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NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
SECOND QUARTER 1965

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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 year 1959.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1964," for the years 1960-63.

TABLE OF CONTENTS

Page

Introductory Review	5
---------------------------	---

Tables Unadjusted for Seasonal Variation:

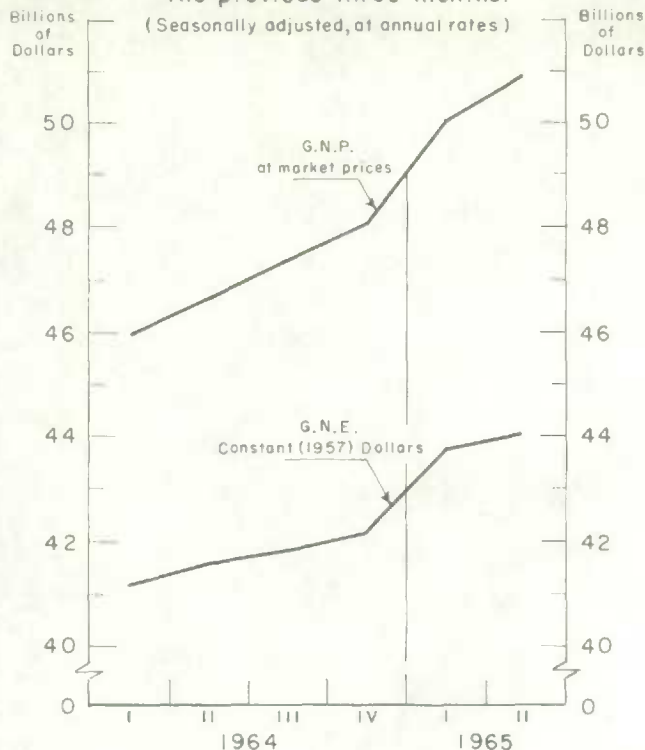
Table 1. National Income and Gross National Product, by Quarters, 1964 and 1965	16
Table 2. Gross National Expenditure, by Quarters, 1964 and 1965	16
Table 3. Source of Personal Income, by Quarters, 1964 and 1965	17
Table 4. Disposition of Personal Income, by Quarters, 1964 and 1965	17
Table 5. Government Revenue, by Quarters, 1964 and 1965	18
Table 6. Government Expenditure, by Quarters, 1964 and 1965	19
Table 7. Source of National Saving, by Quarters, 1964 and 1965	19
Table 8. Disposition of National Saving, by Quarters, 1964 and 1965	19
Table 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1964 and 1965	20

Tables Adjusted for Seasonal Variation and at Annual Rates:

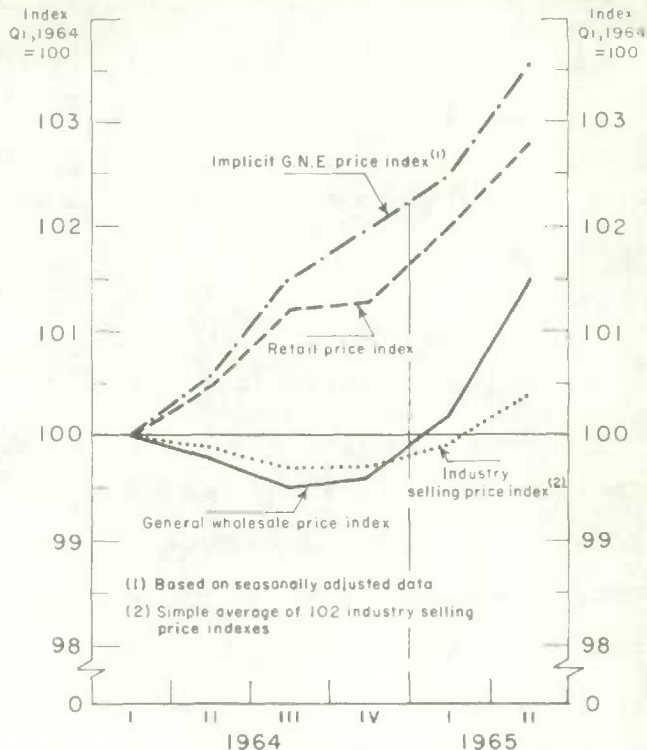
Table 10. National Income and Gross National Product, by Quarters, 1964 and 1965	22
Table 11. Gross National Expenditure, by Quarters, 1964 and 1965	22
Table 12. Source of Personal Income, by Quarters, 1964 and 1965	23
Table 13. Disposition of Personal Income, by Quarters, 1964 and 1965	23
Table 14. Government Revenue, by Quarters, 1964 and 1965	24
Table 15. Government Expenditure, by Quarters, 1964 and 1965	24
Table 16. Source of National Saving, by Quarters, 1964 and 1965	25
Table 17. Disposition of National Saving, by Quarters, 1964 and 1965	25
Table 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1964 and 1965	26

Gross National Product continued to rise despite unusually sharp gains in the previous three months.

(Seasonally adjusted, at annual rates)

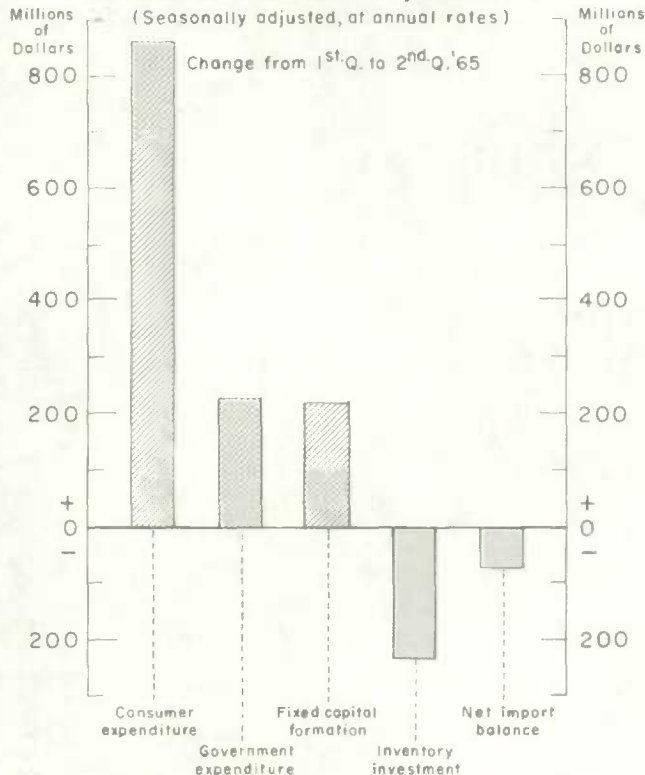


Price increases were more evident than in recent quarters.



Increases which occurred in final domestic demand were dampened by external transactions and inventory investment.

