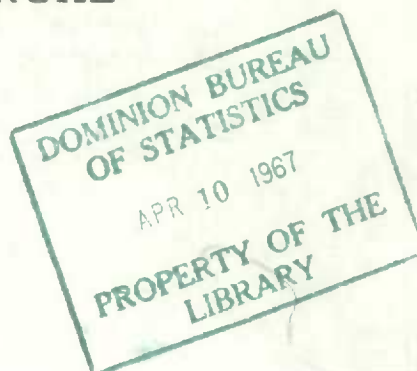




# NATIONAL ACCOUNTS INCOME AND EXPENDITURE

## FOURTH QUARTER AND PRELIMINARY ANNUAL

1966



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"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.

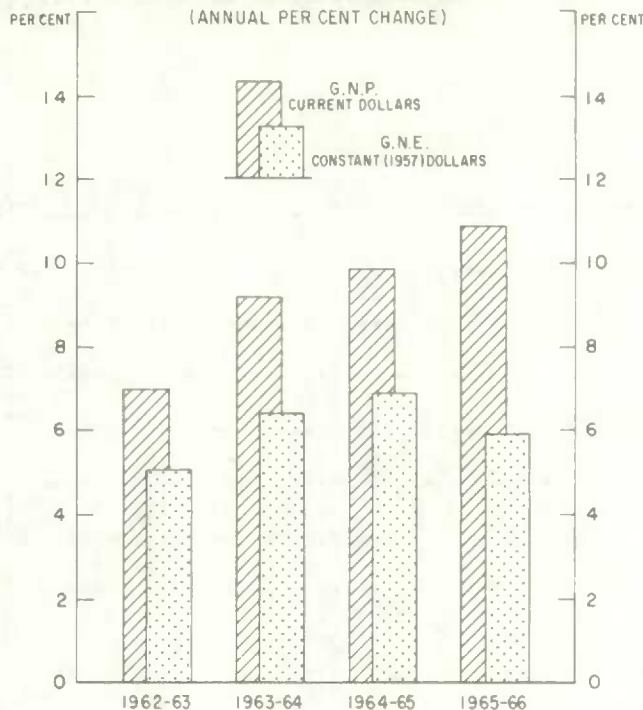
"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1964", for the year 1960.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1965", for the years 1961-64.

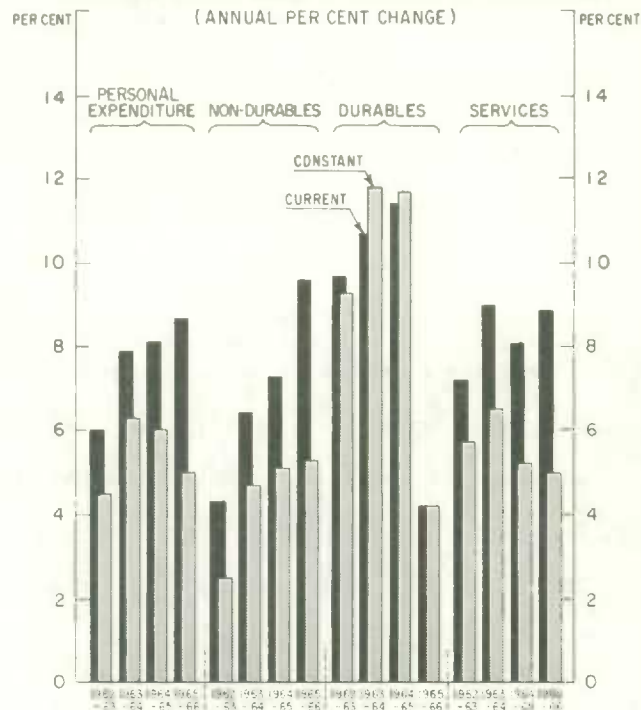
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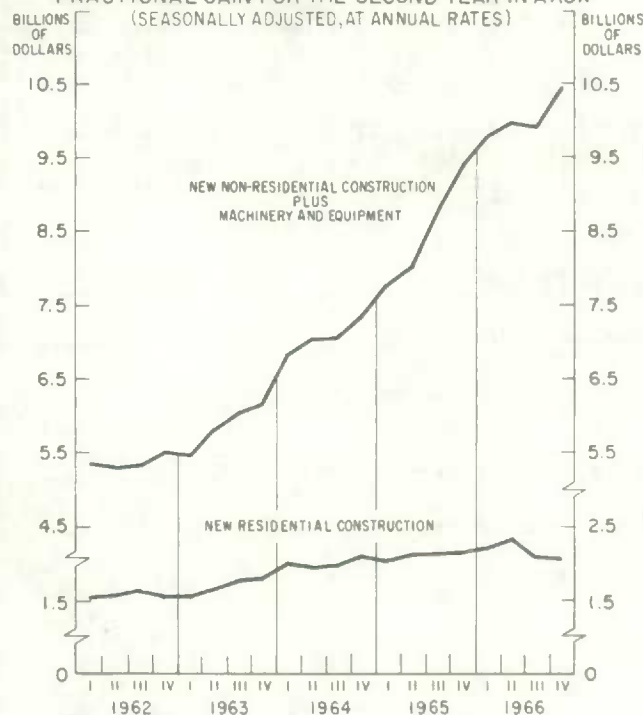
IN 1966, G.N.P. INCREASED BY 10.9 PER CENT COMPARED WITH 9.9 PER CENT IN 1965. IN CONSTANT DOLLARS, THESE GAINS WERE REDUCED TO 5.9 AND 6.9 PER CENT RESPECTIVELY



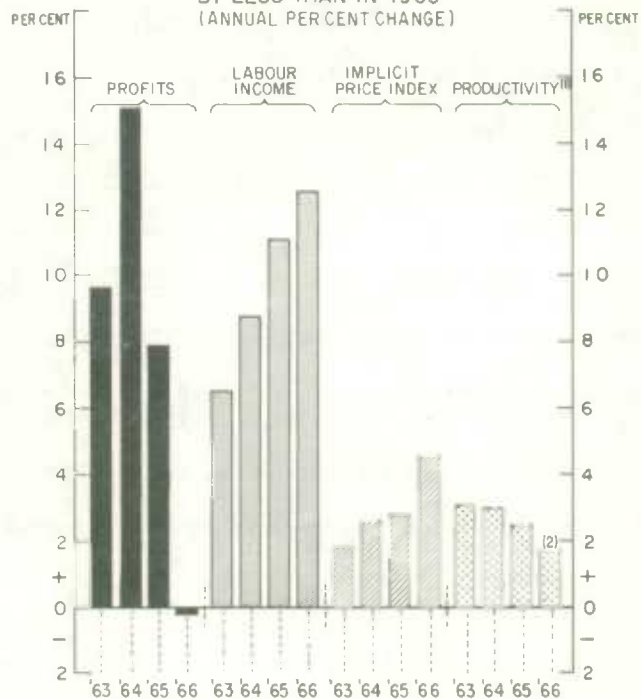
PERSONAL EXPENDITURE ON GOODS AND SERVICES ROSE BY MORE THAN 8.5 PER CENT OVER 1965, AS A RESULT OF OUTLAYS ADVANCING BY 9.6 PER CENT IN NON-DURABLES, ALMOST 9 PER CENT IN SERVICES AND BY SOME 4 PER CENT IN DURABLES



FOR THE THIRD SUCCESSIVE YEAR, BUSINESS SPENDING ON PLANT AND EQUIPMENT WAS A DOMINANT FACTOR, INCREASING BY NEARLY 18 PER CENT IN 1966. NEW HOUSING SHOWED ONLY A FRACTIONAL GAIN FOR THE SECOND YEAR IN A ROW



CORPORATION PROFITS DECLINED FRACTIONALLY; LABOUR INCOME WITH A 13 PER CENT GAIN SHOWED ONE OF THE STRONGEST YEAR-TO-YEAR ADVANCES SINCE 1951. THE G.N.P. IMPLICIT PRICE INDEX ROSE BY 4.6 PER CENT IN 1966 AS AGAINST 2.8 PER CENT IN 1965, AND PRODUCTIVITY INCREASED BY LESS THAN IN 1965



(1) COMMERCIAL NON-AGRICULTURAL OUTPUT PER PERSON EMPLOYED  
(2) PRELIMINARY



## ANNUAL REVIEW 1966

(This report incorporates revisions to capital expenditure data for the years 1965 and 1966, resulting from new information, together with revisions to some of the other GNP components for the first three quarters of 1966).

The Canadian economy in 1966 registered still another strong advance as continued high levels of demand in the domestic sector, coupled with buoyant conditions abroad, pushed gross national product to a level of 57.8 billion dollars, 10.9 per cent above that of the year 1965. With the economy continuing to operate at high levels of employment, the resulting pressures on prices and costs of this rise in demand were evident in a 4.6 per cent advance in prices, an advance which reduced the 10.9 per cent gain to one of 5.9 per cent in real terms. This compares with an increase of 9.9 per cent in GNP in 1965 which was reduced to a volume gain of 6.9 per cent, after accounting for price advances of 2.8 per cent.

Much of this 11 per cent gain occurred in the first quarter of 1966, when GNP increasing by  $4\frac{1}{2}$  per cent <sup>1/</sup> registered the strongest quarterly advance in the current expansion. Although increases in demand in that quarter were broadly based, among other things certain special factors contributed both to a marked rise in exports and to a gain in imports that was only fractional, thus reducing the import balance substantially. The quarter-to-quarter gains in GNP for the remainder of the year were more moderate -- about 2 per cent in the second quarter, less than 1 per cent in the third quarter when strikes were a major factor, and 2 per cent in the fourth quarter.

The year as a whole saw gains over a wide range of final expenditure categories. For the third successive year, business spending on plant and equipment was a dominant factor, with investment in these categories increasing by nearly 18 per cent in 1966 compared with advances of 20 per cent in each of the two preceding years. At the provincial and municipal levels, government capital spending reinforced demands by the business sector so that total public and private outlays on plant and equipment rose by more than 18 per cent.

For the second successive year outlays on new housing showed only fractional gains, with a sharp decline in mortgage loan approvals by conventional lenders being a contributing factor to the marked drop in the number of apartment units started. Single family units started showed a slight decrease.

Investment in business inventories in 1966 was maintained at a rate only slightly less than that of 1965.

Government expenditures on goods and services, including capital goods, increased by 16 per cent. Apart from capital spending, increases in outlays on salaries and wages formed an important part of the over-all change. In this area, retroactive wage payments together with increased salary rates to the armed forces and to members of the public service at the various levels of government, some of which involved adjustments over a period of years, accounted for most of the rise. Entirely as a result of Canada and Quebec pension plan contributions, the surplus, on a national accounts basis, for all levels of government combined, increased somewhat in 1966. Exclusive of these plans, the federal surplus narrowed by about \$440 million while the provincial-municipal deficit widened by about \$240 million.

Consumer spending rose by close to 9 per cent in 1966; with personal disposable income increasing by  $9\frac{1}{2}$  per cent, personal net saving rose. Prices of consumer goods increased by  $3\frac{1}{2}$  per cent in 1966, as compared with a rise of 2 per cent in 1965. Although over-all consumer demand was strong in 1966, there was no rise from 1965 in spending on automobiles in contrast to marked increases in each of the four preceding years. Durable goods spending as a whole rose by 4 per cent. Outlays on non-durable goods and services increased by  $9\frac{1}{2}$  per cent and 9 per cent respectively.

Demand for Canadian goods by the rest of the world increased by some  $15\frac{1}{2}$  per cent in 1966, in contrast to a growth of a little better than 6 per cent in 1965. Exports of wheat to countries such as the U.S.S.R. and Mainland China, coupled with a gain of some \$600 million in exports of automotive products mainly to the United States, together accounted for about one-half of a \$1.5 billion gain in merchandise exports. Imports also showed a substantial rise, increasing by 14 per cent. The January 1, 1965 Canada-United States Automotive Agreement resulted in a swelling in imports of automotive products; however the historically unfavourable trade balance on these products narrowed in 1966 by

<sup>1/</sup> Part of this increase reflects the estimated value of the 1966 record crop of \$1,564 million, \$263 million higher than the value of the 1965 crop.

