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

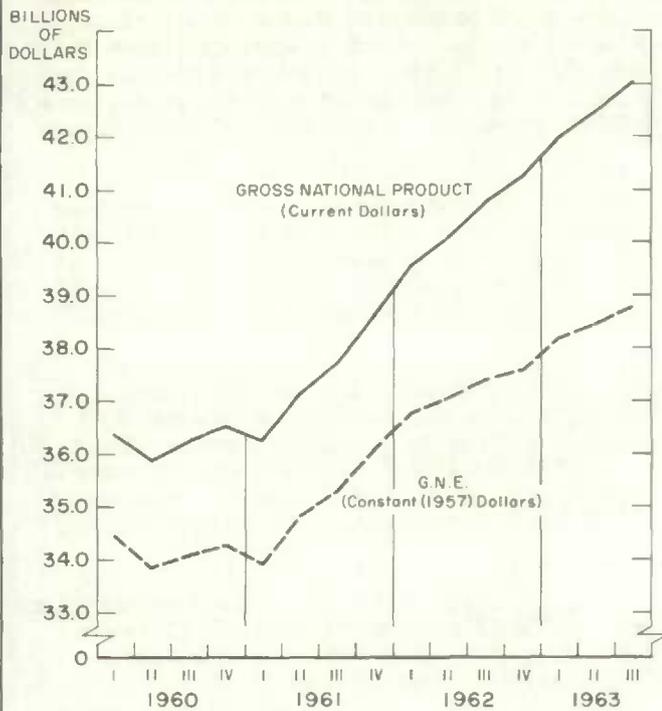
"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1962", for the years 1959-61.

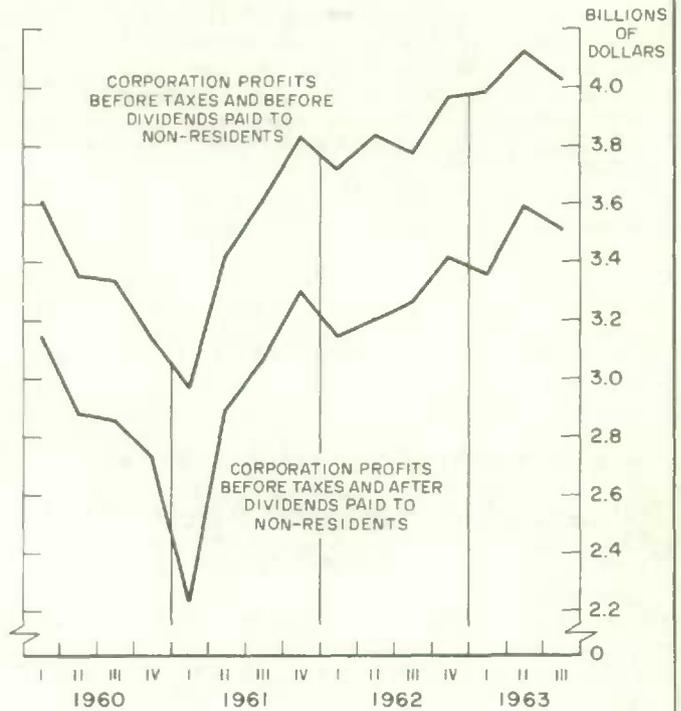
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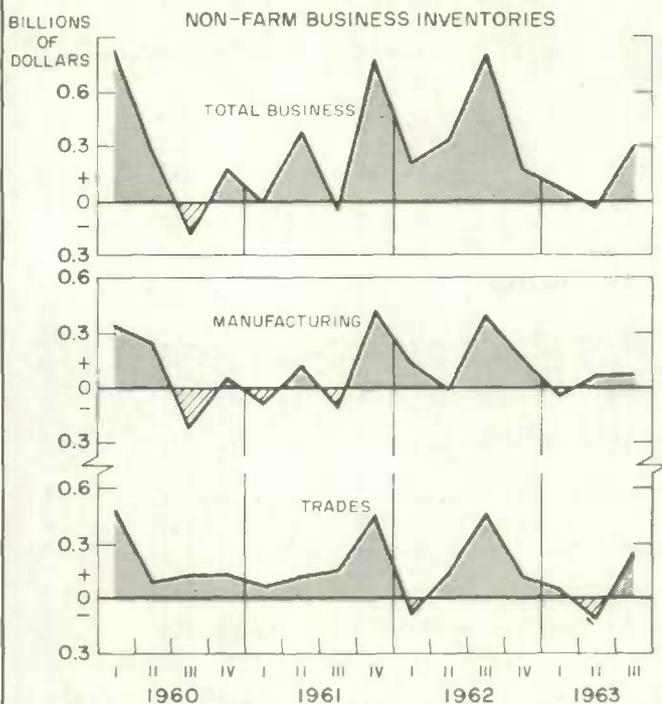
GROSS NATIONAL PRODUCT ROSE BY 1.3 PER CENT TO REGISTER THE TENTH CONSECUTIVE INCREASE
(SEASONALLY ADJUSTED DATA AT ANNUAL RATES)



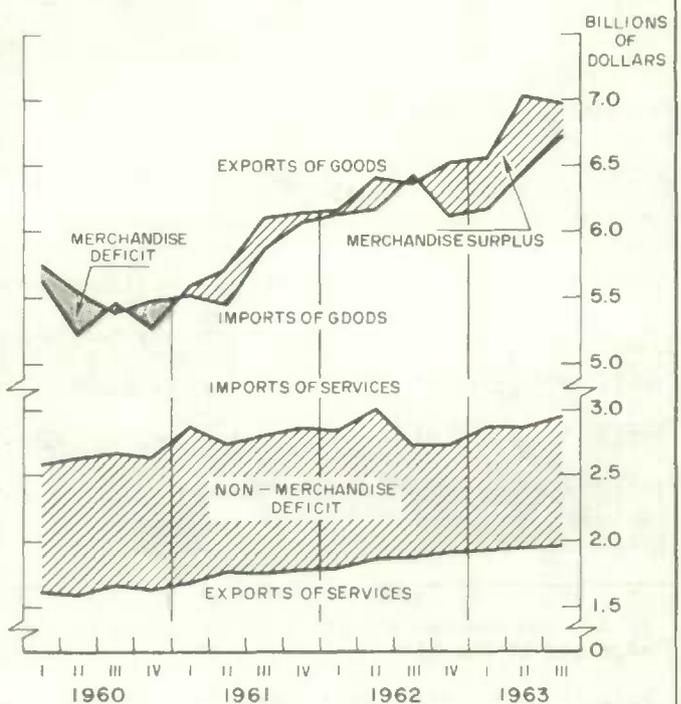
CORPORATION PROFITS DECLINED SLIGHTLY FROM THE PEAK REACHED IN THE SECOND QUARTER
(SEASONALLY ADJUSTED DATA AT ANNUAL RATES)



INVENTORY ACCUMULATION PROVIDED AN ELEMENT OF RENEWED STRENGTH IN TOTAL DEMAND
(SEASONALLY ADJUSTED DATA AT ANNUAL RATES)



THE DEFICIT ON CURRENT ACCOUNT INCREASED AS IMPORTS ROSE APPRECIABLY
(SEASONALLY ADJUSTED DATA AT ANNUAL RATES)



INTRODUCTORY REVIEW

The expansion in production of goods and services continued in the third quarter as a \$564 million increase carried Gross National Product to an annual rate of \$43.0 billion after seasonal adjustment. This rise of 1.3 per cent was a continuation of similar sized gains which have been apparent since early in 1962, and was the tenth consecutive quarterly increase in the current expansion. Since the trough in business activity at the beginning of 1961, Gross National Product has now advanced 19 per cent, about three fourths of which represented a gain in real terms. During the quarter, prices rose by about one half of one per cent, so that they accounted for approximately one third of the increase in the value of Gross National Product.

The latest quarterly gain stemmed mainly from increased spending on consumer goods and services and a moderate accumulation of business inventories. Spending by persons increased by over \$550 million to an annual rate of \$27.4 billion, with about two thirds of this increase attributable to non-durable goods. The current quarter's build-up of non-farm inventories of \$300 million was a renewed element of strength, after nine months during which the rate of inventory accumulation slowed down and finally turned to a modest liquidation.

The other sectors of demand reflected mixed movements, with fixed capital formation rising by 1½ per cent, to \$7.4 billion, mainly as a result of increased investment in machinery and equipment, government demand for goods and services rising by 1 per cent, and exports declining fractionally to an annual rate of \$8.9 billion. Part of the increased demand was met by a 4 per cent rise in imports of goods and services, which reached \$9.7 billion after discounting seasonal influences. As a result of the above external transactions, the net import balance widened to an annual rate of \$0.7 billion from \$0.3 billion in the preceding quarter.