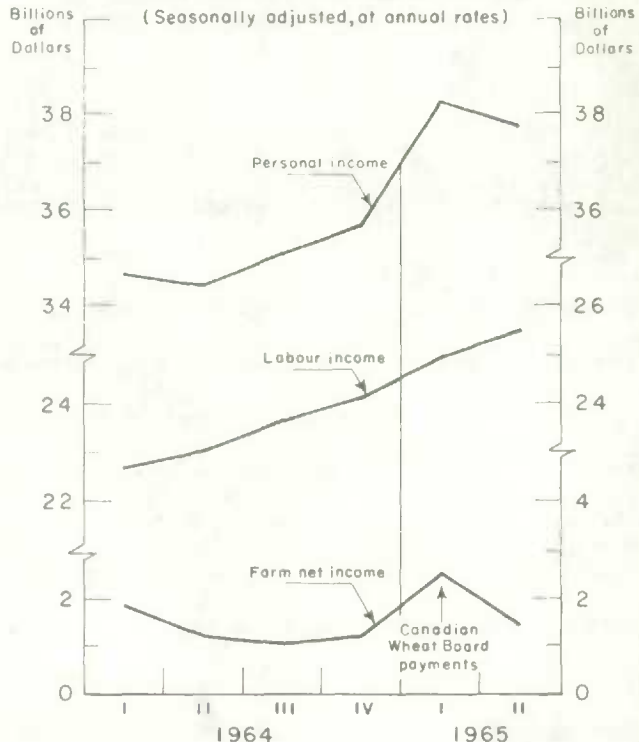
(Seasonally adjusted, at annual rates)



The decline in personal income resulted from the return to more normal levels of farm income.

Labour income continued to rise.

(Seasonally adjusted, at annual rates)



Introductory Review

Gross National Product in the second quarter of 1965 rose to a seasonally adjusted annual rate of \$50.9 billion, a gain of nearly 2 per cent from the preceding period. Displaying more movement than in the immediately preceding quarter, prices were about 1 per cent higher, so that somewhat less than half of the quarterly advance represented an increase in real terms. Expectations of a record crop are incorporated in the second quarter estimates and have also resulted in a sizeable revision to the first quarter estimate.^{1/} The value of Gross National Product excluding accrued net farm income rose in line with Gross National Product as a whole.

Although the increase in the second quarter was slightly less than that in the preceding period, for each of the past three quarters the Canadian economy has experienced a sustained growth in final domestic demand with increases which were surpassed in only two other quarters of the current expansion. In the second quarter, all the components of final domestic demand contributed to the advance in the total, with consumer spending the predominant influence in the quarterly movement in Gross National Product. Further impetus came from the already large capital programme in plant and equipment and from government outlays for goods and services. At the same time the rate of accumulation of business inventories, although remaining high, declined, thereby restraining the upward tendency in economic activity rather than reinforcing it, as in the preceding period. Although there was some further widening in the deficit on current international account, the change was less pronounced than in the preceding quarter.

With consumer spending rising nearly 3 per cent, the highest rate of growth since the beginning of the current expansion, the major increment to demand in the second quarter came from the personal sector. A substantial advance in outlays for non-durables, following little change in the preceding quarter, is attributable in part to the significant rise in prices in this area. At the same time purchases of durables moved ahead of their high first quarter level and spending on services continued to rise.

The continuing strength in business gross fixed capital formation brought it more than 2 per cent above the first quarter, with most of the increase accounted for by outlays for plant and equipment. The increase in government outlays for goods and services was also an important expansionary influence; they rose 2½ per cent, mainly, it appears, as a result of capital outlays at the municipal level. Federal government expenditure was somewhat lower in total, as decreased payments for military equipment more than offset rising non-defence expenditures.

The rising flow of goods from domestic production and imports exceeded the expansion in final demand, with the result that there was a substantial accumulation of business stocks. However, the rate of build-up was below the unusually high level of the first quarter. The pattern of shifts in business inventories in recent quarters has been influenced to some extent by the sequence of events in the strike-affected automotive industry.

The deficit on current international account widened in the second quarter. Exports of goods rose somewhat more than imports but there was a larger gap between receipts from, and payments for, services.

Turning to the income side, labour income continued to rise but not at the unusually high rate of the first quarter, while corporation profits were virtually unchanged at a high level. Personal income fell over 1 per cent, despite the advance in National Income; most of this divergence is accounted for by sharply reduced payments to the farmers by the Canadian Wheat Board which had been at an all-time high in the preceding quarter.

^{1/}The original estimate of Gross National Product for the first quarter assumed an average crop. This estimate was based on acreage intentions and ten-year average yields. Gross National Product for the first quarter has been revised upward by \$300 million to take account of the August forecast of a record crop.

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

	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	3Q'64 to 4Q'64	4Q'64 to 1Q'65	1Q'65 to 2Q'65
1. Personal expenditure	660	148	116	528	340	396	492	516	704	188	644	464	364	860
2. Government expenditure	- 4	372	- 144	60	204	- 96	228	8	444	- 40	20	252	324	224
3. Residential construction	80	40	24	- 20	12	72	64	100	344	- 268	- 36	256	28	28
4. Non-residential construction ...	- 44	- 80	- 48	24	28	224	16	76	208	80	132	212	360	80
5. Machinery and equipment	48	80	136	68	- 8	104	112	156	356	72	- 204	192	284	112
6. Exports of goods and services ..	40	224	116	84	176	348	40	736	260	608	152	- 352	148	256
7. Total final purchases	780	784	200	744	752	1,048	952	1,592	2,316	640	708	1,024	1,508	1,560
8. (Final domestic demand)	740	560	84	660	576	700	912	856	2,056	32	556	1,376	1,360	1,304

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	- 540	- 88	340	- 612	160	- 316	380	252	72	44	188	- 756	896	- 268
10. Imports of goods and services ..	- 64	404	- 48	- 436	304	212	432	360	700	- 68	12	292	444	332
11. G.N.P. (ex. farm)	512	404	628	648	476	412	872	1,080	1,744	456	956	652	1,764	880

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	1.2	0.8	- 0.2	1.1	0.8	1.2	1.5	1.5	4.0	- 0.5	0.7	2.5	1.9	1.6
13. Total final purchases	1.0	1.0	-	1.1	1.0	1.7	1.3	2.5	3.7	0.6	0.6	1.5	1.9	1.6
14. Gross national expenditure	2.2	0.2	1.3	1.2	1.2	0.5	1.7	2.2	2.4	1.1	0.5	0.9	3.8	0.7

It may be useful to view the performance of the economy in the second quarter in the light of the two preceding quarters and the first half of this year compared with the same period of 1964. The figures are shown in the accompanying table. Between the first two quarters of 1965 the emphasis shifted away from accumulation of business inventories and capital investment toward consumer spending. The first half year comparison brings out the importance of the role of capital spending and the response shown by imports to the higher level of economic activity in Canada.