Final Demand and its Sources of Supply  
Value of change from preceding quarter  
(Seasonally Adjusted at Annual Rates)  
(millions of dollars)

	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	2Q'65 to 3Q'65	3Q'65 to 4Q'65	4Q'65 to 1Q'66	1Q'66 to 2Q'66	2Q'66 to 3Q'66	3Q'66 to 4Q'66
<u>Demand</u>															
Persons .....	488	488	548	736	296	688	400	364	896	876	820	616	156	1,192	684
Government .....	- 48	248	12	340	64	- 48	376	320	292	120	276	656	280	776	- 84
Business Investment .....	184	588	232	552	332	- 20	232	1,400	204	388	464	812	988	- 1,404	664
Plant and Equipment .....	340	256	100	648	244	8	300	424	240	820	564	376	192	- 84	552
Housing .....	88	140	12	200	- 64	52	140	- 84	84	8	20	56	116	- 240	- 36
Inventory Change .....	- 244	192	120	- 296	152	- 80	- 208	1,060	- 120	- 440	- 120	380	680	- 1,080	148
Farm and G.I.C.C. ....	28	- 48	- 360	- 128	- 64	- 160	488	40	8	- 296	20	284	80	- 252	132
Business Inventories .....	- 272	240	480	- 168	216	80	- 696	1,020	- 128	- 144	- 140	96	600	- 828	16
Non-Residents (Exports) .....	324	8	752	332	604	68	- 288	148	348	344	396	804	56	524	196
Residual Error .....	- 48	- 16	- 20	- 212	- 136	180	88	- 56	- 168	128	- 72	- 200	- 72	- 108	48
Increase in Total Demand .....	900	1,316	1,524	1,748	1,160	868	808	2,176	1,572	1,856	1,884	2,688	1,408	980	1,508
<u>Supply</u>															
Domestic Production .....	564	820	1,128	928	1,028	968	648	1,672	1,004	1,588	984	2,268	1,152	244	1,228
Non-Residents (Imports) .....	284	488	372	608	-	76	244	448	404	400	824	220	180	632	332
Residual Error .....	52	8	24	212	132	- 176	- 84	56	164	- 132	76	200	76	104	- 52
Increase in Total Supply .....	900	1,316	1,524	1,748	1,160	868	808	2,176	1,572	1,856	1,884	2,688	1,408	980	1,508
Percentage Increase in Total Demand In constant 1957 Dollars .....	1.4	1.9	2.2	2.8	1.2	0.7	1.0	3.2	1.8	2.5	1.9	2.5	1.1	0.3	1.1

over \$100 million. Investment outlays caused a further significant increase in imports of machinery and equipment. Although the surplus on merchandise transactions increased by about \$260 million, this improvement was partially offset by a widening of the deficit on non-merchandise current transactions, resulting in some narrowing in the current account deficit, on a national accounts basis.

The following table summarizes the pervasive strength of demand in 1966. It is interesting to note that external sources of supply continued to provide the same proportion of the increase in demand in 1966 as in 1965.

Final Demand and its Sources of Supply  
Value of Change from Preceding Year <sup>1/</sup>  
(Billions of Dollars)

	1964	1965	1966
<u>Demand</u>			
Persons .....	\$ 2.2	\$ 2.4	\$ 2.8
Government .....	0.6	0.9	1.6
Business investment .....	1.4	2.1	1.6
Plant and equipment .....	1.2	1.4	1.5
Housing .....	0.3	0.1	0.1
Inventory change .....	-0.1	0.6	--
Non-residents (exports) .....	1.4	0.6	1.7
Residual error .....	-0.2	--	-0.3
Increase in total demand .....	<u>5.3</u>	<u>6.1</u>	<u>7.3</u>
<u>Supply</u>			
Domestic production .....	3.7	4.7	5.3
Non-residents (imports) .....	1.3	1.4	1.7
Residual error .....	0.2	--	0.3
Increase in total supply .....	<u>5.3</u>	<u>6.1</u>	<u>7.3</u>
Percentage of increased demand met by non-residents ....	25	23	23

<sup>1/</sup> Components will not necessarily sum to totals because of rounding.

Turning to the income side, the salient features of the year were an increase in labour income of nearly 13 per cent that was one of the largest year-to-year gains since 1951, a 34 per cent rise in farm income resulting from a record western grain crop, and a fractional decline in corporation profits, following increases in this component over the past five successive years.

On the labour supply side a sizeable increase in immigration, and increasing participation rates coupled with a decline in agricultural employment, caused the non-agricultural labour force to increase by 5 per cent. Non-agricultural employment rose by 5½ per cent. The unemployment rate for Canada, at 3.6 per cent in 1966, declined slightly from the 3.9 per cent rate of 1965.

Industrial disputes were also a feature of 1966. Work stoppages resulting from some of these disputes caused a loss of close to five million man-working days, more than double that of 1965. In response to factors such as the tight employment market and wage demands that were vigorously pressed in various industries, wage rates rose sharply. In contrast to productivity increases for the commercial non-agricultural sector of the economy averaging between 2½ and 3 per cent per annum in recent years, preliminary indications are that productivity gains in 1966 were much reduced. Thus, the sharp increase in wage rates greatly outpaced productivity gains, resulting in a notable rise in unit labour costs.



## Price Movements

Aggregate price change as measured by the implicit price index of Gross National Expenditure rose by 4.6 per cent in 1966 as compared with 2.8 per cent in 1965. The following table shows year-to-year changes in the prices of major components of GNP since 1961.

Implicit Price Indexes  
Percentage Change from the Preceding Year

	1962	1963	1964	1965	1966
Personal expenditure .....	1.3	1.5	1.5	1.9	3.5
Non-durable goods .....	1.1	1.8	1.6	2.0	4.1
Durable goods .....	-0.3	0.4	-1.0	-0.4	0.0
Total goods .....	0.8	1.4	1.0	1.4	3.3
of which: food .....	1.9	2.7	1.5	2.8	6.1
non-food goods .....	0.3	0.7	0.9	0.8	1.8
Services excluding net expenditure abroad .....	1.7	1.4	2.4	2.8	3.9
Government expenditure.....	2.7	4.1	3.2	4.1	6.9
Business gross fixed capital formation .....	2.8	3.1	4.4	4.3	3.8
New residential construction .....	2.9	3.4	5.5	4.9	5.0
New non-residential construction .....	2.2	3.4	4.4	6.1	5.3
New machinery and equipment .....	3.0	2.6	3.8	2.6	2.1
Exports .....	3.1	1.2	1.9	1.2	3.3
Imports .....	4.1	2.9	1.2	0.4	1.8
Gross national expenditure .....	1.5	1.8	2.6	2.8	4.6

Viewed in perspective, prices of personal expenditure, government expenditure and exports all showed significantly higher rates of increase in 1966 than in the preceding four years. Price increases for imports, while higher than in 1964 and 1965, were less than in 1962 and 1963 when the price effects of devaluation were evident. In business gross fixed capital formation, the rate of increase was slightly less than in 1964 and 1965, when sales taxes on production machinery and on building materials were increased.

A glance at the components of personal expenditure reveals the strong increases in the price of food. Most of the increase in food prices was shown by meats and dairy products. Meat prices began to move up strongly in the third quarter of 1965, but by the fourth quarter of 1966 the upwards movement had reversed. In services during 1966 there was more of an increase in the price of rents than had been noted in recent years. Prices associated with household services and education showed increases greater than 10 per cent and communication showed little price change. Within durables there were mixed movements. New car prices declined by over 1 per cent while furniture and jewellery rose by approximately 4 per cent. The increase of 2 per cent in the Ontario Sales Tax in the second quarter had a significant effect on the rise in prices of durables and of non-food goods as a whole.

In 1965, both the wage and material components of construction showed notable increases. In 1966 advances in material prices were moderate, while wage rates rose by more than in 1965.

The rise in export prices is of interest. In this area price increases were centered in the categories of live animals, food feed beverages and tobacco, and fabricated materials. Within foodstuffs, significant increases occurred in prices of wheat, meat and preparations, and tobacco. In fabricated materials, newsprint, fertilizer, copper, nickel, and their alloys all showed significant increases. For most of these items the increases in the Canadian export prices reflected world market conditions. Thus the 3½ per cent increase in export prices, coupled with an increase of less than 2 per cent in import prices, indicates an improvement in the Canadian terms of trade. Discounting these price increases, the volume of merchandise exports increased by 15 per cent in 1966 as compared with 5 per cent in 1965.



# The Components of Demand

## Consumer Expenditure

Total personal expenditure on goods and services reached a level of \$34.8 billion in 1966, an increase of better than  $8\frac{1}{2}$  per cent over the preceding year. This rise consisted of increases of  $9\frac{1}{2}$  per cent in outlays on non-durable goods, almost 9 per cent in services, and some 4 per cent in durables. A gain of  $9\frac{1}{2}$  per cent in personal disposable income permitted not only this level of spending but also a sharp increase in the level of personal saving.

Although all three major components of consumer expenditure shared in the rise, which was the largest percentage increase since 1952, the gain was somewhat unevenly distributed and of a different pattern from that of the two preceding years. In non-durables, the  $9\frac{1}{2}$  per cent gain compares with rises of  $6\frac{1}{2}$  and  $7\frac{1}{2}$  per cent in 1964 and 1965 respectively. (In real terms, the increases were around 5 per cent for each of the three years.) In durables, the 4 per cent rise in 1966 compares with increases of  $10\frac{1}{2}$  and  $11\frac{1}{2}$  per cent in 1964 and 1965. This gain in durables is the lowest since 1961. In services, the 9 per cent increase matches the gain of 1964 and is about 1 per cent above the rise of 1965.<sup>1/</sup>

The large increase in outlays on non-durable goods was broadly based, although much of this increase represented price rises rather than gains in real terms. For example, food outlays were up by about  $7\frac{1}{2}$  per cent in value terms, but only by 1 per cent in real terms; clothing by 6 per cent (value) and 2 per cent (real); and tobacco by 6 per cent (value) and  $2\frac{1}{2}$  per cent (real). Increases in outlays on alcoholic beverages and drugs and cosmetics, however, represented significant gains in both real and value terms.

The relatively small increase in outlays on durable goods was attributable mainly to an unchanged level of purchases of new and used cars from the previous year, after increases of 12 to  $14\frac{1}{2}$  per cent in the three preceding years. The over-all rise in durables was due to increases of 8 per cent in toys and sporting goods, 7 per cent in furniture,  $9\frac{1}{2}$  per cent in home furnishings, and 11 per cent in radios and appliances.

The 9 per cent gain in services was also broadly based. Shelter, accounting for about 40 per cent of the total, rose by  $8\frac{1}{2}$  per cent, while 8 per cent increases were registered in total transportation services and medical expenditures.

## Personal Expenditure - Per Cent Changes

	Year 1962 to Year 1963	Year 1963 to Year 1964	Year 1964 to Year 1965	Year 1965 to Year 1966
Total non-durables .....	4.3	6.4	7.3	9.6
Purchased food .....	4.8	5.1	5.7	7.3
Clothing (including footwear) .....	4.5	6.3	6.2	5.8
Alcoholic beverages .....	4.3	5.5	9.2	7.7
Tobacco .....	1.9	1.8	8.2	6.2
Total durables .....	9.7	10.6	11.4	4.2
New and used cars .....	14.5	11.8	14.2	-
Furniture .....	3.1	6.0	6.2	7.0
Home furnishings .....	7.0	11.6	8.9	9.4
Radios and appliances .....	4.4	7.9	8.5	10.9
Total goods .....	5.3	7.3	8.1	8.5
Services (including net expenditure abroad) .....	7.2	9.0	8.1	8.9
Shelter .....	8.2	6.3	6.8	8.5
Total transportation .....	2.1	7.4	7.9	7.9
Household operations .....	6.4	9.9	9.2	10.7
Total consumer expenditure .....	6.0	7.9	8.1	8.7

<sup>1/</sup> The year-to-year changes of the major components of consumer expenditure in both current and constant dollars are depicted in the introductory chart on page 4.

## Business Gross Fixed Capital Formation

Capital expenditures in 1966 amounted to \$12.2 billion, 14.7 per cent higher than the previous year. Non-residential construction and machinery and equipment outlays rose by 19.6 and 16.0 per cent respectively, while outlays on new housing advanced by only 2.5 per cent. Within the year 1966, investment in plant and equipment moved from a seasonally adjusted annual rate of \$9.9 billion in the first half of 1966 to \$10.2 billion in the second half.

In 1966, capital expenditures increased over the revised 1965 estimates for all major industrial divisions apart from forestry and construction. In manufacturing, pulp, primary metals, electrical products, non-metallic minerals, petroleum and coal products, transportation equipment, rubber and foods and beverages industries recorded advances, while the wood, textiles, printing and publishing, and chemicals industries registered declines. Mining, electric power gas and water utilities, and transportation industries made pronounced gains. Housing outlays were a significantly lower percentage of business capital spending in 1966, while mining machinery spending was a significantly higher percentage of business capital spending in 1966.