Net National Income rose by just over 1 per cent to \$32.8 billion. The gain resulted mainly from a 1½ per cent increase in labour income, partly reflecting increased employment; this was offset to some extent by lower corporation profits, which edged downward by 2 per cent after three successive quarterly increases. Total employment advanced in step with the 1 per cent growth in the labour force, leaving the ratio of unemployment to total labour force on average during the quarter little changed. However, within the third quarter there were significant month-to-month declines in unemployment.

Percentage Changes in Components of Gross National Expenditure^{1/}

	4Q 1962 to 1Q 1963 Col.(1)	1Q 1963 to 2Q 1963 Col.(2)	2Q 1963 to 3Q 1963 Col.(3)	3 Quarters 1962 to 3 Quarters 1963 Col.(4)
Personal Expenditure	1.8	0.7	2.1	5.3
Government Expenditure	4.5	0.3	1.1	5.9
Residential Construction	-1.8	4.9	0.5	4.3
Non-Residential Construction	1.2	3.3	-1.9	2.1
Machinery and Equipment	-	1.7	5.3	7.7
Exports	0.5	5.8	-0.6	8.2
Total Final Demand	1.8	1.8	1.4	5.8
Inventories	-	-(\$0.1b)	(\$0.2b)	-(\$0.1b)
(Business Only)	-(\$0.1b)	-(\$0.1b)	(\$0.3b)	-(\$0.2b)
Imports	2.4	2.9	3.9	2.9
Gross National Expenditure (Value)	1.8	1.1	1.3	6.0
Volume Component	1.6	0.7	0.9	4.2

^{1/} All comparisons except 3 Quarters 1962 to 3 Quarters 1963 are based on data seasonally adjusted at annual rates.

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

	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	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63	1Q'63 to 2Q'63	2Q'63 to 3Q'63
1. Personal expenditure	236	244	324	- 16	452	360	188	620	52	104	472	476	180	564
2. Government expenditure	- 64	428	- 140	240	- 12	192	120	- 4	516	- 76	- 48	352	24	92
3. Residential construction ...	- 204	- 4	- 8	28	36	48	- 20	60	28	52	- 24	- 28	76	8
4. Non-residential construction	- 72	44	- 12	32	28	72	88	- 36	- 80	- 88	64	32	88	- 52
5. Machinery and equipment	- 68	- 104	76	- 112	- 128	72	24	80	24	192	- 4	-	48	152
6. Exports of goods & services	- 404	304	- 228	376	228	364	56	28	332	- 24	188	44	496	- 52
7. Total final purchases	- 576	912	12	548	604	1,108	456	748	872	160	648	876	912	712
8. (Final domestic demand)	(- 172)	(608)	(240)	(172)	(376)	(744)	(400)	(720)	(540)	(184)	(460)	(832)	(416)	(764)

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	+ 552	- 456	356	- 176	372	- 416	820	- 576	128	472	- 628	- 108	- 104	336
10. Imports of goods & services	- 156	- 120	68	256	- 184	464	272	40	204	- 32	- 304	212	260	360
11. G.N.P. (ex. farm)	- 456	348	544	- 432	1,000	516	968	452	496	676	672	476	436	600

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	- 1.1	1.4	0.2	0.2	1.0	1.6	0.6	1.2	0.7	- 0.2	0.6	1.6	0.4	1.1
13. Total final purchases	- 2.0	1.9	- 0.3	1.0	1.4	1.9	0.5	0.9	1.1	- 0.3	0.9	1.3	1.4	0.7
14. Gross National Expenditure	- 1.8	0.7	0.5	- 1.0	2.7	1.3	2.2	2.0	0.7	1.0	0.5	1.6	0.7	0.9

Percentage Changes in Major Income Components^{1/}

	4Q 1962 to 1Q 1963 Col.(1)	1Q 1963 to 2Q 1963 Col.(2)	2Q 1963 to 3Q 1963 Col.(3)	3 Quarters 1962 to 3 Quarters 1963 Col. (4)
Wages, Salaries, and Supplementary Labour Income..	2.6	1.2	1.4	6.5
Transfer Payments	1.6	1.1	1.4	3.8
Personal Income	2.3	2.7	-0.1	6.3
Corporation Profits (Before Dividends Paid Abroad)	0.4	3.4	-2.2	7.0
Rent, Interest, and Miscellaneous Investment Income	-3.0	5.4	-1.7	7.7
Net Income of Non-Farm Unincorporated Business ...	3.4	-1.5	2.8	3.6
Net National Income at Factor Cost	2.0	1.7	1.1	7.1

Selected Government Revenues
(All Levels of Government)

Direct Personal Taxes	2.6	-4.2	5.5	6.1
Corporation Tax Liabilities	2.9	2.6	-4.1	5.7
Indirect Taxes	2.0	-1.1	2.6	5.3

^{1/} All comparisons except 3 Quarters 1962 to 3 Quarters 1963 are based on data seasonally adjusted at annual rates.

Gross National Product during the first nine months of the year was running 6 per cent above the same period one year ago, and had advanced 4 1/4 per cent from the end of 1962. With three quarters data available it is now possible to suggest some tentative orders of magnitude for the increase in the year 1963 as a whole. For example, if the increase between the third to fourth quarter is assumed to be 1 per cent after allowance for seasonal influences, the annual change would be almost 6 per cent, whereas no change between the third and final quarter of the year would yield an increase of 5 1/2 per cent.

The main reasons for the higher level in the first nine months of the year when compared with the same period in 1962 have been consumer spending which accounted for one half of the increase. However, other sectors of demand, although quantitatively less important than consumers registered relatively greater gains. Exports of merchandise were particularly strong, investment in machinery and equipment and government expenditure on goods and services were all higher by 6 per cent or more.

Price Movements

As noted in the introductory paragraph, prices overall rose by about one half of one per cent in the third quarter. The price component of personal expenditure advanced by a little over one half of one per cent, largely due to an over one per cent increase in the prices of food between the second and third quarter after adjustment for seasonal factors. Prices of non-food commodities and services increased only fractionally. The price index of gross fixed capital formation showed an increase of 1.2 per cent compared to 0.4 per cent in the preceding quarter. Most of this change took place in machinery and equipment, and was associated with an increase in the federal sales tax. The new non-residential construction price index increased by 1.0 per cent, while the price index of new residential construction showed a moderate increase of 0.5 per cent. The price index of imported goods and services increased by 1.2 per cent as compared with an increase of 0.4 per cent in the preceding quarter. This is largely the result of change in the prices of imported animal and vegetable products. The export price index showed only a fractional increase.

A comparison between the first nine months of 1962 and the first nine months of 1963, indicates that about two thirds of the 6.0 per cent increase in the value of production represented a gain in real terms. Value, volume, and price changes for nine months comparison as well as for the second to third quarters comparison, are shown in the accompanying table.

Percent Changes - Current Dollars, Constant Dollars, and Prices

	2nd Quarter 1963 to 3rd Quarter 1963 (Seasonally Adjusted Data)			3 Quarters 1962 to 3 Quarters 1963 (Unadjusted for Seasonal Variation)		
	Value	Volume	Price ^{1/}	Value	Volume	Price ^{1/}
	Personal Expenditure	2.1	1.5	0.6	5.3	3.7
Goods	2.5	1.6	0.9	4.7	3.2	1.5
Services	1.4	1.2	0.3	6.3	4.5	1.7
Government Expenditure	1.1	0.8	0.3	5.9	2.0	3.8
Gross Fixed Capital Formation	1.5	0.2	1.2	4.8	2.2	2.5
New Residential Construction	0.5	-	0.5	4.3	1.6	2.7
New Non-Residential Construction	-1.9	-2.9	1.0	2.1	-0.6	2.6
New Machinery and Equipment	5.3	3.5	1.8	7.7	5.2	2.3
Exports of Goods and Services	-0.6	-1.2	0.7	8.2	6.9	1.1
Imports of Goods and Services	3.9	2.6	1.2	2.9	-	2.8
Gross National Expenditure	1.3	0.9	0.5 ^{2/}	6.0	4.2	1.8

^{1/} Implicit Price Indexes.

^{2/} The base weighted price index of Gross National Expenditure showed a somewhat larger increase in price from the second to third quarter of 1963.

