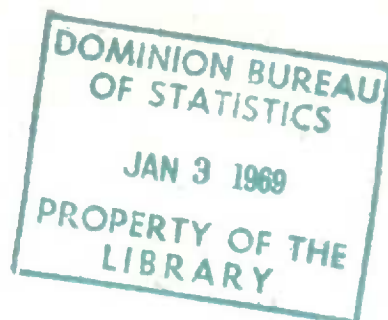


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NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
THIRD QUARTER 1968

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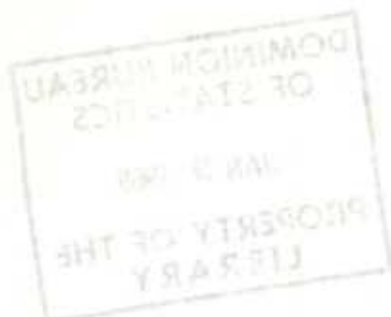
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<u>Catalogue number</u>	<u>Title</u>	<u>Price</u>
13-519	"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58	1.50
13-001	"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1963", for the year 1959 .....	.50
13-001	"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1964", for the year 1960 .....	.50
13-001	"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1965", for the years 1961-63 .....	.50
13-001	"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1967", for the years 1964-6650

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TABLE OF CONTENTS

Page

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

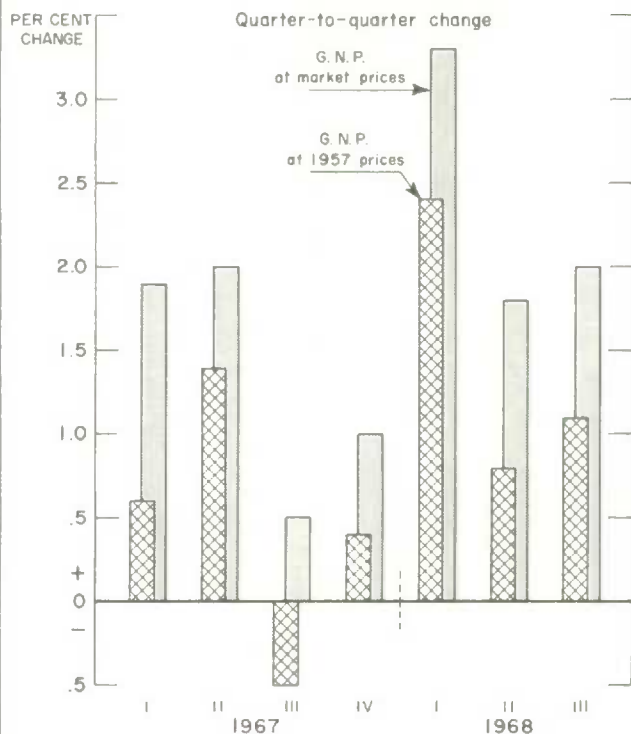
Tables Unadjusted for Seasonal Variation:

Table 1. National Income and Gross National Product, by Quarters, 1967-1968	20
Table 2. Gross National Expenditure, by Quarters, 1967-1968	20
Table 3. Source of Personal Income, by Quarters, 1967-1968	21
Table 4. Disposition of Personal Income, by Quarters, 1967-1968	21
Table 5. Government Revenue, by Quarters, 1967-1968	22
Table 6. Government Expenditure, by Quarters, 1967-1968	23
Table 7. Source of National Saving, by Quarters, 1967-1968	24
Table 8. Disposition of National Saving, by Quarters, 1967-1968	24
Table 9. Relation between Gross National Product at Market Prices and Gross Domestic Product at Factor Cost, by Quarters, 1967-1968	25
Table 10. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1967-1968 ...	25

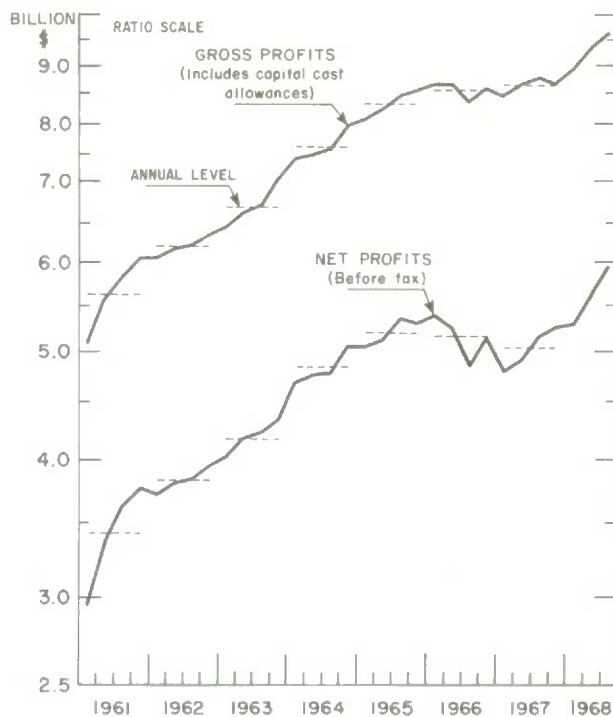
Tables Adjusted for Seasonal Variation and at Annual Rates:

Table 11. National Income and Gross National Product, by Quarters, 1967-1968	28
Table 12. Gross National Expenditure, by Quarters, 1967-1968	28
Table 13. Source of Personal Income, by Quarters, 1967-1968	29
Table 14. Disposition of Personal Income, by Quarters, 1967-1968	29
Table 15. Government Revenue, by Quarters, 1967-1968	30
Table 16. Government Expenditure, by Quarters, 1967-1968	31
Table 17. Source of National Saving, by Quarters, 1967-1968	32
Table 18. Disposition of National Saving, by Quarters, 1967-1968	32
Table 19. Relation between Gross National Product at Market Prices and Gross Domestic Product at Factor Cost, by Quarters, 1967-1968	33
Table 20. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1967-1968 ...	33

G.N.P. in the third quarter
rose 2 per cent at current prices
and 1.1 per cent in real terms.



Third quarter net corporation profits
rose to a peak level 5½ per cent
over the second quarter.

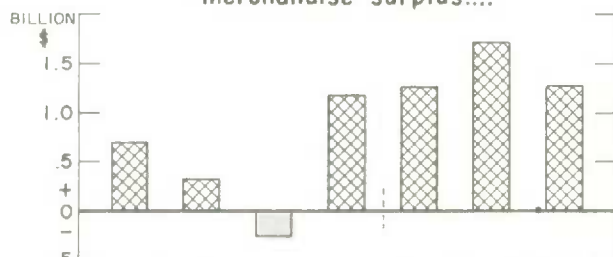


Total demand rose \$1.8 billion,
or 2.2 per cent, paced by
consumer and business spending.

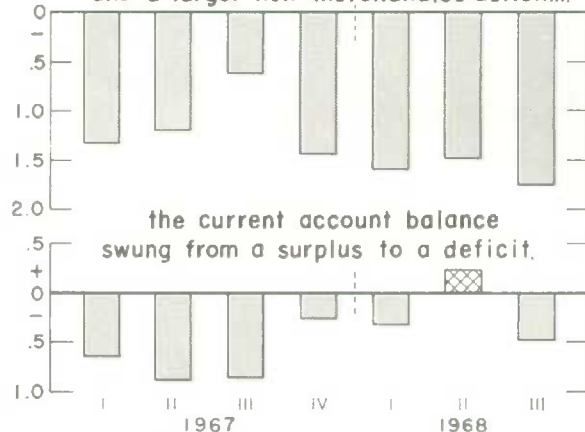


*G.N.P. + Imports

Because of a decline in the
merchandise surplus....



and a larger non-merchandise deficit....



the current account balance
swung from a surplus to a deficit.

Revised figures used for 1967 current account

ALL DATA SEASONALLY ADJUSTED AT ANNUAL RATES

INTRODUCTORY REVIEW - THIRD QUARTER 1968

In the third quarter the gross national product reached a level of \$67.6 billion, seasonally adjusted at annual rates, continuing the more rapid pace of economic activity since the slowdown in the latter half of 1967. The output of goods and services increased by 2 per cent. Expansion of domestic demand intensified, paced by a pronounced upsurge in personal expenditure.

With a rise in the price component of 0.8 per cent -- lower than in the previous quarter -- the increase in GNP in real terms was 1.1 per cent. Together with earlier advances in the year, the increase in volume has been 4.5 per cent from the fourth quarter of 1967.

