

Net income of non-farm unincorporated business, seasonally adjusted, declined fractionally in the second quarter from the first quarter rate. Net income in retail trade dropped slightly, but was offset by a small rise in the service industries.

Corporation Profits

Corporation profits (before taxes and before dividends paid to non-residents) rose by about 3 per cent in the second quarter of 1962 to a seasonally adjusted annual rate of \$3.9 billion. Profits were at record levels, over 30 per cent above the cyclical trough in the first quarter of 1961. The chief industries contributing to the increase were mining, quarrying and oil wells, manufacturing, and the finance, insurance and real estate groups. Higher profits were an experience common to all other industrial groups except wholesale and retail trades and public utility operations.

Within manufacturing, however, there were offsetting movements with increases in printing and publishing, metals and machinery and transportation equipment, electrical apparatus and supplies and non-metallic mineral products and declines in foods and beverages, paper products, and petroleum and coal products.

Dividends paid to non-residents increased substantially, so that corporation profits before taxes and after dividends paid to non-residents remained virtually unchanged from the first to the second quarter of 1962.

Rent, Interest, and Miscellaneous Investment Income

Rent, interest and miscellaneous investment income rose by close to 4 per cent after adjustment for seasonal factors, attributable to a rise in the trading profits of government enterprises, net rents received by individuals and in receipts from withholding taxes on interest and dividends paid abroad.

Following a decline from the fourth quarter 1961 to the first quarter 1962, the interest, dividends and net rental income component of personal income increased by 4 per cent mainly because of a rise in bond interest, net rental income and dividends received by persons.

The Government Sector

Expenditure on goods and services of all levels of government increased by 4 per cent, with the greater part of the increase occurring at the provincial-municipal level attributable primarily to increased outlays on construction of vocational schools and for higher payments for labour. As mentioned earlier, the increase in government expenditure on goods and services was one of the major forces in the expansion of demand from the first to the second quarter.

Seasonally adjusted, total expenditures by all levels of governments combined increased by about 1½ per cent from the first to the second quarter of 1962, resulting from a 6 per cent increase in total expenditures of the provincial-municipal governments being offset in part by a decline of 2 per cent at the federal level. Combined revenues of all governments, however, rose by only 1 per cent, so that the combined deficit advanced from \$976 million to \$1,048 million, seasonally adjusted at annual rates.

This increase in the total combined deficit conceals offsetting movements at the Federal and the provincial-municipal levels, which are related to an irregularly high Federal deficit and an irregularly low provincial-municipal deficit in the first quarter. These irregularities reflect the transition from the previous tax-sharing arrangements to the new procedure for apportioning taxes between the Federal and provincial governments. Thus the second quarter Federal deficit declined \$300 million and this amount was reflected in the increase of \$380 million which took place at the provincial level. With the effect of the first quarter irregularity removed, the Federal deficit in the second quarter remained almost unchanged, but there was an increase of \$80 million at the provincial-municipal level, seasonally adjusted, between the first and second quarters.

The drop in federal expenditures can be largely attributed to declines in transfer payments to persons and in transfers to the provincial governments. The decline in federal transfer payments to persons reflected lower payments of unemployment insurance benefits, and the absence of the irregular payments which were made in the first quarter under the Prairie Farm Assistance Act and to western grain producers. These declines more than offset the rise in expenditure on goods and services and larger payments from the Old Age Security Fund, the latter reflecting the monthly increase of \$10 in old age security payments effective February 1, 1962. All components of total federal revenue showed

gains with the exception of direct personal taxes, which declined slightly.

at the provincial-municipal level, transfer payments to persons increased owing to larger payments to hospitals and educational institutions as well as for social assistance. Total revenues showed little change.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1961 and 1962
(millions of dollars)

| | 1961 | | | | | 1962 | |
|---|---------|---------|---------|---------|----------|---------|---------|
| | I | II | III | IV | Year | I | II |
| 1. Wages, Salaries, and Supplementary Labour Income | 4,423 | 4,702 | 4,903 | 4,856 | 18,884 | 4,732 | 5,021 |
| 2. Military Pay and Allowances | 129 | 140 | 137 | 144 | 550 | 147 | 152 |
| 3. Corporation Profits before Taxes and before Dividends Paid to Non-Residents | 609 | 910 | 969 | 950 | 3,438 | 767 | 1,051 |
| 4. Deduct: Dividends Paid to Non-Residents(1) | - 164 | - 120 | - 132 | - 172 | - 588 | - 129 | - 148 |
| 5. Rent, Interest, and Miscellaneous Investment Income .. | 610 | 601 | 666 | 652 | 2,529 | 633 | 662 |
| 6. Accrued Net Income of Farm Operators from Farm Production(2) | 33 | 133 | 680 | 91 | 937 | 15 | 125 |
| 7. Net Income of Non-Farm Unincorporated business(3) | 438 | 559 | 598 | 654 | 2,249 | 491 | 604 |
| 8. Inventory Valuation Adjustment(4) | 12 | - 16 | - 31 | - 51 | - 86 | - 28 | - 55 |
| 9. NET NATIONAL INCOME AT FACTOR COST | 6,090 | 6,909 | 7,790 | 7,124 | 27,913 | 6,628 | 7,412 |
| 10. Indirect Taxes less Subsidies | 1,110 | 1,155 | 1,137 | 1,241 | 4,643 | 1,226 | 1,292 |
| 11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments | 1,025 | 1,080 | 1,124 | 1,120 | 4,349 | 1,062 | 1,151 |
| 12. Residual Error of Estimate | - 81 | - 134 | 67 | 87 | - 61 | - 125 | - 221 |
| 13. GROSS NATIONAL PRODUCT AT MARKET PRICES | 8,144 | 9,010 | 10,118 | 9,572 | 36,844 | 8,791 | 9,634 |
| 14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) | (8,111) | (8,877) | (9,438) | (9,481) | (35,907) | (8,776) | (9,509) |