The advent of colour television in Canada in 1966 and work done on a program for satellite communication to provide telephone, live television and other telecommunication services to Canada's far north were instances of some more glamorous expansion projects during 1966.

Housing expenditures at \$2.2 billion were little changed from 1965. They rose 5.8 per cent in the first half of 1966 over the latter half of 1965, but fell 9.1 per cent between the first and second halves of 1966. Housing starts dropped from 166.6 to 134.5 thousand; completions climbed from 153.0 to 162.2 thousand; dwellings under construction fell from 119.9 at the beginning of the year to 88.6 thousand at year-end. The following figures suggest that financing difficulties slowed down the pace of home building.

### Mortgage Loan Approvals Gross Basis (Dwelling Units)

	1964	1965	1966	Per Cent Change 1965-66
Under National Housing Act:				
Central Mortgage and Housing Corporation .....	29,939	33,942	37,560	10.7
Approved lenders .....	28,197	25,516	14,567	-42.9
Sub-total .....	58,136	59,458	52,127	-12.3
Conventional lenders .....	93,925	90,221	54,489	-39.6
Total .....	152,061	149,679	106,616	-28.8

Single-detached starts dropped only from 75 to 71 thousand, but apartment starts tumbled from 78 to 52 thousand.

Business capital spending plans for 1967, published in "Private and Public Investment in Canada - Outlook 1967", DBS 61-205, are unchanged in level overall from 1966. Manufacturers' capital budgets are markedly lower in such branches as pulp, primary metals, non-metallic minerals, metal fabricating and textiles. The most striking increase is the 1967 construction budget for electric power, gas and water utilities.

## Investment in Non-Farm Business Inventories

Investment in non-farm business inventories was \$832 million in the year 1966 as compared with \$905 million in 1965. Within the year, however, there were marked differences in the rates of accumulation among the quarters. While there was virtually no change in the rate in the first quarter of 1966, the rate at which the stocks were built up in the second quarter showed a substantial gain, close to \$1.4 billion, partly as a result of a build-up of automobile stocks associated with a sharp drop in new car sales. In the third quarter of 1966, partly as a result of strike effects and partly because of a drawing down of new car inventories, the rate at which stocks were built up declined to \$0.6 billion. In the fourth quarter the rate of business inventory investment increased only fractionally.



For the year as a whole, investment in inventories at the manufacturing level was the major force contributing to expansion -- about 60 per cent of the total accumulation in 1966. Moderate increases were recorded in the stocks of wholesale and retail traders.

The major part of the accumulation in manufacturing inventories in 1966 took place in the durable goods-producing industries, about 40 per cent of which was concentrated in transportation industries. In the non-durable goods-producing industries the movement was mixed, leaving on balance a relatively small accumulation. When compared with 1965, the rate of accumulation in 1966 showed opposing changes as between the durable and non-durable goods-producing industries. The rate of increase was higher in non-durable goods industries and was mainly concentrated in the food and in the rubber producing industries. Among durables, while the rate of increase of stocks of transportation industries was significant, the rate of increase of stocks of primary metal, metal fabricating and machinery industries dropped substantially. For manufacturing as a whole the average stock-to-shipments ratio for 1966 was higher than the average of 1965.

About 70 per cent of the total increase in the stocks of wholesale traders in 1966 resulted from a general increase in the stocks of durable goods. When compared with 1965, there were opposing changes in the rate of build-up of stocks as between durables and non-durables. The increases in the stocks of wholesalers were lower in durables and higher in non-durable goods. The average stock-to-sales ratio for the year as a whole was above the average of the current expansion.

A considerable amount of accumulation was concentrated in the holdings of retail traders. While there was a significant increase in the stocks of all non-durable goods, most noticeably in the stocks of food, modest increases were recorded in the stocks of durable goods. When compared with 1965, the durables were built up at a much reduced rate tempered by a substantial drawing down of stocks of motor vehicle dealers in the third quarter of 1966. The rate of accumulation in non-durables was virtually unchanged between the two years. The average stock-to-sales ratio for the year was above the average of the current expansion.

#### Value of Physical Change in Non-Farm Business Inventories

	Seasonally Adjusted at Annual Rates						
	1966						1966 minus 1965
	1Q	2Q	3Q	4Q	1966	1965	
	(millions of dollars)						
Manufacturing .....	508	500	420	556	496	442	54
Durables .....	468	348	200	316	333	366	-33
Non-durables .....	40	152	220	240	163	76	87
Wholesale trade .....	-68	416	76	76	125	118	7
Retail trade .....	284	412	76	-160	153	249	-96
Other industries .....	68	64	-8	108	58	96	-38
Grand total .....	792	1,392	564	580	832	905	-73

#### Exports and Imports of Goods and Services

During 1966 the deficit in Canada's external account declined by \$40 million on a national accounts basis. This improvement resulted from a rise of \$262 million in the surplus on merchandise trade -- as increased export sales outpaced the climb in import demand -- more than offsetting a deterioration of \$222 million in non-merchandise trade. About 85 per cent of the latter can be ascribed to higher deficits in the interest and dividend account and miscellaneous service (business services, government expenditures, etc.) account.

Exports and Imports of Goods and Services  
Percentage Change from Preceding Year

	Goods		Services		Total	
	Exports	Imports	Exports	Imports	Exports	Imports
1962 .....	8.3	8.5	7.9	1.9	8.2	6.3
1963 .....	11.0	6.1	8.0	5.6	10.3	5.9
1964 .....	16.4	14.6	11.7	11.2	15.3	13.5
1965 .....	6.0	14.5	6.7	8.3	6.2	12.6
1966 .....	17.4	14.6	7.8	11.2	15.4	13.6

Trade of Canada export figures for 12 months show a rise of \$1,548 million. Important export gains were made by food feed beverages and tobacco -- mainly wheat, crude metals and non-metallic minerals, pulp and paper, fabricated metals, machinery and, notably, transportation equipment. Import figures for the 11 months show a rise of \$1,160 million. Machinery required for investment purposes, other equipment and tools such as measuring and laboratory equipment, computers, other office machinery and equipment and, notably, transportation equipment, highlighted this increase.

An improvement of \$262 million in the merchandise trade surplus between 1965 and 1966 came from a smaller trade deficit with the United States which, coupled with an improvement of \$208 million in the surplus with other countries, more than offset a drop of \$62 million in the trade surplus with the United Kingdom.

Merchandise Trade  
(Trade of Canada Basis, Millions of Dollars)

	Domestic Exports			Imports		
	12 months			11 months		
	1965	1966	Change	1965	1966	Change
Live animals .....	79	78	-1	10	11	1
Food, feed, beverages, tobacco .....	1,630	1,889	259	686	717	31
Inedible crude materials .....	1,763	1,947	184	910	944	34
Animal, vegetable products .....	190	225	35	118	134	16
Metals .....	862	934	72	183	189	6
Non-metallic minerals .....	621	704	83	457	482	25
Textiles, allied .....	15	11	-4	116	106	-10
Inedible fabricated materials .....	3,729	4,013	284	1,925	2,055	130
Lumber, wood .....	602	592	-10	65	68	3
Pulp, paper, allied .....	1,432	1,576	144	65	65	-
Chemicals, allied .....	323	364	41	421	444	23
Metals and products .....	1,182	1,279	97	685	728	43
Non-metallic minerals .....	57	63	6	123	140	17
Textiles, allied .....	49	47	-2	274	295	21
Inedible end products <sup>1/</sup> .....	1,298	2,119	821	4,070	4,984	914
Machinery .....	322	393	71	1,261	1,461	200
Transportation, communication equipment .....	668	1,345	677	1,447	1,951	504
Other equipment, tools .....	175	211	36	648	785	137
Personal, household goods .....	52	60	8	294	317	23
Miscellaneous .....	81	110	29	421	471	50
Special trade transactions .....	24	25	1	245	296	51
Total .....	8,523	10,071	1,548	7,487	9,007	1,160

<sup>1/</sup> Sub-totals may not add due to rounding.



### The Government Sector

Total revenues of all levels of governments combined (excluding inter-government transfers) increased by \$2.4 billion in 1966 to reach a level of \$18.8 billion, or almost 15 per cent above that of 1965. Approximately 30 per cent of this increase resulted from receipts in regard to the Canada and Quebec pension plans. Federal receipts exclusive of the pension plan increased by 8 per cent in 1966 compared with 9½ per cent in 1965, while provincial and municipal receipts increased by over 13 per cent in both 1965 and 1966. Expenditures by the various levels of government were up more sharply than non-pension plan receipts: at the federal level by 14 per cent in 1966 compared with 6½ per cent in 1965 while at the provincial-municipal level by 15½ per cent in 1966 compared with 13 per cent in 1965. The effect of these various flows was to increase the surplus for all levels of government combined by a marginal \$34 million. This increase was entirely attributable to the receipts from the pension plans, because excluding these the federal surplus was reduced by \$444 million to a surplus of \$124 million, while the combined provincial-municipal deficit was increased by \$236 million reaching a total of \$558 million for the year 1966.

Aside from the surge in receipts resulting from the inception of the Canada and Quebec pension plans in January of 1966, with the exception of revenues from the corporate income tax all components of government revenues increased sharply in 1966, mainly as a result of generally buoyant economic conditions. In addition, higher general retail sales tax rates in Ontario and extended tax bases in Ontario and Quebec reinforced revenue gains from indirect taxes.

Total revenue from direct taxes rose by \$548 million, with almost all the gain being from personal taxes. The share of the increase going to provincial governments was somewhat greater than that accruing to the federal government because of a further abatement to the provinces of 3 percentage points of basic income tax on January 1, 1966. Indirect taxes for all levels of government increased by some 10½ per cent, in part reflecting the afore-mentioned increase in rates.

Expenditures on goods and services for all levels of government combined rose by a striking 16½ per cent, with increases at the federal level of 19 per cent and at the provincial-municipal level of 15 per cent. At the federal level 75 per cent of the increase occurred in outlays on non-defence goods and services. Defence expenditures rose by 10 per cent.

### Components of Income

Compared with the previous year, labour income in Canada increased by about 12½ per cent in 1966, in spite of the fact that it was a year marked by severe industrial disputes. About half the increase reflected additional employment in the non-agricultural industries, while the balance was due to increased average earnings, mainly from higher wages but in some cases from longer average weekly hours, particularly construction, and more overtime. The increase in the number of persons employed came mainly from school leavers and immigrants but also from an increased percentage of women participating in the labour force. Participation rates for men were virtually unchanged. Unemployment rates on average were slightly lower in 1966 than 1965.

Goods-producing industries accounted for more of the increase in payrolls than did service industries: 13 per cent compared with 11 per cent. However, in the latter half of the year the trend was reversed and incomes advanced more quickly in the service industries. The primary industries showed a 7½ per cent increase in labour income in 1966, somewhat less than the average. The largest increase involved mining where most of the rise was in average earnings, due to both higher wage rates and some shift toward the more highly paid sectors, such as iron or petroleum.

Manufacturing, up by 11½ per cent, continued the steady increase noted in 1965, absorbing almost its share of additional employment. The construction industry continued to expand and was responsible for increased salaries and wages of almost 25 per cent. Part of the increase resulted from a lessening of the seasonal decline associated with that industry and part was a result of greater emphasis on engineering projects where hourly earnings are significantly higher. The average weekly hours worked in the construction industry also increased. Over the year this industry appears to have attracted more than the national average increase in numbers of employees. Average weekly earnings in construction increased by an even higher proportion.

Service-producing industries, responsible for about 58 per cent of wage and salary payments in Canada, had income increases almost as high as the goods-producing industries but with somewhat higher employment gains and less in average weekly earnings. Greatest gains were in the trade and service sections, 11 per cent and 14 per cent respectively. These industries might have attracted more part-time employees, for example, from among students or housewives. Proportionately lower payroll increases were evident in transportation and other public utilities, 8 per cent; these industries being generally less cyclically sensitive, experienced about average increases in earnings. Finance insurance and real estate also had lower rates of increase,  $8\frac{1}{2}$  per cent.

Government employees payrolls increased by more than the average in 1966. Retroactive payments made in 1966, but pertaining to 1965, were partly responsible for the large increase of 15 per cent in federal non-military payments. However, provincial governments also had large payrolls, 13 per cent. In part the rise in government payrolls was due to relatively low increases in the earlier years.

