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INCOME AND EXPENDITURE  
THIRD QUARTER 1964

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

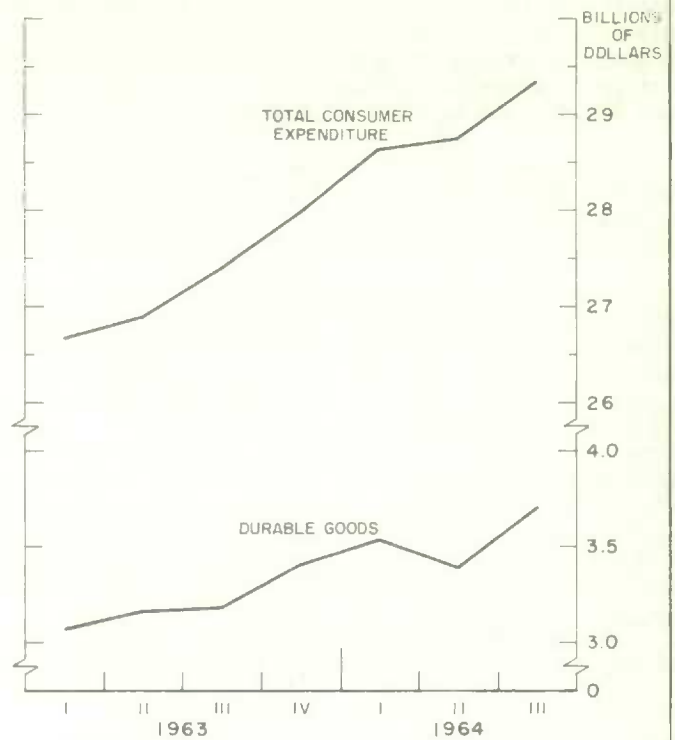
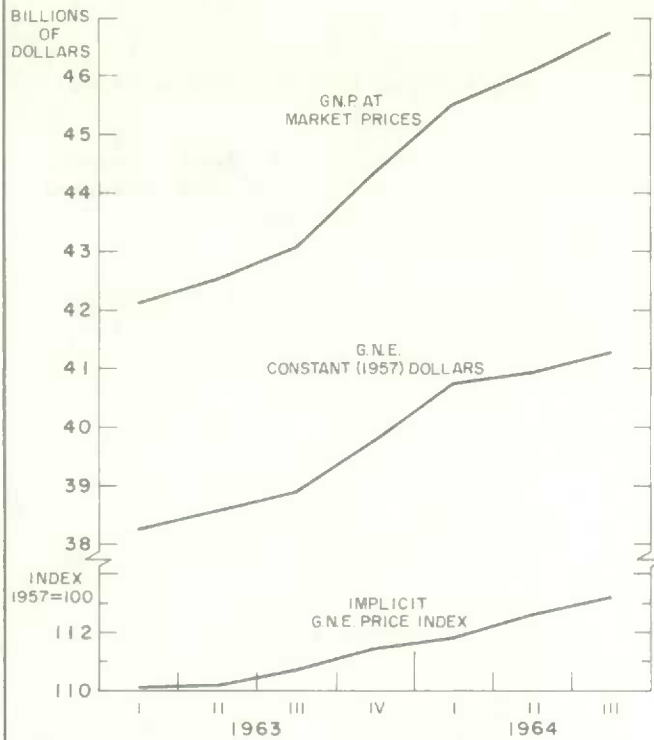
"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1963", for the years 1959-62.

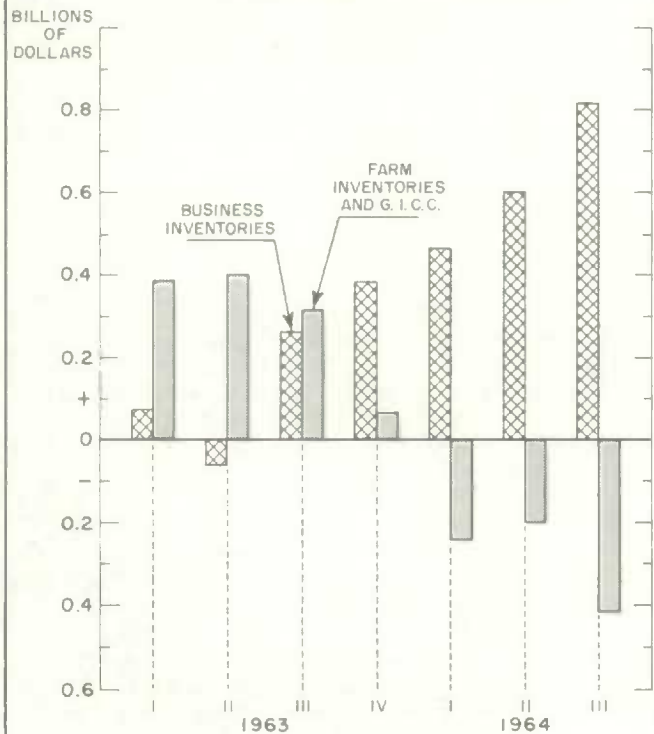
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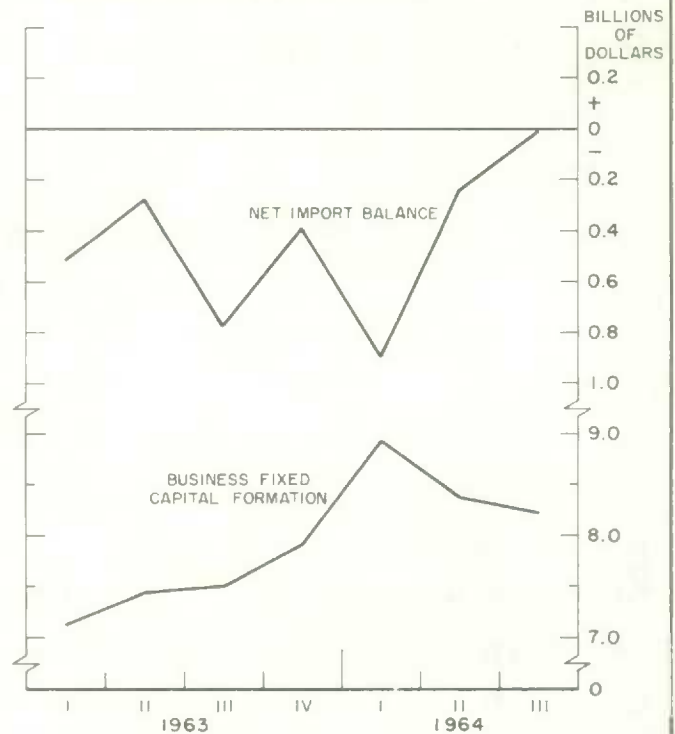
G.N.P. rose by 1.4 per cent in response to.....higher consumer outlays on durable goods, particularly automobiles



Offsets occurred in business and farm inventory movements



The net import balance improved, while business spending on capital declined



DATA IN THE ABOVE CHARTS ARE SEASONALLY ADJUSTED AT ANNUAL RATES.

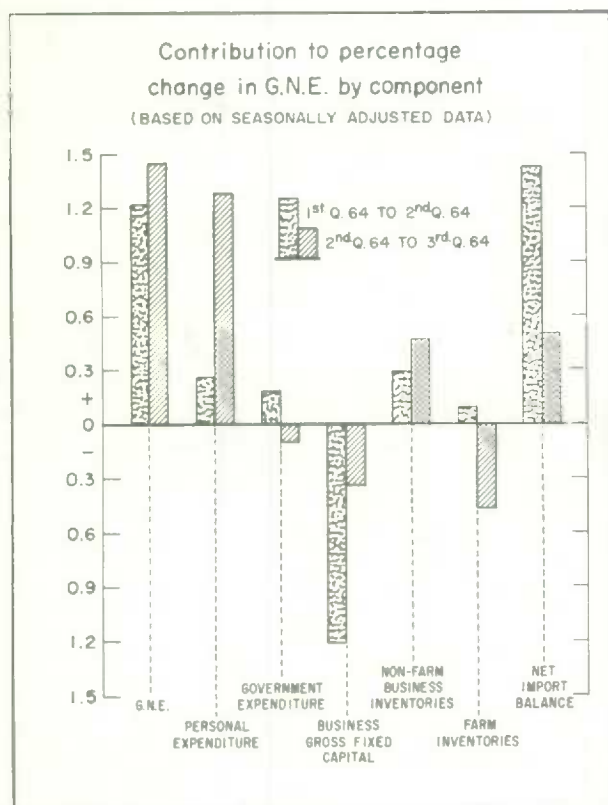
## INTRODUCTORY REVIEW

Gross National Product rose to a seasonally adjusted annual rate of \$46.7 billion in the third quarter of 1964, compared with \$46.1 billion in the preceding period. With prices higher by about one half of 1 per cent, the greater part of this 1.4 per cent advance in the value of national production represents a gain in the volume of output. The latest estimate of Gross National Product brings it above the cyclical low in the early part of 1961 by nearly 30 per cent in terms of value and 22 per cent in terms of volume.