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

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1961 and 1962
(millions of dollars)

| | 1961 | | | | | 1962 | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | I | II | III | IV | Year | I | II |
| 1. Personal Expenditure on Consumer Goods and Services .. | 5,569 | 6,066 | 5,992 | 6,626 | 24,253 | 5,950 | 6,397 |
| 2. Government Expenditure on Goods and Services(1, 2) ... | 1,581 | 1,630 | 2,074 | 1,898 | 7,183 | 1,740 | 1,799 |
| 3. Business Gross Fixed Capital Formation(3) | 1,284 | 1,662 | 1,837 | 1,710 | 6,493 | 1,390 | 1,812 |
| 4. New Residential Construction | 247 | 364 | 441 | 406 | 1,458 | 291 | 388 |
| 5. New Non-Residential Construction | 476 | 623 | 814 | 734 | 2,647 | 512 | 664 |
| 6. New Machinery and Equipment | 561 | 675 | 582 | 570 | 2,388 | 587 | 760 |
| 7. Value of Physical Change in Inventories(4) | - 49 | - 187 | 331 | - 333 | - 238 | - 81 | - 230 |
| 8. Non-Farm Business Inventories | 208 | - 57 | - 47 | 105 | 209 | 209 | - 85 |
| 9. Farm Inventories and Grain in Commercial Channels .. | - 257 | - 130 | 378 | - 438 | - 447 | - 290 | - 145 |
| 10. Exports of Goods and Services | 1,578 | 1,861 | 2,117 | 2,022 | 7,578 | 1,724 | 2,071 |
| 11. Deduct: Imports of Goods and Services | - 1,900 | - 2,157 | - 2,165 | - 2,265 | - 8,487 | - 2,058 | - 2,436 |
| 12. Residual Error of Estimate | 81 | 135 | - 68 | - 86 | 62 | 126 | 221 |
| 13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES | 8,144 | 9,010 | 10,118 | 9,572 | 36,844 | 8,791 | 9,634 |

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditures see line 3 Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) 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. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1961 and 1962
(millions of dollars)

| | 1961 | | | | Year | 1962 | |
|---|-------|-------|-------|-------|--------|-------|-------|
| | I | II | III | IV | | I | II |
| 1. Wages, Salaries, and Supplementary Labour Income | 4,423 | 4,702 | 4,903 | 4,856 | 18,884 | 4,732 | 5,021 |
| 2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds | - 194 | - 188 | - 199 | - 200 | - 781 | - 197 | - 194 |
| 3. Military Pay and Allowances | 129 | 140 | 137 | 144 | 550 | 147 | 152 |
| 4. Net Income Received by Farm Operators from Farm Production(1) | 57 | 108 | 669 | 75 | 909 | - 14 | 223 |
| 5. Net Income of Non-Farm Unincorporated Business | 438 | 559 | 598 | 654 | 2,249 | 491 | 604 |
| 6. Interest, Dividends, and Net Rental Income of Persons(2) | 672 | 706 | 686 | 786 | 2,850 | 690 | 752 |
| Transfer Payments to Persons: | | | | | | | |
| 7. From Government (Excluding Interest) | 978 | 825 | 754 | 786 | 3,343 | 1,054 | 892 |
| 8. Charitable Contributions by Corporations | 9 | 12 | 12 | 12 | 45 | 12 | 12 |
| 9. PERSONAL INCOME | 6,512 | 6,864 | 7,560 | 7,113 | 28,049 | 6,915 | 7,462 |

(1) This item differs from line 6 of Table 1 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1961 and 1962
(millions of dollars)

| | 1961 | | | | Year | 1962 | |
|---|---------|---------|---------|---------|----------|---------|---------|
| | I | II | III | IV | | I | II |
| 1. Personal Direct Taxes | 573 | 670 | 628 | 633 | 2,504 | 623 | 716 |
| 2. Income Taxes | 454 | 584 | 543 | 545 | 2,126 | 500 | 627 |
| 3. Succession Duties | 37 | 33 | 38 | 38 | 146 | 40 | 38 |
| 4. Miscellaneous | 82 | 53 | 47 | 50 | 232 | 83 | 51 |
| 5. Personal Expenditure on Consumer Goods and Services .. | 5,569 | 6,066 | 5,992 | 6,626 | 24,253 | 5,950 | 6,397 |
| 6. Non-Durable Goods | 2,713 | 2,926 | 3,002 | 3,498 | 12,139 | 2,895 | 3,055 |
| 7. Durable Goods | 554 | 743 | 642 | 755 | 2,694 | 638 | 823 |
| 8. Services(1) | 2,302 | 2,397 | 2,348 | 2,373 | 9,420 | 2,417 | 2,519 |
| 9. Personal Net Saving | 370 | 128 | 940 | - 146 | 1,292 | 342 | 349 |
| 10. Personal Saving Excluding Change in Farm Inventories .. | 605 | 204 | 575 | 222 | 1,606 | 561 | 399 |
| 11. Value of Physical Change in Farm Inventories | - 235 | - 76 | 365 | - 368 | - 314 | - 219 | - 50 |
| 12. PERSONAL INCOME | 6,512 | 6,864 | 7,560 | 7,113 | 28,049 | 6,915 | 7,462 |
| 13. (Personal Disposable Income) (2) | (5,939) | (6,194) | (6,932) | (6,480) | (25,545) | (6,292) | (6,746) |