Percentage Changes in Components of Gross National Expenditure and Other Data
(Seasonally Adjusted Data)

	4Q-1964 to 1Q-1965	1Q-1965 to 2Q-1965	1st half 1964 to 1st half 1965
Gross National Expenditure	4.2	1.8	9.1
Personal expenditure	1.2	2.8	6.9
Government expenditure	3.7	2.5	8.1
Business gross fixed capital	7.2	2.2	14.4
Business inventories	(\$896M)	(\$-268M)	(\$21.6M)
Farm inventories	(\$ 80M)	(\$ 32M)	(\$424M)
Exports of goods and services	1.4	2.4	3.7
Imports of goods and services	4.0	2.9	8.1
Net National Income	3.6	1.3	9.0
Wages and salaries	3.6	2.3	10.3
Corporation profits before taxes ^{1/}	1.2	-0.6	8.6
Personal disposable income	7.3	-1.6	9.5

^{1/} Before deducting dividends paid to non-residents.

Price Movements

Price increases were somewhat more pronounced in the current quarter than in other recent quarters. Significant changes, however, appeared to be confined to prices of food and certain construction materials.

An examination of the non-food, final product prices in the manufacturing sector suggests that there has been on average no appreciable change over the past twelve months, so that the recent price increases in certain of the metal groups do not appear to have affected manufacturing final product prices.^{1/}

The price component of personal expenditure advanced by about 1 per cent during the current quarter. Food prices, which increased by over 2 per cent on a seasonally adjusted basis, were mainly responsible for this increase. Discounting seasonal movements, food prices reached a peak in June and have since begun to move down. Prices of non-food commodities increased by about $\frac{1}{2}$ per cent, while service prices advanced by less than 1 per cent. Prices of durable goods, which have been notably stable over the past year, showed a slight increase between the first and second quarters.

The price component of business gross fixed capital formation appears to have advanced by close to $1\frac{1}{2}$ per cent between the first and second quarters as a result of increases in both construction material prices and wage rates.

Export prices on average showed only moderate increases during the quarter, despite sharp gains in the prices of live animals.

^{1/} A selection of industry selling price indexes were used for this examination.

The following table shows per cent changes in the implicit price index of Gross National Expenditure and its components over the past four quarters.

Implicit Price Indexes^{1/}

Gross National Expenditure and its Components. Per cent change from the Preceding Quarter

	2Q/64 to 3Q/64	3Q/64 to 4Q/64	4Q/64 to 1Q/65	1Q/65 to 2Q/65
Personal expenditure on goods and services	0.3	0.3	0.4	0.9
Total goods excluding food	-0.2	0.4	0.1	0.5
Food	0.8	-0.6	0.5	2.2
Services	0.8	0.5	0.7	0.7
Government expenditure	1.3	0.2	1.1	0.9
Business gross fixed capital formation	0.3	0.8	1.9	1.4
New residential construction	1.3	1.0	1.3	1.6
New non-residential construction	0.7	1.2	2.0	2.2
New machinery and equipment	-0.3	0.3	2.5	0.4
Exports of goods and services	1.2	-0.5	-0.5	0.5
Imports of goods and services	-0.6	-0.5	0.6	0.3
Gross National Expenditure	0.9	0.4	0.5	1.0

^{1/}Seasonally adjusted.

Components of Demand

Consumer Expenditure on Goods and Services

Consumer expenditure on goods and services reached a level of \$31.4 billion seasonally adjusted at annual rates, a 2.8 per cent increase over the first quarter, 1965, the highest rate of growth since the beginning of the current expansion. In real terms, however, the gain was dampened by the above-noted increase of almost 1 per cent in prices. The sizeable increment in consumer credit outstanding shows that again a part of the increased purchases was financed by the extension of credit. The value of consumer expenditure in the first half of this year was running almost 7 per cent above the comparable period in 1964.

In contrast to the first quarter, when services accounted for the larger share of the additional purchases of consumers, more than 70 per cent of the \$860 million increment in the present quarter was spent on goods, where it was reflected in the buoyancy of retail sales for the quarter.

Whereas in the first quarter, purchases of new and used cars accounted for virtually all the increased spending on goods, in the present quarter spending was concentrated among non-durables, where the money value of sales registered the highest rate of growth for many years -- certainly during the present expansionary period. Chiefly responsible for the record increase in purchases are foodstuffs, which made a rapid recovery from the first quarter dip, for a gain of close to 4½ per cent, about half of which was attributable to price change.

Apart from a decrease in purchases of tobacco, all other components shared in the strong demand for non-durables. Spending on alcohol increased by 5½ per cent, fuel, electricity and gas by 2½ per cent and commodities associated with the operation of cars (gas, oil, grease, parts and accessories) by almost 1 per cent. Purchases of clothing (including footwear) increased by 2 per cent, reversing a downward trend evident for the past two quarters.

At annual rates spending on durable goods advanced by \$96 million over the first quarter, with most of the gain taking place in new and used cars -- up over $4\frac{1}{2}$ per cent. Net purchases of used cars increased more than 18 per cent as purchases increased relative to trade-ins in contrast to the previous quarter. Purchases of new cars rose moderately. Among other durables, furniture increased 2 per cent, appliances and radios by $1\frac{1}{2}$ per cent and jewellery and watches by close to $4\frac{1}{2}$ per cent.

Spending on services rose by about 2 per cent with all items making a contribution. Outlays on shelter increased by about $1\frac{1}{2}$ per cent and purchased transportation by about $2\frac{1}{2}$ per cent with about half the increase reflected in prices. Personal services and personal care rose by approximately 1 per cent each, while spending on household operation was up by more than $2\frac{1}{2}$ per cent.

Business Gross Fixed Capital Formation

The rate of investment in fixed capital rose in the second quarter. At an annual rate of about \$10.3 billion, after discounting seasonal factors, capital spending was 2 per cent above the first quarter. Increases in new plant and machinery and equipment outlays accompanied a modest rise in housing. Although total business outlays during the first half of the year ran 13 per cent ahead of the year 1964, this level was below the almost 19 per cent forecast in the mid-year review of investment intentions.

The estimate of \$2.2 billion of new housing put in place was up 1 per cent from the first quarter. Estimated starts moved from 158.0 to 173.9 thousands, while completions advanced from 165.1 to 168.2 thousands seasonally adjusted at annual rates. The value estimate which does not exhibit the strength suggested by the starts series is affected by the compositional shift from single to the lower cost multiple dwellings. Single-detached dwelling unit starts in urban centres fell about 3 per cent in the second quarter, while multiple dwelling units rose 22 per cent.

The value of new non-residential construction totalled about \$4.0 billion in the second quarter, a rise of 2 per cent from the first. Second quarter adjusted production figures for certain individual building materials show gains from the first quarter for most other than iron and steel and concrete items. Outlays on new machinery and equipment rose almost 3 per cent to a level of about \$4.1 billion in the second quarter. Combined outlays on plant and machinery in the first half of the year ran 15 per cent above the year 1964. In view of lack of complete data on imports of machinery, overall estimates of investment in machinery for the second quarter should be regarded as tentative. However, it is clear that business spending on commercial vehicles rose sharply and that there was a higher level of investment in other machinery and equipment which generated increased production in the directly related domestic industries.