With the data now available, it is possible to suggest orders of magnitude for the value of GNP for the entire year. If, for example, there were no increase in the fourth quarter after adjustment for seasonal variation, the advance from 1967 would be 7.4 per cent. If a 2 per cent rise were assumed, the increase for the year would be 7.9 per cent.

Total demand increased by over 2 per cent in the third quarter, compared with 1-1/2 per cent in the second. Exports declined after large gains in the first half of the year, while domestic demand increased by a substantial 3 per cent. After weakening in the second quarter, personal outlays jumped by over 3 per cent, the largest rise in two years; the greatest percentage advance was in durables, reflecting mainly a 16 per cent gain in new car purchases, but widespread increases also occurred among non-durable and service components. Business gross fixed capital formation rose by 3-1/2 per cent from the revised second quarter, largely the result of a 7-1/2 per cent increase in expenditure on machinery and equipment; construction outlays increased marginally as residential construction slipped fractionally from the high second quarter level and the non-residential component continued the 1968 pattern of small gains. Accumulation of non-farm business inventories continued in the quarter, with the main strength at the manufacturing level. Government expenditure increased by less than 1 per cent, all at the federal level.

In the external sector, the deficit on current account on a national accounts basis stood at \$480 million, as exports of goods and services declined by 1 per cent after strong increases in the first and second quarters, while imports rose 3 per cent after remaining virtually flat in the previous quarter. The merchandise surplus declined by \$436 million, as exports decreased by 1-1/2 per cent and imports advanced 2 per cent; the non-merchandise deficit widened by \$276 million as exports declined marginally and imports rose 5-1/2 per cent. Increased demand for machinery and equipment and consumers' services were reflected by higher imports of producers' equipment and a jump of almost 25 per cent in payments in the tourist and travel account.

Net corporation profits before taxes rose a further 5-1/2 per cent after the large second quarter advance while gross profits, which include capital consumption allowances, increased by 3 per cent. Labour income advanced by 2 per cent, as the gain in goods-producing industries slowed from 3 per cent in the second quarter to 1 per cent. Non-agricultural employment increased by less than 1 per cent, while the unemployment rate was almost unchanged at 5.1 per cent of the labour force.

Price Movements

In the third quarter, prices rose by 0.8 per cent, a lower rate than the 1.0 per cent advance of the previous quarter. Lower rates of increase were registered in the price indexes of business gross fixed capital formation, exports and imports, while personal expenditure prices advanced at the same rate as in the preceding quarter.

The personal expenditure price index registered a second successive increase of 0.9 per cent, as a lower rate of increase in goods offset an acceleration in the price component of services. The service index rose by 1.5 per cent, the highest rate in four quarters; increases of 3.0 per cent and 2.2 per cent respectively were recorded in the prices of purchased transportation and recreation, while the rent component continued its upward trend with a 1.4 per cent rise. Non-durable prices rose by 0.6 per cent, a slightly lower rate than in the second quarter. All items except alcoholic beverages showed increases, with the larger gains occurring in the indexes for fuel, electricity, newspapers and magazines. Food prices, after declining fractionally in the preceding three months, advanced by 0.6 per cent; declines occurred in the prices of fresh fruits and vegetables while increases were noted in the prices of meat and miscellaneous groceries. Durable goods prices declined fractionally, with lower prices for new automobiles and household electrical appliances almost offset by increases for furniture and jewellery.

The price of business gross fixed capital formation increased by 0.8 per cent, the lowest rate in four quarters. Prices for machinery and equipment rose by 1.0 per cent following a slight decline in the second quarter, while the rate of increase for construction eased noticeably.

The price indexes of both exports and imports increased fractionally, with declines in the merchandise components offset by higher prices for services. Contributing to the lower prices for merchandise exports were declines in crude petroleum, natural gas, newsprint paper, iron ore and zinc; particularly notable was a drop of 12.7 per cent in the price of copper.

Selected Base Weighted Price Indexes, Seasonally Adjusted
Percentage Change from Previous Quarter

	1966			1967				1968		
	II	III	IV	I	II	III	IV	I	II	III
Personal expenditure	1.0	0.6	0.9	0.4	1.3	1.3	0.7	1.2	0.9	0.9
Non-durable goods	1.1	0.5	0.5	-0.1	0.8	1.2	0.4	1.8	0.7	0.6
Durable goods	0.8	-0.3	1.2	-0.2	1.4	1.0	1.1	-0.4	0.5	-0.1
Total goods	1.1	0.4	0.6	-	0.8	1.2	0.5	1.3	0.7	0.5
of which: food	1.2	0.7	-0.2	-0.9	-0.6	2.0	0.8	1.4	-0.1	0.6
non-food	0.9	0.2	1.1	0.4	1.6	0.7	0.4	1.3	1.1	0.4
non-food non-durables	1.1	0.4	1.1	0.6	1.8	0.6	-	2.1	1.4	0.7
Services, excluding net expenditure abroad	1.1	1.0	1.2	1.3	2.1	1.5	0.8	0.9	1.2	1.5
Business gross fixed capital formation	1.2	1.2	1.0	1.2	-0.8	-0.2	1.0	1.1	1.0	0.8
Residential construction	1.5	2.1	2.2	0.9	2.1	1.0	2.5	1.3	1.8	1.2
Non-residential construction	1.5	1.4	1.3	1.5	1.2	0.7	1.1	0.9	1.8	0.3
Machinery and equipment	0.7	0.8	0.2	1.0	-3.8	-1.6	0.1	1.2	-0.2	1.0
Exports	0.5	1.6	0.6	0.4	-	0.1	0.6	1.2	0.6	0.1
of which merchandise	0.5	1.6	0.4	0.2	-0.4	-0.3	0.4	1.2	0.2	-0.3
Gross National Expenditure (excluding inventories)	1.2	1.2	1.0	1.3	0.5	1.0	0.7	0.9	1.0	1.0
Gross National Expenditure (implicit prices)	1.1	1.3	0.7	1.3	0.6	1.0	0.5	0.9	1.0	0.8

The Components of Demand

Personal Expenditure on Goods and Services

Personal expenditure reached a level of nearly \$41.5 billion, seasonally adjusted at annual rates, an increase of over 3 per cent from the second quarter. All three major aggregates contributed to the advance, the largest in two years, but most prominent was the 8-1/2 per cent increase in outlays for durables.

The rise in durables was heavily concentrated in new car purchases, which advanced almost 16 per cent; expenditures on cars produced in North America rose by 15 per cent after a decline in the previous quarter, while the overseas-produced cars component registered an increase of almost 25 per cent. Other durable items showing significant increases were appliances and radios, and home furnishings -- 7-1/2 per cent and 4-1/2 per cent respectively; furniture outlays declined by 3 per cent.

Increases among non-durable components were widespread and generally modest. Exceptions were the 8-1/2 per cent advance in expenditures on energy sources following a 5 per cent decline in the second quarter, and the 2 per cent decline in expenditures on alcoholic beverages. The food component showed an increase of one-half of one per cent.

Most components of the services aggregate showed advances of between 1-1/2 and 2-1/2 per cent. Only the recreation series declined, by 1-1/2 per cent.

Business Gross Fixed Capital Formation

Outlays on fixed capital rose from a rate of \$12.6 billion to \$13.0 billion, or by 3-1/2 per cent, after allowance for seasonal factors. The bulk of this gain stemmed from increased spending on machinery and equipment as total construction activity increased only moderately in the third quarter.

The annual rate of residential construction slowed from a revised second quarter level of \$2,844 million to \$2,828 million. While completions edged up from an annual rate of 170,300 to 173,900 in the quarter, starts declined from 191,200 to 172,300.

Estimated outlays on non-residential construction rose from a revised \$4,704 million to \$4,768 million at adjusted annual rates. Although a breakdown of this figure is not available, a large part of the 1-1/2 per cent rise appears to have been in building-type construction work.

Machinery and equipment investment rose 7-1/2 per cent over the second quarter to a level of \$5,412 million at annual rates, seasonally adjusted. This sharp upswing was reflected both in higher domestic shipments and in higher imports of machinery.

Non-Farm Business Inventories

Inventory accumulation gathered momentum in the third quarter of 1968 after a slight liquidation in the first quarter and a moderate increase in the second. The accumulation of \$400 million (seasonally adjusted at annual rates) was widespread, occurring at all industrial levels. It may be noted that the level of stocks does not appear unduly high in relation to output.