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 3. Government Revenue, by Quarters, 1961 and 1962
(millions of dollars)

| | 1961 | | | | | 1962 | |
|--|-------|-------|-------|-------|---------|-------|-------|
| | I | II | III | IV | Year | I | II |
| 1. Direct Taxes - Persons | 573 | 670 | 628 | 633 | 2,504 | 623 | 716 |
| 2. Federal | 461 | 582 | 543 | 546 | 2,132 | 468 | 564 |
| 3. Provincial and Municipal | 112 | 88 | 85 | 87 | 372 | 155 | 152 |
| 4. Direct Taxes - Corporations | 314 | 425 | 455 | 416 | 1,610 | 378 | 473 |
| 5. Federal | 258 | 348 | 373 | 341 | 1,320 | 287 | 359 |
| 6. (Federal Tax Collections) | (302) | (367) | (319) | (301) | (1,289) | (322) | (373) |
| 7. Provincial | 56 | 77 | 82 | 75 | 290 | 91 | 114 |
| 8. (Provincial Tax Collections) | (77) | (70) | (75) | (63) | (285) | (91) | (79) |
| Withholding Taxes: | | | | | | | |
| 9. Federal(1) | 34 | 26 | 26 | 23 | 109 | 26 | 35 |
| 10. Indirect Taxes | 1,153 | 1,207 | 1,233 | 1,300 | 4,893 | 1,289 | 1,361 |
| 11. Federal | 496 | 553 | 554 | 587 | 2,190 | 528 | 596 |
| 12. Provincial and Municipal | 657 | 654 | 679 | 713 | 2,703 | 761 | 765 |
| 13. Investment Income | 232 | 252 | 284 | 344 | 1,112 | 251 | 287 |
| 14. Federal | 67 | 84 | 112 | 143 | 406 | 73 | 109 |
| 15. Provincial and Municipal | 165 | 168 | 172 | 201 | 706 | 178 | 178 |
| 16. Employer and Employee Contributions to Social Insurance and Government Pension Funds | 194 | 188 | 199 | 200 | 781 | 197 | 194 |
| 17. Federal | 128 | 119 | 129 | 131 | 507 | 128 | 122 |
| 18. Provincial and Municipal | 66 | 69 | 70 | 69 | 274 | 69 | 72 |
| Transfers from Federal: | | | | | | | |
| 19. Provincial and Municipal | 258 | 298 | 283 | 284 | 1,123 | 299 | 255 |
| 20. Total Revenue | 2,758 | 3,066 | 3,108 | 3,200 | 12,132 | 3,063 | 3,321 |
| 21. Federal | 1,444 | 1,712 | 1,737 | 1,771 | 6,664 | 1,510 | 1,785 |
| 22. Provincial and Municipal | 1,314 | 1,354 | 1,371 | 1,429 | 5,468 | 1,553 | 1,536 |

(1) Beginning in 1962, the withholding tax series has been adjusted to conform more closely with the flow of interest and dividends to non-residents.

TABLE 4. Government Expenditure, by Quarters, 1961 and 1962
(millions of dollars)