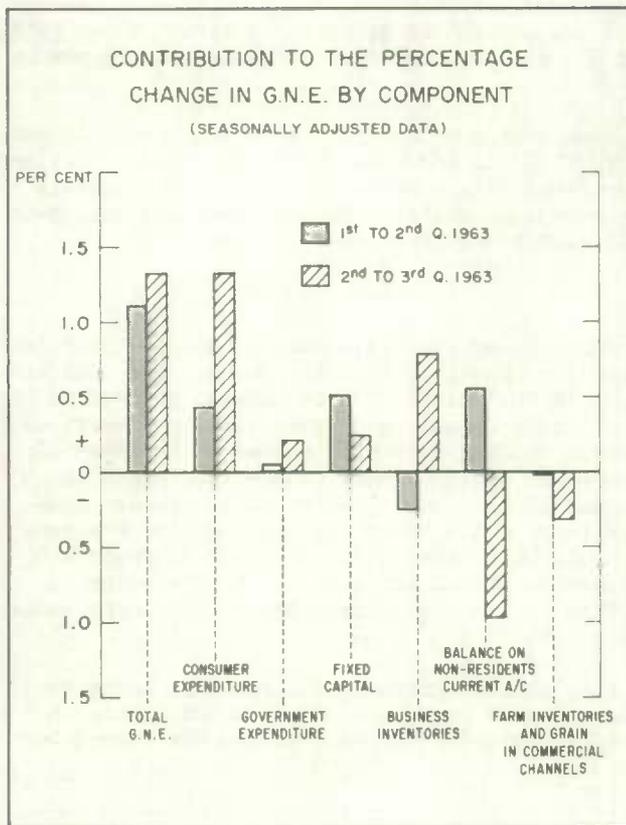
DEVELOPMENTS IN THE THIRD QUARTER

Consumer Expenditure

Personal spending on goods and services rose by 2 per cent, the largest increase since the first quarter of 1962. The pick-up was most pronounced in spending on non-durable goods following a weak second quarter. Purchases of durable goods rose by only 1 per cent as a slight dip in value of net purchases of new and used cars dampened gains in purchases of all other durable goods. About one third of the overall gain is attributable to rising prices, especially among non-durable goods. Consumer buying was particularly strong in Saskatchewan, probably in response to the buoyant level of farm incomes associated with recent record production and sales of grain crops.

The value of food purchases rose by 2 per cent while food prices were estimated to have increased by a little over 1 per cent; gains also occurred in purchases of clothing and gasoline, oil and grease. Small declines were registered in the purchases of tobacco, alcoholic beverages and fuel for home heating. The increase of 1½ per cent in the value of services bought, was in line with the average growth rate for this component during recent years; spending on most types of services increased.

Net personal saving declined in the third quarter from a particularly high second quarter; this was the result not only of the increased rate of spending but also of a slight drop in personal disposable income due in large part to a decline in



net farm income following the unusually high payments to farmers by the Canadian Wheat Board in the second quarter. The ratio of net personal saving to personal disposable income was 8.1 per cent in the third quarter.

Business Fixed Capital Formation

Business fixed capital formation, including residential construction, rose by 1½ per cent from the second to third quarter to reach an annual rate of \$7,376 million after allowance for seasonal factors. This rate of increase reflected a slowing down from that of the previous quarter and some changes in the behaviour of components behind the total. The estimated increase of just over \$100 million came entirely from the strength in business demands for machinery and equipment; new residential construction was virtually unchanged and the value of non-residential construction declined. The proportion of production currently being devoted to business fixed capital formation remained unchanged at 17 per cent as increases in capital spending were matched by the rise in gross national production.

The value of housing put in place rose by 1/2 per cent to an annual rate of \$1,648 million in the third quarter -- a fractional increase which was accounted for by price increases due in part to the imposition of the 4 per cent sales tax on building materials. The volume of housing starts rose in the third quarter by 5 per cent to an annual rate of 144 thousand, while completions declined by almost 8 per cent to an annual rate of 129 thousand. The rate of starts in the third quarter was one of the highest on record.

Business outlays on plant and machinery during the quarter amounted to an annual rate of \$5,728m, or almost 2 per cent above the second quarter. The increase in the current quarter was entirely due to the expenditures on machinery and equipment which rose 5 per cent to just over \$3,000 million, more than offsetting the 2 per cent decline in the value of non-residential construction to an annual rate of \$2,720 million. The volume decline in the latter was somewhat larger as there were price increases in building materials. Demand for agricultural machinery and equipment continued to be a source of considerable strength in raising the total level of spending on machinery.

Non-Farm Business Inventories

A building up of stocks was resumed in the third quarter after the slight liquidation which was experienced in the second quarter. The accumulation of about \$300 million at annual rates occurred at the manufacturers, wholesale and retail trade levels. Such an increase is not unusual at times when imports of goods are increasing as in the third quarter; moreover, there was also an increase during the quarter in loans to business by chartered banks, such loans frequently being an important source of finance for inventory investment. It is noteworthy that despite the current accumulation, the increase in inventories so far has not played as significant a role in the current expansion of business activity as was experienced in the two previous expansions and the level of stocks would not appear to be unduly high in relation to output.

Change in Non-Farm Business Inventories
(Seasonally Adjusted at Annual Rates)

	1963		
	1st Q.	2nd Q.	3rd Q.
	(millions of dollars)		
Manufacturing	-44	60	64
Durables	16	4	96
Non-Durables	-60	56	-32
Wholesale	-28	-28	84
Retail	76	-92	164
Other Industries	60	20	-16
Grand Total	64	-40	296

In manufacturing, the build-up continued at the same rate as in the previous quarter with accumulation of durable goods more than offsetting a lower level of non-durable stocks. The accumulation appears to have been primarily in the finished goods stage of fabrication.

In wholesale trade, the movement was mixed and resulted in a small liquidation of durable goods, and a sharp accumulation of non-durable goods. The stock-to-sales ratio increased over the previous quarter.

In retail trades, the increase of stocks of dealers of motor vehicles, of farm implements, of food, and of apparel, more than offset the small liquidation which was recorded in most of the remaining trades. This stock accumulation, although strong, did not affect the stock-to-sales ratio which remained unchanged since the last quarter.

Exports and Imports of Goods and Services

The annual rate of the deficit on current account transactions with non-residents widened in the third quarter to \$748 million from \$336 million in the preceding period after discounting seasonal influences. This deterioration occurred largely as a result of the increased value of both imports of merchandise and of services. Merchandise exports declined slightly; receipts for services held at approximately the same level as in the previous quarter. Total payments for imports rose by just under 4 per cent to an annual rate of \$9,672 million while receipts for exports fell fractionally to \$8,924 million. Mainly because of the higher level of imports of goods noted above, the surplus on merchandise trade declined to an annual rate of about \$250 million from close to \$600 million.

Imports of merchandise rose by over 4 per cent to \$6,720 million, while increases in tourist expenditures abroad, in payment for freight and shipping services, and in the outflow of interest and dividends raised total payments for services to an annual rate of \$2,952 million, almost 3 per cent above the preceding quarter.

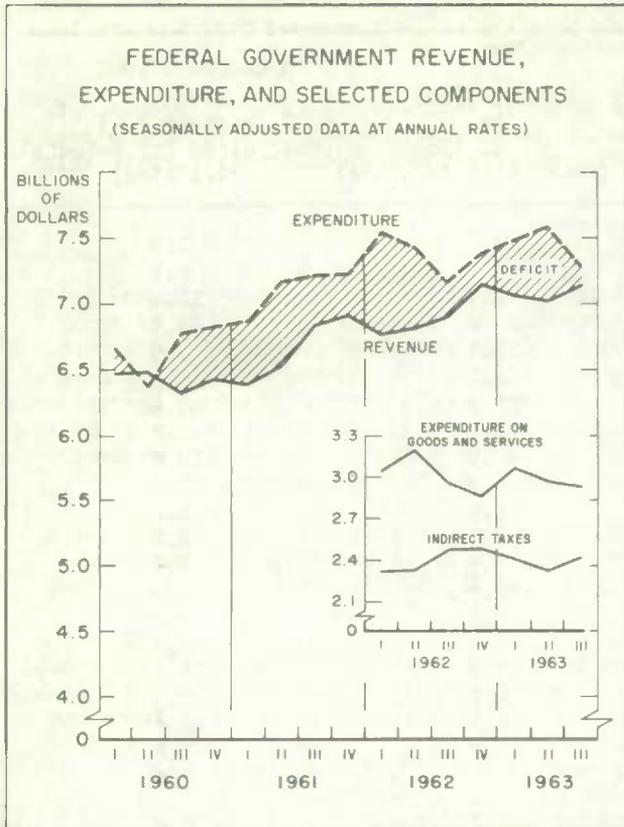
Merchandise exports declined by nearly 1 per cent in the third quarter after seasonal adjustment and were valued at an annual rate of \$6,968 million, while receipts for services increased by only one half of one per cent to \$1,956 million, mainly as a result of the increased tourist expenditures of foreigners in Canada. One of the main commodity exports contributing to the overall drop was nickel, the result of a decline to a more normal level from an exceptionally strong second quarter.