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

	1968		
	1Q	2Q	3Q
	(millions of dollars)		
Manufacturing	-132	-276	260
Durables	-120	-204	204
Non-durables	-12	-72	56
Wholesale	24	-56	40
Retail	284	364	140
"Other" Industries	-188	156	-40
Grand Total	-12	188	400

Substantial accumulation in manufacturers' stocks, following two quarters of liquidation, accounted for almost two-thirds of the increased investment. Most of this occurred at the durable level, with the build-up in the transportation industries especially notable. Among non-durables, the overall accumulation was almost entirely attributable to the food and paper industries; most other industries experienced stock liquidation. Additions to manufacturers' stocks took place at all stages of production, but particularly in raw materials. In spite of the build-up, the stock-to-shipments ratio was well below that of the preceding quarter. Moreover, new orders increased even more than shipments, leaving a backlog of unfilled orders.

The modest increase in the stocks of wholesale traders occurred entirely in non-durables. In durables, the trend toward accumulation, which had persisted since the first quarter of 1967, gave way to a liquidation. For wholesale trade in total, the stock-to-sales ratio fell sharply this quarter.

Investment by retail traders slowed noticeably in the quarter after large accumulation in the first half of the year. All of the increase was at the non-durable level, mostly food. The stock-to-sales ratio was unchanged for the fourth consecutive quarter.

Exports and Imports of Goods and Services

With exports of goods and services dropping by over 1 per cent and imports increasing by 3 per cent, the balance on current account for the quarter swung from a surplus of \$232 million at annual rates to a deficit of \$480 million. The merchandise surplus dropped from \$1,708 million to \$1,272 million, while the non-merchandise deficit widened from \$1,476 million to \$1,752 million.

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

	Exports			Imports		
	II Q'68	III Q'68	Percentage Change	II Q'68	III Q'68	Percentage Change
	(millions of dollars)					
Goods	13,524	13,336	-1.4	11,816	12,064	2.1
Services	3,252	3,236	-0.5	4,728	4,988	5.5
Gold production for export	116	108	-6.9			
Tourist and travel	1,080	1,032	-4.4	904	1,120	23.9
Interest and dividends	352	400	13.6	1,368	1,404	2.6
Freight and shipping	928	908	-2.2	936	920	-1.7
Other transactions	776	788	1.5	1,520	1,544	1.6
Total	16,776	16,572	-1.2	16,544	17,052	3.1

The deterioration in non-merchandise trade is mainly attributable to a drop in tourist and travel receipts of \$48 million at annual rates, and a rise in payments of \$216 million.

Merchandise exports fell by about 1-1/2 per cent from the second quarter level. Declines were marked in farm and fish products; forest products; fertilizers; aircraft and parts; metals and minerals -- particularly primary iron and steel, iron ore, and copper products.

Merchandise imports climbed some 2 per cent over the second quarter level. Increases were registered in industrial materials, producers' equipment, motor vehicles and parts, other transportation equipment, food and other consumer goods.

Government Sector

Total revenues of all levels of government (excluding inter-governmental transfers) increased from \$23,172 million to \$24,148 million, slightly over 4 per cent. A large portion of the increase occurred in revenues from personal direct taxation which rose by over 9 per cent from the irregularly low second quarter.

Revenues from indirect taxes rose by almost \$200 million with the bulk of the increase at the federal level. An increase of \$136 million in corporation tax liabilities was associated with the gain in corporate profits. Investment income showed little change with a gain at the federal level being almost offset by a decline at the provincial-municipal level.

Expenditures of all governments combined rose by just under 2 per cent. Outlays on goods and services rose by \$96 million due to higher federal non-defence outlays; provincial-municipal expenditures on goods and services declined slightly.

Transfer payments to persons rose by about 1 per cent in the quarter, although there were partially offsetting movements at the various levels of government. Provincial-municipal payments increased sharply, mainly reflecting payments made in Ontario under "The Residential Property Tax Reduction Act". Federal transfer payments declined with the decreases in a miscellaneous group of payments, including grants and scholarships and adult retraining payments, more than offsetting a rise in unemployment insurance payments.

With total revenues rising more rapidly than expenditures, the government sector, including the Canada and Quebec Pension Plans, moved from a deficit, on a national accounts basis and seasonally adjusted at annual rates, of \$128 million in the second quarter to a surplus of \$432 million in the third quarter. Most of the change came at the federal level where the deficit narrowed sharply from \$908 million to \$148 million; the provincial-municipal deficit widened from \$216 million to \$436 million. There was little change in the surpluses of the Canada and Quebec Pension Plans.

The Components of Income

Labour Income

Total labour income increased by nearly 2 per cent in the third quarter, a lesser rate than in the previous quarter. The advance in the goods-producing industries was 1 per cent, compared with 3 per cent in the second quarter, while the increase for service-producing industries was slightly over 2 per cent.

All industries in the goods-producing sector shared in the lower rate of advance. Manufacturing increased by 1-1/2 per cent, mainly the result of higher average hourly earnings; average hours worked showed a decline, while employment increased only slightly. In construction the gain was only one half of one per cent; the effect of higher average hourly earnings was dampened by lower employment. A slight decline was recorded in the primary industries.

Among the service-producing industries, notable increases were registered in trade, 2-1/2 per cent, and in the finance and service industries, 3 per cent. The transportation, storage and communication group advanced by about 1 per cent despite the postal strike. A small decrease was recorded in government.

Investment Income

Net corporation profits scored a second successive strong advance in the third quarter to reach a new peak of \$5,940 million, sustaining the rising tempo which began after the first quarter 1967 trough. The rise in profits, which resulted partly from a drop in capital cost allowances, was over 5 per cent in the third quarter of 1968; on a gross basis, profits rose 3 per cent.

Profit improvements were general among the industry groups. Moderate increases occurred in mining, transportation storage and communication, and both wholesale and retail trade. Larger increases were registered in finance, 12 per cent; utilities, 28 per cent; and service, 26 per cent. Profits of the manufacturing group were little changed.

Within the manufacturing group, profit movements were diverse. Advances of 5 and 10 per cent were recorded in the metals and chemical industries respectively. Very moderate rises in profits were experienced in the rubber, wood, and electrical products industries. The non-metallic minerals and paper industries recorded a noticeable 19 per cent decline, while less abrupt decreases were registered in the textile, printing, and petroleum and coal industries.

Net Income of Non-Farm Unincorporated Business

Net income of non-farm unincorporated business, seasonally adjusted at annual rates, rose to \$3,476 million, slightly over 2 per cent higher than the previous quarter.

Retail trade accounted for just under half of this increase, while smaller gains were made in the construction and service industries.

Accrued Net Income of Farm Operators

During the third quarter, accrued net income of farm operators rose to \$1,724 million, 9 per cent over the second quarter, reflecting gains in all components of income.

With the value of both grain and livestock production showing only marginal increases, the gain was almost entirely due to higher receipts from the sale of other farm products. In this category the most notable increase took place in dairy subsidy payments.

Production by Industry

The seasonally adjusted Index of Real Domestic Product rose by 1.0 per cent to a level of 145.2

from the revised second quarter level of 143.8. The service-producing industries increased by 1.2 per cent, while the advance in goods-producing industries was 0.7 per cent.

Trade accounted for almost half of the total third quarter increase. Retail trade rose by 4 per cent; almost half of this came from an acceleration in sales of motor vehicle dealers, which more than offset a drop in sales of liquor, beer and wine stores (affected by strikes in Quebec and Ontario). Wholesale trade increased by 3-1/2 per cent.

Electric power, gas and water utilities advanced 6 per cent after a small dip in the second quarter (natural gas was affected by relatively warm weather in April).

Manufacturing industries rose by one half of 1 per cent in the third quarter, with an increase of 3 per cent in durables more than offsetting a drop of 2 per cent in non-durables. An advance in motor vehicle manufactures and a drop in the strike-affected paper and allied industries group were the most significant changes.

Construction declined 2 per cent, with falls of 1 to 8 per cent in the highways, engineering, and non-residential building components. Residential construction was almost unchanged from its second quarter level.

The transportation, storage and communication index was slightly less than it was at the end of the second quarter. It was affected by the St. Lawrence Seaway, the postal, and the grain handlers' strikes.