| | 1961 | | | | | 1962 | |
|---|-------|-------|-------|-------|---------|----------|-------|
| | I | II | III | IV | Year | I | II |
| 1. Goods and Services | 1,581 | 1,630 | 2,074 | 1,898 | 7,183 | 1,740 | 1,799 |
| 2. Federal | 696 | 716 | 793 | 765 | 2,970 | 749 | 771 |
| 3. (Defence) | (438) | (367) | (391) | (421) | (1,617) | (471) | (401) |
| 4. Provincial and Municipal | 885 | 914 | 1,281 | 1,133 | 4,213 | 991 | 1,028 |
| 5. Transfer Payments to Persons (Excluding Interest on the Public Debt) | 978 | 825 | 754 | 786 | 3,343 | 1,054 | 892 |
| 6. Federal | 601 | 519 | 425 | 469 | 2,014 | 666 | 527 |
| 7. Provincial and Municipal | 377 | 306 | 329 | 317 | 1,329 | 388 | 365 |
| 8. Interest on the Public Debt | 229 | 289 | 235 | 373 | 1,126 | 234 | 308 |
| 9. Federal | 160 | 187 | 169 | 267 | 783 | 157 | 199 |
| 10. Provincial and Municipal | 69 | 102 | 66 | 106 | 343 | 77 | 109 |
| 11. Subsidies | 43 | 52 | 96 | 59 | 250 | 63 | 69 |
| 12. Federal | 40 | 49 | 83 | 48 | 220 | 58 | 65 |
| 13. Provincial | 3 | 3 | 13 | 11 | 30 | 5 | 4 |
| Transfers to Provincial and Municipal: | | | | | | | |
| 14. Federal | 258 | 298 | 283 | 284 | 1,123 | 299 | 255 |
| 15. Total Expenditure | 3,089 | 3,094 | 3,442 | 3,400 | 13,025 | 3,390 | 3,323 |
| 16. Federal | 1,755 | 1,769 | 1,753 | 1,833 | 7,110 | 1,929 | 1,817 |
| 17. Provincial and Municipal | 1,334 | 1,325 | 1,689 | 1,567 | 5,915 | 1,461 | 1,506 |
| 18. Deficit (-) or Surplus (+) | - 331 | - 28 | - 334 | - 200 | - 893 | - 327 | - 2 |
| 19. Federal | - 311 | - 57 | - 16 | - 62 | - 446 | - 419(1) | - 32 |
| 20. Provincial and Municipal | - 20 | 29 | - 318 | - 138 | - 447 | 92(1) | 30 |
| 21. Total Expenditure Minus Deficit or Plus Surplus | 2,758 | 3,066 | 3,108 | 3,200 | 12,132 | 3,063 | 3,321 |
| 22. Federal | 1,444 | 1,712 | 1,737 | 1,771 | 6,664 | 1,510 | 1,785 |
| 23. Provincial and Municipal | 1,314 | 1,354 | 1,371 | 1,429 | 5,468 | 1,553 | 1,536 |

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial - municipal surplus also correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 7. Source of National Saving, by Quarters, 1961 and 1962
(millions of dollars)

| | 1961 | | | | | 1962 | |
|--|-------|-------|-------|-------|-------|-------|-------|
| | I | II | III | IV | Year | I | II |
| 1. Personal Net Saving | 370 | 128 | 940 | - 146 | 1,292 | 342 | 349 |
| 2. Business Gross Saving | 1,024 | 1,364 | 1,410 | 1,358 | 5,156 | 1,239 | 1,367 |
| 3. Undistributed Corporation Profits | 23 | 259 | 275 | 222 | 779 | 148 | 314 |
| 4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments | 1,025 | 1,080 | 1,124 | 1,120 | 4,349 | 1,062 | 1,151 |
| 5. Adjustment on Grain Transactions(1) | - 24 | 25 | 11 | 16 | 28 | 29 | - 98 |
| 6. Inventory Valuation Adjustment | 12 | - 16 | - 31 | - 51 | - 86 | - 28 | - 55 |
| 7. Government Surplus (+) or Deficit (-) | - 331 | - 28 | - 334 | - 200 | - 893 | - 327 | - 2 |
| 8. Residual Error of Estimate | - 81 | - 134 | 67 | 87 | - 61 | - 125 | - 221 |
| 9. Totals | 994 | 1,314 | 2,052 | 1,048 | 5,408 | 1,101 | 1,438 |

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1961 and 1962
(millions of dollars)

| | 1961 | | | | | 1962 | |
|--|-------|-------|-------|-------|-------|-------|-------|
| | I | II | III | IV | Year | I | II |
| 1. Business Gross Fixed Capital Formation | 1,284 | 1,662 | 1,837 | 1,710 | 6,493 | 1,390 | 1,812 |
| 2. New Residential Construction | 247 | 364 | 441 | 406 | 1,458 | 291 | 388 |
| 3. New Non-Residential Construction | 476 | 623 | 814 | 734 | 2,647 | 512 | 664 |
| 4. New Machinery and Equipment | 561 | 675 | 582 | 570 | 2,388 | 587 | 760 |
| 5. Value of Physical Change in Inventories | - 49 | - 187 | 331 | - 333 | - 238 | - 81 | - 230 |
| 6. Surplus (+) or Deficit (-) on Current Account with Non-Residents | - 322 | - 296 | - 48 | - 243 | - 909 | - 334 | - 365 |
| 7. Residual Error of Estimate | 81 | 135 | - 68 | - 86 | 62 | 126 | 221 |
| 8. Totals | 994 | 1,314 | 2,052 | 1,048 | 5,408 | 1,101 | 1,438 |

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961 and 1962(1)
(millions of dollars)