Non-Farm Business Inventories

The pronounced rate of accumulation in business inventories evident in the first quarter fell in the second quarter of 1965. After allowance is made for seasonal variation, the inventory build-up was \$676 million at annual rates, compared with a build-up of \$944 million in the previous quarter. Although final purchases continued to expand, the combined supply of domestically produced goods, particularly manufacturers of durable goods lines, and the higher rate of imports of goods was sufficient for a sizeable stock accumulation. About half of the build-up in business inventories occurred in the holdings of retail traders, concentrated mainly in durable goods, while the greater part of the remainder was in wholesale and in manufacturing industries, where it was also concentrated mainly in durable good lines. The following table shows the value of physical change in non-farm business inventories in the 1st and 2nd quarters, 1965, by industry:

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

	1965	
	1st Q. (millions of dollars)	2nd Q.
Manufacturing	540	140
Durables	308	212
Non-durables	232	-72
Wholesale	84	152
Retail	204	308
"Other" Industries	116	76
Total	944	676

Manufacturing stocks continued to increase on balance, but at a much reduced rate when compared with the previous quarter. While there was a widespread accumulation in the stocks of manufacturers of durable goods, noticeably in electrical, and transportation industries, non-durable lines showed a mixed movement which resulted in a depletion of stocks. At all stages of processing but more noticeably in goods-in-process, there were additions to stocks. The stock-to-shipments ratio was higher than in the previous quarter but was still low relative to the early period of the current expansion.

In wholesale trades, the major part of the restocking took place in durable lines. In non-durables, the small accumulation was the result of the build-up of stocks of petroleum and other trades, offsetting slightly the liquidation of stocks of groceries. The stock-to-sales ratio declined when compared with the previous quarter.

A considerable build-up occurred in the stocks of retail traders in both durables and non-durables. The durables were largely influenced by the accumulation of stocks in the hands of motor vehicle dealers, as shipments received kept ahead of sales. Among non-durables, the movement was mixed, leaving on balance, a small accumulation. The stock-to-sales ratio was higher when compared with the previous quarter, but the level remained the same as in the previous year.

Exports and Imports of Goods and Services

The deficit in Canada's external account on a national accounts basis showed little change, moving from \$968 million in the first to \$1,044 million seasonally adjusted at annual rates in the second quarter. The change of \$76 million resulted from an increased deficit of \$96 million on non-merchandise trade offsetting an increase of \$20 million in the surplus on merchandise trade. Flows of goods both into and out of the country recorded appreciable gains of a similar size in the second quarter, but merchandising transactions between the opening halves of both 1964 and 1965 registered a much sharper growth in imports.

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)							
1964 - 1	7,804	7,528	276	2,192	3,312	-1,120	-844
2	8,480	7,572	908	2,124	3,200	-1,076	-168
3	8,572	7,476	1,096	2,184	3,308	-1,124	-28
4	8,096	7,576	520	2,308	3,500	-1,192	-672
1965 - 1	8,204	8,068	136 ^{1/}	2,348	3,452	-1,104	-968
2	8,448	8,292	156 ^{1/}	2,360	3,560	-1,200	-1,044
1Q/65 to 2Q/65 per cent change	3.0	2.8		0.5	3.1		

^{1/}Adjustments to Trade of Canada figures for National Accounts purposes reduced exports and increased imports in the first quarter, thereby narrowing the surplus on merchandise trade, while in the second quarter the direction of these adjustments was reversed. Details of adjustments appear in the second quarter estimates of the Canadian Balance of International Payments.

In relation to the first quarter exports, gains were made in aluminum, newsprint, non-farm machinery, copper, zinc, wood pulp, fish, crude petroleum, and natural gas. Reductions appeared in exports of iron ore, wheat clearances, nickel, lumber, and asbestos. Data on commodity imports are not yet available but if the pattern of the first quarter is maintained some increases may be recorded in automobiles and parts, fabricated steel materials, and machinery and equipment.

Export gains over the previous quarter were made in United States' markets, offsetting losses in the United Kingdom and elsewhere (primarily O.E.C.D. countries other than those cited and Japan). United States' suppliers accounted for two-thirds of the increase in imports.

Larger deficits in the travel account and in the freight and shipping account were the main elements in the change in services, in both cases as a result of a higher level of expenditures by Canadians.

The Government Sector

The combined saving of all levels of government, as measured by the surplus on a national accounts basis, rose to an annual rate of \$340 million from \$140 million in the previous quarter. The improvement in the surplus position came at the federal level with the federal government registering the largest quarterly surplus since 1957. This movement was dampened somewhat by a widening of the deficit at the provincial-municipal level as the rate of increase in provincial-municipal expenditures was more than double that of revenues.

Total combined revenue reached an annual rate of \$17,448 million in the second quarter, a rise of 2 per cent, or almost \$350 million. The revenue increases were partly attributable to receipts from federal and provincial personal direct taxes and corporate income taxes which rose by \$72 million and \$52 million respectively, but mainly to the increased revenue stemming from the higher yield of indirect taxes, which rose by \$200 million. Indirect tax receipts registered gains in excise taxes, excise duties and custom import duties at the federal level, and in gasoline taxes at the provincial-municipal level. The increases are largely the result of a greater volume of transactions rather than tax rate changes.

Higher outlays which raised total government expenditure to an annual rate of \$17,108 million, and almost 1 per cent above the previous quarter are mainly due to a $2\frac{1}{2}$ per cent increase in government expenditure on goods and services. This increase, as noted in the introduction, appears to have been associated with an expansion in capital spending at the municipal level, with slightly higher provincial outlays and with higher federal non-defence expenditure. The drop back to more normal levels of defence spending, after the substantial outlays made on military equipment in the first quarter, resulted in an overall decline in federal government purchases of final goods and services.

Transfer payments made by governments to persons were maintained at a high level in the second quarter but registered a 2 per cent decline as provincial payments dropped back from the exceedingly high level of the first quarter. The decline at the provincial level was spread over all major components.

Income Flows

Labour Income

Labour income continued to move upward in the second quarter, but at a perceptibly slower rate than in the previous quarter, partly reflecting the slowdown in addition to the numbers employed. Total labour income seasonally adjusted, rose by just over $2\frac{1}{4}$ per cent, an addition of over \$0.5 billion at annual rates between the first and second quarter. Gains in employment and in average earnings appear to have contributed equally to the increase.

Wages and salaries in the goods-producing industries were 2 per cent higher in the second quarter, with the primary industries advancing $3\frac{1}{2}$ per cent and manufacturing recording a gain of over $2\frac{1}{4}$ per cent. Construction wages and salaries declined slightly from the record level attained in the first quarter, a movement consonant with the dip in employment in the industry.