INTRODUCTORY REVIEW - FIRST NINE MONTHS 1968

For the first three quarters GNP was 7.6 per cent higher than in the same period of 1967, compared with a 6.8 per cent gain for the full year 1967. In volume terms, the advance was 4.4 per cent, well above the 2.8 per cent increase of the previous year.^{1/}

Continued buoyancy in personal expenditure and intensified demand for new housing and merchandise exports were the salient features of the expansion. Personal outlays increased by 8-1/2 per cent, paced by vigorous demand for durables, especially for new cars. Expenditure on new residential construction jumped by 20 per cent, and more than offset a 3 per cent decline in outlays for plant and equipment. Merchandise exports rose by 19 per cent, almost twice the rate of advance of 1967; imports also increased, but less rapidly, with the result that the merchandise surplus advanced to over \$1 billion. Government expenditures also contributed to total demand, but the 7 per cent increase was appreciably lower than in the previous year; particularly notable was the slowdown at the federal level.

Among components of income, net corporation profits increased by 14-1/2 per cent following declines in both 1966 and 1967; gross profits rose by 8-1/2 per cent after only a slight advance in the previous year. Labour income increased by 8 per cent, slightly down from the 1967 rate. Employment increased by just over 1-1/2 per cent in the first nine months, about half as rapidly as in the previous year; the growth in the labour force also slowed, but by a lesser amount, while the unemployment rate rose to 5.0 per cent compared with 4.1 per cent for 1967.

Price Movements

In the first nine months of 1968, the price component of gross national product rose 3.1 per cent from the corresponding period of 1967 compared with the 3.9 per cent advance for the full year 1967. Significantly higher import prices -- which are reflected in the components of gross national expenditure but are subtracted from the aggregate deflator -- contributed to the lower price increase.

Prices of consumer goods and services rose by 3.8 per cent, a higher rate than in the previous year. Non-durable goods prices increased by 3.8 per cent, twice the rate of advance of a year ago; all items except drugs shared in the rise, with the more prominent increases occurring in tobacco, alcoholic beverages, gasoline and electricity. Food prices turned up by 3.4 per cent after only a fractional increase in 1967. The price component of both durable goods and services registered smaller increases than in 1967.

Prices for gross fixed capital formation accelerated somewhat, as a lesser decline in the price of machinery and equipment offset some slowing in the indexes for construction. The price component of residential construction rose 6.9 per cent, while the non-residential price index advanced 4.4 per cent.

Export prices increased at the same rate as in 1967, 1.7 per cent, though the merchandise price index advanced more rapidly; higher prices for fabricated materials and end-products more than offset declines in the prices of wheat and alcoholic beverages.

^{1/} Real Domestic Product at factor cost by industry of origin, an alternative but conceptually somewhat different measure of economic production, shows a 3.7 per cent advance for the first nine months of 1968. Among the differences between the two series are market price valuation versus factor cost, the use of national versus domestic boundaries, and the use of different weight-base periods.

Value, Volume, and Price
Percentage change, 9 months 1968 over 9 months 1967

	Value	Volume	Price
Personal expenditure	8.4	4.4	3.8
Non-durable goods	6.4	2.6	3.8
Durable goods	8.9	7.1	1.7
Total goods	6.9	3.6	3.2
of which: food	4.9	1.4	3.4
non-food goods	8.0	4.7	3.2
non-food non-durable	7.7	3.5	4.0
Services, excluding N.E.A.	7.3	2.7	4.5
Government expenditure on goods and services	6.8	1.7	5.0
Business gross fixed capital formation	1.0	-1.8	2.8
New residential construction	20.1	12.4	6.9
New non-residential construction	-	-4.2	4.4
New machinery and equipment	-5.8	-4.8	-1.1
Exports of goods and services	13.4	11.6	1.7
Gross available supply	7.9	4.5	3.2
Imports of goods and services	9.5	6.5	2.8
Gross National Expenditure	7.6	4.4	3.1

Components of Demand

Personal Expenditure

The rate of increase for personal expenditure for the first nine months of 1968 was marginally higher than for the year 1967; however, each of the three main categories exhibited a markedly different pattern from the previous year. Outlays on durables increased at a rate nearly twice as fast as in 1967; most prominent in this result were new automobile purchases which increased at a rate about seven times as fast as in the previous year. The rate of advance in services was significantly higher than in the previous year, while that for non-durables was sharply reduced.

The following table shows the pattern of increase in personal expenditure in the first nine months of this year from the same period of 1967 compared with the change between the full years 1966 and 1967:

	1966 to 1967 Percentage change	9 months 1967 to 9 months 1968 Percentage change
Total non-durable goods	9.2	6.4
Food	6.0	4.9
Tobacco and alcoholic beverages	9.3	3.9
Clothing	7.3	5.2
Other	15.8	10.7
Total durable goods	4.7	8.9
Automobiles, new and used	2.9	10.5
Household durables	6.4	6.6
Other	6.5	8.7
Total all goods	8.3	6.9
Total services excluding net expenditure abroad	11.5	7.3
Total services including net expenditure abroad	8.1	10.6
Total personal expenditure	8.2	8.4

Business Gross Fixed Capital Formation

Business fixed capital formation in the first nine months of 1968 increased by 1 per cent over the same period of last year. A breakdown of the total for the same period shows new residential construction 20 per cent ahead, non-residential construction unchanged, and machinery and equipment almost 6 per cent lower.

Housing starts will reach a record total surpassing 190,000 in 1968 according to Central Mortgage and Housing Corporation December estimates. In the first nine months of the year about 15,000 more units were started than in the same period of 1967, with most of the increase occurring in urban centres of 10,000 or more. Multiple dwellings gained by 16,400 while singles dropped by about 1,500. NHA financed units dropped by about 4,400, while starts financed without NHA loans gained by 19,400.

Contracts awarded for non-residential construction in the first nine months of 1968 were reported to be 3 per cent above the same period of 1967. Increases in institutional and business awards outweighed decreases in engineering and industrial awards.

Non-Farm Business Inventories

For the first 9 months of 1968, the value of physical change in non-farm business inventories was \$392 million, an increase of \$44 million over the same period of 1967. Nearly 80 per cent of this increase was concentrated in retail trade. Most of the accumulation was in non-durable goods.

Exports and Imports of Goods and Services

During the first nine months of the year, the deficit on current account with non-residents, on a national accounts basis, narrowed to \$63 million from \$520 million in the same period of the previous year. (Preliminary 1967 figures published in 1967 national accounts set the deficit at \$448 million). The improvement of \$457 million came about from an increased surplus of \$879 million on merchandise trade, offsetting a deterioration of \$422 million in non-merchandise trade.

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

	Exports			Imports		
	1967 ^P	1967 ^R	1968	1967 ^P	1967 ^R	1968
(Millions of Dollars)						
Nine months of year:						
Goods	8,330	8,330	9,911	8,143	8,140	8,842
Services	2,541	2,634	2,423	3,176	3,344	3,555
Gold production for export	86	86	84			
Tourist and travel	1,136	1,136	862	717	717	827
Interest and dividends	179	184	226	774	791	905
Freight and shipping	591	619	674	632	652	690
Official contributions				148	152	104
Other transactions	549	609	576	905	1,032	1,029
Total	10,871	10,964	12,334	11,319	11,484	12,397

P - preliminary published.

R - revised.

The main element in the larger service account deficit of \$422 million was the deterioration by \$384 million of the net balance on tourist and travel transactions. Receipts fell \$274 million from the high level attained in 1967 while payments rose \$110 million.

Largest increases in exports were recorded in metals and minerals, automotive products and forest products. In imports, notable increases occurred for motor vehicles and parts and for consumer goods. Producers' equipment purchases dropped by 3.9 per cent, in line with a lower machinery investment program.

The Government Sector

Revenues of all governments combined, excluding inter-governmental transfers, rose by 11-1/2 per cent in the first nine months of 1968 compared with the same period last year. Total government expenditure increased by somewhat less, 10 per cent, with the result that the saving of the government sector increased by \$240 million.

About half of the gain in government revenues occurred in personal direct taxes. The increase was largest at the federal level and was partly associated with the imposition of a surcharge on personal incomes at the beginning of 1968. Revenues from indirect taxes also rose substantially; the gain was concentrated at the provincial-municipal level and reflected higher gasoline, sales, and property tax rates. Gains of smaller magnitude were made in the other revenue components.

Higher transfer payments to persons accounted for a major portion of the increase in total spending. The further lowering of the age limit for old age security pensions and higher unemployment insurance payments, reflecting both a change in the benefit rates and higher levels of unemployment, were mainly responsible for the increase at the federal level. At the provincial-municipal level, higher grants to hospitals and educational institutions, social assistance payments, and payments under the new Ontario "Residential Property Tax Reduction Act" accounted for most of the rise.