| | 1961 | | | | | 1962 | |
|---|---------|---------|---------|---------|---------|-------|---------|
| | I | II | III | IV | Year | I | II |
| 1. Personal Expenditure on Consumer Goods and Services | 5,254 | 5,728 | 5,637 | 6,240 | 22,859 | 5,576 | 5,962 |
| 2. Non-Durable Goods | 2,618 | 2,825 | 2,874 | 3,352 | 11,669 | 2,788 | 2,926 |
| 3. Durable Goods | 540 | 729 | 648 | 758 | 2,675 | 626 | 805 |
| 4. Services | 2,096 | 2,174 | 2,115 | 2,130 | 8,515 | 2,162 | 2,231 |
| 5. Government Expenditure on Goods and Services ... | 1,406 | 1,511 | 1,970 | 1,721 | 6,608 | 1,494 | 1,631 |
| 6. Business Gross Fixed Capital Formation | 1,184 | 1,534 | 1,696 | 1,576 | 5,990 | 1,263 | 1,635 |
| 7. New Residential Construction | 226 | 332 | 402 | 369 | 1,329 | 262 | 346 |
| 8. New Non-Residential Construction | 439 | 577 | 760 | 684 | 2,460 | 469 | 606 |
| 9. New Machinery and Equipment | 519 | 625 | 534 | 523 | 2,201 | 532 | 681 |
| 10. Change in Inventories | - 34 | - 221 | 268 | - 275 | - 262 | - 24 | - 228 |
| 11. Non-Farm Business Inventories | 204 | - 51 | - 49 | 105 | 209 | 208 | - 85 |
| 12. Farm Inventories and Grain in Commercial Channels | - 238 | - 170 | 317 | - 380 | - 471 | - 232 | - 143 |
| 13. Exports of Goods and Services | 1,550 | 1,816 | 2,035 | 1,942 | 7,343 | 1,640 | 1,945 |
| 14. Deduct: Imports of Goods and Services | - 1,830 | - 2,070 | - 2,033 | - 2,134 | - 8,067 | 1,897 | - 2,215 |
| 15. Residual Error of Estimate | 75 | 127 | - 64 | - 80 | 58 | 116 | 205 |
| 16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS | 7,605 | 8,425 | 9,509 | 8,990 | 34,529 | 8,168 | 8,935 |

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

| | 1961 | | | | | 1962 | |
|---|----------|----------|----------|----------|----------|----------|----------|
| | I | II | III | IV | Year | I | II |
| 1. Wages, Salaries, and Supplementary Labour Income | 18,412 | 18,736 | 19,060 | 19,328 | 18,884 | 19,700 | 20,008 |
| 2. Military Pay and Allowances | 540 | 544 | 544 | 572 | 550 | 600 | 592 |
| 3. Corporation Profits before Taxes and before Dividends paid to Non-Residents | 2,956 | 3,364 | 3,588 | 3,844 | 3,438 | 3,768 | 3,868 |
| 4. Deduct: Dividends Paid to Non-Residents(1) | - 748 | - 544 | - 548 | - 512 | - 588 | - 576 | - 672 |
| 5. Rent, Interest, and Miscellaneous Investment Income .. | 2,480 | 2,468 | 2,616 | 2,552 | 2,529 | 2,616 | 2,712 |
| 6. Accrued Net Income of Farm Operators from Farm Production(2) | 864 | 932 | 1,016 | 936 | 937 | 1,180 | 1,272 |
| 7. Net Income of Non-Farm Unincorporated Business(3) | 2,092 | 2,224 | 2,372 | 2,308 | 2,249 | 2,388 | 2,372 |
| 8. Inventory Valuation Adjustment | 48 | - 64 | - 124 | - 204 | - 86 | - 112 | - 220 |
| 9. NET NATIONAL INCOME AT FACTOR COST | 26,644 | 27,660 | 28,524 | 28,824 | 27,913 | 29,564 | 29,932 |
| 10. Indirect Taxes less Subsidies | 4,556 | 4,584 | 4,540 | 4,892 | 4,643 | 5,024 | 5,132 |
| 11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments | 4,312 | 4,284 | 4,388 | 4,412 | 4,349 | 4,480 | 4,556 |
| 12. Residual Error of Estimate | 48 | - 40 | - 56 | - 196 | - 61 | - 228 | - 196 |
| 13. GROSS NATIONAL PRODUCT AT MARKET PRICES | 35,560 | 36,488 | 37,396 | 37,932 | 36,844 | 38,840 | 39,424 |
| 14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) | (34,696) | (35,556) | (36,380) | (36,996) | (35,907) | (37,660) | (38,152) |

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard 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.

TABLE 11. Gross National Expenditure, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

| | 1961 | | | | | 1962 | |
|--|---------|---------|---------|---------|---------|---------|---------|
| | I | II | III | IV | Year | I | II |
| 1. Personal Expenditure on Consumer Goods and Services .. | 23,784 | 24,124 | 24,504 | 24,600 | 24,253 | 25,312 | 25,456 |
| 2. Government Expenditure on Goods and Services(1, 2) ... | 6,924 | 7,140 | 7,284 | 7,384 | 7,183 | 7,660 | 7,964 |
| 3. Business Gross Fixed Capital Formation(3) | 6,392 | 6,260 | 6,620 | 6,700 | 6,493 | 6,840 | 6,880 |
| 4. New Residential Construction | 1,344 | 1,436 | 1,576 | 1,476 | 1,458 | 1,548 | 1,536 |
| 5. New Non-Residential Construction | 2,616 | 2,560 | 2,652 | 2,760 | 2,647 | 2,748 | 2,760 |
| 6. New Machinery and Equipment | 2,432 | 2,264 | 2,392 | 2,464 | 2,388 | 2,544 | 2,584 |
| 7. Value of Physical Change in Inventories | - 332 | - 212 | - 316 | - 92 | - 238 | - 72 | - 96 |
| 8. Non-Farm Business Inventories | 60 | 168 | 104 | 504 | 209 | 24 | 40 |
| 9. Farm Inventories and Grain in Commercial Channels(4) .. | - 392 | - 380 | - 420 | - 596 | - 447 | - 96 | - 136 |
| 10. Exports of Goods and Services | 7,184 | 7,316 | 7,856 | 7,956 | 7,578 | 7,836 | 8,240 |
| 11. Deduct: Imports of Goods and Services | - 8,344 | - 8,184 | - 8,608 | - 8,812 | - 8,487 | - 8,964 | - 9,216 |
| 12. Residual Error of Estimate | - 48 | 44 | 56 | 196 | 62 | 228 | 196 |
| 13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES | 35,560 | 36,488 | 37,396 | 37,932 | 36,844 | 38,840 | 39,424 |
| Detail of Farm Inventories and GICC: | | | | | | | |
| Value of grain crop production | 636 | 636 | 636 | 640 | 637 | 1,040 | 1,040 |
| Depletions of farm stocks of grain | - 1,156 | - 1,040 | - 928 | - 828 | - 988 | - 976 | - 888 |
| Change in livestock inventories | 92 | 160 | 12 | - 116 | 37 | - 4 | 16 |
| Grain in Commercial Channels | 36 | - 136 | - 140 | - 292 | - 133 | - 156 | - 304 |