Wages and salaries in the service-producing industries continued the established pattern of sizeable quarterly gains with a $2\frac{1}{2}$ per cent rise. A more than 3 per cent increase in trade, and a 3 per cent advance in the finance and service industries were largely attributable to the greater numbers employed in these industries. The increases in the government wage and salary bill and in the transportation, storage and communication industries, between 1 and 2 per cent, were below the overall average.

Other Income Flows

Corporation profits (before taxes and before dividends paid to non-residents) made no further gains from the record level attained in the previous quarter. At seasonally adjusted annual rates, profits remained at the \$4.9 billion level, lower by $\frac{1}{2}$ per cent from the previous quarter.

The quarter-to-quarter changes in profits by industry were fairly large, though offsetting. Among manufacturing industries, there was a decline in the metal, wood, and paper industries while some increases were registered in non-metallic mineral products, petroleum and coal, and chemicals. Profits increased in mining and fell in the transportation, storage and communications group and in finance.

Rent, interest and miscellaneous investment income at \$3,472 million in the second quarter of 1965 was up by over 1 per cent from the \$3,416 million in the first quarter of the year, seasonally adjusted at annual rates.

The record high new crop expectations are reflected in the sharply revised estimate of seasonally adjusted accrued net income of farm operators from \$1,364 to \$1,664 million in the first quarter 1965. In the second quarter accrued net income increased by over $1\frac{1}{2}$ per cent, mainly as a result of increased livestock production. A record number of calves born and higher receipts from livestock marketings were the main factors in this increased production.

Net income of non-farm unincorporated business increased 5 per cent, seasonally adjusted, in the second quarter 1965 from the first quarter. The increase was concentrated in retail trade, fishing, and the transportation industry. The most marked increase was recorded in retail trade with the highest quarterly increase since the summer of 1961. The remaining industries showed little or no change in net income.

Production by Industry

Seasonally adjusted real domestic product less agriculture for the second quarter of 1965 was about 1 per cent higher than in the preceding quarter. During the seventeen quarters of the current expansion, real non-agricultural output has achieved a gain of 28 per cent from its cyclical trough in the first quarter of 1961.

Trade and manufacturing were the largest contributors to the second quarter increase in non-agricultural real output, accounting for about one quarter of this gain in each case. Transportation, storage and communication and the remaining service-producing industries jointly contributed another 40 per cent to this gain.

Within manufacturing, which showed a 1 per cent increase, durables advanced more rapidly than non-durables. The $1\frac{1}{2}$ per cent gain in the durables group accounted for over two-thirds of the second quarter increase in manufacturing output. Most major components contributed to the gain. As in the first quarter, transportation equipment showed the largest gain and accounted for more than half of the increase in durables. Electrical apparatus and supplies also continued to expand, while the output of the iron and steel products and wood products industries resumed its upward trend following a pause in the first quarter. The only industry group to show a decline in the second quarter was non-metallic mineral products, which declined substantially, largely as a result of decreases in the output of cement products. Within the non-durables group, which was up by about $\frac{1}{2}$ per cent, only the chemical industries showed fairly substantial gains in the second quarter. Increases of up to about 1 per cent were recorded by textiles, paper and tobacco products. Leather products and foods and beverages showed declines of about 2 per cent, the latter mainly as a result of an 8 per cent drop in the production of beverage products.

The 2 per cent increase in trade came mostly from the 3 per cent gain in its retail trade component, while wholesale trade increased by about 1 per cent. Within retail trade, most stores showed increases in the second quarter, with motor vehicle dealer sales accounting for about one-fifth of the gain in total retail trade. Sales of food and beverage stores were also up compared with first quarter levels.

Among the remaining industry groups, transportation showed a 2 per cent increase, with air and water transport exhibiting the largest gains. Construction, storage and forestry recorded increases ranging from 2 to 8 per cent. Mining, with a 2 per cent decline, was still slightly above its fourth quarter levels. Of its three components only fuel mining showed a gain in the second quarter while metal mining and non-metal mining both dropped by about 5 per cent.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income ..	5,479	5,804	6,070	6,063	23,416	6,024	6,422	
2. Military pay and allowances	140	150	147	146	583	145	153	
3. Corporation profits before taxes	941	1,238	1,141	1,260	4,580	1,003	1,318	
4. Deduct: Dividends paid to non-residents(1)	- 171	- 126	- 141	- 247	- 685	- 177	- 144	
5. Rent, interest, and miscellaneous investment income	789	789	802	897	3,277	839	847	
6. Accrued net income of farm operators from farm production(2)	11	187	1,118	156	1,472	1	108	
7. Net income of non-farm unincorporated business(3)	545	652	627	763	2,587	559	699	
8. Inventory valuation adjustment(4)	- 35	- 73	22	- 35	- 121	- 46	- 116	
9. NET NATIONAL INCOME AT FACTOR COST	7,699	8,621	9,786	9,003	35,109	8,348	9,287	
10. Indirect taxes less subsidies	1,502	1,587	1,631	1,611	6,331	1,687	1,769	
11. Capital consumption allowances and miscellaneous valuation adjustments	1,331	1,410	1,386	1,480	5,607	1,445	1,564	
12. Residual error of estimate	- 88	- 107	100	51	- 44	- 118	- 54	
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	10,444	11,511	12,903	12,145	47,003	11,362	12,566	
14. (Gross national product at market prices excluding accrued net income of farm operators)	(10,433)	(11,324)	(11,785)	(11,989)	(45,531)	(11,361)	(12,458)	

(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 3.

TABLE 2. Gross National Expenditure, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	6,863	7,294	7,181	8,093	29,431	7,235	7,890	
2. Government expenditure on goods and services(1, 2)	1,949	2,128	2,318	2,212	8,607	2,088	2,366	
3. Business gross fixed capital formation(3)	1,875	2,314	2,344	2,435	8,968	2,153	2,687	
4. New residential construction	462	451	513	595	2,021	470	524	
5. New non-residential construction	558	808	1,003	974	3,343	731	996	
6. New machinery and equipment	855	1,055	828	866	3,604	952	1,167	
7. Value of physical change in inventories(4)	2	- 181	942	- 383	380	167	- 63	
8. Non-farm business inventories	288	11	202	9	510	469	61	
9. Farm inventories and grain in commercial channels	- 286	- 192	740	- 392	- 130	- 302	- 124	
10. Exports of goods and services	2,129	2,714	2,907	2,690	10,440	2,258	2,754	
11. Deduct: Imports of goods and services	- 2,463	- 2,866	- 2,689	- 2,850	- 10,868	- 2,657	- 3,122	
12. Residual error of estimate	89	108	- 100	- 52	45	118	54	
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	10,444	11,511	12,903	12,145	47,003	11,362	12,566	