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

	1962					1963		
	1Q	2Q	3Q	4Q	Annual	1Q	2Q	3Q
	(Millions of Dollars)							
<u>Exports:</u>	7,940	8,272	8,248	8,436	8,224	8,480	8,976	8,924
Merchandise	6,152	6,404	6,376	6,524	6,364	6,560	7,032	6,968
Services	1,788	1,868	1,872	1,912	1,860	1,920	1,944	1,956
<u>Imports:</u>	8,972	9,176	9,144	8,840	9,033	9,052	9,312	9,672
Merchandise	6,120	6,172	6,424	6,120	6,209	6,176	6,444	6,720
Services	2,852	3,004	2,720	2,720	2,824	2,876	2,868	2,952
<u>Balance:</u>								
Total	-1,032	-904	-896	-404	-809	-572	-336	-748
Merchandise	32	232	-48	404	155	384	588	248
Services	-1,064	-1,136	-848	-808	-964	-956	-924	-996

Government Sector

Seasonally adjusted, the annual rate of expenditure on goods and services by all levels of government combined rose from \$8,152 million in the second quarter to \$8,244 million in the third, an increase of slightly over 1 per cent. Federal outlays on defence and non-defence declined by about one per cent and two per cent respectively and these were more than offset by increases in expenditures by the provinces and municipalities.



Subsidies paid by the federal government dropped sharply in the third quarter from an especially high second quarter; the latter reflected the large interim payments to the railway companies. Federal transfers to the provincial and municipal governments declined by nearly 12 per cent from the second quarter as the decrease in grants for technical and vocational training exceeded the increased payments under the Federal-Provincial Fiscal Arrangements Act and the Hospital Insurance and Diagnostic Services Act. Other expenditures of federal government showed little change.

Provincial and municipal transfer payments to persons increased by 6 per cent in the third quarter, mainly because of higher grants to hospitals and for education other than municipal schools.

Total revenues of the combined levels of government show little movement; an increase of about 2 per cent at the federal level being partly offset by a corresponding drop in provincial-municipal revenues. Within the total, the various revenue components showed conflicting movements; the rise in personal direct taxes and indirect taxes was offset by smaller accruals of corporate income taxes associated with lower profits. The larger indirect tax revenues reflect primarily the higher rate of excise taxes at the federal level.

The deficit in total declined from an annual rate of \$1,000 million in the second quarter to a rate of \$876 million in the third. Reflecting the divergent movements at the different levels of

government between total revenues and expenditures, the federal deficit dropped from \$572 million in the second quarter to \$148 million in the third, while that of the provincial and municipal governments rose by \$300 million, seasonally adjusted.

National Income

As noted earlier the annual rate of National Income rose by one third of a billion dollars to \$32.8 billion after adjustment for seasonal factors. This 1 per cent increase reflects advances in labour income partly offset by some slight declines in both profits and accrued net farm income.

Wages, salaries and supplementary labour income rose by 1½ per cent in the third quarter, reflecting in part the higher level of employment, especially in the trade and service industries. Some small part of the increase was due to retroactive wage payments to federal government employees.

Wage and salary payments in goods-producing industries were about 1/2 per cent above the second quarter, representing the smallest quarter-to-quarter increase since the current expansion. Gains in primary industries of under 3 per cent were partially offset by lower wage and salary payments in the construction industry. Wages and salaries in manufacturing rose less than 1 per cent.

Total wages and salaries for service-producing industries increased by just over 2 per cent. Finance and service recorded a gain of almost 3 per cent which is not unusually high for this group of industries, while wage and salary payments in trade rose by 2 per cent. The higher level of employment accounted for most of the increase in these industry groups.

Following increases in the first half of the year, profits in the current quarter registered a dip of about 2 per cent. The level, however, remained about 1½ per cent above that of the end of 1962, and the gain of about 35 per cent since the beginning of the current expansion is notable when viewed against the advance in total Gross National Product.

Percentage Changes in Corporation Profits

	2nd Q. 1963 to 3rd Q. 1963 (Seasonally Adjusted)	3 Quarters 1962 to 3 Quarters 1963 (Unadjusted for Seasonal Variation)
Mines, Quarries and Oil Wells	2.7	2.8
Manufacturing Industries:	-	8.3
Food and Beverage	2.7	11.1
Rubber	-	36.4
Textiles	11.1	6.7
Wood	4.2	11.3
Paper and Allied Products	10.3	-7.4
Printing, Publishing and Allied Products	25.0	4.3
Metal (Including Transportation Equipment)	-9.9	13.8
Electrical Products	-5.0	20.5
Non-Metallic Mineral Products	-5.6	6.4
Petroleum and Coal Products	9.1	8.2
Chemical and Chemical Products	2.9	8.8
Other Manufacturing	-12.5	8.2
Transportation, Storage and Communication	-8.1	18.2
Electric Power, Gas and Water Utilities ^{1/}	-36.8	15.3
Wholesale Trade	-17.9	11.4
Retail Trade	11.6	7.3
Finance, Insurance and Real Estate	-6.3	4.6
Community, Business and Personal Service Industries ...	4.8	-3.0
Other Non-Manufacturing	-	3.3
TOTAL ALL INDUSTRIES	-2.2	7.0

^{1/} The decline in profits of this group is partly due to the transfer from the private to the public business sector of the corporations acquired by the Quebec Hydro Electric Commission,

The chief industries in which declining profits were evident were wholesale trade, utilities, transportation, storage and communication and finance, insurance and real estate. Profits in manufacturing overall showed no change with production holding at the level of the second quarter; declines in metal industries (including transportation equipment), were offset by increased profits in the paper, printing and publishing industries, petroleum and coal, and food and beverage industries.

Production by Industry

Total production at factor cost, measured in quantity or base-year dollar terms and adjusted for seasonal variation, increased by a little over one half of one per cent in the third quarter compared with second quarter levels. This latest increase brings this volume aggregate to a level 12 per cent above its previous cyclical peak, reached in the first quarter of 1960. It also gives a 14 per cent increase from the cyclical low of the first quarter of 1961.

Real product less agriculture also increased by about one half of one per cent. The gain in this aggregate came largely from the 1 per cent increase in the service-producing industries, although the forestry component of the goods-producing group also contributed. Total goods less agriculture showed a decline.

Within the goods-producing industries, most major industry divisions declined slightly, with the exception of the industry mentioned above. Construction declined by 3 per cent, from the output plateau it has more or less maintained since the third quarter of 1961. This brings it to about 7 per cent below its 1958 post-war peak.

The quarterly averages of the monthly Index of Industrial Production^{1/} which accounts for about one third of total production, showed no change between the second and third quarters of the year. This latest development occurred as an almost 2 per cent decline in mining was offset by a more than 3 per cent gain in electric power and gas utilities. The utilities thus maintained the higher rate of increase established during the first quarter after a slight deceleration in the rate of increase during the latter part of 1961 and 1962. Manufacturing was virtually unchanged in the quarter; this was the first time since early in 1961 that this aggregate failed to show an increase. Non-durable manufacturing was up by 0.2 per cent, while durables declined by 0.3 per cent in the quarter.

As is to be expected, the fractional gain in total non-durables masked a number of largely offsetting changes in the detail. Gains were recorded in printing and publishing (+1%), paper products (+2%), textiles (+3%), and products of petroleum and coal (+4%). On the other hand, 2 per cent declines occurred in foods and beverages, clothing and leather products, while tobacco products were down by 4 per cent.

Within durables, with the exception of iron and steel (off 2 per cent), and non-metallic mineral products (up 2 per cent), changes were under 1 per cent in the major groups. In transportation equipment, motor vehicles continued to expand, registering a further 3 per cent gain in the quarter. Primary iron and steel was up slightly more than 1 per cent.

The drop in mining was concentrated in metals which fell almost 8 per cent. Each of the major metals declined with the exception of copper, which was up slightly. Non-metals and fuels were up by 6 and 3 per cent respectively.

Within the service-producing industries all major industry divisions showed an increase. The transportation, storage and communication group accounted for approximately one half of the increase in aggregate output. Increases were particularly strong in oil and gas pipeline transport and air transport. Both industries, during the post-war period, have been among the most rapidly expanding in the economy. Air transport showed some signs of slowing down during 1962, but the current quarterly increase follows a higher rate exhibited in the first quarter. Water transport also increased during the third quarter, as did storage, due to a sharp rise in the handling of grain at grain elevators.