There has been considerable comment in both Canada and the United States on the duration of the current expansion, which has lasted longer than any expansion in the post-war period. The broadness of its base has also been noted with all the components of final demand over the longer run contributing to the rise in the aggregate and stock-building playing a minor role.

The most important expansionary stimulus in the third quarter came from the consumer sector. Following little change in the second quarter, consumer spending rose at a rate roughly comparable with those of the closing quarter of 1963 and the opening quarter of 1964; expenditure on durables was particularly strong. Spending in the personal sector paralleled the rise in income available for spending. An accelerated rate of stock-building contributed to raising the demand for output. Support also came from the external sector; a further expansion in exports and a falling off in imports brought receipts and payments on international account virtually into balance. On the other hand, the investment sector acted as a restraining influence; outlays for the two construction components were virtually unchanged and, on the basis of available information, machinery and equipment appeared appreciably lower. Government operations were essentially neutral in that the combined government account moved from a small deficit in the second quarter to a small surplus in the third, reflecting continued buoyancy in revenue and some easing in expenditure.

The salient developments on the income side in third quarter are a distinct pick-up in the rate of increase in labour income and a further slight easing in the high level of corporate profits.



It will be recalled that there was an upsurge in economic activity in the closing quarter of 1963 and the opening quarter of 1964 partly as a result of special influences, notably the heavy volume of wheat exports to the USSR, which had an immediate impact on farm income, the government's house-building incentive programme and possibly also decisions taken in anticipation of the progressive imposition of the tax on certain production machinery and building materials. Following two sharp quarterly gains, economic activity showed little forward impetus in the second quarter of this year and the third quarter advance is relatively moderate.

Gross National Product in the first three quarters of 1964 was somewhat more than 8 per cent higher than in the same period of 1963. With the data now available it is possible to suggest orders of magnitude for the year 1964 as a whole. If, for instance, it is assumed that there is no change other than seasonal in the fourth quarter, Gross National Product for 1964 will show a gain from 1963 of about  $7\frac{1}{2}$  per cent; assuming a  $1\frac{1}{2}$  per cent increase in the fourth quarter, the gain will be about 8 per cent.

Turning to consider the sources of strength in the first nine months of this year compared with the same period a year ago, it is apparent that all components of final demand, except government expenditure where the increase was relatively moderate, made an important contribution to the rise in the aggregate. Strength pervaded the consumer and investment sectors. While exports

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

	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	3Q'63 to 4Q'63	4Q'63 to 1Q'64	1Q'64 to 2Q'64	2Q'64 to 3Q'64
1. Personal expenditure .....	488	420	172	548	84	172	520	424	236	500	572	652	120	588
2. Government expenditure .....	- 108	280	192	4	404	- 264	72	264	112	44	- 104	408	80	- 48
3. Residential construction ....	64	32	- 40	80	40	32	- 36	8	92	4	200	460	- 588	- 4
4. Non-residential construction	28	76	48	- 32	- 88	- 68	24	68	196	- 52	88	124	56	16
5. Machinery and equipment .....	- 112	64	24	88	64	148	76	- 16	20	112	128	428	- 20	- 168
6. Exports of goods and services .....	144	412	84	40	272	- 8	192	120	428	52	620	328	616	112
7. Total final purchases .....	504	1,284	480	728	776	12	848	868	1,084	660	1,504	2,400	264	496
8. (Final domestic demand) .....	360	872	396	688	504	20	656	748	656	608	884	2,072	- 352	384

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories .....	340	- 556	820	- 644	228	424	- 552	- 80	- 136	324	120	84	132	216
10. Imports of goods and services .....	- 200	408	384	- 24	224	- 84	- 212	176	192	548	240	828	- 36	- 120
11. G.N.P. (ex. farm) .....	1,020	444	1,068	240	588	616	576	632	484	568	1,008	1,832	248	896

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand .....	0.8	2.0	0.7	1.1	0.6	- 0.5	1.2	1.2	1.2	0.6	1.5	4.1	- 1.5	0.5
13. Total final purchases .....	1.0	2.3	0.6	0.9	0.9	- 0.5	1.3	1.1	2.0	0.5	2.4	4.0	- 0.2	0.4
14. Gross national expenditure ..	2.8	1.3	2.4	1.6	0.7	1.2	1.0	1.4	0.8	0.9	2.3	2.4	0.5	0.9

rose very sharply, higher demand was met to a significant extent from foreign sources of supply, making for a substantial increase in imports. A significant build-up of business stocks added to the demands on the nation's productive capacity.

Percentage Changes in Components of Gross National Expenditure<sup>1/</sup>

	3Q 1963 to 4Q 1963 Col.(1)	4Q 1963 to 1Q 1964 Col.(2)	1Q 1964 to 2Q 1964 Col.(3)	2Q 1964 to 3Q 1964 Col.(4)	3 Quarters 1963 to 3 Quarters 1964 Col.(5)
Personal expenditure .....	2.1	2.3	0.4	2.0	7.1
Government expenditure .....	-1.3	5.1	0.9	-0.6	5.5
Residential construction .....	11.9	24.5	-25.1	-0.2	16.3
Non-residential construction .....	3.1	4.3	1.9	0.5	10.4
Machinery and equipment .....	4.3	13.6	-0.6	-4.7	18.4
Exports .....	6.9	3.4	6.2	1.1	18.3
Total final demand .....	2.9	4.5	0.5	0.9	9.9
Inventories .....	-128M	-224M	+172M	-	-80M
(Business only) .....	+120M	+ 84M	+132M	+216M	+473M
Imports .....	2.4	8.2	-0.3	-1.1	15.3
Gross National Expenditure (value) .....	2.9	2.7	1.2	1.4	8.3
Volume component .....	2.3	2.4	0.5	0.9	6.2

<sup>1/</sup>All comparisons except 3 Quarters 1963 to 3 Quarters 1964 are based on data seasonally adjusted at annual rates.

Percentage Changes in Major Income Components<sup>1/</sup>

	3Q 1963 to 4Q 1963 Col.(1)	4Q 1963 to 1Q 1964 Col.(2)	1Q 1964 to 2Q 1964 Col.(3)	2Q 1964 to 3Q 1964 Col.(4)	3 Quarters 1963 to 3 Quarters 1964 Col.(5)
Wages, salaries and supplementary labour income .....	2.4	2.7	1.1	2.6	8.6
Transfer payments .....	3.8	5.5	1.8	-0.3	9.7
Personal income .....	3.0	2.8	-0.8	2.0	6.4
Corporation profits (before dividends paid abroad) .....	6.9	8.8	-2.6	-2.1	12.6
Rent, interest and miscellaneous investment income .....	1.3	4.7	1.0	-0.2	7.6
Net income of non-farm unincorporated business .....	1.8	1.6	-1.3	0.5	3.2
Net national income at factor cost .....	3.2	1.2	1.4	1.5	6.9

Selected Government Revenues  
(All Levels of Government)

Direct personal taxes .....	5.2	4.3	4.7	1.9	17.3
Corporation tax liabilities .....	6.4	7.7	-2.2	-1.0	9.6
Indirect taxes .....	2.5	6.0	2.4	2.4	13.6

<sup>1/</sup>All comparisons except 3 Quarters 1963 to 3 Quarters 1964 are based on data seasonally adjusted at annual rates.

### Price Movements

As is shown in the accompanying table, the over-all price increase of one half of 1 per cent in the third quarter reflected some advance in the price element of most components of expenditure. Services largely account for fractionally higher prices in the consumer sector. Machinery and equipment prices levelled off, following the increase associated with the sales tax recorded in the previous quarter.

A comparison of the first nine months of 1964 with the same period of 1963 indicates that about three-fourths of the increase in the value of production represented a gain in real terms.