Supplementary labour income substantially increased in 1966 by  $23\frac{1}{2}$  per cent, mainly a result of the Canada and Quebec Pension Plans.

#### Corporation Profits

Corporation profits (before taxes and before dividends paid to non-residents) were \$5.2 billion in 1966, showing virtually no change from the 1965 level. A quarter-to-quarter comparison through the years 1965 and 1966 indicates a rising level of profits in the second and third quarters of 1965, with little change in the two following quarters. Following a decline in the third quarter, profits in the fourth quarter almost regained levels attained in the latter part of 1965.

Profits in the manufacturing group fell by about 2 per cent in 1966. A gain of 25 per cent was recorded by the petroleum and coal industry with relatively smaller gains recorded in the rubber, wood, printing, electrical apparatus, chemical, and miscellaneous categories. On the other hand, the textile and paper industries experienced declines of 24 and 23 per cent respectively. The metal and non-metallic mineral industries both had declines of about  $7\frac{1}{2}$  per cent.

Wholesale trade profits advanced by nearly 11 per cent, service trade profits by nearly 16 per cent, and transportation, communication and storage by 9 per cent, while retail trade profits dropped by almost 5 per cent, mining by 5 per cent, and finance insurance and real estate by nearly 3 per cent.

#### Other Investment Income

Rent, interest and miscellaneous investment income rose by 10 per cent over 1965, compared to an increase of 9 per cent between 1964 and 1965. Government investment income for all levels combined rose by \$172 million in 1966 with an increase of \$45 million at the federal level and an increase of \$127 million at the provincial-municipal level. Subsidies to the railways in 1966 were higher than in 1965.

#### Accrued Net Income of Farm Operators

Accrued net income of farm operators increased to \$2,204 million in 1966, 34 per cent over that of the year 1965. Components showed increases over the previous year's totals, the largest gain occurring in grain production. With expenses increasing by less than the rise in cash income, net income advanced by more than cash income. The value of the record 1966 grain crop at \$1,564 million was 20 per cent above the 1965 level and surpassed the previous record of \$1,381 million in 1963 by 13 per cent.

Cash income from the sale of livestock increased by approximately 15 per cent, due mainly to higher prices. Dairy products, partly reflecting much higher federal and provincial dairy subsidies, together with rapeseed and soybeans mainly were responsible for increases in income from other farm products.



### Net Income of Non-Farm Unincorporated Business

During 1966 net income of non-farm unincorporated business increased to \$2,949 million,  $2\frac{1}{2}$  per cent over the 1965 total. The service industries showed small increases but these were partially offset by a decline in manufacturing and retail trade.

### Production by Industry

Real Gross Domestic Product less agriculture in 1966 increased by  $6\frac{1}{2}$  per cent over 1965. This compares with a gain of 7 per cent for 1965. Most major industry groups continued to rise by more than the post-war average rates of growth. Manufacturing, which advanced more than 7 per cent, accounted for 37 per cent of the increase in non-agricultural real output. Other major industry groupings that contributed significantly to the over-all gain were transportation storage and communication, 8 per cent, trade,  $4\frac{1}{2}$  per cent, and finance insurance and real estate, 5 per cent. Increases over 1965 of 7 per cent,  $12\frac{1}{2}$  per cent, and  $6\frac{1}{2}$  per cent respectively, occurred in construction, electric power and gas utilities, and mining.

### FOURTH QUARTER 1966

In the fourth quarter of 1966, gross national product advanced by 2.0 per cent from the strike-affected third quarter to reach a level of \$59.1 billion. With prices increasing by 1 per cent, approximately one-half of the change in GNP represented a gain in real terms.

The main sources of increased demand in the fourth quarter were consumer spending and business investment in plant and equipment. Personal spending on non-durable goods and on services continued to advance by  $2\frac{1}{2}$  and 2 per cent respectively. A one per cent decline in outlays on durable goods, caused entirely by reduced expenditures on new cars, moderated the advance in consumer spending at the aggregate level to 2 per cent. Business spending on plant and machinery advanced by  $5\frac{1}{2}$  per cent following a third quarter decline.

Both expenditures by governments on goods and services and outlays on new residential construction showed moderate declines in the fourth quarter. Government purchases showed divergent movements as between the various levels of government, with federal expenditures increasing and provincial-municipal outlays declining, partly because of reduced capital outlays.

Exports of goods and services rose by a moderate  $1\frac{1}{2}$  per cent in the fourth quarter, in contrast to the strong 4 per cent third quarter advance. The same pattern was evident in imports of goods and services, wherein the fourth quarter gain of  $2\frac{1}{2}$  per cent compared with a third quarter increase of  $4\frac{1}{2}$  per cent. Within the merchandise components, there was a gain of  $3\frac{1}{2}$  per cent in merchandise imports, that in part reflected an increased pace of domestic investment in machinery and equipment. Merchandise exports increased by  $1\frac{1}{2}$  per cent. Payments for services declined fractionally. As a result of these transactions there was a slight widening of the current account deficit on a national accounts basis.

Turning to the income side, labour income showed a rise of close to 3 per cent, while profits increased by 8 per cent, in part because of irregularly high fourth quarter railway subsidies. The latter were also responsible for the decline in indirect taxes less subsidies.

### Price Movements

In the fourth quarter of 1966 the price component of gross national product advanced by 1 per cent at a rate slightly less than that of the preceding quarter.

Consumer prices advanced by 0.9 per cent. A notable feature in this sector has been the decline in the rate of increase in food prices throughout the year. In the fourth quarter, food prices showed no change from the level of the third quarter. Prices of consumer goods other than food, which have been showing only fractional increases except for the second quarter of the year when the increase in the Ontario sales tax was effected, advanced by a little over 1 per cent in the fourth quarter. Discounting seasonality, significant price increases were noted in clothing, furniture, household supplies, tobacco, and gas oil and grease. New car prices also increased from their low third quarter level. This third quarter price decline was accompanied by a high volume of sales, part of which came from existing stocks rather than new production. Service prices continued to advance at a 1 per cent rate.

Capital goods prices rose more in the fourth quarter than in the third, in construction largely because of an increase in wage rates. Prices of exports rose by 0.6 per cent compared with an advance of 1.7 per cent in the preceding quarter and import prices rose by about 1 per cent.

Implicit Price Indexes  
(Seasonally Adjusted)  
Percentage Change from Preceding Quarter

	I/66	II/66	III/66	IV/66
Personal expenditure .....	1.3	1.1	0.51/	0.9
Non-durable goods .....	1.8	1.0	0.51/	0.5
Durable goods .....	-0.5	1.0	-0.31/	1.3
Total goods .....	1.3	1.4	0.41/	0.8
of which: food .....	3.1	1.1	0.5	0.0
goods other than food .....	0.4	1.2	0.31/	1.2
Services, excluding net expenditure abroad .....	1.2	1.0	1.0	1.0
Government expenditure .....	3.01/	0.61/	1.51/	2.11/
Business gross fixed capital formation .....	1.3	1.0	0.7	1.5
New residential construction .....	1.6	0.9	1.1	2.3
New non-residential construction .....	1.4	1.5	1.1	1.5
New machinery and equipment .....	0.7	0.7	0.5	1.4
Exports .....	0.8	0.9	1.71/	0.61/
Imports .....	0.3	0.3	0.6	1.0
Gross national expenditure .....	1.7	1.0	1.2	0.9
(Base-weighted price index of gross national expenditure)	1.4	1.6	1.2	1.0

1/ The implicit price indexes in some quarters may not provide reasonable measures of price change as a result of marked quarter-to-quarter changes in expenditure patterns. Such was the case notably in the third quarter of 1966. The quarter-to-quarter changes footnoted in the table are based on price indexes in which the effect of changes in expenditure patterns has been discounted.

The Components of Demand

Personal expenditure reached a level of \$36.0 billion, seasonally adjusted at annual rates, in the fourth quarter, a further increase of 2 per cent that followed the record 3½ per cent rise in the third quarter. The 2 per cent fourth quarter increase was spread among the major components as follows: a rise of 2½ per cent in non-durable outlays, more than 2 per cent in services and a decline of 1 per cent in durables following on a 12½ per cent increase in that component in the preceding quarter.

Personal income advanced by 2.7 per cent, while personal disposable income rose by approximately 2¼ per cent after allowing for a 5 per cent increase in personal taxes. This permitted not only a high level of consumer expenditures but also an increase in personal saving of \$240 million, following a decline of some \$560 million in the third quarter.

Within the durables category, the dominant item, and the one responsible for the decline, was new car purchases which fell some 6 per cent (although purchases of European cars increased by 5½ per cent). Furniture and home furnishing sales were just about unchanged, while purchases of appliances and radios increased by 2 per cent as against 8 per cent in the previous quarter.

Within non-durables outlays on components such as electricity, household supplies and alcoholic beverages showed increases.

Movements among service components were not uniform. Increases of 3 to 3½ per cent were shown in personal care, household operations and shelter, while increases of 1½ per cent occurred in personal services, medical care, and miscellaneous services. Purchased transportation declined by 5 per cent, largely due to the Air Canada strike in November.

Business fixed capital spending, including residential construction, rose by 4.3 per cent from the third to fourth quarter to reach an annual rate of \$12.5 billion after allowance for seasonal factors.



The value of housing put in place dropped 2 per cent. Housing starts fell from 129.9 to 124.9 thousand at annual rates, while completions dropped from 171.9 to 156.3 thousand units. The decline in starts for urban areas was confined to apartment construction.

Business outlays for plant and equipment amounted to an annual rate of \$10.5 billion,  $5\frac{1}{2}$  per cent above the third quarter, with structures up 8 per cent, and equipment up  $3\frac{1}{2}$  per cent.

The build-up of goods in inventory in the fourth quarter of 1966 continued at a rate slightly higher than that of the previous quarter. Seasonally adjusted estimates show a stock increase of \$580 million at annual rates, compared with \$564 million in the third quarter. The strength in the total accumulation was entirely due to a heavy investment in manufacturing inventories. Investment in wholesale trade inventories was only 13 per cent of the total accumulation, and a significant liquidation occurred in the holdings of retail traders, partly reflecting an increase in demand.

Investment in manufacturers' total stocks owned amounted to \$556 million seasonally adjusted at annual rates. A considerable advance in both the durable and the non-durable goods-producing industries formed the basis for this growth, with the exception of non-metallic mineral products in durables and tobacco, and coke and petroleum in non-durable goods industries, where the stocks were drawn down.

Within wholesale trade, despite a considerable build-up of stocks of almost all the non-durable goods, only a small accumulation took place at the total level, because stocks of durable goods were liquidated. The stock-to-sales ratio for the industry as a whole was lower than the ratio of the previous quarter.

After a marked build-up of stocks in the second quarter, investment in retail channels slackened noticeably in the third quarter, and the current quarter ended with a liquidation of stocks. The liquidation was widespread both among durable and non-durable goods industries. The impact of these depletions was to some extent offset by an increased rate of accumulation in food trades. The stock-to-sales ratio for the industry was higher than the ratio of the previous quarter.

The deficit in the external account on a national accounts basis widened slightly in the fourth quarter. In this quarter, the change resulted from a drop of \$180 million in the merchandise trade surplus, partly offset by a \$44 million smaller deficit in non-merchandise trade.

Discounting seasonality, fish, newsprint, fertilizers, aluminum, nickel, iron ore, crude petroleum, natural gas, motor vehicles, farm and non-farm machinery made export gains. Wheat clearances, lumber, wood pulp, copper, zinc and asbestos recorded declines. Data are not available to identify import commodity changes corrected for usual seasonal movements.

Improvement in service transactions mainly concentrated in the miscellaneous account (official contributions to abroad declining from their high third quarter level) offsetting a worsening in the interest and dividend account.