Trade, which generally follows an expansionary path roughly similar to those of manufacturing and transportation, increased only marginally during the quarter, as a result of gains in retail trade offsetting losses in wholesale trade. The increase in department store volume constituted the largest single contribution to the gain in retail trade. Very notable was the large increase in the farm implement dealer component, which was paralleled to some extent by an expansion in farm machinery sales at the wholesale level. Since mid-1962 there has been some deceleration in the quarter-to-quarter increases in both retail and wholesale trade.

The remaining service-producing industries continued to make moderate gains. The increase in the public administration and defence industry group was concentrated in the municipal and provincial government components; the federal component showed a decline. Elsewhere both the business and personal service industries reflected gains in the third quarter.

DEVELOPMENTS IN THREE QUARTERS OF 1963

Demand Components

The introductory review noted that Gross National Product for the first three quarters of the year stood 6 per cent higher than for the same period of 1962, and that all components of final demand shared in the growth.

The slightly more than 5 per cent increase in personal spending between the three quarters of 1963 and the same period of 1962 was approximately the same as between 1961 and 1962, and constituted an important element in the continued expansion of Gross National Product. Of prime importance in the

^{1/} As noted in the July and August reports on industrial production (DBS Catalogue No. 61-005), users should be cautious in their interpretation of the seasonally adjusted figures for the summer months this year since they seem to be subject to unusual phenomena. It appears that there may be developing a changing pattern of seasonality in production in the summer months due to the wider extension and concentration of holidays in industry. With a 1.4 per cent increase in September over August there was strength in industrial production at the end of the quarter.

increases were personal outlays for services, with a more than 6 per cent increase, as expenditure on shelter and miscellaneous services rose more sharply than last year. Non-durable goods sold to persons were 4 per cent higher and durables 8 per cent higher than in the first three quarters of 1962. The quarterly increases since the beginning of the year, which amount to 4½ per cent, reflect the greater importance of consumers demand in the current year than in 1962 when the increases amounted to 3 per cent.

Percentage Change in Consumer Expenditure

	Year 1961 to Year 1962	3 Quarters 1962 to 3 Quarters 1963
Food	3.3	4.1
Clothing	3.7	3.6
Other	7.9	4.1
Total Non-Durable Goods	5.1	4.0
Appliances and Radios	0.8	2.8
Home Furnishings and Furniture	4.3	4.4
Autos (New and Used)	14.1	11.7
Other	3.0	3.1
Total Durable Goods	8.0	7.8
Total All Goods	5.6	4.7
Total Services	4.5	6.3
Total Personal Expenditure	5.2	5.3
(Goods and Services)		

Government expenditure on goods and services were 6 per cent higher than in 1962. The pattern of spending in the first three quarters of this year, seasonally adjusted, registered continuous growth but at a reduced rate from that prevailing in the early months of the year. This pattern is in contrast with the previous year when there was little change in the first quarter followed by a sharp increase in the spring quarter and then a decline after the introduction of government austerity measures.

Business fixed capital formation, although higher by almost 5 per cent than the three quarters of 1962, has not been sufficiently strong to achieve the increase of about 7½ per cent between 1962-1963 anticipated in the mid-year survey of investment intentions. The main element of strength has been the demand for machinery and equipment which is close to 8 per cent higher than the comparable period of last year. The value of non-residential construction was only 2 per cent higher this year. The quarterly movements for any single component of business fixed capital formation have tended to be erratic, although on balance some overall increase in capital formation has been achieved in each quarter of 1963. This expansion contrasts with 1962 when persistent declines in non-residential construction caused the aggregate to turn down in the second quarter. The less hesitant movement in 1963 has produced a 4½ per cent rise since the beginning of the year, stronger than the increase in the comparable 1962 period.

During the first nine months of the year the deficit on current account with non-residents narrowed to \$400 million from \$700 million in the same period of the previous year. The improvement resulted mainly from a higher level of merchandise exports, total exports rising by over 8 per cent as against increased imports of only 3 per cent. The pattern emerging in the first three quarters of the year, after discounting seasonal influences, is one of a sizeable but quite volatile surplus on merchandise trade and a deficit on services and non-merchandise items which has remained high, although lower than that in the comparable period of 1962. The differences between the seasonally adjusted quarter-to-quarter movements in total exports and imports in the current year have been quite significant and present a different picture from the year-to-year comparison. After a fractional rise at the beginning of the year, exports jumped sharply in the second quarter and then dropped back slightly in the summer months to give a total rise since the beginning of the year of just under 6 per cent. Imports meanwhile have expanded regularly and with above average quarterly increases for recent years, to register a 9½ per cent climb since the beginning of the year. This rise may in part be due to the removal on April 1, 1963, of the remaining temporary import surcharges.

Government Sector

Comparing the nine months of 1963 with the corresponding period of the previous year, the total deficit of the federal government declined from \$440 million in 1962 to \$299 million in 1963 as increased revenues more than offset the slight increase in expenditures. At the provincial and municipal levels, however, total expenditures rose by 11 per cent while revenues increased by only 8 per cent, enlarging the deficit from \$149 million in the nine months of 1962 to \$328 million in 1963.

Outlays on goods and services by the federal government showed little change between the first three quarters of 1962 and 1963; the expenditures by the provincial and municipal governments, however, show a gain of over 11 per cent, mainly due to increases in salaries, wages and supplementary labour income, larger expenditures on highways and vocational schools.

In the nine-month comparison, other expenditures also showed sharp changes. Federal subsidies rose by 32 per cent as increases in the loss of the Agricultural Stabilization Board and in interim payments to railway companies more than offset declines in assistance for storage costs on grain and in payments under the Freight Rates Reduction Act. There was a 5 per cent increase from the first nine months of 1962 to the nine months of 1963 in federal transfers to the provincial-municipal governments, mainly because of substantial increases in grants for technical and vocational training and under the Hospital Insurance and Diagnostic Services Act while payments under the taxation agreements, health grants and grants toward the construction of the Trans-Canada Highway were lower.

There was a rise of over 10 per cent in transfer payments to persons by the provincial and municipal governments, including higher grants to hospitals and for education, other than municipal schools, and larger payments for social assistance and old age and blind allowances.

On the revenue side, federal receipts from personal direct taxes for the first nine months of 1963 were nearly 4 per cent higher than in the same period of the previous years. It may be noted that the federal abatement in respect of personal income taxes in favour of the provinces rose from 16 per cent in 1962 to 17 per cent in 1963. At the provincial and municipal level the increase amounted to 14 per cent, partly reflecting the higher abatement and increased revenues from hospital insurance premiums and motor vehicle licenses and permits.

Indirect taxes revenues of provincial and municipal governments combined rose by 9 per cent between the two nine-month periods attributable to larger returns from gasoline and sales taxes and increases in real property tax revenue.

National Income

The Net National Income generated by increased production was 7 per cent higher in the first three quarters of 1963 than in the similar period of 1962, with increases occurring in each quarter of the current year. The increase is mainly attributable to higher wages, salaries and supplementary labour income, although farm income, corporation profits, and investment income were all significantly higher.

Labour income, which was 6½ per cent higher in the first nine months of 1963 than the previous year, has also experienced sharper quarterly gains since the beginning of this year than in 1962, with above average increases in both the first and third quarters. Gains so far this year amount to 6 per cent, about 1 per cent greater than increases in 1962. With record crop production in 1963, the relative gain in accrued farm income has been particularly sharp in an over-the-year comparison.

Corporation profits which experienced such rapid growth in the early stage of the current expansion showed an overall increase, the three quarters of 1963 being 7 per cent above the comparable 1962 period. During the current year the advance of 1½ per cent in the seasonally adjusted data is a repetition of the hesitancy which marked the opening quarters of 1962.

Accrued net income of farm operators from farm production increased sharply in 1963 compared with the same period in 1962, with much of the increase attributable to the value of the 1963 crop, 16 per cent higher than the 1962 crop. Cash receipts from the sale of farm products also increased, with particularly sharp increases in the income from the sale of wheat, oats, and barley. Production of livestock showed little change during the period.

Production by Industry

A comparison of the seasonally unadjusted data for the first nine months of 1963 with the corresponding data for 1962 reveals a more than 4 per cent increase in real product. This increase is reduced slightly by the exclusion of agriculture.