### Per Cent Changes - Current Dollars, Constant Dollars and Prices

	2nd Quarter 1964 to 3rd Quarter 1964			3 Quarters 1963 <sup>2/</sup> to 3 Quarters 1964		
	Value	Volume	Price <sup>1/</sup>	Value	Volume	Price
Personal expenditure .....	2.0	1.8	0.2	7.1	5.5	1.6
Durable goods .....	9.2	9.8	-0.6	13.7	14.8	-1.0
Non-durable goods .....	0.9	0.6	0.4	5.2	3.3	1.9
Services .....	1.3	0.7	0.6	7.6	5.5	2.0
Government expenditure .....	-0.6	-1.8	1.3	5.5	1.4	3.9
Gross fixed capital formation .....	-1.9	-2.2	0.3	15.0	10.6	4.0
New residential construction .....	-0.2	-1.4	1.2	16.3	9.5	6.1
New non-residential construction .....	0.5	-	0.5	10.4	7.6	2.6
New machinery and equipment .....	-4.7	-4.5	-0.3	18.4	13.8	4.0
Exports of goods and services .....	1.1	-	1.1	18.3	16.6	1.4
Imports of goods and services .....	-1.1	-1.0	-0.1	15.3	12.7	2.2
Gross National Expenditure .....	1.4	0.9	0.52 <sup>2/</sup>	8.3	6.2	2.0

1/ Implicit price indexes.

2/ The base weighted price index of Gross National Expenditure seasonally adjusted showed an increase of 0.5 per cent between the second and third quarters.

3/ Data not adjusted for seasonal variation.

### DEVELOPMENTS IN THE THIRD QUARTER

#### Consumer Expenditure

After showing only a small increment in the second quarter, personal expenditure, seasonally adjusted, increased by 2 per cent in the third quarter, the same rate of increase as in the latter part of 1963 and early 1964. The increase in the third quarter was supported by an equivalent rise in personal income when labour income showed above average growth. Price increases on average were fractional and centred mainly in services.

Expenditures on goods provided the major impetus as durable goods recovered from the downturn of the previous quarter and, at 9 per cent, registered one of the largest increases in several years. As usual, purchases of cars were the most important element in the movement of durables; net purchases of new and used cars increased by more than 15 per cent. Demand was strong for cars of both North American and overseas manufacture. Purchases of household durables showed increases ranging from  $\frac{1}{2}$  per cent to 2 per cent.

Purchases of non-durable goods increased by about 1 per cent with demand for food and clothing contributing to the increase. Purchases of food increased by 1 per cent while clothing increased by 4 per cent. Purchases of alcoholic beverages also increased by  $1\frac{1}{2}$  per cent.

Expenditures on services increased by almost  $1\frac{1}{2}$  per cent, with several elements contributing to the rise. Shelter expenses increased by almost 2 per cent while other increases were registered by purchased transportation and personal services.

#### Business Gross Fixed Capital Formation

At a seasonally adjusted annual rate of \$8,220 million, capital spending fell about 2 per cent below the second quarter. The movement in the total was determined by a 5 per cent decline in outlays for machinery and equipment from their previous high level; outlays for non-residential construction were somewhat higher and for housing virtually unchanged.

The value of new residential construction at annual rates was \$1,752 and \$1,748 million, after discounting seasonal factors, in the second and third quarters. This stability reflects offsetting movements of a 13 per cent rise and a 13 per cent drop in seasonally adjusted figures of housing starts and completions. Starts at annual rates moved from 134,200 to 152,300; completions from 148,000 to 128,900, and as these figures suggest there was some increase in the number of dwelling units under construction. The main strength again centred in multiple dwelling units, although a pick-up in single dwellings became apparent at the end of the quarter as CMHC commenced its direct lending slightly earlier than in 1963.

The annual rate of new non-residential construction rose slightly from \$3,080 to \$3,096 million, while expenditure on new machinery and equipment dropped from \$3,544 to \$3,376 million. While business outlays on new machinery and equipment are estimated to have been lower, detailed import figures for the quarter are not yet available to substantiate part of this estimate.

#### Non-Farm Business Inventories

Investment in business inventories was one of the important factors raising the level of economic activity in the third quarter. Seasonally adjusted estimates show an accumulation of \$816 million at annual rates compared with \$600 million in the previous quarter. More than two-thirds of the increase occurred in manufacturing, with the rest at the wholesale level and, to a lesser degree, in the total of other industries; offsetting movements left stocks at the retail level almost unchanged.

While accumulation in manufacturing was general among durable and non-durable lines, it was dominated by the substantial build-up in the transportation equipment industries. Another industry with more than usual re-stocking was textiles where inventories continued to be raised in response to the optimistic outlook in the industry reflected in part by the high level of shipments and unfilled orders in 1964.

With higher manufacturing production and slightly lower shipments, additions to stocks took place at all stages of production, the highest being in stocks of finished goods. Unfilled orders showed an increase although the level still does not suggest undue pressure on capacity in relation to the current level of shipments. For the industry as a whole, the seasonally adjusted stock-to-shipments ratio increased slightly.

In wholesale, the re-stocking was also general. The accumulation in durables, almost three times more than that in non-durables, was concentrated mainly in the industrial and transportation equipment and supplies trades. The stock-to-sales ratio for the industry as a whole remained unchanged since the increase in the ratio in durables was offset by the decrease in non-durables.

In retail, the substantial drop in the rate of increase to a virtually unchanged level of stocks was caused by the liquidation of durables, especially of cars, reflecting strong demand. The stock-to-sales ratio for cars was the lowest since 1955. On the other hand, non-durable lines continued to increase their stocks at rates higher than those of the previous quarter. This was accompanied by a less-than-average advance in consumer spending for non-durable goods in the third quarter. For the industry as a whole, the stock-to-sales ratio dropped, but it was still above average of the past four years.

## Exports and Imports of Goods and Services

The deficit in the external account virtually disappeared, dropping from an annual rate, after seasonal adjustment, of \$240 million in the second quarter to \$8 million in the third as exports of goods and services rose by 1 per cent to an annual rate of \$10,708 million and imports fell by 1 per cent -- moving from \$10,836 to \$10,716 million. The improvement in the import balance over the longer run was due to pronounced increases in merchandise exports, some of which were of a special nature; although in the current quarter declining imports were of greater significance. The deficit on non-merchandise transactions continues to expand, although somewhat erratically, and in the third quarter was the second highest on record.

### Exports and Imports of Goods and Services (Seasonally adjusted, at annual rates)

	Goods			Services			Current balance
	Exports	Imports	Net	Exports	Imports	Net	
(millions of dollars)							
1963 - 1st qtr. ....	6,604	6,152	452	1,948	2,912	-964	-512
2nd qtr. ....	7,008	6,400	608	1,972	2,856	-884	-276
3rd qtr. ....	7,048	6,768	280	1,984	3,036	-1,052	-772
4th qtr. ....	7,596	7,000	596	2,056	3,044	-988	-392
1964 - 1st qtr. ....	7,788	7,532	256	2,192	3,340	-1,148	-892
2nd qtr. ....	8,468	7,616	852	2,128	3,220	-1,092	-240
3rd qtr. ....	8,552	7,404	1,148	2,156	3,312	-1,156	-8

Exports of merchandise rose 1 per cent while imports fell by almost 3 per cent, raising the surplus on goods, seasonally adjusted, from \$852 to \$1,148 million. With the deficit on non-merchandise trade \$64 million higher, the current account deficit fell \$232 million.

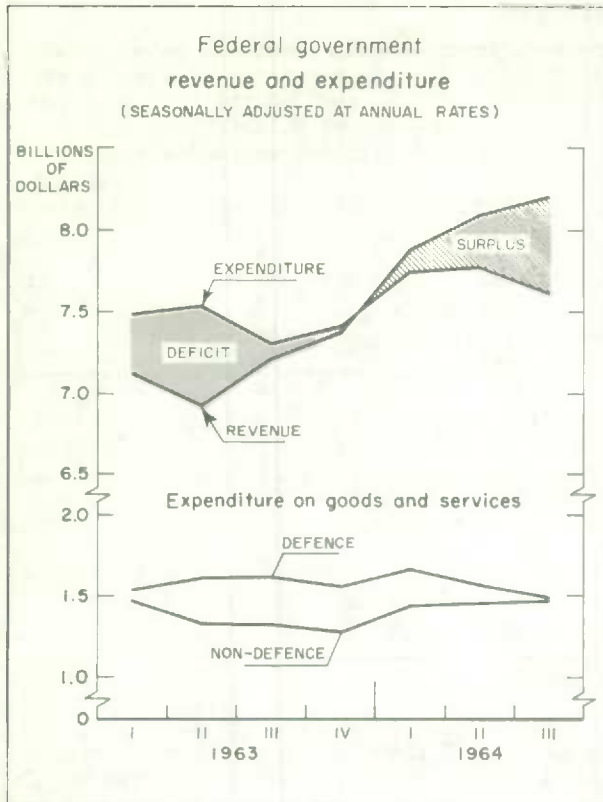
Merchandise export figures indicate that gains were made principally in the United States market, unlike the second quarter when they mainly reflected the sale of wheat to the USSR and other countries in Eastern Europe. Sales abroad increased for agricultural machinery, newsprint, zinc, fertilizer, nickel and ores, aluminum, natural gas, copper and wheat. Commodity detail is not available to identify changes in merchandise imports.