Exports and Imports of Goods and Services  
Quarter-to-Quarter Percentage Change  
(Seasonally Adjusted Data)

	Goods		Services		Total	
	Exports	Imports	Exports	Imports	Exports	Imports
1965 - 1st quarter .....	2.3	6.3	-1.7	-1.0	1.4	4.0
2nd quarter .....	3.4	2.4	2.7	6.1	3.3	3.5
3rd quarter .....	3.0	4.1	3.5	1.6	3.1	3.3
4th quarter .....	5.7	9.3	-4.3	0.4	3.5	6.6
1966 - 1st quarter .....	6.9	0.9	6.7	3.6	6.9	1.7
2nd quarter .....	0.3	1.6	1.1	0.8	0.4	1.3
3rd quarter .....	4.7	3.2	2.0	8.3	4.2	4.6
4th quarter .....	1.7	3.6	0.6	-0.7	1.5	2.3

### The Government Sector

Total expenditures of all levels of government combined, excluding inter-governmental transfers, increased by just over 3 per cent in the fourth quarter from the third quarter. However, there were divergent movements in the two levels of government which reflected irregular factors in both the third and fourth quarters. Federal total expenditures increased sharply, by 9 per cent, while provincial-municipal total expenditures declined slightly.

The higher federal outlays occurred mainly in expenditures on goods and services and subsidies. The major portion of the gain in goods and services was centered in defence expenditures, about half of which resulted from pay increases to members of the armed forces. The increase in subsidies was caused by irregularly large interim payments made to the railways in the fourth quarter.

At the provincial-municipal level, expenditures on goods and services declined by 4 per cent from an unusually high third quarter rate and were largely due to lower capital outlays. This decline more than offset a sharp increase in transfer payments, mainly higher grants to hospitals and welfare-type institutions, at the provincial level.

Total revenues of all levels of government combined increased by  $2\frac{1}{2}$  per cent during the quarter, somewhat less than the increase in expenditures. A large part of the gain accrued in taxation revenue, particularly from personal direct taxes, and reflected continuing high levels of employment and incomes. At the federal level there was a notable increase in investment income which was associated with the large interim payments made to railways.

With expenditures rising more rapidly than revenues during the quarter, a deficit on a national accounts basis of \$52 million at annual rates was registered for all governments combined. The federal government moved from a surplus of \$164 million in the third quarter to a deficit of \$364 million. At the provincial-municipal level, the deficit narrowed by about \$400 million from an unusually high rate in the third quarter.

### The Components of Income

Seasonally adjusted labour income in the fourth quarter of 1966 increased from the third quarter by 3 per cent. This increase was somewhat exaggerated by the fact that there were substantial industrial disputes in the third quarter and relatively few in the fourth quarter. Both periods were inflated by large retroactive wage and salary payments. If the effect of industrial disputes and retroactive adjustments were eliminated, labour income would have increased by about 2 per cent in the fourth quarter, roughly continuing the upward trend of the previous six months, though apparently at a slightly reduced pace from that shown in the fourth quarter 1965 and the first quarter of 1966.

The continued upward trend in wages and salaries was generated in all industries except agriculture, fishing and trapping. There appeared to be less of a rise in manufacturing than was noted in the previous quarter.

Construction industry wages and salaries increased  $3\frac{1}{2}$  per cent reflecting a partial recovery from the third quarter. Incomes in transportation and public utilities, although 7 per cent higher than in the third quarter, were affected by both labour disputes and retroactive wage payments, submerging any normal trend. Government wage and salary payments in the fourth quarter equalled those of the third quarter in spite of the retroactive payments made in the third quarter. Discounting these, payments increased by about 3 per cent. Trade, finance and service industries all appeared to continue the increases indicated for the last six months.

Fourth quarter corporation profits rose to a seasonally adjusted annual rate of \$5,288 million, about 8 per cent above the third quarter level. A large part of this increase in the fourth quarter resulted from railway subsidy payments.

Total manufacturing profits rose by 9 per cent over the third quarter, but a mixed picture of increases and decreases was experienced within this group. Substantial gains were made by the paper, metal, electrical apparatus, and petroleum and coal industries but offsetting declines developed in the textile, rubber, non-metallic mineral and chemical industries.

Advances in profits were recorded in the transportation, storage and communication, electric power gas and water, wholesale trade, service, and finance insurance and real estate industries.



Retail trade profits dropped somewhat from the third to the fourth quarter of 1966, and mining also fell  $15\frac{1}{2}$  per cent.

Rent, interest and miscellaneous investment income rose by \$252 million or  $6\frac{1}{2}$  per cent from the level of the third quarter, on a seasonally adjusted basis. Government investment income was up by \$124 million, following a decline of \$108 million in the third quarter. Of the \$124 million increase, \$72 million reflected higher trading profits of government enterprises, in part associated with irregularly high railway subsidies in the fourth quarter.

Accrued net income of farm operators, seasonally adjusted at annual rates, was down about 5 per cent from the third to the fourth quarter of 1966. Income from grain production declined sharply, but this was partly offset by small increases in livestock production and income from the sale of dairy products.

Net income of non-farm unincorporated business was virtually unchanged from the third quarter level, with retail trade and services, the major industries, showing only marginal increases.

#### Production by Industry

Real gross domestic product at factor cost, less agriculture, increased by 2 per cent between the third and fourth quarters of 1966.

Manufacturing, which advanced  $1\frac{1}{2}$  per cent, accounted for 26 per cent of the gain in the non-agricultural real output. Approximately 60 per cent of the advance in manufacturing was in durables, which rose by almost 2 per cent, while non-durables increased by more than 1 per cent.

Almost all the rise in durables manufacturing was the result of increased production of electrical apparatus and supplies and transportation equipment. The increase in the manufacture of non-durables was largely concentrated in textile products and total food products.

Increasing by  $4\frac{1}{2}$  per cent, transportation, storage and communication accounted for 24 per cent of the total gain in non-agricultural real output. More than three quarters of this increase was recorded for transportation and almost one quarter for communication. Within transportation a strong recovery in railways from the strike-affected third quarter was partly offset by declines in air transport and stevedoring both of which were affected by strikes in the fourth quarter.

Wholesale and retail trade rose by almost 2 per cent, contributing  $12\frac{1}{2}$  per cent to the fourth quarter increase. Of the total rise in trade, only 3 per cent was attributed to wholesale trade.

Mining, which rose by  $4\frac{1}{2}$  per cent, contributed  $14\frac{1}{2}$  per cent to the total gain in output. This rise was sparked by iron ore and crude petroleum.

Finance insurance and real estate was another of the major industries that contributed to the increase.





Technical Note

The Balance of Payments Division revised data for 1964 and 1965 in the second quarter of 1966. The revised figures are shown in the "Quarterly Estimates of the Canadian Balance of International Payments", DBS 67-001, starting with their report for the second quarter of 1966. These revisions have not been incorporated in the national accounts. However, the correct relationships between accounting periods were maintained by introducing adjusting entries. The revised balance of payments figures on a national accounts basis are shown in footnotes to Tables 2, 8, 12 and 18.



TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1965 and 1966  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Wages, salaries, and supplementary labour income .....	6,026	6,431	6,741	6,835	26,033	6,840	7,269	7,571	7,644	29,324
Military pay and allowances .....	145	153	149	140	587	168	145	147	161	621
Corporation profits before taxes .....	1,055	1,409	1,330	1,405	5,199	1,124	1,449	1,234	1,380	5,187
Deduct: Dividends paid to non-residents(1)	- 178	- 155	- 161	- 257	- 751	- 182	- 155	- 156	- 323	- 816
Rent, interest and miscellaneous investment income .....	833	845	874	1,002	3,554	921	948	947	1,087	3,903
Accrued net income of farm operators from farm production(2) .....	10	100	1,305	230	1,645	100	201	1,662	241	2,204
Net income of non-farm unincorporated business(3) .....	581	720	712	864	2,877	622	712	722	893	2,949
Inventory valuation adjustment(4) .....	- 41	- 117	- 55	- 112	- 325	- 118	- 86	- 65	- 49	- 318
NET NATIONAL INCOME AT FACTOR COST .....	8,431	9,386	10,895	10,107	38,819	9,475	10,483	12,062	11,034	43,054
Indirect taxes less subsidies .....	1,693	1,780	1,841	1,858	7,172	1,902	1,962	2,002	1,934	7,800
Capital consumption allowances and miscellaneous valuation adjustments ....	1,432	1,546	1,516	1,616	6,110	1,554	1,691	1,613	1,733	6,591
Residual error of estimate .....	- 104	- 24	70	66	8	- 92	35	229	164	336
GROSS NATIONAL PRODUCT AT MARKET PRICES ..	11,452	12,688	14,322	13,647	52,109	12,839	14,171	15,906	14,865	57,781
(Gross national product at market prices excluding accrued net income of farm operators) .....	(11,442)	(12,588)	(13,017)	(13,417)	(50,464)	(12,739)	(13,970)	(14,244)	(14,624)	(55,577)

(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 1.

TABLE 2. Gross National Expenditure, by Quarters, 1965 and 1966  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Personal expenditure on consumer goods and services .....	7,310	7,976	7,828	8,949	32,063	8,059	8,553	8,556	9,672	34,840
Government expenditure on goods and services(1,2) .....	2,091	2,427	2,606	2,472	9,596	2,438	2,676	3,177	2,878	11,169
Business gross fixed capital formation(3) .....	2,136	2,650	2,866	2,999	10,651	2,626	3,218	3,116	3,254	12,214
New residential construction .....	469	510	548	597	2,124	514	564	536	564	2,178
New non-residential construction .....	714	912	1,219	1,179	4,024	920	1,187	1,356	1,348	4,811
New machinery and equipment .....	953	1,228	1,099	1,223	4,503	1,192	1,467	1,224	1,342	5,225
Value of physical change in inventories(4) .....	214	- 15	1,085	- 336	948	45	120	1,219	- 389	995
Non-farm business inventories .....	492	96	164	153	905	390	272	67	103	832
Farm inventories and grain in commercial channels .....	- 278	- 111	921	- 489	43	- 345	- 152	1,152	- 492	163
Exports of goods and services(5) .....	2,264	2,764	3,093	3,035	11,156	2,682	3,195	3,572	3,420	12,869
Deduct: Imports of goods and services(5) .....	- 2,667	- 3,138	- 3,086	- 3,406	- 12,297	- 3,104	- 3,557	- 3,504	- 3,805	- 13,970
Residual error of estimate .....	104	24	- 70	- 66	- 8	93	- 34	- 230	- 165	- 336
GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	11,452	12,688	14,322	13,647	52,109	12,839	14,171	15,906	14,865	57,781

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

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

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

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

(5) Revised figures not incorporated into the Accounts as per note on page 21.

Exports .....	2,289	2,784	3,123	3,057	11,253	2,707	3,215	3,602	3,442	12,966
Imports .....	2,683	3,150	3,089	3,414	12,336	3,120	3,569	3,507	3,813	14,009



TABLE 3. Source of Personal Income, by Quarters, 1965 and 1966  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Wages, salaries, and supplementary labour income .....	6,026	6,431	6,741	6,835	26,033	6,840	7,269	7,571	7,644	29,324
Deduct: Employer and employee contributions to social insurance and government pension funds .....	- 232	- 231	- 247	- 249	- 959	- 384	- 477	- 487	- 468	- 1,816
Military pay and allowances .....	145	153	149	140	587	168	145	147	161	621
Net income received by farm operators from farm production(1) .....	262	55	1,226	146	1,689	275	112	1,525	136	2,048
Net income of non-farm unincorporated business .....	581	720	712	864	2,877	622	712	722	893	2,949
Interest, dividends and net rental income of persons(2) .....	998	1,015	1,019	1,097	4,129	1,084	1,111	1,129	1,212	4,536
Transfer payments to persons:										
From government (excluding interest) ....	1,204	1,104	1,096	1,098	4,502	1,276	1,217	1,224	1,289	5,006
Charitable contributions by corporations	11	11	11	11	44	11	11	11	11	44
PERSONAL INCOME .....	8,995	9,258	10,707	9,942	38,902	9,892	10,100	11,842	10,878	42,712

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

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

TABLE 4. Disposition of Personal Income, by Quarters, 1965 and 1966  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Personal direct taxes .....	911	1,044	958	999	3,912	1,029	1,106	1,113	1,186	4,434
Income taxes .....	746	914	830	865	3,355	852	968	981	1,053	3,854
Succession duties and estate taxes .....	42	49	60	58	209	59	53	63	53	228
Miscellaneous .....	123	81	68	76	348	118	85	69	80	352
Personal expenditure on consumer goods and services .....	7,310	7,976	7,828	8,949	32,063	8,059	8,553	8,556	9,672	34,840
Non-durable goods .....	3,417	3,663	3,847	4,507	15,434	3,751	4,023	4,227	4,912	16,913
Durable goods .....	827	1,115	889	1,170	4,001	958	1,062	951	1,198	4,169
Services(1) .....	3,066	3,198	3,092	3,272	12,628	3,350	3,468	3,378	3,562	13,758
Personal net saving .....	774	238	1,921	- 6	2,927	804	441	2,173	20	3,438
Personal saving excluding change in farm inventories .....	1,029	326	984	532	2,871	1,098	558	1,073	560	3,289
Value of physical change in farm inventories .....	- 255	- 88	937	- 538	56	- 294	- 117	1,100	- 540	149
PERSONAL INCOME .....	8,995	9,258	10,707	9,942	38,902	9,892	10,100	11,842	10,878	42,712
(Personal disposable income)(2) .....	(8,084)	(8,214)	(9,749)	(8,943)	(34,990)	(8,863)	(8,994)	(10,729)	(9,692)	(38,278)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1965 and 1966  
(millions of dollars)