Among the goods-producing industries, manufacturing increased by almost 5 per cent, with the durables component showing the largest gains (6 per cent). Most of the strength here continued to come from the strong expansion in motor vehicle output, along with such other industries as iron and steel products, electrical apparatus and supplies and wood products. There was a fractional decline in construction and a slowdown in the rate of increase in mining as a result of a decline in metal mining which tended to offset large increases in natural gas and fuel mining. The service-producing industries increased by about 4 per cent. Electric power and gas utilities showed the highest increase, 7 per cent. This is about the same as the rate of increase maintained over the past two years. Higher than average output increases continued to be made in the cyclically sensitive transportation, storage and communication group, while trade increased less rapidly (3 per cent). The largest decline from earlier rates of expansion of any one service group occurred in public administration and defence, which showed a 1 per cent increase over 1962. The remaining service-producing industries continued to expand in line with their long-term trends.^{1/}

^{1/} See DBS Reference Paper, Indexes of Real Domestic Product by Industry of Origin (Catalogue No. 61-505), for an analysis of these trends.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income ...	4,792	5,095	5,272	5,200	20,359	5,113	5,418	5,607
2. Military pay and allowances	147	152	145	142	586	136	157	148
3. Corporation profits before taxes	771	1,047	985	1,021	3,824	826	1,123	1,049
4. Deduct: Dividends paid to non-residents(1)	- 128	- 148	- 116	- 178	- 570	- 143	- 117	- 116
5. Rent, interest, and miscellaneous investment income	671	676	694	727	2,768	713	736	750
6. Accrued net income of farm operators from farm production(2)	29	123	1,188	51	1,391	47	150	1,387
7. Net income of non-farm unincorporated business(3) ..	486	585	573	736	2,380	502	598	604
8. Inventory valuation adjustment(4)	- 27	- 44	- 49	- 12	- 132	- 36	- 74	- 37
9. NET NATIONAL INCOME AT FACTOR COST	6,741	7,486	8,692	7,687	30,606	7,158	7,991	9,392
10. Indirect taxes less subsidies	1,254	1,314	1,368	1,325	5,261	1,343	1,345	1,406
11. Capital consumption allowances and miscellaneous valuation adjustments	1,119	1,197	1,196	1,243	4,755	1,154	1,227	1,216
12. Residual error of estimate	- 155	- 227	82	79	- 221	- 158	- 234	42
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,959	9,770	11,338	10,334	40,401	9,497	10,329	12,056
14. (Gross national product at market prices excluding accrued net income of farm operators)	(8,930)	(9,647)	(10,150)	(10,283)	(39,010)	(9,450)	(10,179)	(10,669)

(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, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	6,010	6,443	6,274	7,022	25,749	6,306	6,767	6,650
2. Government expenditure on goods and services(1, 2) .	1,704	1,827	2,200	1,990	7,721	1,866	1,883	2,322
3. Business gross fixed capital formation(3)	1,412	1,800	1,931	1,811	6,954	1,458	1,904	2,027
4. New residential construction	293	392	457	435	1,577	299	414	478
5. New non-residential construction	520	643	787	718	2,668	506	671	813
6. New machinery and equipment	599	765	687	658	2,709	653	819	736
7. Value of physical change in inventories(4)	- 4	- 173	1,048	- 306	565	- 38	- 278	1,090
8. Non-farm business inventories	245	- 45	132	43	375	203	- 167	27
9. Farm inventories and grain in commercial channels ..	- 249	- 128	916	- 349	190	- 261	- 111	1,063
10. Exports of goods and services	1,728	2,072	2,246	2,178	8,224	1,833	2,252	2,455
11. Deduct: Imports of goods and services	- 2,047	- 2,425	- 2,278	- 2,283	- 9,033	- 2,066	- 2,433	- 2,445
12. Residual error of estimate	156	226	- 83	- 78	221	158	234	- 43
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,959	9,770	11,338	10,334	40,401	9,497	10,329	12,056

(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 expenditure 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, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	4,792	5,095	5,272	5,200	20,359	5,113	5,418	5,607
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 199	- 196	- 209	- 212	- 816	- 209	- 205	- 215
3. Military pay and allowances	147	152	145	142	586	136	157	148
4. Net income received by farm operators from farm production(1)	1	222	1,149	30	1,402	17	201	1,329
5. Net income of non-farm unincorporated business	486	585	573	736	2,380	502	598	604
6. Interest, dividends, and net rental income of persons(2)	726	787	773	900	3,186	789	849	814
Transfer payments to persons:								
7. From government (excluding interest)	1,075	885	835	857	3,652	1,076	935	891
8. Charitable contributions by corporations	9	12	12	12	45	10	12	12
9. PERSONAL INCOME	7,037	7,542	8,550	7,665	30,794	7,434	7,965	9,190

- (1) This item differs from line 6, 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, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	625	719	674	696	2,714	680	742	719
2. Income taxes	498	627	587	599	2,311	557	649	628
3. Succession duties and estate taxes	42	40	43	41	166	36	37	45
4. Miscellaneous	85	52	44	56	237	87	56	46
5. Personal expenditure on consumer goods and services ..	6,010	6,443	6,274	7,022	25,749	6,306	6,767	6,650
6. Non-durable goods	2,934	3,085	3,199	3,659	12,877	3,049	3,184	3,354
7. Durable goods	643	826	621	823	2,913	674	900	679
8. Services(1)	2,433	2,532	2,454	2,540	9,959	2,583	2,683	2,617
9. Personal net saving	402	380	1,602	- 53	2,331	448	456	1,821
10. Personal saving excluding change in farm inventories	580	413	762	427	2,182	687	529	824
11. Value of physical change in farm inventories	- 178	- 33	840	- 480	149	- 239	- 73	997
12. PERSONAL INCOME	7,037	7,542	8,550	7,665	30,794	7,434	7,965	9,190
13. (Personal disposable income)(2)	(6,412)	(6,823)	(7,876)	(6,969)	(28,080)	(6,754)	(7,223)	(8,471)

- (1) Includes net expenditure abroad.
(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	625	719	674	696	2,714	680	742	719
2. Federal	468	563	526	531	2,088	488	572	555
3. Provincial and municipal	157	156	148	165	626	192	170	164
4. Direct taxes - Corporations	379	470	443	458	1,750	400	498	468
5. Federal	288	357	336	347	1,328	304	378	355
6. (Federal tax collections)	(317)	(367)	(322)	(288)	(1,294)	(305)	(373)	(338)
7. Provincial	91	113	107	111	422	96	120	113
8. (Provincial tax collections)	(91)	(79)	(100)	(91)	(361)	(109)	(110)	(129)
Withholding taxes:								
9. Federal	26	35	23	41	125	31	30	24
10. Indirect taxes	1,314	1,381	1,431	1,426	5,552	1,404	1,442	1,497
11. Federal	528	596	635	641	2,400	550	592	620
12. Provincial and municipal	786	785	796	785	3,152	854	850	877
13. Investment income	270	291	276	374	1,211	281	331	316
14. Federal	79	111	90	168	448	88	132	125
15. Provincial and municipal	191	180	186	206	763	193	199	191
16. Employer and employee contributions to social insurance and government funds	199	196	209	212	816	209	205	215
17. Federal	128	122	133	135	518	132	126	135
18. Provincial and municipal	71	74	76	77	298	77	79	80
Transfers from Federal:								
19. Provincial and municipal	300	256	278	302	1,136	302	308	264
20. TOTAL REVENUE	3,113	3,348	3,334	3,509	13,304	3,307	3,556	3,503
21. FEDERAL	1,517	1,784	1,743	1,863	6,907	1,593	1,830	1,814
22. PROVINCIAL and MUNICIPAL	1,596	1,564	1,591	1,646	6,397	1,714	1,726	1,689

TABLE 6. Government Expenditure, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Goods and services	1,704	1,827	2,200	1,990	7,721	1,866	1,883	2,322
2. Federal	751	770	772	715	3,008	748	723	771
3. (Defence)	(471)	(401)	(398)	(410)	(1,680)	(410)	(376)	(392)
4. Provincial and municipal	953	1,057	1,428	1,275	4,713	1,118	1,160	1,551
5. Transfer payments to persons (excluding interest on the public debt)	1,075	885	835	857	3,652	1,076	935	891
6. Federal	665	524	453	480	2,122	629	538	461
7. Provincial and municipal	410	361	382	377	1,530	447	397	430
8. Interest on the public debt	242	323	269	440	1,274	263	349	285
9. Federal	157	199	189	310	855	163	206	199
10. Provincial and municipal	85	124	80	130	419	100	143	86
11. Subsidies	60	67	63	101	291	61	97	91
12. Federal	57	63	50	90	260	59	93	72
13. Provincial	3	4	13	11	31	2	4	19
Transfers to other levels of government:								
14. Federal	300	256	278	302	1,136	302	308	264
15. Total expenditure	3,381	3,358	3,645	3,690	14,074	3,568	3,572	3,853
16. Federal	1,930	1,812	1,742	1,897	7,381	1,901	1,868	1,767
17. Provincial and municipal	1,451	1,546	1,903	1,793	6,693	1,667	1,704	2,086
18. Deficit (-) or surplus (+)	- 268	- 10	- 311	- 181	- 770	- 261	- 16	- 350
19. Federal	- 413(1)	- 28	1	- 34	- 474	- 308	- 38	47
20. Provincial and municipal	145(1)	18	- 312	- 147	- 296	47	22	- 397
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,113	3,348	3,334	3,509	13,304	3,307	3,556	3,503
22. FEDERAL	1,517	1,784	1,743	1,863	6,907	1,593	1,830	1,814
23. PROVINCIAL and MUNICIPAL	1,596	1,564	1,591	1,646	6,397	1,714	1,726	1,689