The non-merchandise trade deficit moved from \$1,092 to \$1,156 million, reflecting some deterioration in the interest and dividend account and in the miscellaneous service account (personal remittances, official contributions, business services, etc.).

## The Government Sector

For the first time since 1957, total revenues of all governments combined exceeded total expenditures, with the result that on a National Accounts basis there was a shift from a deficit of \$100 million, seasonally adjusted at annually rates, in the second quarter to a surplus of \$148 million in the third quarter. All the gain occurred at the federal level where the surplus rose to a rate of \$588 million, continuing the trend evident since the second quarter of 1963. As for the provincial and municipal governments, the deficit widened from a rate of \$412 million in the second quarter to a rate of \$440 million in the third.

Total revenues of all governments rose to a level of \$15,860 million, an increase of about 1 per cent from the previous quarter. The bulk of the increase was accounted for at the federal level, the major gains being in personal direct taxes and in indirect taxes, the latter due mainly to higher returns from excise taxes. Total revenues at the provincial-municipal level were almost unchanged, as a result of largely offsetting movements; an increase of \$60 million in indirect taxes, reflecting higher returns from sales taxes was partially offset by declines in other components.



On the other hand, total expenditures of all governments decreased about 1 per cent from \$15,828 million in the second quarter to \$15,712 million in the third quarter, with declines occurring in almost all of the components, particularly at the federal level. Federal expenditures on goods and services dropped by over 2 per cent, with lower outlays on defence and a slight advance in non-defence expenditures. The other items of federal expenditure showed declines of varying degree. Expenditures at the provincial-municipal level increased slightly with small gains in expenditures on goods and services and in transfer payments to persons.

#### National Income

Wages and salaries rose almost 3 per cent in the third quarter, one of the largest gains since 1956 and similar to those recorded in the last quarter of 1963 and the first quarter of this year. Partly as a result of retroactive payments, the rate of advance was higher in the service than in the goods-producing industries.

The rise in wages and salaries of over 2 per cent in the goods-producing industries in the third quarter of 1964 is mainly attributable to manufacturing, where there was a distinct improvement from the moderate advance evident in the preceding period. Although income in construction rose nearly 1 per cent it was still below the unusually

high level of the first quarter. Primary industries were up nearly 2 per cent in the third quarter.

Each of the industry groups within the service-producing segment recorded quarter-to-quarter increases roughly equivalent to the service-producing total of 3 per cent.

Corporation profits, (before taxes and before dividends paid to non-residents), dropped by about 2 per cent in the third quarter, following a similar movement in the preceding period. However, profits remained high, 42 per cent above the cyclical low in early 1961.

The drop of 2 per cent in profits from the second to the third quarter reflects offsetting movements within the component industries. The largest drop (7 per cent) occurred in manufacturing but this was partially offset by increases in mining and retail trade.

Within manufacturing, declines in profits from the second to the third quarters were widespread, as indicated in the accompanying table.

Percentage Changes in Corporation Profits

	2nd Q to 3rd Q - 1964 (Seasonally Adjusted)
Mines, Quarries and Oilwells .....	11
Manufacturing .....	-7
Foods and beverages .....	4
Wood products .....	-4
Paper products .....	-8
Metal industries (including transportation) .....	-14
Petroleum and coal .....	-13
Chemicals .....	-14
Other manufacturing .....	1
Transportation, storage and communication .....	1
Electric power, gas and water utilities .....	-11
Wholesale trade .....	-4
Retail trade .....	14
Finance, insurance and real estate .....	-1
Community, business and personal service .....	4
Other non-manufacturing .....	-
Total, all industries .....	-2

Seasonally adjusted net income of non-farm unincorporated business increased fractionally in the third quarter, with most industries showing little if any change. Higher than average increases in retail trade and service industries were largely offset by decreases in construction and finance.

Seasonally adjusted, accrued net income of farm operators dropped from a level of \$1,576 million in the second quarter to a level of \$1,348 million in the third, with declines distributed equally between grain and livestock production. Higher operating expenses also contributed. Seasonally adjusted, net income of farm operators (which is a component of personal income) remained virtually unchanged in the quarter.

Production by Industry

Seasonally adjusted real domestic product less agriculture for the third quarter of 1964 was almost 1 per cent higher than in the second quarter, but fell just short of the peak attained in the first quarter of this year. It was at a level approximately 21 per cent above its cyclical low in the first quarter of 1961.

Gains in the quarter were fairly widespread, in contrast to the rather exceptional influences at work during the first and second quarters when construction and related industries accounted for the bulk of the change.

Manufacturing, which increased by 1 per cent, was the largest single contributor to the gain in non-agricultural output. This was almost entirely the result of an increase of nearly 2 per cent in durables. Within durables, transportation equipment showed the largest gain, over 7 per cent, with all components contributing. However, motor vehicles (8%) and motor vehicle parts (11%) accounted for the major portion of the gain. Non-durable manufacturing increased only fractionally, largely as a result of a 6 per cent gain in clothing and a 3 per cent gain in chemicals.

Within trade, a slight decline in wholesale trade was more than offset by a 2 per cent gain at the retail level, resulting in a one per cent expansion in total trade volume. At the retail level, motor vehicle dealers, clothing stores and department stores, with increases of up to 6 per cent, accounted for most of the gain.

Further increases occurred in finance, insurance and real estate (1%), the community, business, recreation and personal service group (1%) and electric power and gas utilities (3%), which together contributed as much to the gain in non-agricultural output as did manufacturing. Returning to its first quarter level following a decline in the second quarter, forestry, with an increase of nearly 10 per cent matched the contribution of total trade to the aggregate expansion. Transportation, storage and communication increased fractionally.

Small decreases in output occurred in construction and in public administration and defence, while mining declined by about 3 per cent. All three components of mining showed decreases in the third quarter, but the major portion of the drop can be accounted for by a decline in the other metal component of metal mining, which reflected curtailments in uranium mining operations.

#### DEVELOPMENTS IN THE THREE QUARTERS OF 1964

##### Demand Components

The increase of 7 per cent in consumer expenditure between the first three quarters of 1964 and the same period of 1963 was more than 1 per cent greater than the increase between the years 1962 and 1963, with all the major components showing larger increases.

The largest relative gain was shown by durable goods which increased by almost 14 per cent in the first three quarters of the year, over 4 per cent more than for the year 1963. Much of the demand was centred on cars, with net purchases of new and used cars increasing by 18 per cent. Sales, over the three quarters, of cars of North American manufacture showed increases comparable with the previous year while sales of cars of overseas manufacture also showed large increases after having been down sharply in 1963. All other durables showed greater increases for the nine months of 1964 than for the year 1963, with increases ranging from 5 per cent for jewellery and watches to 9 per cent for household durables.

##### Percentage Change in Consumer Expenditure

	Year 1962 to Year 1963	3 Quarters 1963 to 3 Quarters 1964
Food .....	4.3	4.7
Clothing .....	4.0	5.8
Other .....	4.2	5.5
Total Non-durable goods .....	4.2	5.2
Appliances and radios .....	3.2	9.5
Home furnishings and furniture .....	5.1	9.4
Autos (new and used) .....	14.5	17.8
Other .....	5.7	8.2
Total Durable goods .....	9.5	13.7
Total all goods .....	5.2	6.8
Total services .....	6.8	7.6
Total Consumer Expenditure .....	5.8	7.1

Non-durable goods showed a larger increase for the 3 quarters of 1964 than between the years 1962 and 1963. Major increases were registered by food and alcoholic beverages which increased 5 and 7 per cent respectively. Consumption of tobacco products was unchanged over the three quarters as a sharp decline in the first quarter was followed by larger than usual increases in the two following quarters. With the exception of fuel, which decreased slightly, other non-durable goods showed greater increases for the first three quarters of 1964 than for the year 1963.