No.	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Direct taxes - Persons .....	911	1,044	958	999	3,912	1,029	1,106	1,113	1,186	4,434
Federal .....	621	757	661	676	2,715	661	746	752	796	2,955
Provincial and municipal .....	290	287	297	323	1,197	368	360	361	390	1,479
Direct taxes - Corporations .....	447	580	544	593	2,164	452	607	544	587	2,190
Federal(1) .....	335	435	408	445	1,623	339	455	408	440	1,642
(Federal tax collections)(1) .....	(359)	(566)	(396)	(394)	(1,715)	(399)	(528)	(411)	(392)	(1,730)
Provincial .....	112	145	136	148	541	113	152	136	147	548
(Provincial tax collections) .....	(145)	(140)	(151)	(116)	(552)	(143)	(159)	(146)	(124)	(572)
Withholding taxes:										
Federal(2) .....	37	44	29	58	168	39	53	34	77	203
Indirect taxes .....	1,745	1,836	1,924	1,977	7,482	1,985	2,045	2,114	2,133	8,277
Federal .....	689	800	845	913	3,247	806	900	910	961	3,577
Provincial and municipal .....	1,056	1,036	1,079	1,064	4,235	1,179	1,145	1,204	1,172	4,700
Investment income .....	377	397	402	512	1,688	427	460	436	537	1,860
Federal .....	123	153	145	197	618	133	178	151	201	663
Provincial .....	254	244	257	315	1,070	294	282	285	336	1,197
Employer and employee contributions to social insurance and government pension funds .....	232	231	247	249	959	384	477	487	468	1,816
Federal .....	148	144	154	156	602	158	167	178	178	681
Provincial and municipal .....	84	87	93	93	357	100	103	109	109	421
Canada Pension Plan .....						95	150	147	139	531
Quebec Pension Plan .....						31	57	53	42	183
Transfers from Federal:										
Provincial and municipal .....	386	367	313	361	1,427	391	432	388	448	1,659
TOTAL REVENUE .....	4,135	4,499	4,417	4,749	17,800	4,707	5,180	5,116	5,436	20,439
FEDERAL .....	1,953	2,333	2,242	2,445	8,973	2,136	2,499	2,433	2,653	9,721
PROVINCIAL AND MUNICIPAL .....	2,182	2,166	2,175	2,304	8,827	2,445	2,474	2,483	2,602	10,004
CANADA PENSION PLAN .....						95	150	147	139	531
QUEBEC PENSION PLAN .....						31	57	53	42	183

(1) Excludes refundable tax on corporate cash profits introduced May 1966. The amounts collected were: second quarter, \$15 million, third quarter, \$57 million and fourth quarter \$56 million.

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

TABLE 6. Government Expenditure, by Quarters, 1965 and 1966  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Goods and services .....	2,091	2,427	2,606	2,472	9,596	2,438	2,676	3,177	2,878	11,169
Federal .....	823	761	866	817	3,267	952	870	1,047	1,011	3,880
(Defence) .....	(460)	(352)	(380)	(370)	(1,562)	(481)	(371)	(406)	(455)	(1,713)
Provincial and municipal .....	1,268	1,666	1,740	1,655	6,329	1,486	1,806	2,130	1,867	7,289
Transfer payments to persons (excluding interest on the public debt) .....	1,204	1,104	1,096	1,098	4,502	1,276	1,217	1,224	1,289	5,006
Federal .....	657	594	534	531	2,316	675	623	580	600	2,478
Provincial and municipal .....	547	510	562	567	2,186	601	594	644	689	2,528
Interest on the public debt .....	375	436	389	435	1,635	409	474	433	473	1,789
Federal .....	253	271	262	266	1,052	278	293	293	287	1,151
Provincial and municipal .....	122	165	127	169	583	131	181	140	186	638
Subsidies .....	52	56	83	119	310	83	83	112	199	477
Federal .....	44	50	56	109	259	54	73	68	175	370
Provincial .....	8	6	27	10	51	29	10	44	24	107
Capital Assistance: (1)										
Federal .....	20	21	21	22	84	8	22	14	15	59
Transfers to other levels of government:										
Federal .....	386	367	313	361	1,427	391	432	388	448	1,659
Total expenditure .....	4,128	4,411	4,508	4,507	17,554	4,605	4,904	5,348	5,302	20,159
Federal .....	2,183	2,064	2,052	2,106	8,405	2,358	2,313	2,390	2,536	9,597
Provincial and municipal .....	1,945	2,347	2,456	2,401	9,149	2,247	2,591	2,958	2,766	10,562
Deficit (-) or Surplus (+) .....	7	88	- 91	242	246	102	276	- 232	134	280
Federal .....	- 230	269	190	339	568	- 222	186	43	117	124
Provincial and municipal .....	237	- 181	- 281	- 97	- 322	198	- 117	- 475	- 164	- 558
Canada Pension Plan .....						95	150	147	139	531
Quebec Pension Plan .....						31	57	53	42	183
TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS .....	4,135	4,499	4,417	4,749	17,800	4,707	5,180	5,116	5,436	20,439
FEDERAL .....	1,953	2,333	2,242	2,445	8,973	2,136	2,499	2,433	2,653	9,721
PROVINCIAL AND MUNICIPAL .....	2,182	2,166	2,175	2,304	8,827	2,445	2,474	2,483	2,602	10,004
CANADA PENSION PLAN .....						95	150	147	139	531
QUEBEC PENSION PLAN .....						31	57	53	42	183

(1) From 1961 on, this item is treated as government current expenditure; prior to 1961, it was treated as capital transfer.



TABLE 7. Source of National Saving, by Quarters, 1965 and 1966  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Personal net saving .....	774	238	1,921	- 6	2,927	804	441	2,173	20	3,438
Business gross saving .....	1,415	2,100	2,043	2,036	7,594	1,646	2,276	2,068	2,046	8,036
Undistributed corporation profits .....	215	488	427	314	1,444	259	474	304	193	1,230
Capital consumption allowances and miscellaneous valuation adjustments ....	1,432	1,546	1,516	1,616	6,110	1,554	1,691	1,613	1,733	6,591
Adjustment on grain transactions(1) .....	- 252	45	79	84	- 44	- 175	89	137	105	156
Capital assistance .....	20	21	21	22	84	8	22	14	15	59
Inventory valuation adjustment .....	- 41	- 117	- 55	- 112	- 325	- 118	- 86	- 65	- 49	- 318
Government surplus (+) or deficit (-) .....	7	88	- 91	242	246	102	276	- 232	134	280
Residual error of estimate .....	- 104	- 24	70	66	8	- 92	35	229	164	336
Totals .....	2,051	2,285	3,888	2,226	10,450	2,342	2,942	4,173	2,315	11,772

(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, 1965 and 1966  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Business gross fixed capital formation .....	2,136	2,650	2,866	2,999	10,651	2,626	3,218	3,116	3,254	12,214
New residential construction .....	469	510	548	597	2,124	514	564	536	564	2,178
New non-residential construction .....	714	912	1,219	1,179	4,024	920	1,187	1,356	1,348	4,811
New machinery and equipment .....	953	1,228	1,099	1,223	4,503	1,192	1,467	1,224	1,342	5,225
Value of physical change in inventories ....	214	- 15	1,085	- 336	948	45	120	1,219	- 389	995
Surplus (+) or deficit (-) on current account with non-residents(1) .....	- 403	- 374	7	- 371	- 1,141	- 422	- 362	68	- 385	- 1,101
Residual error of estimate .....	104	24	- 70	- 66	- 8	93	- 34	- 230	- 165	- 336
Totals .....	2,051	2,285	3,888	2,226	10,450	2,342	2,942	4,173	2,315	11,772

(1) Revised figures not incorporated in the Accounts as per note on page :

1965					1966				
I	II	III	IV	Year	I	II	III	IV	Year
- 394	- 366	34	- 357	- 1,083	- 413	- 354	95	- 371	- 1,043

TABLE 9. Relation between Gross National Product at Market Prices and Gross Domestic Product at Factor Cost, by Quarters, 1965 and 1966(1)  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
GROSS NATIONAL PRODUCT AT MARKET PRICES	11,452	12,688	14,322	13,647	52,109	12,839	14,171	15,906	14,865	57,781
Deduct: Residual error of estimate ....	104	24	- 70	- 66	- 8	92	- 35	- 229	- 164	- 336
Indirect taxes less subsidies	- 1,693	- 1,780	- 1,841	- 1,858	- 7,172	- 1,902	- 1,962	- 2,002	- 1,934	- 7,800
Income received from non-residents .....	- 65	- 78	- 65	- 107	- 315	- 65	- 74	- 41	- 119	- 299
Add: Income paid to non-residents ..	236	247	224	341	1,048	256	259	233	407	1,155
GROSS DOMESTIC PRODUCT AT FACTOR COST ...	10,034	11,101	12,570	11,957	45,662	11,220	12,359	13,867	13,055	50,501

(1) Annual data for earlier years are available in "National Accounts, Income and Expenditure, 1965", and previous years; (Catalogue No. 13-201); quarterly data are available on request.

TABLE 10. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1965 and 1966(1)  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Personal expenditure on consumer goods and services .....	6,564	7,111	6,896	7,891	28,462	7,019	7,358	7,282	8,233	29,892
Non-durable goods .....	3,146	3,314	3,436	4,017	13,913	3,310	3,494	3,616	4,227	14,647
Durable goods .....	827	1,116	892	1,170	4,005	972	1,063	957	1,181	4,173
Services .....	2,591	2,681	2,568	2,704	10,544	2,737	2,801	2,709	2,825	11,072
Government expenditure on goods and services(2) .....	1,595	1,919	2,166	1,891	7,571	1,753	2,004	2,436	2,057	8,250
Business gross fixed capital formation ..	1,729	2,124	2,299	2,382	8,534	2,060	2,498	2,399	2,473	9,430
New residential construction .....	370	396	423	455	1,644	386	418	394	407	1,605
New non-residential construction .....	576	725	971	924	3,196	704	899	1,024	1,001	3,628
New machinery and equipment .....	783	1,003	905	1,003	3,694	970	1,181	981	1,065	4,197
Change in inventories .....	253	- 36	976	- 255	938	106	66	1,052	- 282	942
Non-farm business inventories .....	481	109	115	169	874	380	272	- 4	129	777
Farm inventories and grain in commercial channels .....	- 228	- 145	861	- 424	64	- 274	- 206	1,056	- 411	165
Exports of goods and services .....	2,062	2,495	2,759	2,707	10,023	2,378	2,800	3,050	2,951	11,179
Deduct: Imports of goods and services ...	- 2,335	- 2,750	- 2,683	- 2,982	- 10,750	- 2,685	- 3,061	- 2,987	- 3,258	- 11,991
Residual error of estimate .....	90	21	- 60	- 56	- 5	77	- 28	- 188	- 133	- 272
GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS(3) .....	9,958	10,884	12,353	11,578	44,773	10,708	11,637	13,044	12,041	47,430

(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 10, 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.