(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, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	5,479	5,804	6,070	6,063	23,416	6,024	6,422	
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 221	- 219	- 225	- 227	- 892	- 229	- 226	
3. Military pay and allowances	140	150	147	146	583	145	153	
4. Net income received by farm operators from farm production(1)	161	98	1,021	82	1,362	253	62	
5. Net income of non-farm unincorporated business	545	652	627	763	2,587	559	699	
6. Interest, dividends, and net rental income of persons(2)	907	934	929	990	3,760	955	978	
Transfer payments to persons:								
7. From government (excluding interest)	1,115	1,038	986	1,020	4,159	1,226	1,109	
8. Charitable contributions by corporations	11	11	11	11	44	11	11	
9. PERSONAL INCOME	8,137	8,468	9,566	8,848	35,019	8,944	9,208	

(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, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	765	909	852	881	3,407	907	1,040	
2. Income taxes	623	791	749	767	2,930	737	909	
3. Succession duties and estate taxes	41	57	39	48	185	44	49	
4. Miscellaneous	101	61	64	66	292	126	82	
5. Personal expenditure on consumer goods and services ..	6,863	7,294	7,181	8,093	29,431	7,235	7,890	
6. Non-durable goods	3,246	3,394	3,569	4,146	14,355	3,398	3,657	
7. Durable goods	799	992	796	971	3,558	821	1,094	
8. Services(1)	2,818	2,908	2,816	2,976	11,518	3,016	3,139	
9. Personal net saving	509	265	1,533	- 126	2,181	802	278	
10. Personal saving excluding change in farm inventories	775	388	785	332	2,280	1,081	379	
11. Value of physical change in farm inventories	- 266	- 123	748	- 458	- 99	- 279	- 101	
12. PERSONAL INCOME	8,137	8,468	9,566	8,848	35,019	8,944	9,208	
13. (Personal disposable income)(2)	(7,372)	(7,559)	(8,714)	(7,967)	(31,612)	(8,037)	(8,168)	

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	765	909	852	881	3,407	907	1,040	
2. Federal	549	699	648	662	2,558	621	757	
3. Provincial and municipal	216	210	204	219	849	286	283	
4. Direct taxes - Corporations	426	534	499	530	1,989	445	578	
5. Federal	317	398	372	395	1,482	331	431	
6. (Federal tax collections)	(324)	(521)	(375)	(385)	(1,605)	(359)	(566)	
7. Provincial	109	136	127	135	507	114	147	
8. (Provincial tax collections)	(116)	(126)	(131)	(113)	(486)	(140)	(140)	
Withholding taxes:								
9. Federal	30	34	25	51	140	37	44	
10. Indirect taxes	1,566	1,653	1,706	1,723	6,648	1,733	1,825	
11. Federal	616	719	739	773	2,847	689	800	
12. Provincial and municipal	950	934	967	950	3,801	1,044	1,025	
13. Investment income	350	365	362	442	1,519	374	395	
14. Federal	119	133	129	166	547	117	142	
15. Provincial and municipal	231	232	233	276	972	257	253	
16. Employer and employee contributions to social insurance and government pension funds	221	219	225	227	892	229	226	
17. Federal	141	136	140	141	558	145	139	
18. Provincial and municipal	80	83	85	86	334	84	87	
Transfers from Federal:								
19. Provincial and municipal	298	327	306	323	1,254	388	369	
20. TOTAL REVENUE	3,656	4,041	3,975	4,177	15,849	4,113	4,477	
21. FEDERAL	1,772	2,119	2,053	2,188	8,132	1,940	2,313	
22. PROVINCIAL AND MUNICIPAL	1,884	1,922	1,922	1,989	7,717	2,173	2,164	

TABLE 6. Government Expenditure, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Goods and services	1,949	2,128	2,318	2,212	8,607	2,088	2,366	
2. Federal	791	736	784	731	3,042	822	770	
3. (Defence)	(457)	(364)	(357)	(374)	(1,552)	(461)	(362)	
4. Provincial and municipal	1,158	1,392	1,534	1,481	5,565	1,266	1,596	
5. Transfer payments to persons (excluding interest on the public debt)	1,115	1,038	986	1,020	4,159	1,226	1,109	
6. Federal	634	566	503	532	2,235	658	593	
7. Provincial and municipal	481	472	483	488	1,924	568	516	
8. Interest on the public debt	350	405	369	408	1,532	375	435	
9. Federal	236	259	253	247	995	253	271	
10. Provincial and municipal	114	146	116	161	537	122	164	
11. Subsidies	64	66	75	112	317	46	56	
12. Federal	60	61	52	105	278	40	50	
13. Provincial	4	5	23	7	39	6	6	
Transfers to other levels of government:								
14. Federal	298	327	306	323	1,254	388	369	
15. Total expenditure	3,776	3,964	4,054	4,075	15,869	4,123	4,335	
16. Federal	2,019	1,949	1,898	1,938	7,804	2,161	2,053	
17. Provincial and municipal	1,757	2,015	2,156	2,137	8,065	1,962	2,282	
18. Deficit (-) or surplus(+)	- 120	77	- 79	102	- 20	- 10	142	
19. Federal	- 247	170	155	250	328	- 221	260	
20. Provincial and municipal	127	- 93	- 234	- 148	- 348	211	- 118	
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,656	4,041	3,975	4,177	15,849	4,113	4,477	
22. FEDERAL	1,772	2,119	2,053	2,188	8,132	1,940	2,313	
23. PROVINCIAL AND MUNICIPAL	1,884	1,922	1,922	1,989	7,717	2,173	2,164	

TABLE 7. Source of National Saving, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	509	265	1,533	- 126	2,181	802	278	
2. Business gross saving	1,366	1,927	1,828	1,848	6,969	1,411	2,060	
3. Undistributed corporation profits	185	428	345	294	1,252	218	450	
4. Capital consumption allowances and miscellaneous valuation adjustments	1,331	1,410	1,386	1,480	5,607	1,445	1,564	
5. Adjustment on grain transactions(1)	- 150	89	97	74	110	- 252	46	
6. Inventory valuation adjustment	- 35	- 73	22	- 35	- 121	- 46	- 116	
7. Government surplus (+) or deficit (-)	- 120	77	- 79	102	- 20	- 10	142	
8. Residual error of estimate	- 88	- 107	100	51	- 44	- 118	- 54	
9. Totals	1,632	2,089	3,404	1,840	8,965	2,039	2,310	

(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, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	1,875	2,314	2,344	2,435	8,968	2,153	2,687	
2. New residential construction	462	451	513	595	2,021	470	524	
3. New non-residential construction	558	808	1,003	974	3,343	731	996	
4. New machinery and equipment	855	1,055	828	866	3,604	952	1,167	
5. Value of physical change in inventories	2	- 181	942	- 383	380	167	- 63	
6. Surplus (+) or deficit (-) on current account with non-residents	- 334	- 152	218	- 160	- 428	- 399	- 368	
7. Residual error of estimate	89	108	- 100	- 52	45	118	54	
8. Totals	1,632	2,089	3,404	1,840	8,965	2,039	2,310	