The increase in expenditures on services for the three quarters was broadly in line with the whole year 1963. Except for shelter, most of the service items showed higher gains in 1964 than for the year 1963. Expenditures on personal services increased by 9 per cent while transportation services rose by 4 per cent. Shelter expenses were up by 6 per cent, 2 per cent less than registered for the year 1963.

Net expenditure abroad, an adjustment to personal expenditure, to include payments abroad by Canadians and to exclude payments in Canada by non-residents, increased noticeably as payments by Canadians travelling abroad increased more than receipts from non-residents.

Capital investment was 15 per cent higher in the first three quarters of 1964 than in the same period of 1963. The rates of increase were high for all three components but the greatest strength manifested itself in machinery and equipment where outlays increased by more than 18 per cent; expenditures on non-residential construction were up over 10 per cent, making for a 15 per cent increase in investment in plant and equipment. It is interesting to note that, seasonally adjusted, plant and equipment outlays in the United States were up 11½ per cent in the same time comparison.

Outlays for housing were 16 per cent higher. There was a considerable change in the composition of housing between the two periods, with a large increase in apartment starts and some decline in starts of single dwelling units.

The pattern of housing outlays in the recent past appears to have been affected by special influences: the government's winter housing incentive programme (initiated in 1963 and being renewed this winter) and possibly also by decisions taken in anticipation of the progressive imposition of the tax on building materials.

A trend towards a build-up of stocks was resumed in the third quarter of 1963 and since then inventory accumulation has gone on at varying rates. For the three quarters of 1964 the value of the physical change in business inventories was \$509 million, an increase of \$473 million over the same period of 1963. However, this increase has not played as significant a role in the current expansion of economic activity as in previous expansions, and the inventory held by business does not appear to be unduly high in relation to output. Almost one-half of this increase of \$473 million was in manufacturing; retail trades accounted for more than one-third; the remainder was in wholesale trades and the total of the other industries.

During the first three quarters of 1964 the deficit in the external account on a national accounts basis narrowed to \$263 million from \$397 million in the same period of the previous year. This change of \$134 million resulted from an improvement of \$255 million in merchandise trade, partly offset by a deterioration of \$121 million in non-merchandise trade. About half of this change in non-merchandise trade can be attributed to the growing deficit in the interest and dividend account, and about one-third to a larger deficit in the travel account.

Exports and Imports of Goods and Services  
(Not Seasonally Adjusted)

	Goods			Services			Current balance
	Exports	Imports	Net	Exports	Imports	Net	
(millions of dollars)							
1st 3 quarters							
1963 .....	5,055	4,769	286	1,497	2,180	-683	-397
1964 .....	6,111	5,570	541	1,637	2,441	-804	-263
Per cent change .....	20.9	16.8		9.4	12.0		

The 21 per cent increase in the value of merchandise exports was general although the gain was largely determined by higher sales of such commodities as wheat, iron ore, wood pulp, newsprint, aircraft and non-ferrous metals. However, the relative gains in exports of finished manufactured products such as combine reaper-threshers and passenger automobiles and chassis was particularly noticeable.

Full commodity detail is not available to account for the 17 per cent increase in merchandise imports, but seven months data suggest strength in Canadian demand for imported machinery, automobile parts, engines, tractors, fibres, textiles and products and plate steel.

#### The Government Sector

Reflecting the continuing high levels of income and employment, total revenues of all governments combined increased over 12 per cent in the first nine months of 1964 compared with the first nine months of 1963. Total expenditures of all governments combined increased less than total revenues with the result that the deficit narrowed considerably from \$712 million to \$168 million. The federal government moved from a deficit of \$405 million in 1963 to a surplus of \$110 million in 1964, as sharply increased revenues more than offset a modest increase in expenditures. At the combined provincial-municipal level revenues also rose more sharply than expenditures, narrowing the deficit from \$307 million in the first nine months of 1963 to \$278 million in the same period of 1964.

On the revenue side, receipts from indirect taxes at all levels rose sharply between the two periods and accounted for almost half of the increase in total revenues. There was an increase of almost 18 per cent in federal indirect tax revenues which partly reflected the higher sales tax rate on production machinery and building materials. Indirect tax revenues of provincial and municipal governments combined rose 11 per cent, mainly attributable to larger returns from sales and gasoline taxes and increases in real property tax revenue. Receipts from personal direct taxes and corporation direct tax liabilities also increased substantially at all levels.

Total expenditures of all governments increased by \$735 million in the first nine months of 1964 over the first nine months of 1963 with over \$600 million accounted for by gains in expenditures on goods and services and transfer payments to persons. Federal outlays on goods and services rose by over 3 per cent with all of the increase occurring in non-defence expenditures. Provincial-municipal expenditures on goods and services rose more sharply than the federal government estimate mainly due to increases in salaries, wages and supplementary labour income.

There was a rise of almost 10 per cent in transfer payments to persons from all governments combined with the major gain made at the provincial-municipal level. The increases in provincial-municipal transfer payments were widespread with higher grants to hospitals, educational and other welfare-type institutions being the most important.

#### National Income

Reflecting an improvement in employment and some increase in wage rates, wages and salaries in the first three quarters of 1964 were nearly 9 per cent higher than in the corresponding period of 1963. The rates of gain in the more cyclically sensitive goods-producing industries were only slightly higher than in the service-producing industries. The increases in manufacturing and construction were over 9 per cent, compared with a smaller gain of 6½ per cent in the primary industries as a group. Among the service-producing industries the highest rate of gain -- 11 per cent -- occurred in finance and service; transportation, communication and other utilities and public administration recorded gains of about 6 per cent.

Corporate profits (before taxes and dividends paid abroad), having risen sharply in the two winter quarters, eased a little in the two mid-quarters of 1964. The first three quarters of 1964 nevertheless show a gain of almost 13 per cent from the same period of 1963. One of the major gains was in the transportation, communication and storage group (18 per cent). Profits in the mines, quarries and oil wells group also advanced sharply (19 per cent). The gain in manufacturing was more moderate (13 per cent), the major gains being in petroleum and coal (25 per cent) metal industries (15 per cent), and chemicals (12 per cent).

Accrued net income of farm operators from farm production decreased by almost 18 per cent in the first three quarters of 1964 compared with the same period in 1963. The larger portion can be attributed to the lower value of the 1964 crop, which was almost 19 per cent less than that in 1963 and a smaller portion for lower livestock production. Cash income from the sale of agricultural products was nearly 9 per cent higher in 1964 than in 1963, reflecting increased grain sales.

In a comparison of the first three quarters of 1964 with the first three quarters of 1963, non-farm net income increased by 3 per cent. Increases were general by industry with the exception of retail trade and transportation, which showed decreases of 4 per cent and 2 per cent, respectively.

Production by industry

Real domestic product less agriculture for the first nine months of 1964 was 7 per cent higher than in the corresponding period of 1963. About one third of the aggregate increase was accounted for by a 9 per cent gain in manufacturing. Durable manufacturing, in particular, expanded rapidly during this period (11 per cent), largely as a result of the gains in the output of the motor vehicles and parts industries, which increased by more than 20 per cent, and expansion in iron and steel production. Other industry groups registering increases of about 11 per cent were transportation, storage, electric power and gas utilities, and forestry. Mining and wholesale trade increased by about 10 per cent, while non-durable manufacturing and retail trade showed gains of 7 and 6 per cent, respectively. Construction, which expanded sharply during the first quarter, showed a 5 per cent increase in the nine month comparison, as the initial gains were offset by declines in the second and third quarters.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1963 and 1964  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income ..	5,058	5,359	5,567	5,566	21,550	5,482	5,809	6,074
2. Military pay and allowances .....	136	157	148	157	598	140	150	147
3. Corporation profits before taxes .....	788	1,068	998	1,066	3,920	917	1,197	1,100
4. Deduct: Dividends paid to non-residents(1) .....	- 145	- 118	- 121	- 209	- 593	- 172	- 126	- 143
5. Rent, interest, and miscellaneous investment income	709	736	762	818	3,025	785	784	805
6. Accrued net income of farm operators from farm production(2) .....	60	147	1,384	195	1,786	11	185	1,113
7. Net income of non-farm unincorporated business(3) .	514	614	594	729	2,451	535	633	609
8. Inventory valuation adjustment(4) .....	- 28	- 75	- 44	- 37	- 184	- 43	- 66	13
9. NET NATIONAL INCOME AT FACTOR COST .....	7,092	7,888	9,288	8,285	32,553	7,655	8,566	9,718
10. Indirect taxes less subsidies .....	1,359	1,338	1,412	1,456	5,565	1,500	1,588	1,637
11. Capital consumption allowances and miscellaneous valuation adjustments .....	1,196	1,281	1,277	1,370	5,124	1,338	1,403	1,396
12. Residual error of estimate .....	- 157	- 155	59	18	- 235	- 93	- 213	21
13. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	9,490	10,352	12,036	11,129	43,007	10,400	11,344	12,772
14. (Gross national product at market prices excluding accrued net income of farm operators) .....	(9,430)	(10,205)	(10,652)	(10,934)	(41,221)	(10,389)	(11,159)	(11,659)