Note: Revised data for 1964 resulting from new information are:

I	II	III	IV	Year
(2) 1,546	1,791	1,989	1,787	7,113
(3) 9,394	10,278	11,475	10,739	41,886





TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 11. National Income and Gross National Product, by Quarters, 1965 and 1966 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Wages, salaries, and supplementary labour income .....	25,008	25,600	26,344	27,180	26,033	28,332	28,960	29,592	30,412	29,324
Military pay and allowances .....	596	592	600	560	587	684	568	588	644	621
Corporation profits before taxes .....	5,040	5,112	5,344	5,300	5,199	5,292	5,272	4,896	5,288	5,187
Deduct: Dividends paid to non-residents(1) ..	- 700	- 788	- 772	- 744	- 751	- 760	- 780	- 780	- 944	- 816
Rent, interest and miscellaneous investment income .....	3,384	3,516	3,516	3,800	3,554	3,772	3,932	3,828	4,080	3,903
Accrued net income of farm operators from farm production(2) .....	1,564	1,496	1,780	1,740	1,645	2,184	2,244	2,252	2,136	2,204
Net income of non-farm unincorporated business(3) .....	2,736	2,872	2,980	2,920	2,877	2,936	2,852	3,000	3,008	2,949
Inventory valuation adjustment .....	- 188	- 308	- 340	- 464	- 325	- 488	- 232	- 340	- 212	- 318
NET NATIONAL INCOME AT FACTOR COST .....	37,440	38,092	39,452	40,292	38,819	41,952	42,816	43,036	44,412	43,054
Indirect taxes less subsidies .....	6,924	7,128	7,320	7,316	7,172	7,772	7,844	7,976	7,608	7,800
Capital consumption allowances and miscellaneous valuation adjustments .....	5,944	6,092	6,128	6,276	6,110	6,428	6,644	6,536	6,756	6,591
Residual error of estimate .....	- 68	96	- 36	40	8	240	316	420	368	336
GROSS NATIONAL PRODUCT AT MARKET PRICES ....	50,240	51,408	52,864	53,924	52,109	56,392	57,620	57,968	59,144	57,781
(Gross national product at market prices excluding accrued net income of farm operators) .....	(48,676)	(49,912)	(51,084)	(52,184)	(50,464)	(54,208)	(55,376)	(55,716)	(57,008)	(55,577)

(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 12. Gross National Expenditure, by Quarters, 1965 and 1966 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Personal expenditure on consumer goods and services .....	30,748	31,644	32,520	33,340	32,063	33,956	34,112	35,304	35,988	34,840
Government expenditure on goods and services(1, 2) .....	9,248	9,540	9,660	9,936	9,596	10,592	10,872	11,648	11,564	11,169
Business gross fixed capital formation(3) ..	9,848	10,172	11,000	11,584	10,651	12,016	12,324	12,000	12,516	12,214
New residential construction .....	2,052	2,136	2,144	2,164	2,124	2,220	2,336	2,096	2,060	2,178
New non-residential construction .....	3,816	3,728	4,148	4,404	4,024	4,788	4,832	4,628	4,996	4,811
New machinery and equipment .....	3,980	4,308	4,708	5,016	4,503	5,008	5,156	5,276	5,460	5,225
Value of physical change in inventories ....	1,288	1,168	728	608	948	988	1,668	588	736	995
Non-farm business inventories .....	1,108	980	836	696	905	792	1,392	564	580	832
Farm inventories and grain in commercial channels(4) .....	180	188	- 108	- 88	43	196	276	24	156	163
Exports of goods and services(5) .....	10,624	10,972	11,316	11,712	11,156	12,516	12,572	13,096	13,292	12,869
Deduct: Imports of goods and services(5) ...	-11,588	-11,992	-12,392	-13,216	-12,297	-13,436	-13,616	-14,248	-14,580	-13,970
Residual error of estimate .....	72	- 96	32	- 40	- 8	- 240	- 312	- 420	- 372	- 336
GROSS NATIONAL EXPENDITURE AT MARKET PRICES	50,240	51,408	52,864	53,924	52,109	56,392	57,620	57,968	59,144	57,781
Detail of Farm Inventories and GICC:										
Value of grain crop production .....	1,300	1,300	1,300	1,304	1,301	1,564	1,564	1,564	1,564	1,564
Depletions of farm stocks of grain .....	- 1,188	- 1,168	- 1,116	- 1,340	- 1,203	- 1,224	- 1,372	- 1,612	- 1,404	- 1,403
Change in livestock inventories .....	- 4	- 40	- 28	- 96	- 42	- 100	36	48	- 32	- 12
Grain in Commercial Channels .....	72	96	- 264	44	- 13	- 44	48	24	28	14

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 16.

(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 11). All other items in the farm inventories series are seasonally adjusted by standard techniques.

(5) Revised figures not incorporated into the Accounts as per note on page 21:

Exports .....	10,740	11,060	11,420	11,792	11,253	12,616	12,668	13,192	13,388	12,943
Imports .....	11,640	12,028	12,440	13,236	12,336	13,472	13,656	14,288	14,620	14,009

TABLE 13. Source of Personal Income, by Quarters, 1965 and 1966 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Wages, salaries, and supplementary labour income .....	25,008	25,600	26,344	27,180	26,033	28,332	28,960	29,592	30,412	29,324
Deduct: Employer and employee contributions to social insurance and government pension funds .....	- 920	- 948	- 980	- 988	- 959	- 1,504	- 1,852	- 1,928	- 1,980	- 1,816
Military pay and allowances .....	596	592	600	560	587	684	568	588	644	621
Net income received by farm operators from farm production(1) .....	2,080	1,244	1,720	1,712	1,689	2,044	2,080	2,056	2,012	2,048
Net income of non-farm unincorporated business .....	2,736	2,872	2,980	2,920	2,877	2,936	2,852	3,000	3,008	2,949
Interest, dividends and net rental income of persons(2) .....	4,048	4,044	4,164	4,260	4,129	4,396	4,444	4,596	4,708	4,536
Transfer payments to persons:										
From government (excluding interest) .....	4,404	4,424	4,604	4,576	4,502	4,692	4,904	5,084	5,344	5,006
Charitable contributions by corporations .....	44	44	44	44	44	44	44	44	44	44
PERSONAL INCOME .....	37,996	37,872	39,476	40,264	38,902	41,624	42,000	43,032	44,192	42,712

(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 14. Disposition of Personal Income, by Quarters, 1965 and 1966 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Personal direct taxes .....	3,800	3,852	3,932	4,064	3,912	4,216	4,156	4,564	4,800	4,434
Income taxes .....	3,284	3,308	3,352	3,476	3,355	3,652	3,580	3,972	4,212	3,854
Succession duties and estate taxes .....	168	196	240	232	209	236	212	252	212	228
Miscellaneous .....	348	348	340	356	348	328	364	340	376	352
Personal expenditure on consumer goods and services .....	30,748	31,644	32,520	33,340	32,063	33,956	34,112	35,304	35,988	34,840
Non-durable goods .....	14,784	15,260	15,584	16,108	15,434	16,300	16,728	17,104	17,520	16,913
Durable goods .....	3,708	3,892	4,224	4,180	4,001	4,272	3,828	4,308	4,268	4,169
Services(1) .....	12,256	12,492	12,712	13,052	12,628	13,384	13,556	13,892	14,200	13,758
Personal net saving .....	3,448	2,376	3,024	2,860	2,927	3,452	3,732	3,164	3,404	3,438
PERSONAL INCOME .....	37,996	37,872	39,476	40,264	38,902	41,624	42,000	43,032	44,192	42,712
Personal disposable income(2) ....	(34,196)	(34,020)	(35,544)	(36,200)	(34,990)	(37,408)	(37,844)	(38,468)	(39,392)	(38,278)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.



TABLE 15. Government Revenue, by Quarters, 1965 and 1966 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Direct taxes - Persons .....	3,800	3,852	3,932	4,064	3,912	4,216	4,156	4,564	4,800	4,434
Federal .....	2,720	2,760	2,660	2,720	2,715	2,832	2,744	3,048	3,196	2,955
Provincial and municipal .....	1,080	1,092	1,272	1,344	1,197	1,384	1,412	1,516	1,604	1,479
Direct taxes - Corporations .....	2,060	2,136	2,192	2,268	2,164	2,128	2,248	2,188	2,196	2,190
Federal(1) .....	1,544	1,600	1,636	1,712	1,623	1,596	1,688	1,636	1,648	1,642
(Federal tax collections)(1) .....	(1,576)	(1,896)	(1,628)	(1,760)	(1,715)	(1,724)	(1,724)	(1,740)	(1,732)	(1,730)
Provincial .....	516	536	556	556	541	532	560	552	548	548
(Provincial tax collections) .....	(544)	(584)	(544)	(536)	(552)	(548)	(636)	(540)	(564)	(572)
Withholding taxes:										
Federal(2) .....	160	172	164	176	168	176	204	200	232	203
Indirect taxes .....	7,164	7,372	7,592	7,800	7,482	8,148	8,208	8,344	8,408	8,277
Federal .....	3,040	3,172	3,332	3,444	3,247	3,524	3,556	3,596	3,632	3,577
Provincial and municipal(3) .....	4,124	4,200	4,260	4,356	4,235	4,624	4,652	4,748	4,776	4,700
Investment income .....	1,592	1,660	1,644	1,856	1,688	1,796	1,912	1,804	1,928	1,860
Federal .....	568	612	572	720	618	612	716	608	716	663
Provincial and municipal .....	1,024	1,048	1,072	1,136	1,070	1,184	1,196	1,196	1,212	1,197
Employer and employee contributions to social insurance and government pension funds ....	920	948	980	988	959	1,504	1,852	1,928	1,980	1,816
Federal .....	584	600	608	616	602	624	696	700	704	681
Provincial and municipal .....	336	348	372	372	357	400	412	436	436	421
Canada Pension Plan(4) .....						360	552	584	628	531
Quebec Pension Plan(4) .....						120	192	208	212	183
Transfers from Federal:										
Provincial and municipal .....	1,496	1,444	1,316	1,452	1,427	1,508	1,684	1,636	1,808	1,659
TOTAL REVENUE .....	17,192	17,584	17,820	18,604	17,800	19,476	20,264	20,664	21,352	20,439
FEDERAL .....	8,616	8,916	8,972	9,388	8,973	9,364	9,604	9,788	10,128	9,721
PROVINCIAL AND MUNICIPAL .....	8,576	8,668	8,848	9,216	8,827	9,632	9,916	10,084	10,384	10,004
CANADA PENSION PLAN .....						360	552	584	628	531
QUEBEC PENSION PLAN .....						120	192	208	212	183

(1) "See footnote 1, Table 5."

(2) "See footnote 2, Table 5."

(3) 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.

(4) Estimates of a normal quarterly pattern have been used to seasonally adjust the contributions to the Canada and Quebec Pension Plans. No precise interpretation can be placed on the quarterly movements of these series until a later date.

TABLE 16. Government Expenditure, by Quarters, 1965 and 1966 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Goods and services .....	9,248	9,540	9,660	9,936	9,596	10,592	10,872	11,648	11,564	11,169
Federal .....	3,204	3,132	3,312	3,420	3,267	3,652	3,676	3,992	4,200	3,880
(Defence) .....	(1,620)	(1,512)	(1,584)	(1,532)	(1,562)	(1,664)	(1,612)	(1,720)	(1,856)	(1,713)
Provincial and municipal .....	6,044	6,408	6,348	6,516	6,329	6,940	7,196	7,656	7,364	7,289
Transfer payments to persons (excluding interest on the public debt) .....	4,404	4,424	4,604	4,576	4,502	4,692	4,904	5,084	5,344	5,006
Federal .....	2,292	2,348	2,360	2,264	2,316	2,392	2,452	2,520	2,548	2,478
Provincial and municipal .....	2,112	2,076	2,244	2,312	2,186	2,300	2,452	2,564	2,796	2,528
Interest on the public debt .....	1,608	1,624	1,640	1,668	1,635	1,732	1,764	1,832	1,828	1,789
Federal .....	1,052	1,036	1,040	1,080	1,052	1,124	1,128	1,168	1,184	1,151
Provincial and municipal .....	556	588	600	588	583	608	636	664	644	638
Subsidies .....	240	244	272	484	310	376	364	368	800	477
Federal .....	192	192	220	432	259	240	296	252	692	370
Provincial .....	48	52	52	52	51	136	68	116	108	107
Capital Assistance: (1)										
Federal .....	80	84	84	88	84	32	88	56	60	59
Transfers to other levels of government:										
Federal .....	1,496	1,444	1,316	1,452	1,427	1,508	1,684	1,636	1,808	1,659
Total expenditure .....	17,076	17,360	17,576	18,204	17,554	18,932	19,676	20,624	21,404	20,159
Federal .....	8,316	8,236	8,332	8,736	8,405	8,948	9,324	9,624	10,492	9,597
Provincial and municipal .....	8,760	9,124	9,244	9,468	9,149	9,984	10,352	11,000	10,912	10,562
Deficit (-) or surplus (+) .....	+ 116	+ 224	+ 244	+ 400	+ 246	+ 544	+ 588	+ 40	- 52	+ 280
Federal .....	+ 300	+ 680	+ 640	+ 652	+ 568	+ 416	+ 280	+ 164	- 364	+ 124
Provincial and municipal .....	- 184	- 456	- 396	- 252	- 322	- 352	- 436	- 916	- 528	- 558
Canada Pension Plan .....						360	552	584	628	531
Quebec Pension Plan .....						120	192	208	212	183
TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS .....	17,192	17,584	17,820	18,604	17,800	19,476	20,264	20,664	21,352	20,439
FEDERAL .....	8,616	8,916	8,972	9,388	8,973	9,364	9,604	9,788	10,128	9,721
PROVINCIAL AND MUNICIPAL .....	8,576	8,668	8,848	9,216	8,827	9,632	9,916	10,084	10,384	10,004
CANADA PENSION PLAN .....						360	552	584	628	531
QUEBEC PENSION PLAN .....						120	192	208	212	183

(1) See footnote 1, Table 6.