(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, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	402	380	1,602	- 53	2,331	448	456	1,821
2. Business gross saving	1,293	1,401	1,540	1,489	5,723	1,332	1,547	1,608
3. Undistributed corporation profits	146	303	305	225	979	148	371	334
4. Capital consumption allowances and miscellaneous valuation adjustments	1,119	1,197	1,196	1,243	4,755	1,154	1,227	1,216
5. Adjustment on grain transactions(1)	28	- 99	39	21	- 11	30	- 51	58
6. Inventory valuation adjustment	- 27	- 44	- 49	- 12	- 132	- 36	- 74	- 37
7. Government surplus (+) or deficit (-)	- 268	- 10	- 311	- 181	- 770	- 261	- 16	- 350
8. Residual error of estimate	- 155	- 227	82	79	- 221	- 158	- 234	42
9. Totals	1,245	1,500	2,864	1,322	6,931	1,325	1,679	3,084

(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, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	1,412	1,800	1,931	1,811	6,954	1,458	1,904	2,027
2. New residential construction	293	392	457	435	1,577	299	414	478
3. New non-residential construction	520	643	787	718	2,668	506	671	813
4. New machinery and equipment	599	765	687	658	2,709	653	819	736
5. Value of physical change in inventories	- 4	- 173	1,048	- 306	565	- 58	- 278	1,090
6. Surplus (+) or deficit (-) on current account with non-residents	- 319	- 353	- 32	- 105	- 809	- 233	- 181	10
7. Residual error of estimate	156	226	- 83	- 78	221	158	234	- 43
8. Totals	1,245	1,500	2,864	1,322	6,931	1,325	1,679	3,084

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1962 and 1963(1)
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	5,627	6,000	5,795	6,493	23,915	5,807	6,214	6,040
2. Non-durable goods	2,820	2,947	3,026	3,456	12,249	2,882	2,996	3,107
3. Durable goods	638	818	619	813	2,888	667	888	673
4. Services	2,169	2,235	2,150	2,224	8,778	2,258	2,330	2,260
5. Government expenditure on goods and services	1,440	1,611	2,000	1,710	6,761	1,523	1,588	2,042
6. Business gross fixed capital formation	1,282	1,622	1,733	1,620	6,257	1,290	1,679	1,770
7. New residential construction	263	348	403	383	1,397	261	358	411
8. New non-residential construction	475	585	718	652	2,430	451	597	720
9. New machinery and equipment	544	689	612	585	2,430	578	724	634
10. Change in inventories	41	- 183	953	- 262	549	- 13	- 302	1,013
11. Non-farm business inventories	245	- 48	117	45	359	205	- 152	17
12. Farm inventories and grain in commercial channels	- 204	- 135	836	- 307	190	- 218	- 150	996
13. Exports of goods and services	1,646	1,944	2,104	2,035	7,729	1,711	2,095	2,282
14. Deduct: Imports of goods and services	- 1,887	- 2,197	- 2,060	- 2,075	- 8,219	- 1,853	- 2,159	- 2,134
15. Residual error of estimate	144	208	- 77	- 72	203	143	212	- 39
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	8,293	9,005	10,448	9,449	37,195	8,608	9,327	10,974

(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, 1962 and 1963 Seasonally Adjusted at Annual Rates (millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	19,940	20,268	20,500	20,728	20,359	21,272	21,536	21,844
2. Military pay and allowances	600	588	600	556	586	548	608	596
3. Corporation profits before taxes	3,720	3,836	3,772	3,968	3,824	3,984	4,120	4,028
4. Deduct: Dividends paid to non-residents(1)	- 576	- 636	- 512	- 556	- 570	- 628	- 532	- 516
5. Rent, interest, and miscellaneous investment income	2,692	2,732	2,720	2,928	2,768	2,840	2,992	2,940
6. Accrued net income of farm operators from farm production(2)	1,416	1,420	1,452	1,276	1,391	1,536	1,564	1,528
7. Net income of non-farm unincorporated business(3)	2,432	2,360	2,344	2,384	2,380	2,464	2,428	2,496
8. Inventory valuation adjustment	- 108	- 176	- 196	- 48	- 132	- 144	- 296	- 148
9. NET NATIONAL INCOME AT FACTOR COST	30,116	30,392	30,680	31,236	30,606	31,872	32,420	32,768
10. Indirect taxes less subsidies	5,152	5,192	5,424	5,276	5,261	5,516	5,332	5,552
11. Capital consumption allowances and miscellaneous valuation adjustments	4,660	4,704	4,756	4,900	4,755	4,820	4,844	4,848
12. Residual error of estimate	- 380	- 240	- 104	- 160	- 221	- 220	- 144	- 152
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	39,548	40,048	40,756	41,252	40,401	41,988	42,452	43,016
14. (Gross national product at market prices excluding accrued net income of farm operators)	(38,132)	(38,628)	(39,304)	(39,976)	(39,010)	(40,452)	(40,888)	(41,488)

(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, 1962 and 1963 Seasonally Adjusted at Annual Rates (millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services ..	25,540	25,592	25,696	26,168	25,749	26,644	26,824	27,388
2. Government expenditure on goods and services(1, 2) ..	7,384	7,900	7,824	7,776	7,721	8,128	8,152	8,244
3. Business gross fixed capital formation(3) ..	6,888	6,860	7,016	7,052	6,954	7,056	7,268	7,376
4. New residential construction ..	1,536	1,564	1,616	1,592	1,577	1,564	1,640	1,648
5. New non-residential construction ..	2,756	2,676	2,588	2,652	2,668	2,684	2,772	2,720
6. New machinery and equipment ..	2,596	2,620	2,812	2,808	2,709	2,808	2,856	3,008
7. Value of physical change in inventories ..	384	360	1,016	500	565	508	400	600
8. Non-farm business inventories ..	200	328	800	172	375	64	- 40	296
9. Farm inventories and grain in commercial channels(4)	184	32	216	328	190	444	440	304
10. Exports of goods and services ..	7,940	8,272	8,248	8,436	8,224	8,480	8,976	8,924
11. Deduct: Imports of goods and services ..	- 8,972	- 9,176	- 9,144	- 8,840	- 9,033	- 9,052	- 9,312	- 9,672
12. Residual error of estimate ..	384	240	100	160	221	224	144	156
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES ..	39,548	40,048	40,756	41,252	40,401	41,988	42,452	43,016
Detail of Farm Inventories and GICC:								
Value of grain crop production ..	1,172	1,176	1,176	1,176	1,175	1,364	1,368	1,368
Depletions of farm stocks of grain ..	- 856	- 872	- 1,104	- 1,364	- 1,049	- 1,168	- 1,084	- 1,244
Change in livestock inventories ..	28	24	52	- 12	23	- 56	48	- 16
Grain in commercial Channels ..	- 160	- 296	92	528	41	304	108	196

(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 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, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	19,940	20,268	20,500	20,728	20,359	21,272	21,536	21,844
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 792	- 812	- 828	- 832	- 816	- 832	- 848	- 852
3. Military pay and allowances	600	588	600	556	586	548	608	596
4. Net income received by farm operators from farm production(1)	1,200	1,792	1,340	1,276	1,402	1,348	1,792	1,384
5. Net income of non-farm unincorporated business	2,432	2,360	2,344	2,384	2,380	2,464	2,428	2,496
6. Interest, dividends, and net rental income of persons(2)	3,020	3,192	3,204	3,328	3,186	3,288	3,400	3,376
Transfer payments to persons:								
7. From government (excluding interest)	3,760	3,572	3,596	3,680	3,652	3,740	3,780	3,832
8. Charitable contributions by corporations	44	44	44	48	45	48	48	48
9. PERSONAL INCOME	30,204	31,004	30,800	31,168	30,794	31,876	32,744	32,724