(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, 1963 and 1964  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	6,307	6,779	6,647	7,497	27,230	6,804	7,245	7,094
2. Government expenditure on goods and services(1, 2) .	1,843	1,921	2,257	2,055	8,076	1,997	2,028	2,325
3. Business gross fixed capital formation(3) .....	1,460	1,930	2,053	2,052	7,495	1,833	2,196	2,229
4. New residential construction .....	298	413	477	517	1,705	442	440	500
5. New non-residential construction .....	502	686	836	787	2,811	573	755	907
6. New machinery and equipment .....	660	831	740	748	2,979	818	1,001	822
7. Value of physical change in inventories(4) .....	- 51	- 247	1,122	- 365	459	7	- 185	922
8. Non-farm business inventories .....	188	- 161	9	130	166	297	17	195
9. Farm inventories and grain in commercial channels	- 239	- 86	1,113	- 495	293	- 290	- 202	727
10. Exports of goods and services .....	1,844	2,251	2,457	2,502	9,054	2,129	2,714	2,905
11. Deduct: Imports of goods and services .....	- 2,071	- 2,436	- 2,442	- 2,593	- 9,542	- 2,463	- 2,866	- 2,682
12. Residual error of estimate .....	158	154	- 58	- 19	235	93	212	- 21
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	9,490	10,352	12,036	11,129	43,007	10,400	11,344	12,772

(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, 1963 and 1964  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income ....	5,058	5,359	5,567	5,566	21,550	5,482	5,809	6,074
2. Deduct: Employer and employee contributions to social insurance and government pension funds .....	- 207	- 202	- 213	- 216	- 838	- 218	- 215	- 222
3. Military pay and allowances .....	136	157	148	157	598	140	150	147
4. Net income received by farm operators from farm production(1) .....	32	200	1,327	91	1,650	162	95	1,022
5. Net income of non-farm unincorporated business .....	514	614	594	729	2,451	535	633	609
6. Interest, dividends, and net rental income of persons(2) .....	831	880	853	923	3,487	898	929	920
Transfer payments to persons:								
7. From government (excluding interest) .....	1,092	936	875	926	3,829	1,153	1,049	983
8. Charitable contributions by corporations .....	11	11	11	11	44	11	11	12
9. PERSONAL INCOME .....	7,467	7,955	9,162	8,187	32,771	8,163	8,461	9,545

(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, 1963 and 1964  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes .....	682	742	720	766	2,910	764	904	847
2. Income taxes .....	556	646	628	657	2,487	623	791	749
3. Succession duties and estate taxes .....	36	41	44	50	171	40	57	39
4. Miscellaneous .....	90	55	48	59	252	101	56	59
5. Personal expenditure on consumer goods and services ..	6,307	6,779	6,647	7,497	27,230	6,804	7,245	7,094
6. Non-durable goods .....	3,051	3,184	3,337	3,807	13,379	3,211	3,364	3,497
7. Durable goods .....	673	905	683	946	3,207	794	983	793
8. Services(1) .....	2,583	2,690	2,627	2,744	10,644	2,799	2,898	2,804
9. Personal net saving .....	478	434	1,795	- 76	2,631	595	312	1,604
10. Personal saving excluding change in farm inventories ..	697	484	764	373	2,318	865	445	871
11. Value of physical change in farm inventories .....	- 219	- 50	1,031	- 449	313	- 270	- 133	733
12. PERSONAL INCOME .....	7,467	7,955	9,162	8,187	32,771	8,163	8,461	9,545
13. (Personal disposable income)(2) .....	(6,785)	(7,213)	(8,442)	(7,421)	(29,861)	(7,399)	(7,557)	(8,698)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1963 and 1964  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons .....	682	742	720	766	2,910	764	904	847
2. Federal .....	488	572	555	578	2,193	549	699	648
3. Provincial and municipal .....	194	170	165	188	717	215	205	199
4. Direct taxes - Corporations .....	388	484	454	484	1,810	431	530	492
5. Federal .....	290	361	339	363	1,353	322	395	367
6. (Federal tax collections) .....	(305)	(373)	(338)	(312)	(1,328)	(324)	(520)	(375)
7. Provincial .....	98	123	115	121	457	109	135	125
8. (Provincial tax collections) .....	(110)	(107)	(129)	(101)	(447)	(113)	(131)	(131)
Withholding taxes:								
9. Federal .....	31	30	24	43	128	30	34	25
10. Indirect taxes .....	1,416	1,428	1,495	1,539	5,878	1,568	1,652	1,711
11. Federal .....	551	592	621	686	2,450	616	719	739
12. Provincial and municipal .....	865	836	874	853	3,428	952	933	972
13. Investment income .....	295	337	330	371	1,333	347	361	350
14. Federal .....	92	138	133	134	497	120	140	133
15. Provincial and municipal .....	203	199	197	237	836	227	221	217
16. Employer and employee contributions to social insurance and government funds .....	207	202	213	216	838	218	215	222
17. Federal .....	134	126	136	137	533	141	135	140
18. Provincial and municipal .....	73	76	77	79	305	77	80	82
Transfers from Federal:								
19. Provincial and municipal .....	303	309	264	289	1,165	298	328	306
20. TOTAL REVENUE .....	3,322	3,532	3,500	3,708	14,062	3,656	4,024	3,953
21. FEDERAL .....	1,586	1,819	1,808	1,941	7,154	1,778	2,122	2,052
22. PROVINCIAL and MUNICIPAL .....	1,736	1,713	1,692	1,767	6,908	1,878	1,902	1,901

TABLE 6. Government Expenditure, by Quarters, 1963 and 1964  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Goods and services .....	1,843	1,921	2,257	2,055	8,076	1,997	2,028	2,325
2. Federal .....	735	713	771	708	2,927	798	731	765
3. (Defence) .....	(409)	(375)	(392)	(400)	(1,576)	(456)	(364)	(357)
4. Provincial and municipal .....	1,108	1,208	1,486	1,347	5,149	1,199	1,297	1,560
5. Transfer payments to persons (excluding interest on the public debt) .....	1,092	936	875	926	3,829	1,153	1,049	983
6. Federal .....	627	533	459	511	2,130	634	566	497
7. Provincial and municipal .....	465	403	416	415	1,699	519	483	486
8. Interest on the public debt .....	322	386	328	378	1,414	352	415	361
9. Federal .....	216	244	243	232	935	236	259	253
10. Provincial and municipal .....	106	142	85	146	479	116	156	108
11. Subsidies .....	57	90	83	83	313	68	64	74
12. Federal .....	51	86	64	74	275	60	60	51
13. Provincial .....	6	4	19	9	38	8	4	23
Transfers to other levels of government:								
14. Federal .....	303	309	264	289	1,165	298	328	306
15. Total expenditure .....	3,617	3,642	3,807	3,731	14,797	3,868	3,884	4,049
16. Federal .....	1,932	1,885	1,801	1,814	7,432	2,026	1,944	1,872
17. Provincial and municipal .....	1,685	1,757	2,006	1,917	7,365	1,842	1,940	2,177
18. Deficit (-) or surplus (+) .....	- 295	- 110	- 307	- 23	- 735	- 212	140	- 96
19. Federal .....	- 346	- 66	7	127	- 278	- 248	178	180
20. Provincial and municipal .....	51	- 44	- 314	- 150	- 457	36	- 38	- 276
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS .....	3,322	3,532	3,500	3,708	14,062	3,656	4,024	3,953
22. FEDERAL .....	1,586	1,819	1,808	1,941	7,154	1,778	2,122	2,052
23. PROVINCIAL and MUNICIPAL .....	1,736	1,713	1,692	1,767	6,908	1,878	1,902	1,901