Spending on goods and services increased by over \$600 million in the period under review. Most of the increase took place at the provincial-municipal level. Federal spending in this area rose by just over \$100 million. The increase occurred in non-defence outlays and was associated with higher wage and salary payments and capital outlays; defence expenditures declined somewhat.

Federal transfer payments to the provincial and municipal governments increased by somewhat over \$300 million in the first nine months of 1968. Increases in transfers under the Canada Assistance Plan, higher transfers under taxation agreements, and post-secondary education grants accounted for much of the rise.

With total federal expenditures rising more sharply than revenues, the federal government registered a higher deficit in the first nine months of 1968 than in the first nine months of 1967. At the provincial-municipal level, the deficit narrowed by over \$200 million and accounted for most of the change in the surplus of the government sector.

Components of Income

Labour Income

During the first nine months of 1968, total labour income was about 8 per cent higher than for the equivalent period of 1967. This compares with rises of 9.2 and 13.3 per cent during 1967 and 1966. Most of the advance over last year resulted from increases in average weekly earnings, principally caused by gains in average hourly earnings. The gain recorded in average weekly earnings was about the same as in 1967, and about 1 per cent more than in 1966. Employment on the other hand increased more slowly than in the two preceding years.

In the goods-producing industries, wages and salaries were 4.6 per cent higher than in the first three quarters of 1967. This compares with gains of almost 6 per cent and 13-1/2 per cent in 1967 and 1966. Manufacturing, which was affected by labour disputes to a larger degree this year than in 1967, increased by just over 5-1/2 per cent. Construction advanced by only 1 per cent and the primary industries rose by slightly less than 5 per cent.

Wages and salaries in the service-producing industries were about 10-1/2 per cent greater than during the first nine months of 1967. This is slightly less than the gains recorded in the two previous years. The transportation, storage and communication industry, which was seriously affected by labour disputes, had the lowest rate of increase -- 6 per cent. All other industries recorded advances of between 9 and 11-1/2 per cent.

Investment Income

An advance of over 14 per cent was experienced in profits for the first three quarters of 1968, as compared to 1967. Movement was strongly upward in a majority of industries. Profits mounted in the mining industry, 17 per cent, manufacturing, 20 per cent, wholesale trade, 10 per cent, and finance, 27 per cent. Retail trade and utilities recorded marginal advances, while the transportation storage and communication, and service industries registered declines of 4 and 19 per cent respectively.

Most of the industries within the manufacturing group showed profit improvement. Noticeable rates of expansion were registered in the textile industry, with a 69 per cent improvement; wood, 65 per cent; metals, 20 per cent; electrical products, 49 per cent; non-metallic minerals, 61 per cent; chemicals, 23 per cent; and food and beverages, 20 per cent. Profit rise was less pronounced in the paper, and printing and publishing industries. In the petroleum and coal industry profits fell by 9 per cent, and by 8 per cent in the rubber industry.

Rent, interest and miscellaneous investment income for the first three quarters of 1968 increased by 9 per cent over the corresponding period of 1967.

Net Income of Non-Farm Unincorporated Business

During the first nine months of the year, net income of non-farm unincorporated business increased nearly 7-1/2 per cent over the corresponding period in 1967. All industries recorded gains during the period, the most significant increases occurring in construction, retail trade and service.

Accrued Net Income of Farm Operators

Over the first three quarters of 1968, accrued net income of farm operators from farming operations fell by just over 2-1/2 per cent from the level reached a year ago. The value of grain production rose somewhat, while the value of livestock production declined. Cash income from the sale of all other farm products showed little change. Operating expenses continued to rise and contributed substantially to the decline in net income.

Net income of farm operators, which is reflected in personal income, rose 7 per cent over the previous year due to record high payments made by the Canadian Wheat Board.

Revision Note

The Balance of Payments Division revised data for 1966 and 1967 in the second quarter of 1968. Revised figures are shown in "Quarterly Estimates of the Canadian Balance of International Payments", DBS 67-001, starting with their report for the second quarter. These revisions have not been incorporated in the National Accounts. They are shown below on a National Accounts basis.

	Unadjusted for Seasonality		Seasonally Adjusted Annual Rates	
	Published	Revised	Published	Revised
(million dollars)				
(A) Exports of goods and services				
1966 - 1st quarter	2,729	2,742	12,660	12,552
2nd	3,253	3,265	12,820	12,736
3rd	3,624	3,642	13,276	13,456
4th	3,467	3,479	13,536	13,768
Year	13,073	13,128	13,073	13,128
1967 - 1st quarter	3,151	3,188	14,468	14,520
2nd	3,842	3,854	15,004	14,964
3rd	3,878	3,922	14,252	14,512
4th	3,737	3,784	14,708	14,996
Year	14,608	14,748	14,608	14,748
(B) Imports of goods and services				
1966 - 1st quarter	3,133	3,137	13,548	13,524
2nd	3,655	3,672	13,996	13,944
3rd	3,609	3,635	14,676	14,712
4th	3,883	3,916	14,900	15,260
Year	14,280	14,360	14,280	14,360
1967 - 1st quarter	3,485	3,540	15,088	15,168
2nd	4,139	4,183	15,692	15,648
3rd	3,695	3,761	14,988	15,380
4th	3,838	3,931	14,860	15,264
Year	15,157	15,415	15,157	15,415
(C) Surplus or deficit (-) on current account with non-residents				
1966 - 1st quarter	-404	-395	-888	-972
2nd	-402	-407	-1,176	-1,208
3rd	15	7	-1,400	-1,256
4th	-416	-437	-1,364	-1,492
Year	-1,207	-1,232	-1,207	-1,232
1967 - 1st quarter	-334	-352	-620	-648
2nd	-297	-329	-688	-884
3rd	183	161	-736	-868
4th	-101	-147	-152	-268
Year	-549	-667	-549	-667

(continued on page 18)

Revision Note - continued

		Unadjusted for Seasonality		Seasonally Adjusted, annual rates	
		(million dollars)			
		Published	Revised	Published	Revised
(D) Exports of goods and services (Constant (1957) dollars)					
1966 - 1st quarter	.....	2,415	2,423	11,152	11,040
2nd	.....	2,846	2,854	11,212	11,124
3rd	.....	3,095	3,108	11,380	11,536
4th	.....	2,989	2,998	11,636	11,832
Year	.....	11,345	11,383	11,345	11,383
1967 - 1st quarter	.....	2,714	2,739	12,396	12,412
2nd	.....	3,281	3,286	12,796	12,748
3rd	.....	3,273	3,299	12,148	12,328
4th	.....	3,199	3,231	12,528	12,732
Year	.....	12,467	12,555	12,467	12,555
(E) Imports of goods and services (Constant (1957) dollars)					
1966 - 1st quarter	.....	2,701	2,702	11,716	11,684
2nd	.....	3,140	3,152	12,044	11,988
3rd	.....	3,077	3,096	12,544	12,560
4th	.....	3,322	3,344	12,656	12,944
Year	.....	12,240	12,294	12,240	12,294
1967 - 1st quarter	.....	2,956	2,994	12,832	12,872
2nd	.....	3,505	3,537	13,296	13,420
3rd	.....	3,126	3,175	12,720	13,012
4th	.....	3,247	3,316	12,488	12,784
Year	.....	12,834	13,022	12,834	13,022

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1967 and 1968
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income ..	7,629	8,076	8,369	8,315	32,389	8,206	8,705	9,092
2. Military pay and allowances	183	172	173	176	704	173	159	184
3. Corporation profits before taxes	1,016	1,354	1,270	1,380	5,020	1,129	1,574	1,464
4. Deduct: Dividends paid to non-residents(1)	- 153	- 153	- 174	- 275	- 755	- 190	- 188	- 193
5. Rent, interest, and miscellaneous investment income	979	1,055	1,090	1,215	4,339	1,107	1,136	1,170
6. Accrued net income of farm operators from farm production(2)	148	215	1,211	124	1,698	69	68	1,395
7. Net income of non-farm unincorporated business(3)	626	776	820	972	3,194	690	840	857
8. Inventory valuation adjustment(4)	- 79	- 85	- 33	- 94	- 291	- 79	- 62	- 40
9. NET NATIONAL INCOME AT FACTOR COST	10,349	11,410	12,726	11,813	46,298	11,105	12,232	13,929
10. Indirect taxes less subsidies	2,168	2,163	2,164	2,210	8,705	2,321	2,301	2,395
11. Capital consumption allowances and miscellaneous valuation adjustments	1,695	1,852	1,718	1,735	7,000	1,769	1,920	1,777
12. Residual error of estimate	- 168	44	56	133	65	- 203	5	151
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	14,044	15,469	16,664	15,891	62,068	14,992	16,458	18,252
14. (Gross national product at market prices excluding accrued net income of farm operators)	(13,896)	(15,254)	(15,453)	(15,767)	(60,370)	(14,923)	(16,390)	(16,857)