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	6,256	6,621	6,454	7,303	26,634	6,621	7,035	
2. Non-durable goods	3,013	3,129	3,249	3,802	13,193	3,129	3,309	
3. Durable goods	796	988	800	967	3,551	988	1,093	
4. Services	2,447	2,504	2,405	2,534	9,890	2,504	2,633	
5. Government expenditure on goods and services	1,551	1,767	1,988	1,793	7,099	1,767	1,900	
6. Business gross fixed capital formation	1,610	1,961	1,979	2,042	7,592	1,961	2,178	
7. New residential construction	383	367	411	475	1,636	367	405	
8. New non-residential construction	486	699	865	831	2,881	699	810	
9. New machinery and equipment	741	895	703	736	3,075	895	953	
10. Change in inventories	52	- 208	846	- 337	353	- 208	- 84	
11. Non-farm business inventories	297	16	161	11	485	16	70	
12. Farm inventories and grain in commercial channels	- 245	- 224	685	- 348	- 132	- 224	- 154	
13. Exports of goods and services	1,951	2,461	2,619	2,432	9,463	2,461	2,486	
14. Deduct: Imports of goods and services	- 2,151	- 2,490	- 2,351	- 2,511	- 9,503	- 2,490	- 2,715	
15. Residual error of estimate	79	96	- 89	- 46	40	96	47	
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	9,348	10,208	11,446	10,676	41,678	10,208	10,847	

(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, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	22,732	23,100	23,704	24,128	23,416	25,000	25,568	
2. Military pay and allowances	572	576	584	600	583	604	592	
3. Corporation profits before taxes	4,596	4,468	4,376	4,880	4,580	4,940	4,908	
4. Deduct: Dividends paid to non-residents(1)	- 684	- 588	- 680	- 788	- 685	- 708	- 700	
5. Rent, interest, and miscellaneous investment income	3,220	3,252	3,248	3,388	3,277	3,416	3,472	
6. Accrued net income of farm operators from farm production(2)	1,372	1,680	1,432	1,404	1,472	1,664	1,692	
7. Net income of non-farm unincorporated business(3)	2,548	2,584	2,624	2,592	2,587	2,632	2,764	
8. Inventory valuation adjustment	- 140	- 292	88	- 140	- 121	- 184	- 464	
9. NET NATIONAL INCOME AT FACTOR COST	34,216	34,780	35,376	36,064	35,109	37,364	37,832	
10. Indirect taxes less subsidies	6,140	6,340	6,500	6,344	6,331	6,892	7,056	
11. Capital consumption allowances and miscellaneous valuation adjustments	5,512	5,580	5,596	5,740	5,607	5,900	6,088	
12. Residual error of estimate	52	- 16	- 80	- 132	- 44	- 116	- 28	
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	45,920	46,684	47,392	48,016	47,003	50,040	50,948	
14. (Gross national product at market prices excluding accrued net income of farm operators)	(44,548)	(45,004)	(45,960)	(46,612)	(45,531)	(48,376)	(49,256)	

(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, 1964 and 1965 Seasonally Adjusted at Annual Rates
(million of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	28,852	29,040	29,684	30,148	29,431	30,512	31,372	
2. Government expenditure on goods and services(1, 2)	8,564	8,524	8,544	8,796	8,607	9,120	9,344	
3. Business gross fixed capital formation(3)	8,944	8,828	8,720	9,380	8,968	10,052	10,272	
4. New residential construction	2,176	1,908	1,872	2,128	2,021	2,156	2,184	
5. New non-residential construction	3,164	3,244	3,376	3,588	3,343	3,948	4,028	
6. New machinery and equipment	3,604	3,676	3,472	3,664	3,604	3,948	4,060	
7. Value of physical change in inventories	452	448	388	232	380	1,208	972	
8. Non-farm business inventories	572	616	804	48	510	944	676	
9. Farm inventories and grain in commercial channels(4)	- 120	- 168	- 416	184	- 130	264	296	
10. Exports of goods and services	9,996	10,604	10,756	10,404	10,440	10,552	10,808	
11. Deduct: Imports of goods and services	- 10,840	- 10,772	- 10,784	- 11,076	- 10,868	- 11,520	- 11,852	
12. Residual error of estimate	- 48	12	84	132	45	116	32	
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	45,920	46,684	47,392	48,016	47,003	50,040	50,948	

Detail of Farm Inventories and GICC:

Value of grain crop production	1,132	1,132	1,136	1,132	1,133	1,444	1,444
Depletions of farm stocks of grain	- 1,376	- 1,356	- 1,180	- 1,216	- 1,282	- 1,204	- 1,232
Change in livestock inventories	48	136	- 40	56	50	- 40	- 4
Grain in commercial channels	76	- 80	- 332	212	- 31	64	88

(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, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	22,732	23,100	23,704	24,128	23,416	25,000	25,568	
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 876	- 900	- 892	- 900	- 892	- 908	- 928	
3. Military pay and allowances	572	576	584	600	583	604	592	
4. Net income received by farm operators from farm production(1)	1,828	1,276	1,108	1,236	1,362	2,532	1,472	
5. Net income of non-farm unincorporated business	2,548	2,584	2,624	2,592	2,587	2,632	2,764	
6. Interest, dividends, and net rental income of persons(2)	3,688	3,708	3,788	3,856	3,760	3,880	3,892	
Transfer payments to persons:								
7. From government (excluding interest)	4,148	4,096	4,200	4,192	4,159	4,520	4,420	
8. Charitable contributions by corporations	44	44	44	44	44	44	44	
9. PERSONAL INCOME	34,684	34,484	35,160	35,748	35,019	38,304	37,824	

(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, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	3,232	3,364	3,452	3,580	3,407	3,772	3,844	
2. Income taxes	2,784	2,868	2,996	3,072	2,930	3,240	3,288	
3. Succession duties and estate taxes	164	228	156	192	185	176	196	
4. Miscellaneous	284	268	300	316	292	356	360	
5. Personal expenditure on consumer goods and services	28,852	29,040	29,684	30,148	29,431	30,512	31,372	
6. Non-durable goods	13,968	14,204	14,440	14,808	14,355	14,720	15,252	
7. Durable goods	3,588	3,464	3,712	3,468	3,558	3,712	3,808	
8. Services(1)	11,296	11,372	11,532	11,872	11,518	12,080	12,312	
9. Personal net saving	2,600	2,080	2,024	2,020	2,181	4,020	2,608	
10. PERSONAL INCOME	34,684	34,484	35,160	35,748	35,019	38,304	37,824	
11. (Personal disposable income)(2)	(31,452)	(31,120)	(31,708)	(32,168)	(31,612)	(34,532)	(33,980)	