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

| | 1961 | | | | | 1962 | |
|---|--------|--------|--------|--------|--------|--------|--------|
| | I | II | III | IV | Year | I | II |
| 1. Wages, Salaries and Supplementary Labour Income | 18,412 | 18,736 | 19,060 | 19,328 | 18,884 | 19,700 | 20,008 |
| 2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds | - 752 | - 780 | - 800 | - 792 | - 781 | - 768 | - 804 |
| 3. Military Pay and Allowances | 540 | 544 | 544 | 572 | 550 | 600 | 592 |
| 4. Net Income Received by Farm Operators from Farm Production(1) | 872 | 808 | 1,008 | 948 | 909 | 964 | 1,596 |
| 5. Net Income of Non-Farm Unincorporated Business | 2,092 | 2,224 | 2,372 | 2,308 | 2,249 | 2,388 | 2,372 |
| 6. Interest, Dividends, and Net Rental Income of Persons(2) | 2,800 | 2,832 | 2,828 | 2,940 | 2,850 | 2,892 | 3,008 |
| Transfer Payments to Persons: | | | | | | | |
| 7. From Government (Excluding Interest) | 3,268 | 3,304 | 3,360 | 3,440 | 3,343 | 3,584 | 3,596 |
| 8. Charitable Contributions by Corporations | 44 | 44 | 44 | 48 | 45 | 48 | 48 |
| 9. PERSONAL INCOME | 27,276 | 27,712 | 28,416 | 28,792 | 28,049 | 29,408 | 30,416 |

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

| | 1961 | | | | | 1962 | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | I | II | III | IV | Year | I | II |
| 1. Personal Direct Taxes | 2,396 | 2,460 | 2,584 | 2,576 | 2,504 | 2,620 | 2,664 |
| 2. Income Taxes | 2,024 | 2,088 | 2,192 | 2,200 | 2,126 | 2,232 | 2,276 |
| 3. Succession Duties | 148 | 132 | 152 | 152 | 146 | 160 | 152 |
| 4. Miscellaneous | 224 | 240 | 240 | 224 | 232 | 228 | 236 |
| 5. Personal Expenditure on Consumer Goods and Services | 23,784 | 24,124 | 24,504 | 24,600 | 24,253 | 25,312 | 25,456 |
| 6. Non-Durable Goods | 11,976 | 12,164 | 12,280 | 12,136 | 12,139 | 12,560 | 12,524 |
| 7. Durable Goods | 2,532 | 2,592 | 2,768 | 2,884 | 2,694 | 3,028 | 3,052 |
| 8. Services(1) | 9,276 | 9,368 | 9,456 | 9,580 | 9,420 | 9,724 | 9,880 |
| 9. Personal Net Saving | 1,096 | 1,128 | 1,328 | 1,616 | 1,292 | 1,476 | 2,296 |
| 10. PERSONAL INCOME | 27,276 | 27,712 | 28,416 | 28,792 | 28,049 | 29,408 | 30,416 |
| 11. (Personal Disposable Income)(2) | (24,880) | (25,252) | (25,832) | (26,216) | (25,545) | (26,788) | (27,752) |