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

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

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1967 and 1968
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	8,678	9,369	9,224	10,443	37,714	9,481	10,062	10,023
2. Government expenditure on goods and services(1, 2)	2,736	3,157	3,341	3,143	12,377	2,961	3,255	3,645
3. Business gross fixed capital formation(3)	2,864	3,412	3,006	3,083	12,365	2,729	3,344	3,299
4. New residential construction	405	597	663	672	2,337	526	718	756
5. New non-residential construction	1,021	1,187	1,187	1,275	4,670	895	1,176	1,325
6. New machinery and equipment	1,438	1,628	1,156	1,136	5,358	1,308	1,450	1,218
7. Value of physical change in inventories(4)	- 67	- 129	966	- 545	225	- 123	- 147	1,189
8. Non-farm business inventories	248	- 5	105	- 159	189	193	34	165
9. Farm inventories and grain in commercial channels	- 315	- 124	861	- 386	36	- 316	- 181	1,024
10. Exports of goods and services(5)	3,151	3,842	3,878	3,737	14,608	3,582	4,313	4,439
11. Deduct: Imports of goods and services(6)	- 3,485	- 4,139	- 3,695	- 3,838	-15,157	- 3,841	- 4,364	- 4,192
12. Residual error of estimate	167	- 43	- 56	- 132	- 64	203	- 5	- 151
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	14,044	15,469	16,664	15,891	62,068	14,992	16,458	18,252

(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) See Revision Note Section "A" page 17

(6) See Revision Note Section "B" page 17

TABLE 3. Source of Personal Income, by Quarters, 1967 and 1968
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	7,629	8,076	8,369	8,315	32,389	8,206	8,705	9,092
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 491	- 533	- 556	- 451	- 2,031	- 550	- 592	- 584
3. Military pay and allowances	183	172	173	176	704	173	159	184
4. Net income received by farm operators from farm production(1)	400	121	1,161	103	1,785	170	271	1,359
5. Net income of non-farm unincorporated business	626	776	820	972	3,194	690	840	857
6. Interest, dividends, and net rental income of persons(2)	1,173	1,211	1,211	1,299	4,894	1,269	1,331	1,319
Transfer payments to persons:								
7. From government (excluding interest)	1,588	1,533	1,489	1,613	6,223	1,793	1,783	1,752
8. Charitable contributions by corporations	11	11	11	11	44	12	12	12
9. PERSONAL INCOME	11,119	11,367	12,678	12,038	47,202	11,763	12,509	13,991

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

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

TABLE 4. Disposition of Personal Income, by Quarters, 1967 and 1968
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	1,398	1,309	1,347	1,439	5,493	1,650	1,585	1,626
2. Income taxes	1,213	1,167	1,224	1,300	4,904	1,441	1,415	1,458
3. Succession duties and estate taxes	54	51	53	57	215	59	56	58
4. Miscellaneous	131	91	70	82	374	150	114	110
5. Personal expenditure on consumer goods and services ..	8,678	9,369	9,224	10,443	37,714	9,481	10,062	10,023
6. Non-durable goods	4,090	4,415	4,665	5,318	18,488	4,461	4,694	4,864
7. Durable goods	921	1,225	990	1,229	4,365	1,033	1,270	1,113
8. Services(1)	3,667	3,729	3,569	3,896	14,861	3,987	4,098	4,046
9. Personal net saving	1,043	689	2,107	156	3,995	632	862	2,342
10. Personal saving excluding change in farm inventories	1,328	809	1,363	619	4,119	948	964	1,286
11. Value of physical change in farm inventories	- 285	- 120	744	- 463	- 124	- 316	- 102	1,056
12. PERSONAL INCOME	11,119	11,367	12,678	12,038	47,202	11,763	12,509	13,991
13. (Personal disposable income)(2)	(9,721)	(10,058)	(11,331)	(10,599)	(41,709)	(10,113)	(10,924)	(12,365)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarter, 1967 and 1968
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	1,398	1,309	1,347	1,439	5,493	1,650	1,585	1,626
2. Federal	859	896	881	936	3,572	1,037	1,058	1,040
3. Provincial and municipal	539	413	466	503	1,921	613	527	586
4. Direct taxes - Corporations	441	604	555	608	2,208	490	674	644
5. Federal(1)	325	446	410	449	1,630	362	502	480
6. (Federal tax collections)(1)	(400)	(569)	(423)	(413)	(1,805)	(406)	(483)	(557)
7. Provincial	116	158	145	159	578	128	172	164
8. (Provincial tax collections)	(149)	(160)	(162)	(141)	(612)	(180)	(166)	(195)
Withholding taxes:								
9. Federal(2)	41	66	37	74	218	49	60	39
10. Indirect taxes	2,255	2,275	2,330	2,367	9,227	2,410	2,392	2,554
11. Federal	879	942	921	965	3,707	855	906	949
12. Provincial and municipal	1,376	1,333	1,409	1,402	5,520	1,555	1,486	1,605
13. Investment income	440	523	546	640	2,149	515	567	572
14. Federal	126	210	215	249	800	162	216	236
15. Provincial and municipal	307	306	321	378	1,312	339	331	318
16. Canada Pension Plan	7	7	10	13	37	14	20	18
17. Employer and employee contributions to social insurance and government pension funds	491	533	556	451	2,031	550	592	584
18. Federal	172	173	198	161	704	191	194	206
19. Provincial and municipal	114	117	124	123	478	131	133	130
20. Canada Pension Plan	152	179	172	121	624	168	193	191
21. Quebec Pension Plan	53	64	62	46	225	60	72	57
Transfers from Federal:								
22. Provincial and municipal	446	538	495	513	1,992	596	657	549
23. TOTAL REVENUE	5,512	5,848	5,866	6,092	23,318	6,260	6,527	6,568
24. FEDERAL	2,402	2,733	2,662	2,834	10,631	2,656	2,936	2,950
25. PROVINCIAL AND MUNICIPAL	2,898	2,865	2,960	3,078	11,801	3,362	3,306	3,352
26. CANADA PENSION PLAN	159	186	182	134	661	182	213	209
27. QUEBEC PENSION PLAN	53	64	62	46	225	60	72	57

(1) Excludes refundable tax on corporate cash profits introduced May, 1966. In 1967 the following amounts were collected: first quarter \$64 million, second quarter \$27 million, third quarter \$10 million and fourth quarter \$8 million. In the first quarter of 1968, refunding of overpayments exceeded collections by \$5 millions. In the second quarter the amount collected was \$9 million. Refunding of the tax began in the third quarter and amounted to \$52 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, 1967 and 1968
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Goods and services	2,736	3,157	3,341	3,143	12,377	2,961	3,255	3,645
2. Federal	1,034	1,084	1,112	1,029	4,259	1,125	1,033	1,182
3. (Defence)	(470)	(426)	(471)	(438)	(1,805)	(481)	(419)	(410)
4. Provincial and municipal	1,702	2,073	2,229	2,114	8,118	1,836	2,222	2,463
5. Transfer payments to persons (excluding interest on the public debt)	1,588	1,533	1,489	1,613	6,223	1,793	1,783	1,752
6. Federal	771	778	686	701	2,936	856	880	758
7. Provincial and municipal	817	755	803	912	3,287	937	903	994
8. Interest on the public debt	438	525	474	545	1,982	496	616	556
9. Federal	283	314	320	328	1,245	305	370	377
10. Provincial and municipal	155	211	154	217	737	191	246	179
11. Subsidies	87	112	166	157	522	89	91	159
12. Federal	61	99	110	120	390	66	75	101
13. Provincial	26	13	56	37	132	23	16	58
Capital Assistance:(1)								
14. Federal	13	15	12	25	65	20	9	27
Transfers to other levels of government:								
15. Federal	446	538	495	513	1,992	596	657	549
16. Total expenditure	5,308	5,880	5,977	5,996	23,161	5,955	6,411	6,688
17. Federal	2,608	2,828	2,735	2,716	10,887	2,968	3,024	2,994
18. Provincial and municipal	2,700	3,052	3,242	3,280	12,274	2,987	3,387	3,694
19. Deficit (-) or Surplus	204	- 32	- 111	96	157	305	116	- 120
20. Federal	- 206	- 95	- 73	118	- 256	- 312	- 88	- 44
21. Provincial and municipal	198	- 187	- 282	- 202	- 473	375	- 81	- 342
22. Canada Pension Plan	159	186	182	134	661	182	213	209
23. Quebec Pension Plan	53	64	62	46	225	60	72	57
24. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	5,512	5,848	5,866	6,092	23,318	6,260	6,527	6,568
25. FEDERAL	2,402	2,733	2,662	2,834	10,631	2,656	2,936	2,950
26. PROVINCIAL AND MUNICIPAL	2,898	2,865	2,960	3,078	11,801	3,362	3,306	3,352
27. CANADA PENSION PLAN	159	186	182	134	661	182	213	209
28. QUEBEC PENSION PLAN	53	64	62	46	225	60	72	57