(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, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	2,640	2,652	2,752	2,812	2,714	2,884	2,764	2,916
2. Income taxes	2,220	2,272	2,348	2,404	2,311	2,492	2,376	2,492
3. Succession duties and estate taxes	168	160	172	164	166	144	148	180
4. Miscellaneous	252	220	232	244	237	248	240	244
5. Personal expenditure on consumer goods and services	25,540	25,592	25,696	26,168	25,749	26,644	26,824	27,388
6. Non-durable goods	12,832	12,724	12,920	13,032	12,877	13,240	13,164	13,544
7. Durable goods	2,928	2,932	2,764	3,028	2,913	3,028	3,120	3,152
8. Services(1)	9,780	9,936	10,012	10,108	9,959	10,376	10,540	10,692
9. Personal net saving	2,024	2,760	2,352	2,188	2,331	2,348	3,156	2,420
10. PERSONAL INCOME	30,204	31,004	30,800	31,168	30,794	31,876	32,744	32,724
11. (Personal disposable income)(2)	(27,564)	(28,352)	(28,048)	(28,356)	(28,080)	(28,992)	(29,980)	(29,808)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	2,640	2,652	2,752	2,812	2,714	2,884	2,764	2,916
2. Federal	2,072	2,040	2,104	2,136	2,088	2,192	2,096	2,204
3. Provincial and municipal	568	612	648	676	626	692	668	712
4. Direct taxes - Corporations	1,768	1,768	1,700	1,764	1,750	1,816	1,864	1,788
5. Federal	1,356	1,348	1,296	1,312	1,328	1,380	1,412	1,352
6. (Federal tax collections)	(1,368)	(1,296)	(1,252)	(1,260)	(1,294)	(1,312)	(1,320)	(1,340)
7. Provincial	412	420	404	452	422	436	452	436
8. (Provincial tax collections)	(324)	(304)	(404)	(412)	(361)	(400)	(428)	512
Withholding taxes:								
9. Federal	104	144	112	140	125	124	124	116
10. Indirect taxes	5,424	5,464	5,648	5,672	5,552	5,788	5,724	5,872
11. Federal	2,316	2,324	2,480	2,480	2,400	2,404	2,324	2,412
12. Provincial and municipal(1)	3,108	3,140	3,168	3,192	3,152	3,384	3,400	3,460
13. Investment income	1,192	1,200	1,148	1,304	1,211	1,240	1,352	1,328
14. Federal	408	444	388	552	448	440	528	524
15. Provincial and municipal	784	756	760	752	763	800	824	804
16. Employer and employee contributions to social insurance and government pension funds	792	812	828	832	816	832	848	852
17. Federal	508	516	524	524	518	524	532	532
18. Provincial and municipal	284	296	304	308	298	308	316	320
Transfers from federal:								
19. Provincial and municipal	1,184	1,004	1,156	1,200	1,136	1,188	1,236	1,092
20. TOTAL REVENUE	13,104	13,044	13,344	13,724	13,304	13,872	13,912	13,964
21. FEDERAL	6,764	6,816	6,904	7,144	6,907	7,064	7,016	7,140
22. PROVINCIAL and MUNICIPAL	6,340	6,228	6,440	6,580	6,397	6,808	6,896	6,824

(1) 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, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Goods and services	7,384	7,900	7,824	7,776	7,721	8,128	8,152	8,244
2. Federal	3,032	3,188	2,952	2,860	3,008	3,060	2,972	2,936
3. (Defence)	(1,684)	(1,744)	(1,644)	(1,648)	(1,680)	(1,468)	(1,616)	(1,604)
4. Provincial and municipal	4,352	4,712	4,872	4,916	4,713	5,068	5,180	5,308
5. Transfer payments to persons (excluding interest on the public debt)	3,760	3,572	3,596	3,680	3,652	3,740	3,780	3,832
6. Federal	2,312	2,088	2,032	2,056	2,122	2,156	2,140	2,092
7. Provincial and municipal	1,448	1,484	1,564	1,624	1,530	1,584	1,640	1,740
8. Interest on the public debt	1,172	1,320	1,260	1,344	1,274	1,300	1,352	1,352
9. Federal	772	912	828	908	855	836	880	884
10. Provincial and municipal	400	408	432	436	419	464	472	468
11. Subsidies	272	272	224	396	291	272	392	320
12. Federal	244	240	192	364	260	244	360	284
13. Provincial	28	32	32	32	31	28	32	36
Transfers to other levels of government:								
14. Federal	1,184	1,004	1,156	1,200	1,136	1,188	1,236	1,092
15. Total expenditure	13,772	14,068	14,060	14,396	14,074	14,628	14,912	14,840
16. Federal	7,544	7,432	7,160	7,388	7,381	7,484	7,588	7,288
17. Provincial and municipal	6,228	6,636	6,900	7,008	6,693	7,144	7,324	7,552
18. Deficit (-) or surplus (+)	- 668	- 1,024	- 716	- 672	- 770	- 756	- 1,000	- 876
19. Federal	- 780(1)	- 616	- 256	- 244	- 474	- 420	- 572	- 148
20. Provincial and municipal	112(1)	- 408	- 460	- 428	- 296	- 336	- 428	- 728
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	13,104	13,044	13,344	13,724	13,304	13,872	13,912	13,964
22. FEDERAL	6,764	6,816	6,904	7,144	6,907	7,064	7,016	7,140
23. PROVINCIAL and MUNICIPAL	6,340	6,228	6,440	6,580	6,397	6,808	6,896	6,824

(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.

TABLE 16. Source of National Saving, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates (millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	2,024	2,760	2,352	2,188	2,331	2,348	3,156	2,420
2. Business gross saving	5,756	5,236	5,900	6,000	5,723	5,988	5,760	6,140
3. Undistributed corporation profits	880	904	1,032	1,100	979	980	1,144	1,148
4. Capital consumption allowances and miscellaneous valuation adjustments	4,660	4,704	4,756	4,900	4,755	4,820	4,844	4,848
5. Adjustment on grain transactions(1)	216	- 372	112	-	- 11	188	- 228	144
6. Inventory valuation adjustment	- 108	- 176	- 196	- 48	- 132	- 144	- 296	- 148
7. Government surplus (+) or deficit (-)	- 668	- 1,024	- 716	- 672	- 770	- 756	- 1,000	- 876
8. Residual error of estimate	- 380	- 240	- 104	- 160	- 221	- 220	- 144	- 152
9. Totals	6,624	6,556	7,236	7,308	6,931	7,216	7,476	7,384

(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, 1962 and 1963 Seasonally Adjusted at Annual Rates (millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	* 6,888	6,860	7,016	7,052	6,954	7,056	7,268	7,376
2. New residential construction	1,536	1,564	1,616	1,592	1,577	1,564	1,640	1,648
3. New non-residential construction	2,756	2,676	2,588	2,652	2,668	2,684	2,772	2,720
4. New machinery and equipment	2,596	2,620	2,812	2,808	2,709	2,808	2,856	3,008
5. Value of physical change in inventories	384	360	1,016	500	565	508	400	600
6. Surplus (+) or deficit (-) on current account with non-residents	- 1,032	- 904	- 896	- 404	- 809	- 572	- 336	- 748
7. Residual error of estimate	384	240	100	160	221	224	144	156
8. Totals	6,624	6,556	7,236	7,308	6,931	7,216	7,476	7,384

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1962 and 1963(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	23,912	23,828	23,784	24,136	23,915	24,536	24,608	24,968
2. Non-durable goods	12,308	12,136	12,256	12,296	12,249	12,496	12,368	12,604
3. Durable goods	2,912	2,912	2,732	2,996	2,888	3,000	3,088	3,104
4. Services	8,692	8,780	8,796	8,844	8,778	9,040	9,152	9,260
5. Government expenditure on goods and services	6,544	6,948	6,836	6,716	6,761	6,924	6,844	6,900
6. Business gross fixed capital formation	6,268	6,192	6,284	6,284	6,257	6,256	6,420	6,436
7. New residential construction	1,376	1,392	1,424	1,396	1,397	1,364	1,420	1,400
8. New non-residential construction	2,532	2,440	2,352	2,396	2,430	2,404	2,476	2,404
9. New machinery and equipment	2,360	2,360	2,508	2,492	2,430	2,488	2,524	2,612
10. Change in inventories	416	396	960	424	549	480	364	588
11. Non-farm business inventories	204	316	760	156	359	68	- 44	292
12. Farm inventories and grain in commercial channels	212	80	200	268	190	412	408	296
13. Exports of goods and services	7,536	7,776	7,724	7,880	7,729	7,888	8,380	8,280
14. Deduct: Imports of goods and services	- 8,248	- 8,332	- 8,288	- 8,008	- 8,219	- 8,112	- 8,308	- 8,528
15. Residual error of estimate	356	220	92	144	203	204	132	140
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	36,784	37,028	37,392	37,576	37,195	38,176	38,440	38,754

(1) See footnote 1, Table 9.