TABLE 7. Source of National Saving, by Quarters, 1963 and 1964  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal net saving .....	478	434	1,795	- 76	2,631	595	312	1,604
2. Business gross saving .....	1,342	1,558	1,629	1,695	6,224	1,352	1,898	1,811
3. Undistributed corporation profits .....	118	330	295	221	964	165	405	324
4. Capital consumption allowances and miscellaneous valuation adjustments .....	1,196	1,281	1,277	1,370	5,124	1,338	1,403	1,396
5. Adjustment on grain transactions(1) .....	28	- 53	57	104	136	- 151	90	91
6. Inventory valuation adjustment .....	- 28	- 75	- 44	- 37	- 184	- 43	- 66	13
7. Government surplus (+) or deficit (-) .....	- 295	- 110	- 307	- 23	- 735	- 212	140	- 96
8. Residual error of estimate .....	- 157	- 155	59	18	- 235	- 93	- 213	21
9. Totals .....	1,340	1,652	3,132	1,577	7,701	1,599	2,071	3,353

(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, 1963 and 1964  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation .....	1,460	1,930	2,053	2,052	7,495	1,833	2,196	2,229
2. New residential construction .....	298	413	477	517	1,705	442	440	500
3. New non-residential construction .....	502	686	836	787	2,811	573	755	907
4. New machinery and equipment .....	660	831	740	748	2,979	818	1,001	822
5. Value of physical change in inventories .....	- 51	- 247	1,122	- 365	459	7	- 185	922
6. Surplus (+) or deficit (-) on current account with non-residents .....	- 227	- 185	15	- 91	- 488	- 334	- 152	223
7. Residual error of estimate .....	158	154	- 58	- 19	235	93	212	- 21
8. Totals .....	1,340	1,652	3,132	1,577	7,701	1,599	2,071	3,353

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1963 and 1964<sup>(1)</sup>  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services .....	5,834	6,254	6,064	6,864	25,016	6,203	6,577	6,378
2. Non-durable goods .....	2,883	2,994	3,090	3,532	12,499	2,981	3,100	3,182
3. Durable goods .....	665	893	676	933	3,167	791	978	796
4. Services .....	2,286	2,367	2,298	2,399	9,350	2,431	2,499	2,400
5. Government expenditure on goods and services	1,504	1,600	1,940	1,658	6,702	1,577	1,613	1,925
6. Business gross fixed capital formation .....	1,293	1,705	1,797	1,776	6,571	1,570	1,856	1,877
7. New residential construction .....	260	357	410	432	1,459	366	358	401
8. New non-residential construction .....	446	608	739	692	2,485	498	651	781
9. New machinery and equipment .....	587	740	648	652	2,627	706	817	895
10. Change in inventories .....	- 9	- 270	1,030	- 320	431	36	- 713	858
11. Non-farm business inventories .....	192	- 146	- 1	113	158	304	21	156
12. Farm inventories and grain in commercial channels .....	- 201	- 124	1,031	- 433	273	- 248	- 234	702
13. Exports of goods and services .....	1,718	2,091	2,285	2,320	8,414	1,969	2,490	2,648
14. Deduct: Imports of goods and services .....	- 1,862	- 2,165	- 2,146	- 2,301	- 8,474	- 2,151	- 2,481	- 2,328
15. Residual error of estimate .....	143	140	- 53	- 17	213	83	188	- 19
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS .....	8,621	9,355	10,917	9,980	38,873	9,307	10,030	11,339

(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, 1963 and 1964 Seasonally Adjusted at Annual Rates (millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	21,032	21,280	21,680	22,208	21,550	22,800	23,060	23,664
2. Military pay and allowances	556	608	600	628	598	576	580	596
3. Corporation profits before taxes	3,868	3,892	3,828	4,092	3,920	4,452	4,336	4,244
4. Deduct: Dividends paid to non-residents(1)	- 612	- 532	- 568	- 660	- 593	- 680	- 584	- 680
5. Rent, interest, and miscellaneous investment income	2,932	3,040	3,044	3,084	3,025	3,228	3,260	3,252
6. Accrued net income of farm operators from farm production(2)	1,788	1,724	1,712	1,920	1,786	1,268	1,576	1,348
7. Net income of non-farm unincorporated business(3)	2,448	2,416	2,448	2,492	2,451	2,532	2,500	2,512
8. Inventory valuation adjustment	- 112	- 300	- 176	- 148	- 184	- 172	- 264	52
9. NET NATIONAL INCOME AT FACTOR COST	31,900	32,128	32,568	33,616	32,553	34,004	34,464	34,988
10. Indirect taxes less subsidies	5,588	5,344	5,612	5,716	5,565	6,132	6,304	6,492
11. Capital consumption allowances and miscellaneous valuation adjustments	4,972	5,068	5,116	5,340	5,124	5,548	5,552	5,560
12. Residual error of estimate	- 360	- 20	- 220	- 340	- 235	- 172	- 252	- 304
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	42,100	42,520	43,076	44,332	43,007	45,512	46,068	46,736
14. (Gross national product at market prices excluding accrued net income of farm operators)	(40,312)	(40,796)	(41,364)	(42,412)	(41,221)	(44,244)	(44,492)	(45,388)

(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, 1963 and 1964 Seasonally Adjusted at Annual Rates (millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	26,660	26,896	27,396	27,968	27,230	28,620	28,740	29,328
2. Government expenditure on goods and services(1, 2)	7,996	8,108	8,152	8,048	8,076	8,456	8,536	8,488
3. Business gross fixed capital formation(3)	7,128	7,436	7,500	7,916	7,495	8,928	8,376	8,220
4. New residential construction	1,584	1,676	1,680	1,880	1,705	2,340	1,752	1,748
5. New non-residential construction	2,668	2,864	2,812	2,900	2,811	3,024	3,080	3,096
6. New machinery and equipment	2,876	2,896	3,008	3,136	2,979	3,564	3,544	3,376
7. Value of physical change in inventories	464	340	580	452	459	228	400	400
8. Non-farm business inventories	76	- 60	264	384	166	468	600	816
9. Farm inventories and grain in commercial channels(4)	388	400	316	68	293	- 240	- 200	- 416
10. Exports of goods and services	8,552	8,980	9,032	9,652	9,054	9,980	10,596	10,708
11. Deduct: Imports of goods and services	- 9,064	- 9,256	- 9,804	- 10,044	- 9,542	- 10,872	- 10,836	- 10,716
12. Residual error of estimate	364	16	220	340	235	172	256	308
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	42,100	42,520	43,076	44,332	43,007	45,512	46,068	46,736
Detail of Farm Inventories and GICC:								
Value of grain crop production	1,380	1,380	1,380	1,384	1,381	1,128	1,128	1,128
Depletions of farm stocks of grain	- 1,064	- 1,020	- 1,160	- 1,224	- 1,117	- 1,424	- 1,368	- 1,220
Change in livestock inventories	8	72	20	96	49	- 8	76	- 56
Grain in commercial channels	64	- 32	76	- 188	- 20	64	- 36	- 268

(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, 1963 and 1964 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income ....	21,032	21,280	21,680	22,208	21,550	22,800	23,060	23,664
2. Deduct: Employer and employee contributions to social insurance and government pension funds .....	- 820	- 840	- 844	- 848	- 838	- 860	- 892	- 880
3. Military pay and allowances .....	556	608	600	628	598	576	580	596
4. Net income received by farm operators from farm production(1) .....	1,544	1,892	1,508	1,656	1,650	1,728	1,176	1,172
5. Net income of non-farm unincorporated business .....	2,448	2,416	2,448	2,492	2,451	2,532	2,500	2,512
6. Interest, dividends, and net rental income of persons(2) .....	3,396	3,476	3,488	3,588	3,487	3,668	3,680	3,732
Transfer payments to persons:								
7. From government (excluding interest) .....	3,860	3,784	3,764	3,908	3,829	4,124	4,200	4,188
8. Charitable contributions by corporations .....	44	44	44	44	44	44	44	48
9. PERSONAL INCOME .....	32,060	32,660	32,688	33,676	32,771	34,612	34,348	35,032