(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, 1967 and 1968
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	1,043	689	2,107	156	3,995	632	862	2,342
2. Business gross saving	1,630	2,327	2,080	2,014	8,051	1,895	2,220	2,251
3. Undistributed corporation profits	174	366	300	233	1,073	207	494	411
4. Capital consumption allowances and miscellaneous valuation adjustments	1,695	1,852	1,718	1,735	7,000	1,769	1,920	1,777
5. Adjustment on grain transactions(1)	- 252	94	50	21	- 87	- 101	- 203	36
6. Capital assistance	13	15	12	25	65	20	9	27
7. Inventory valuation adjustment	- 79	- 85	- 33	- 94	- 291	- 79	- 62	- 40
8. Government surplus or deficit (-)	204	- 32	- 111	96	157	305	116	- 120
9. Residual error of estimate	- 168	44	56	133	65	- 203	5	151
10. Totals	2,630	2,943	4,099	2,305	11,977	2,550	3,141	4,584

(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, 1967 and 1968
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	2,864	3,412	3,006	3,083	12,365	2,729	3,344	3,299
2. New residential construction	405	597	663	672	2,337	526	718	756
3. New non-residential construction	1,021	1,187	1,187	1,275	4,670	895	1,176	1,325
4. New machinery and equipment	1,438	1,628	1,156	1,136	5,358	1,308	1,450	1,218
5. Value of physical change in inventories	- 67	- 129	966	- 545	225	- 123	- 147	1,189
6. Surplus or deficit (-) on current account with non-residents(1)	- 334	- 297	183	- 101	- 549	- 259	- 51	247
7. Residual error of estimate	167	- 43	- 56	- 132	- 64	203	- 5	- 351
8. Totals	2,630	2,943	4,099	2,305	11,977	2,550	3,141	4,584

(1) See Revision Note Section "C" page 17

TABLE 9. Relation between Gross National Product at Market Prices and Gross Domestic Product at Factor Cost, by Quarters, 1967 and 1968 (millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. GROSS NATIONAL PRODUCT AT MARKET PRICES ..	14,044	15,469	16,664	15,891	62,068	14,992	16,458	18,252
2. Deduct: Residual error of estimate	168	- 44	- 56	- 133	- 65	203	- 5	- 151
3. Indirect taxes less subsidies ..	- 2,168	- 2,163	- 2,164	- 2,210	- 8,705	- 2,321	- 2,301	- 2,395
4. Income received from non-residents	- 62	- 54	- 63	- 102	- 281	- 68	- 80	- 79
5. Add: Income paid to non-residents ...	242	269	263	375	1,149	292	315	298
6. GROSS DOMESTIC PRODUCT AT FACTOR COST	12,224	13,477	14,644	13,821	54,166	13,098	14,387	15,925

TABLE 10. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1967 and 1968(1) (millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	7,344	7,830	7,579	8,574	31,327	7,704	8,085	7,967
2. Non-durable goods	3,555	3,767	3,906	4,480	15,708	3,735	3,847	3,939
3. Durable goods	917	1,205	967	1,169	4,258	1,003	1,225	1,081
4. Services	2,872	2,858	2,706	2,925	11,361	2,966	3,013	2,947
5. Government expenditure on goods and services	1,857	2,219	2,386	2,144	8,606	1,909	2,171	2,495
6. Business gross fixed capital formation ..	2,156	2,590	2,271	2,301	9,318	2,043	2,458	2,391
7. New residential construction	285	409	450	447	1,591	345	461	480
8. New non-residential construction	740	851	854	905	3,350	623	806	913
9. New machinery and equipment	1,131	1,330	967	949	4,377	1,075	1,191	998
10. Change in inventories	- 27	- 187	819	- 431	174	- 32	- 147	971
11. Non-farm business inventories	229	8	38	- 113	162	223	71	80
12. Farm inventories and grain in commercial channels	- 256	- 195	781	- 318	12	- 255	- 218	891
13. Exports of goods and services(2)	2,714	3,281	3,273	3,199	12,467	3,028	3,624	3,690
(of which merchandise)	(2,321)	(2,680)	(2,418)	(2,711)	(10,130)	(2,634)	(3,093)	(2,937)
14. Deduct: Imports of goods and services(3)	- 2,956	- 3,505	- 3,126	- 3,247	- 12,834	- 3,169	- 3,601	- 3,439
(of which merchandise)	(2,210)	(2,653)	(2,315)	(2,429)	(9,607)	(2,389)	(2,731)	(2,491)
15. Residual error of estimate	133	- 35	- 45	- 104	- 51	157	- 4	- 115
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	11,221	12,193	13,157	12,436	49,007	11,640	12,586	13,960

(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.

(2) See Revision Note Section "D" page 18

(3) See Revision Note Section "E" page 18

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 11. National Income and Gross National Product, by Quarters, 1967 and 1968 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	31,512	32,140	32,772	33,132	32,389	33,776	34,760	35,408
2. Military pay and allowances	740	680	692	704	704	700	648	732
3. Corporation profits before taxes	4,796	4,900	5,148	5,236	5,020	5,292	5,632	5,940
4. Deduct: Dividends paid to non-residents(1)	- 640	- 808	- 852	- 720	- 755	- 808	- 960	- 916
5. Rent, interest, and miscellaneous investment income	4,012	4,360	4,444	4,540	4,339	4,512	4,676	4,708
6. Accrued net income of farm operators from farm production(2)	1,996	1,856	1,488	1,452	1,698	1,820	1,580	1,724
7. Net income of non-farm unincorporated business(3)	2,948	3,176	3,336	3,316	3,194	3,272	3,400	3,476
8. Inventory valuation adjustment	- 292	- 268	- 228	- 376	- 291	- 292	- 192	- 304
9. NET NATIONAL INCOME AT FACTOR COST	45,072	46,036	46,800	47,284	46,298	48,272	49,544	50,768
10. Indirect taxes less subsidies	8,792	8,688	8,624	8,716	8,705	9,372	9,312	9,476
11. Capital consumption allowances and miscellaneous valuation adjustments	7,000	7,176	6,980	6,844	7,000	7,288	7,316	7,284
12. Residual error of estimate	- 28	172	- 32	148	65	156	116	100
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	60,836	62,072	62,372	62,992	62,068	65,088	66,288	67,628
14. (Gross national product at market prices excluding accrued net income of farm operators)	(58,840)	(60,216)	(60,884)	(61,540)	(60,370)	(63,268)	(64,708)	(65,904)

(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, 1967 and 1968 Seasonally Adjusted at Annual Rates
(million of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	36,444	37,388	38,192	38,832	37,714	39,880	40,164	41,452
2. Government expenditure on goods and services(1, 2)	11,860	12,672	12,288	12,688	12,377	13,052	13,288	13,384
3. Business gross fixed capital formation(3)	12,972	12,724	11,916	11,848	12,365	12,480	12,572	13,008
4. New residential construction	1,920	2,348	2,532	2,548	2,337	2,536	2,844	2,828
5. New non-residential construction	5,128	4,724	4,236	4,592	4,670	4,600	4,704	4,768
6. New machinery and equipment	5,924	5,652	5,148	4,708	5,358	5,344	5,024	5,412
7. Value of physical change in inventories	152	148	680	- 80	225	156	144	360
8. Non-farm business inventories	176	208	684	- 312	189	- 12	188	400
9. Farm inventories and grain in commercial channels(4)	- 24	- 60	- 4	232	36	168	- 44	- 40
10. Exports of goods and services(5)	14,468	15,004	14,252	14,708	14,608	16,172	16,776	16,572
11. Deduct: Imports of goods and services(6)	-15,088	-15,692	-14,988	-14,860	-15,157	-16,496	-16,544	-17,052
12. Residual error of estimate	28	- 172	32	- 144	- 64	- 156	- 112	- 96
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	60,836	62,072	62,372	62,992	62,068	65,088	66,288	67,628
Detail of Farm Inventories and GICC:								
Value of grain crop production	1,212	1,212	1,212	1,216	1,213	1,444	1,444	1,444
Depletions of farm stocks of grain	- 1,280	- 1,476	- 1,460	- 1,156	- 1,343	- 1,440	- 1,192	- 1,064
Change in livestock inventories	8	72	- 60	4	6	- 20	- 172	- 292
Grain in commercial channels	36	132	304	168	160	184	- 124	- 128

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 10.