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

| | 1961 | | | | | 1962 | |
|--|---------|---------|---------|---------|---------|---------|---------|
| | I | II | III | IV | Year | I | II |
| 1. Direct Taxes - Persons | 2,396 | 2,460 | 2,584 | 2,576 | 2,504 | 2,620 | 2,664 |
| 2. Federal | 2,048 | 2,084 | 2,192 | 2,204 | 2,132 | 2,080 | 2,048 |
| 3. Provincial and Municipal | 348 | 376 | 392 | 372 | 372 | 540 | 616 |
| 4. Direct Taxes - Corporations | 1,432 | 1,588 | 1,716 | 1,704 | 1,610 | 1,716 | 1,768 |
| 5. Federal | 1,176 | 1,304 | 1,404 | 1,396 | 1,320 | 1,304 | 1,344 |
| 6. (Federal Tax Collections) | (1,332) | (1,276) | (1,252) | (1,296) | (1,289) | (1,384) | (1,308) |
| 7. Provincial | 256 | 284 | 312 | 308 | 290 | 412 | 424 |
| 8. (Provincial Tax Collections) | (280) | (276) | (288) | (296) | (285) | (328) | (316) |
| Withholding Taxes: | | | | | | | |
| 9. Federal(1) | 112 | 112 | 108 | 104 | 109 | 104 | 144 |
| 10. Indirect Taxes | 4,764 | 4,792 | 4,904 | 5,112 | 4,893 | 5,308 | 5,400 |
| 11. Federal | 2,164 | 2,156 | 2,196 | 2,244 | 2,190 | 2,292 | 2,312 |
| 12. Provincial and Municipal(2) | 2,600 | 2,636 | 2,708 | 2,868 | 2,703 | 3,016 | 3,088 |
| 13. Investment Income | 1,060 | 1,060 | 1,208 | 1,120 | 1,112 | 1,140 | 1,188 |
| 14. Federal | 364 | 360 | 496 | 404 | 406 | 396 | 448 |
| 15. Provincial and Municipal | 696 | 700 | 712 | 716 | 706 | 744 | 740 |
| 16. Employer and Employee Contributions to Social Insurance and Government Pension Funds | 752 | 780 | 800 | 792 | 781 | 768 | 804 |
| 17. Federal | 488 | 504 | 520 | 516 | 507 | 492 | 516 |
| 18. Provincial and Municipal | 264 | 276 | 280 | 276 | 274 | 276 | 288 |
| Transfers from Federal: | | | | | | | |
| 19. Provincial and Municipal | 1,004 | 1,176 | 1,156 | 1,156 | 1,123 | 1,176 | 1,012 |
| 20. Total Revenue | 11,520 | 11,968 | 12,476 | 12,564 | 12,132 | 12,832 | 12,980 |
| 21. Federal | 6,352 | 6,520 | 6,916 | 6,868 | 6,664 | 6,668 | 6,812 |
| 22. Provincial and Municipal | 5,168 | 5,448 | 5,560 | 5,696 | 5,468 | 6,164 | 6,168 |

(1) See footnote 1, Table 5.

(2) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

| | 1961 | | | | | 1962 | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | I | II | III | IV | Year | I | II |
| 1. Goods and Services | 6,924 | 7,140 | 7,284 | 7,384 | 7,183 | 7,660 | 7,964 |
| 2. Federal | 2,848 | 2,968 | 3,008 | 3,056 | 2,970 | 3,060 | 3,152 |
| 3. (Defence) | (1,560) | (1,636) | (1,592) | (1,680) | (1,617) | (1,680) | (1,724) |
| 4. Provincial and Municipal | 4,076 | 4,172 | 4,276 | 4,328 | 4,213 | 4,600 | 4,812 |
| 5. Transfer Payments to Persons (Excluding Interest on the Public Debt) | 3,268 | 3,304 | 3,360 | 3,440 | 3,343 | 3,584 | 3,596 |
| 6. Federal | 1,984 | 2,024 | 2,000 | 2,048 | 2,014 | 2,240 | 2,088 |
| 7. Provincial and Municipal | 1,284 | 1,280 | 1,360 | 1,392 | 1,329 | 1,344 | 1,508 |
| 8. Interest on the Public Debt | 1,084 | 1,136 | 1,112 | 1,172 | 1,126 | 1,104 | 1,188 |
| 9. Federal | 748 | 800 | 764 | 820 | 783 | 748 | 824 |
| 10. Provincial and Municipal | 336 | 336 | 348 | 352 | 343 | 356 | 364 |
| 11. Subsidies | 208 | 208 | 364 | 220 | 250 | 284 | 268 |
| 12. Federal | 180 | 180 | 332 | 188 | 220 | 252 | 236 |
| 13. Provincial | 28 | 28 | 32 | 32 | 30 | 32 | 32 |
| Transfers to Other Levels of Government: | | | | | | | |
| 14. Federal | 1,004 | 1,176 | 1,156 | 1,156 | 1,123 | 1,176 | 1,012 |
| 15. Total Expenditure | 12,488 | 12,964 | 13,276 | 13,372 | 13,025 | 13,808 | 14,028 |
| 16. Federal | 6,764 | 7,148 | 7,260 | 7,268 | 7,110 | 7,476 | 7,312 |
| 17. Provincial and Municipal | 5,724 | 5,816 | 6,016 | 6,104 | 5,915 | 6,332 | 6,716 |
| 18. Deficit (-) or Surplus (+) | - 968 | - 996 | - 800 | - 808 | - 893 | - 976 | - 1,048 |
| 19. Federal | - 412 | - 628 | - 344 | - 400 | - 446 | (1) | - 500 |
| 20. Provincial and Municipal | - 556 | - 368 | - 456 | - 408 | - 447 | (1) | - 548 |
| 21. Total Expenditure Minus Deficit or Plus Surplus | 11,520 | 11,968 | 12,476 | 12,564 | 12,132 | 12,832 | 12,980 |
| 22. Federal | 6,352 | 6,520 | 6,916 | 6,868 | 6,664 | 6,668 | 6,812 |
| 23. Provincial and Municipal | 5,168 | 5,448 | 5,560 | 5,696 | 5,468 | 6,164 | 6,168 |

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial-municipal deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements. Reflecting this overlap, the federal deficit amounts to \$808 million and the provincial-municipal deficit to \$168 million seasonally adjusted and at annual rates.