(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, 1963 and 1964 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes .....	2,892	2,748	2,924	3,076	2,910	3,208	3,360	3,424
2. Income taxes .....	2,496	2,336	2,500	2,616	2,487	2,768	2,868	2,980
3. Succession duties and estate taxes .....	144	164	176	200	171	160	228	156
4. Miscellaneous .....	252	248	248	260	252	280	264	288
5. Personal expenditure on consumer goods and services .....	26,660	26,896	27,396	27,968	27,230	28,620	28,740	29,328
6. Non-durable goods .....	13,216	13,192	13,496	13,612	13,379	13,848	14,000	14,132
7. Durable goods .....	3,072	3,164	3,184	3,408	3,207	3,532	3,392	3,704
8. Services(1) .....	10,372	10,540	10,716	10,948	10,644	11,240	11,348	11,492
9. Personal net saving .....	2,508	3,016	2,368	2,632	2,631	2,784	2,248	2,280
10. PERSONAL INCOME .....	32,060	32,660	32,688	33,676	32,771	34,612	34,348	35,032
11. (Personal disposable income)(2) .....	(29,168)	(29,912)	(29,764)	(30,600)	(29,861)	(31,404)	(30,988)	(31,608)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons .....	2,892	2,748	2,924	3,076	2,910	3,208	3,360	3,424
2. Federal .....	2,192	2,056	2,212	2,312	2,193	2,412	2,520	2,588
3. Provincial and municipal .....	700	692	712	764	717	796	840	836
4. Direct taxes - Corporations .....	1,820	1,796	1,756	1,868	1,810	2,012	1,968	1,948
5. Federal .....	1,364	1,348	1,316	1,384	1,353	1,516	1,476	1,456
6. (Federal tax collections) .....	(1,312)	(1,316)	(1,324)	(1,360)	(1,328)	(1,380)	(1,804)	(1,500)
7. Provincial .....	456	448	440	484	457	496	492	492
8. (Provincial tax collections) .....	(408)	(416)	(516)	(448)	(447)	(428)	(508)	(496)
Withholding taxes:								
9. Federal .....	124	120	132	136	128	124	136	140
10. Indirect taxes .....	5,832	5,716	5,908	6,056	5,878	6,420	6,576	6,736
11. Federal .....	2,420	2,328	2,464	2,588	2,450	2,688	2,820	2,920
12. Provincial and municipal(1) .....	3,412	3,388	3,444	3,468	3,428	3,732	3,756	3,816
13. Investment income .....	1,308	1,384	1,356	1,284	1,333	1,500	1,496	1,464
14. Federal .....	484	536	548	420	497	588	564	544
15. Provincial and municipal .....	824	848	808	864	836	912	932	920
16. Employer and employee contributions to social insurance and government pension funds .....	820	840	844	848	838	860	892	880
17. Federal .....	528	536	536	532	533	552	572	552
18. Provincial and municipal .....	292	304	308	316	305	308	320	328
Transfers from federal:								
19. Provincial and municipal .....	1,192	1,224	1,092	1,152	1,165	1,168	1,300	1,268
20. TOTAL REVENUE .....	13,988	13,828	14,012	14,420	14,062	15,292	15,728	15,860
21. FEDERAL .....	7,112	6,924	7,208	7,372	7,154	7,880	8,088	8,200
22. PROVINCIAL and MUNICIPAL .....	6,876	6,904	6,804	7,048	6,908	7,412	7,640	7,660

(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, 1963 and 1964 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Goods and services .....	7,996	8,108	8,152	8,048	8,076	8,456	8,536	8,488
2. Federal .....	3,000	2,936	2,940	2,832	2,927	3,100	3,020	2,952
3. (Defence) .....	(1,532)	(1,604)	(1,612)	(1,556)	(1,576)	(1,664)	(1,568)	(1,488)
4. Provincial and municipal .....	4,996	5,172	5,212	5,216	5,149	5,356	5,516	5,536
5. Transfer payments to persons (excluding interest on the public debt) .....	3,860	3,784	3,764	3,908	3,829	4,124	4,200	4,188
6. Federal .....	2,184	2,092	2,064	2,180	2,130	2,248	2,228	2,200
7. Provincial and municipal .....	1,676	1,692	1,700	1,728	1,699	1,876	1,972	1,988
8. Interest on the public debt .....	1,380	1,412	1,416	1,448	1,414	1,496	1,520	1,524
9. Federal .....	900	940	952	948	935	984	996	992
10. Provincial and municipal .....	480	472	464	500	479	512	524	532
11. Subsidies .....	244	372	296	340	313	288	272	244
12. Federal .....	208	336	256	300	275	244	232	200
13. Provincial .....	36	36	40	40	38	44	40	44
Transfers to other levels of government:								
14. Federal .....	1,192	1,224	1,092	1,152	1,165	1,168	1,300	1,268
15. Total expenditure .....	14,672	14,900	14,720	14,896	14,797	15,532	15,828	15,712
16. Federal .....	7,484	7,528	7,304	7,412	7,432	7,744	7,776	7,612
17. Provincial and municipal .....	7,188	7,372	7,416	7,484	7,365	7,788	8,052	8,100
18. Deficit (-) or surplus (+) .....	- 684	- 1,072	- 708	- 476	- 735	- 240	- 100	148
19. Federal .....	- 372	- 604	- 96	- 40	- 278	136	312	588
20. Provincial and municipal .....	- 312	- 468	- 612	- 436	- 457	- 376	- 412	- 440
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS .....	13,988	13,828	14,012	14,420	14,062	15,292	15,728	15,860
22. FEDERAL .....	7,112	6,924	7,208	7,372	7,154	7,880	8,088	8,200
23. PROVINCIAL and MUNICIPAL .....	6,876	6,904	6,804	7,048	6,908	7,412	7,640	7,660

TABLE 16. Source of National Saving, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal net saving .....	2,508	3,016	2,368	2,632	2,631	2,784	2,248	2,280
2. Business gross saving .....	6,092	5,892	6,264	6,648	6,224	6,236	7,160	6,744
3. Undistributed corporation profits .....	876	992	944	1,044	964	1,148	1,208	1,008
4. Capital consumption allowances and miscellaneous valuation adjustments .....	4,972	5,068	5,116	5,340	5,124	5,548	5,552	5,560
5. Adjustment on grain transactions(1) .....	244	- 168	204	264	136	- 460	400	176
6. Inventory valuation adjustment .....	- 112	- 300	- 176	- 148	- 184	- 172	- 264	52
7. Government surplus (+) or deficit (-) .....	- 684	- 1,072	- 708	- 476	- 735	- 240	- 100	148
8. Residual error of estimate .....	- 360	- 20	- 220	- 340	- 235	- 172	- 252	- 304
9. Totals .....	7,444	7,516	7,528	8,316	7,701	8,436	8,792	8,920

(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, 1963 and 1964 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation .....	7,128	7,436	7,500	7,916	7,495	8,928	8,376	8,220
2. New residential construction .....	1,584	1,676	1,680	1,880	1,705	2,340	1,752	1,748
3. New non-residential construction .....	2,668	2,864	2,812	2,900	2,811	3,024	3,080	3,096
4. New machinery and equipment .....	2,876	2,896	3,008	3,136	2,979	3,564	3,544	3,376
5. Value of physical change in inventories .....	464	340	580	452	459	228	400	400
6. Surplus (+) or deficit (-) on current account with non-residents .....	- 512	- 276	- 772	- 392	- 488	- 892	- 240	- 8
7. Residual error of estimate .....	364	16	220	340	235	172	256	308
8. Totals .....	7,444	7,516	7,528	8,316	7,701	8,436	8,792	8,920

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1963 and 1964(1)  
Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services .....	24,636	24,792	25,084	25,552	25,016	26,044	26,036	26,508
2. Non-durable goods .....	12,440	12,388	12,552	12,616	12,499	12,796	12,876	12,952
3. Durable goods .....	3,036	3,128	3,136	3,368	3,167	3,512	3,380	3,712
4. Services .....	9,160	9,276	9,396	9,568	9,350	9,736	9,780	9,844
5. Government expenditure on goods and services	6,736	6,784	6,728	6,560	6,702	6,868	6,840	6,716
6. Business gross fixed capital formation .....	6,316	6,564	6,564	6,840	6,571	7,652	7,080	6,924
7. New residential construction .....	1,380	1,448	1,444	1,564	1,459	1,936	1,424	1,404
8. New non-residential construction .....	2,380	2,540	2,484	2,536	2,485	2,640	2,660	2,660
9. New machinery and equipment .....	2,556	2,576	2,636	2,740	2,627	3,076	2,996	2,850
10. Change in inventories .....	420	312	576	416	431	244	352	388
11. Non-farm business inventories .....	72	- 52	264	348	158	460	512	768
12. Farm inventories and grain in commercial channels .....	348	364	312	68	273	- 216	- 160	- 380
13. Exports of goods and services .....	7,940	8,384	8,388	8,944	8,414	9,224	9,756	9,752
14. Deduct: Imports of goods and services .....	- 8,136	- 8,284	- 8,640	- 8,836	- 8,474	- 9,464	- 9,372	- 9,276
15. Residual error of estimate .....	332	16	200	304	213	152	228	272
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS .....	38,244	38,568	38,900	39,780	38,873	40,720	40,920	41,384

(1) See footnote 1, Table 9.