TABLE 17. Source of National Saving, by Quarters, 1965 and 1966 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Personal net saving .....	3,448	2,376	3,024	2,860	2,927	3,452	3,732	3,164	3,404	3,438
Business gross saving .....	6,936	7,836	7,792	7,812	7,594	8,096	8,232	7,732	8,084	8,036
Undistributed corporation profits ...	1,428	1,408	1,520	1,420	1,444	1,496	1,336	944	1,144	1,230
Capital consumption allowances and miscellaneous valuation adjustments	5,944	6,092	6,128	6,276	6,110	6,428	6,644	6,536	6,756	6,591
Adjustment on grain transactions(1)	- 516	252	60	28	- 44	140	164	196	124	156
Capital assistance .....	80	84	84	88	84	32	88	56	60	59
Inventory valuation adjustment .....	- 188	- 308	- 340	- 464	- 325	- 488	- 232	- 340	- 212	- 318
Government surplus (+) or deficit (-)	116	224	244	400	246	544	588	40	- 52	280
Residual error of estimate .....	- 68	96	- 36	40	8	240	316	420	368	336
Totals .....	10,244	10,224	10,684	10,648	10,450	11,844	12,636	11,016	11,592	11,772

(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 18. Disposition of National Saving, by Quarters, 1965 and 1966 Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Business gross fixed capital formation	9,848	10,172	11,000	11,584	10,651	12,016	12,324	12,000	12,516	12,214
New residential construction .....	2,052	2,136	2,144	2,164	2,124	2,220	2,336	2,096	2,060	2,178
New non-residential construction ....	3,816	3,728	4,148	4,404	4,024	4,788	4,832	4,628	4,996	4,811
New machinery and equipment .....	3,980	4,308	4,708	5,016	4,503	5,008	5,156	5,276	5,460	5,225
Value of physical change in inventories	1,288	1,168	728	608	948	988	1,668	588	736	995
Surplus (+) or deficit (-) on current account with non-residents(1) .....	- 964	- 1,020	- 1,076	- 1,504	- 1,141	- 920	- 1,044	- 1,152	- 1,288	- 1,101
Residual error of estimate .....	72	- 96	32	- 40	- 8	- 240	- 312	- 420	- 372	- 336
Totals .....	10,244	10,224	10,684	10,648	10,450	11,844	12,636	11,016	11,592	11,772

(1) Revised figures not incorporated in the Accounts as per note on page 21.

1965					1966				
I	II	III	IV	Year	I	II	III	IV	Year
- 900	- 968	- 1,020	- 1,444	- 1,083	- 856	- 988	- 1,096	- 1,232	- 1,043



TABLE 19. Relation between Gross National Product at Market Prices and Gross Domestic Product at Factor Cost, by Quarters, 1965 and 1966(1)  
Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
GROSS NATIONAL PRODUCT AT MARKET PRICES .....	50,240	51,408	52,864	53,924	52,109	56,392	57,620	57,968	59,144	57,781
Deduct: Residual error of estimate .....	68	- 96	36	- 40	- 8	- 240	- 316	- 420	- 368	- 336
Indirect taxes less subsidies .....	- 6,924	- 7,128	- 7,320	- 7,316	- 7,172	- 7,772	- 7,844	- 7,976	- 7,608	- 7,800
Income received from non-residents .....	- 312	- 328	- 336	- 284	- 315	- 328	- 312	- 252	- 304	- 299
Add: Income paid to non-residents .....	976	1,084	1,064	1,068	1,048	1,100	1,116	1,128	1,276	1,155
GROSS DOMESTIC PRODUCT AT FACTOR COST .....	44,048	44,940	46,308	47,352	45,662	49,152	50,264	50,448	52,140	50,501

(1) See footnote 1, Table 9.

TABLE 20. Gross National Expenditure in Constant (1957) Dollars, by Quarters 1965 and 1966(1)  
Seasonally Adjusted at Annual Rates  
(millions of dollars)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Personal expenditure on consumer goods and services .....	27,564	28,144	28,808	29,332	28,462	29,484	29,292	30,240	30,552	29,892
Non-durable goods .....	13,512	13,780	14,000	14,360	13,913	14,256	14,508	14,772	15,052	14,647
Durable goods .....	3,704	3,888	4,236	4,192	4,005	4,308	3,820	4,332	4,232	4,173
Services .....	10,348	10,476	10,572	10,780	10,544	10,920	10,964	11,136	11,268	11,072
Government expenditure on goods and services(2) .....	7,380	7,544	7,676	7,684	7,571	7,924	8,148	8,600	8,328	8,250
Business gross fixed capital formation .....	7,956	8,156	8,828	9,196	8,534	9,416	9,560	9,248	9,496	9,430
New residential construction .....	1,616	1,656	1,656	1,648	1,644	1,664	1,736	1,540	1,480	1,605
New non-residential construction .....	3,096	2,968	3,284	3,436	3,196	3,684	3,664	3,472	3,692	3,628
New machinery and equipment .....	3,244	3,532	3,888	4,112	3,694	4,068	4,160	4,236	4,324	4,197
Change in inventories .....	1,252	1,156	720	624	938	1,004	1,564	528	672	942
Non-farm business inventories .....	1,080	944	804	668	874	788	1,280	496	544	777
Farm inventories and grain in commercial channels .....	172	212	- 84	- 44	64	216	284	32	128	165
Exports of goods and services .....	9,644	9,908	10,112	10,428	10,023	11,052	11,008	11,232	11,424	11,179
Deduct: Imports of goods and services .....	- 10,156	- 10,540	- 10,828	- 11,476	- 10,750	- 11,632	- 11,744	- 12,216	- 12,372	- 11,991
Residual error of estimate .....	64	- 80	28	- 32	- 5	- 200	- 252	- 340	- 296	- 272
GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS(3) .....	43,704	44,288	45,344	45,756	44,773	47,048	47,576	47,292	47,804	47,430

(1) See footnote 1, Table 10.

Note: Revised data for 1964 resulting from new information are:

	I	II	III	IV	Year
(2)	7,220	7,120	6,908	7,204	7,113
(3)	41,252	41,872	42,028	42,392	41,886

TABLE 21. Implicit Price Indexes - Seasonally Adjusted  
Gross National Expenditure, 1965 and 1966  
(1957 = 100)

	1965					1966				
	I	II	III	IV	Year	I	II	III	IV	Year
Personal expenditure on consumer goods and services .....	111.6	112.4	112.9	113.7	112.7	115.2	116.5	116.7	117.8	116.6
Non-durable goods .....	109.4	110.7	111.3	112.2	110.9	114.3	115.3	115.8	116.4	115.5
Durable goods .....	100.1	100.1	99.7	99.7	99.9	99.2	100.2	99.4	100.9	99.9
Services .....	118.4	119.2	120.2	121.1	119.8	122.6	123.6	124.7	126.0	124.3
Government expenditure on goods and services(2) .....	125.3	126.5	125.8	129.3	126.7	133.7	133.4	135.4	138.9	135.4
Business gross fixed capital formation .....	123.8	124.7	124.6	126.0	124.8	127.6	128.9	129.8	131.8	129.5
New residential construction .....	127.0	129.0	129.5	131.3	129.2	133.4	134.6	136.1	139.2	135.7
New non-residential construction .....	123.3	125.6	126.3	128.2	125.9	130.0	131.9	133.3	135.3	132.6
New machinery and equipment .....	122.7	122.0	121.1	122.0	121.9	123.1	123.9	124.6	126.3	124.5
Exports of goods and services .....	110.2	110.7	111.9	112.3	111.3	113.2	114.2	116.6	116.4	115.1
Imports of goods and services .....	114.1	113.8	114.4	115.2	114.4	115.5	115.9	116.6	117.8	115.5
GROSS NATIONAL EXPENDITURE(3) .....	115.0	116.1	116.6	117.9	116.4	119.9	121.1	122.6	123.7	121.8

(1) These implicit indexes are currently weighted price indexes. They reflect not only pure price changes, but also changing expenditure patterns within and between major groups. Quarter to quarter comparisons based on the seasonally adjusted data are less subject to the problem of shifting weights than are similar comparisons based on data unadjusted for seasonality, and therefore may be used as indicators of price change.

Note: Revised data for 1964 resulting from new information are:

	I	II	III	IV	Year
(2)	118.2	120.8	123.8	123.9	121.7
(3)	111.5	112.6	114.1	114.4	113.2

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TABLE 22. Business Gross Fixed Capital Formation, by Industry, 1965 and 1966(1)  
(millions of dollars)

	1965	1966
Agriculture .....		
Fishing and trapping .....	926	1,001
Forestry .....	96	89
Mining, quarrying, and oil wells .....	735	994
Manufacturing .....	2,340	2,803
Construction .....	263	267
Transportation .....		
Storage .....	820	972
Communication(2) .....	458	547
Electric power, gas and water utilities .....	1,131	1,343
Trade .....	395	437
Finance, insurance and real estate(3) .....	2,551	2,647
Services(4) .....	936	1,114
Totals .....	10,651	12,214

(1) This table is derived from "Private and Public Investment in Canada", publications. Additional detail has been provided by the DBS Business Finance Division, and adjustments have been made to bring the data into line with national accounting concepts. See reconciliation statement, Table 3. For an industrial distribution of total private and public investment, see Table 1 in the cited publication.

(2) Excludes investment expenditures by the Canadian Broadcasting Corporation.

(3) Includes all new residential construction, (including government enterprises, but excluding general government). See Table 2.

(4) Excludes government departmental expenditures, federal hospital, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railway, power commissions, etc), are included under appropriate industry headings.

TABLE 23. Business Gross Fixed Capital Formation, 1965 and 1966  
Reconciliation Statement  
(millions of dollars)

	1965	1966
Total private and public investment in Canada(1) ...	12,865	14,897
Deduct - New residential construction by governments(2) .....	- 9	- 3
New non-residential construction by governments .....	- 1,958	- 2,354
New machinery and equipment outlays by governments .....	- 247	- 326
Business gross fixed capital formation .....	10,651	12,214

(1) As presented in the publications "Private and Public Investment in Canada".

(2) General government non-rental housing. Government enterprise housing included under line 5.

TABLE 24. Exports and Imports of Goods and Services, 1965 and 1966(1)  
Reconciliation Statement  
(millions of dollars)

	1965	1966
<u>Exports of goods and services:</u>		
Merchandise exports .....	8,737	10,270
Gold production available for export .....	138	125
Interest and dividends received from non-residents .....	315	294
Other receipts for services .....	2,177	2,533
Sub-total - "Current receipts" as per Canadian Balance of International Payments ..	11,367	13,222
Inheritances and immigrants' funds .....	- 211	- 256
Adjusting entry .....	-	- 97
Total "exports of goods and services" as per National Accounts(2) .....	11,156	12,869
<u>Imports of goods and services:</u>		
Merchandise imports .....	8,636	9,890
Interest and dividends paid to non-residents .....	1,048	1,178
Other payments for services .....	2,819	3,137
Sub-total - "Current payments" as per Canadian Balance of International Payments ..	12,503	14,205
Inheritances and emigrants' funds .....	- 206	- 196
Adjusting entry .....	-	- 39
Total "imports of goods and services" as per National Accounts(2) .....	12,297	13,970

(1) Revisions to figures for 1964 and 1965 were made by the Balance of Payments Section as shown in "Quarterly Estimates of the Canadian Balance of International Payments", DBS 67-001 for the second quarter 1966. These have not been incorporated into the National Accounts. However, the correct relationship between revised 1965 and 1966 totals has been maintained by introducing an adjusting entry in the table.

(2) See Table 2.

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