TABLE 16. Source of National Saving, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

| | 1961 | | | | | 1962 | |
|--|-------|-------|-------|-------|-------|-------|---------|
| | I | II | III | IV | Year | I | II |
| 1. Personal Net Saving | 1,096 | 1,128 | 1,328 | 1,616 | 1,292 | 1,476 | 2,296 |
| 2. Business Gross Saving | 4,628 | 5,196 | 5,260 | 5,540 | 5,156 | 5,708 | 5,172 |
| 3. Undistributed Corporation Profits | 324 | 788 | 864 | 1,140 | 779 | 1,012 | 940 |
| 4. Capital Consumption Allowances, etc. | 4,312 | 4,284 | 4,388 | 4,412 | 4,349 | 4,480 | 4,556 |
| 5. Adjustment on Grain Transactions(1) | - 8 | 124 | 8 | - 12 | 28 | 216 | - 324 |
| 6. Inventory Valuation Adjustment | 48 | - 64 | - 124 | - 204 | - 86 | - 112 | - 220 |
| 7. Government Surplus (+) or Deficit (-) | - 968 | - 996 | - 800 | - 808 | - 893 | - 976 | - 1,048 |
| 8. Residual Error of Estimate | 48 | - 40 | - 56 | - 196 | - 61 | - 228 | - 196 |
| 9. Totals | 4,852 | 5,224 | 5,608 | 5,948 | 5,408 | 5,868 | 6,004 |

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

| | 1961 | | | | | 1962 | |
|--|---------|-------|-------|-------|-------|---------|-------|
| | I | II | III | IV | Year | I | II |
| 1. Business Gross Fixed Capital Formation | 6,392 | 6,260 | 6,620 | 6,700 | 6,493 | 6,840 | 6,880 |
| 2. New Residential Construction | 1,344 | 1,436 | 1,576 | 1,476 | 1,458 | 1,548 | 1,536 |
| 3. New Non-Residential Construction | 2,616 | 2,560 | 2,652 | 2,760 | 2,647 | 2,748 | 2,760 |
| 4. New Machinery and Equipment | 2,432 | 2,264 | 2,392 | 2,464 | 2,388 | 2,544 | 2,584 |
| 5. Value of Physical Change in Inventories | - 332 | - 212 | - 316 | - 92 | - 238 | - 72 | - 96 |
| 6. Surplus (+) or Deficit (-) on Current Account with Non-Residents | - 1,160 | - 868 | - 752 | - 856 | - 909 | - 1,128 | - 976 |
| 7. Residual Error of Estimate | - 48 | 44 | 56 | 196 | 62 | 228 | 196 |
| 8. Totals | 4,852 | 5,224 | 5,608 | 5,948 | 5,408 | 5,868 | 6,004 |

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961 and 1962(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

| | 1961 | | | | | 1962 | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | I | II | III | IV | Year | I | II |
| 1. Personal Expenditure on Consumer Goods and Services | 22,476 | 22,776 | 23,068 | 23,116 | 22,859 | 23,744 | 23,748 |
| 2. Non-Durable Goods | 11,532 | 11,736 | 11,792 | 11,616 | 11,669 | 12,076 | 11,992 |
| 3. Durable Goods | 2,504 | 2,544 | 2,744 | 2,908 | 2,675 | 2,984 | 2,996 |
| 4. Services | 8,440 | 8,496 | 8,532 | 8,592 | 8,515 | 8,684 | 8,760 |
| 5. Government Expenditure on Goods and Services | 6,392 | 6,608 | 6,720 | 6,712 | 6,608 | 6,900 | 7,156 |
| 6. Business Gross Fixed Capital Formation | 5,904 | 5,780 | 6,108 | 6,168 | 5,990 | 6,228 | 6,212 |
| 7. New Residential Construction | 1,220 | 1,312 | 1,440 | 1,344 | 1,329 | 1,388 | 1,372 |
| 8. New Non-Residential Construction | 2,424 | 2,376 | 2,476 | 2,564 | 2,460 | 2,528 | 2,524 |
| 9. New Machinery and Equipment | 2,260 | 2,092 | 2,192 | 2,260 | 2,201 | 2,312 | 2,316 |
| 10. Change in Inventories | - 364 | - 248 | - 340 | - 96 | - 262 | - 12 | - 32 |
| 11. Non-Farm Business Inventories | 64 | 176 | 112 | 484 | 209 | 28 | 44 |
| 12. Farm Inventories and Grain in Commercial Channels | - 428 | - 424 | - 452 | - 580 | - 471 | - 40 | - 76 |
| 13. Exports of Goods and Services | 7,036 | 7,148 | 7,564 | 7,624 | 7,343 | 7,436 | 7,744 |
| 14. Deduct: Imports of Goods and Services | - 8,068 | - 7,884 | - 8,080 | - 8,236 | - 8,067 | - 8,316 | - 8,408 |
| 15. Residual Error of Estimate | - 44 | 40 | 52 | 184 | 58 | 212 | 180 |
| 16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS | 33,332 | 34,220 | 35,092 | 35,472 | 34,529 | 36,192 | 36,500 |

(1) See footnote 1, Table 9.

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