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	3,232	3,364	3,452	3,580	3,407	3,772	3,844	
2. Federal	2,448	2,552	2,580	2,652	2,558	2,724	2,760	
3. Provincial and municipal	784	812	872	928	849	1,048	1,084	
4. Direct taxes - Corporations	1,976	1,976	1,968	2,036	1,989	2,068	2,120	
5. Federal	1,484	1,480	1,468	1,496	1,482	1,548	1,580	
6. (Federal tax collections)	(1,392)	(1,844)	(1,500)	(1,684)	(1,605)	(1,532)	(1,968)	
7. Provincial	492	496	500	540	507	520	540	
8. (Provincial tax collections)	(424)	(524)	(488)	(508)	(486)	(540)	(568)	
Withholding taxes:								
9. Federal	132	140	140	148	140	160	176	
10. Indirect taxes	6,424	6,608	6,748	6,812	6,648	7,096	7,296	
11. Federal	2,696	2,824	2,928	2,940	2,847	3,000	3,144	
12. Provincial and municipal(l)	3,728	3,784	3,820	3,872	3,801	4,096	4,152	
13. Investment income	1,488	1,508	1,484	1,596	1,519	1,584	1,620	
14. Federal	560	524	520	584	547	556	556	
15. Provincial and municipal	928	984	964	1,012	972	1,028	1,064	
16. Employer and employee contributions to social insurance and government pension funds	876	900	892	900	892	908	928	
17. Federal	556	568	552	556	558	572	580	
18. Provincial and municipal	320	332	340	344	334	336	348	
Transfers from federal:								
19. Provincial and municipal	1,164	1,300	1,264	1,288	1,254	1,516	1,464	
20. TOTAL REVENUE	15,292	15,796	15,948	16,360	15,849	17,104	17,448	
21. FEDERAL	7,876	8,088	8,188	8,376	8,132	8,560	8,796	
22. PROVINCIAL and MUNICIPAL	7,416	7,708	7,760	7,984	7,717	8,544	8,652	

(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 decreases in the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Goods and services	8,564	8,524	8,544	8,796	8,607	9,120	9,344	
2. Federal	3,160	2,996	3,016	2,996	3,042	3,216	3,148	
3. (Defence)	(1,672)	(1,544)	(1,496)	(1,496)	(1,552)	(1,648)	(1,540)	
4. Provincial and municipal	5,404	5,528	5,528	5,800	5,565	5,904	6,196	
5. Transfer payments to persons (excluding interest on the public debt)	4,148	4,096	4,200	4,192	4,159	4,520	4,420	
6. Federal	2,256	2,216	2,236	2,232	2,235	2,364	2,336	
7. Provincial and municipal	1,892	1,880	1,964	1,960	1,924	2,156	2,084	
8. Interest on the public debt	1,500	1,520	1,528	1,580	1,532	1,604	1,640	
9. Federal	984	988	992	1,016	995	1,052	1,044	
10. Provincial and municipal	516	532	536	564	537	552	596	
11. Subsidies	284	268	248	468	317	204	240	
12. Federal	248	228	208	428	278	164	200	
13. Provincial	36	40	40	40	39	40	40	
Transfers to other levels of government:								
14. Federal	1,164	1,300	1,264	1,288	1,254	1,516	1,464	
15. Total expenditure	15,660	15,708	15,784	16,324	15,869	16,964	17,108	
16. Federal	7,812	7,728	7,716	7,960	7,804	8,312	8,192	
17. Provincial and municipal	7,848	7,980	8,068	8,364	8,065	8,652	8,916	
18. Deficit (-) or surplus (+)	- 368	88	164	36	- 20	140	340	
19. Federal	64	360	472	416	328	248	604	
20. Provincial and municipal	- 432	- 272	- 308	- 380	- 348	- 108	- 264	
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	15,292	15,796	15,948	16,360	15,849	17,104	17,448	
22. FEDERAL	7,876	8,088	8,188	8,376	8,132	8,560	8,796	
23. PROVINCIAL and MUNICIPAL	7,416	7,708	7,760	7,984	7,717	8,544	8,652	

TABLE 16. Source of National Saving, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	2,600	2,080	2,024	2,020	2,181	4,020	2,608	
2. Business gross saving	6,360	7,260	6,968	7,288	6,969	6,548	7,776	
3. Undistributed corporation profits	1,304	1,276	1,048	1,380	1,252	1,516	1,468	
4. Capital consumption allowances and miscellaneous valuation adjustments	5,512	5,580	5,596	5,740	5,607	5,900	6,088	
5. Adjustment on grain transactions(1)	- 456	404	324	168	110	- 868	220	
6. Inventory valuation adjustment	- 140	- 292	88	- 140	- 121	- 184	- 464	
7. Government surplus (+) or deficit (-)	- 368	88	164	36	- 20	140	340	
8. Residual error of estimate	52	- 16	- 80	- 132	- 44	- 116	- 28	
9. Totals	8,504	9,120	9,164	9,072	8,965	10,408	10,232	

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

TABLE 17. Disposition of National Saving, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	8,944	8,828	8,720	9,380	8,968	10,052	10,272	
2. New residential construction	2,176	1,908	1,872	2,128	2,021	2,156	2,184	
3. New non-residential construction	3,164	3,244	3,376	3,588	3,343	3,948	4,028	
4. New machinery and equipment	3,604	3,676	3,472	3,664	3,604	3,948	4,060	
5. Value of physical change in inventories	452	448	388	232	380	1,208	972	
6. Surplus (+) or deficit (-) on current account with non-residents	- 844	- 168	- 28	- 672	- 428	- 968	- 1,044	
7. Residual error of estimate	- 48	12	84	132	45	116	32	
8. Totals	8,504	9,120	9,164	9,072	8,965	10,408	10,232	

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1964 and 1965
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	26,252	26,316	26,812	27,156	26,634	27,384	27,904	
2. Non-durable goods	12,900	13,072	13,228	13,572	13,193	13,464	13,776	
3. Durable goods	3,564	3,444	3,716	3,480	3,551	3,716	3,800	
4. Services	9,788	9,800	9,868	10,104	9,890	10,204	10,328	
5. Government expenditure on goods and services	7,140	7,076	6,996	7,184	7,099	7,372	7,456	
6. Business gross fixed capital formation	7,684	7,476	7,360	7,848	7,592	8,248	8,316	
7. New residential construction	1,796	1,552	1,504	1,692	1,636	1,692	1,888	
8. New non-residential construction	2,764	2,808	2,904	3,048	2,881	3,288	3,280	
9. New machinery and equipment	3,124	3,116	2,952	3,108	3,075	3,268	3,348	
10. Change in inventories	444	424	336	208	353	1,140	916	
11. Non-farm business inventories	568	596	744	32	485	896	640	
12. Farm inventories and grain in commercial channels	- 124	- 172	- 408	176	- 132	244	276	
13. Exports of goods and services	9,128	9,648	9,672	9,404	9,463	9,584	9,772	
14. Deduct: Imports of goods and services	- 9,472	- 9,364	- 9,436	- 9,740	- 9,503	- 10,068	- 10,332	
15. Residual error of estimate	- 44	12	76	116	40	100	28	
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	41,132	41,588	41,816	42,176	41,678	43,760	44,060	

(1) See footnote 1, Table 9.

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