(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) See Revision Note Section "A" page 17

(6) See Revision Note Section "B" page 17

TABLE 13. Source of Personal Income, by Quarters, 1967 and 1968 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	31,512	32,140	32,772	33,132	32,389	33,776	34,760	35,408
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 1,972	- 2,028	- 2,132	- 1,992	- 2,031	- 2,160	- 2,248	- 2,272
3. Military pay and allowances	740	680	692	704	704	700	648	732
4. Net income received by farm operators from farm production(1)	2,136	1,732	1,620	1,652	1,785	2,048	1,796	1,972
5. Net income of non-farm unincorporated business	2,948	3,176	3,336	3,316	3,194	3,272	3,400	3,476
6. Interest, dividends, and net rental income of persons(2)	4,748	4,848	4,924	5,056	4,894	5,144	5,300	5,384
Transfer payments to persons:								
7. From government (excluding interest)	5,884	6,236	6,200	6,572	6,223	6,664	7,248	7,340
8. Charitable contributions by corporations	44	44	44	44	44	48	48	48
9. PERSONAL INCOME	46,040	46,828	47,456	48,484	47,202	49,492	50,952	52,088

(1) This item differs from line 6, Table 11, 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, 1967 and 1968 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	5,532	4,980	5,540	5,920	5,493	6,548	6,188	6,756
2. Income taxes	4,948	4,396	4,964	5,308	4,904	5,880	5,488	5,988
3. Succession duties and estate taxes	216	204	212	228	215	236	224	232
4. Miscellaneous	368	380	364	384	374	432	476	536
5. Personal expenditure on consumer goods and services	36,444	37,388	38,192	38,832	37,714	39,880	40,164	41,452
6. Non-durable goods	17,768	18,388	18,844	18,952	18,488	19,428	19,488	19,760
7. Durable goods	4,136	4,408	4,544	4,372	4,365	4,612	4,620	5,008
8. Services(1)	14,540	14,592	14,804	15,508	14,861	15,840	16,056	16,684
9. Personal net saving	4,064	4,460	3,724	3,732	3,995	3,064	4,600	3,880
10. PERSONAL INCOME	46,040	46,828	47,456	48,484	47,202	49,492	50,952	52,088
11. (Personal disposable income)(2)	(40,508)	(41,848)	(41,916)	(42,564)	(41,709)	(42,944)	(44,764)	(45,332)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 15. Government Revenue, by Quarters, 1967 and 1968 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	5,532	4,980	5,540	5,920	5,493	6,548	6,188	6,756
2. Federal	3,632	3,276	3,588	3,792	3,572	4,268	3,952	4,284
3. Provincial and municipal	1,900	1,704	1,952	2,128	1,921	2,280	2,236	2,472
4. Direct taxes - Corporations	2,120	2,228	2,224	2,260	2,208	2,376	2,432	2,568
5. Federal(1)	1,568	1,648	1,644	1,660	1,630	1,764	1,808	1,912
6. (Federal tax collections)(1)	(1,776)	(1,808)	(1,800)	(1,836)	(1,805)	(1,804)	(1,532)	(2,356)
7. Provincial	552	580	580	600	578	612	624	656
8. (Provincial tax collections)	(584)	(600)	(616)	(648)	(612)	(724)	(636)	(736)
Withholding taxes:								
9. Federal(2)	192	240	220	220	218	240	216	228
10. Indirect taxes	9,208	9,224	9,164	9,312	9,227	9,788	9,772	9,980
11. Federal	3,820	3,712	3,644	3,652	3,707	3,700	3,588	3,756
12. Provincial and municipal(3)	5,388	5,512	5,520	5,660	5,520	6,088	6,184	6,224
13. Investment income	1,856	2,144	2,268	2,328	2,149	2,164	2,316	2,344
14. Federal	612	808	872	908	800	764	832	932
15. Provincial and municipal	1,216	1,308	1,356	1,368	1,312	1,344	1,404	1,340
16. Canada Pension Plan	28	28	40	52	37	56	80	72
17. Employer and employee contributions to social insurance and government pension funds	1,972	2,028	2,132	1,992	2,031	2,160	2,248	2,272
18. Federal	680	716	780	640	704	756	800	808
19. Provincial and municipal	456	468	496	492	478	524	532	520
20. Canada Pension Plan(4)	620	620	628	628	624	644	672	696
21. Quebec Pension Plan(4)	216	224	228	232	225	236	244	248
Transfers from Federal:								
22. Provincial and municipal	1,752	2,112	2,064	2,040	1,992	2,336	2,540	2,308
23. TOTAL REVENUE	22,632	22,956	23,612	24,072	23,318	25,612	25,712	26,456
24. FEDERAL	10,504	10,400	10,748	10,872	10,631	11,492	11,196	11,920
25. PROVINCIAL AND MUNICIPAL	11,264	11,684	11,968	12,288	11,801	13,184	13,520	13,520
26. CANADA PENSION PLAN	648	648	668	680	661	700	752	768
27. QUEBEC PENSION PLAN	216	224	228	232	225	236	244	248

(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, 1967 and 1968 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Goods and services	11,860	12,672	12,288	12,688	12,377	13,052	13,288	13,384
2. Federal	4,096	4,472	4,196	4,272	4,259	4,460	4,332	4,460
3. (Defence)	(1,644)	(1,844)	(1,952)	(1,780)	(1,805)	(1,704)	(1,820)	(1,708)
4. Provincial and municipal	7,764	8,200	8,092	8,416	8,118	8,592	8,956	8,924
5. Transfer payments to persons (excluding interest on the public debt)	5,884	6,236	6,200	6,572	6,223	6,664	7,248	7,340
6. Federal	2,772	3,032	2,972	2,968	2,936	3,080	3,432	3,328
7. Provincial and municipal	3,112	3,204	3,228	3,604	3,287	3,584	3,816	4,012
8. Interest on the public debt	1,844	1,928	2,020	2,136	1,982	2,124	2,268	2,380
9. Federal	1,140	1,208	1,280	1,352	1,245	1,280	1,424	1,500
10. Provincial and municipal	704	720	740	784	737	844	844	880
11. Subsidies	416	536	540	596	522	416	460	504
12. Federal	292	436	396	436	390	304	340	364
13. Provincial	124	100	144	160	132	112	120	140
Capital Assistance:(1)								
14. Federal	52	60	48	100	65	80	36	108
Transfers to other levels of government:								
15. Federal	1,752	2,112	2,064	2,040	1,992	2,336	2,540	2,308
16. Total expenditure	21,808	23,544	23,160	24,132	23,161	24,672	25,840	26,024
17. Federal	10,104	11,320	10,956	11,168	10,887	11,540	12,104	12,068
18. Provincial and municipal	11,704	12,224	12,204	12,964	12,274	13,132	13,736	13,956
19. Deficit (-) or surplus	824	- 588	452	- 60	157	940	- 128	432
20. Federal	400	- 920	- 208	- 296	- 256	- 48	- 908	- 148
21. Provincial and municipal	- 440	- 540	- 236	- 676	- 473	52	- 216	- 436
22. Canada Pension Plan	648	648	668	680	661	700	752	768
23. Quebec Pension Plan	216	224	228	232	225	236	244	248
24. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	22,632	22,956	23,612	24,072	23,318	25,612	25,712	26,456
25. FEDERAL	10,504	10,400	10,748	10,872	10,631	11,492	11,196	11,920
26. PROVINCIAL AND MUNICIPAL	11,264	11,684	11,968	12,288	11,801	13,184	13,520	13,520
27. CANADA PENSION PLAN	648	648	668	680	661	700	752	768
28. QUEBEC PENSION PLAN	216	224	228	232	225	236	244	248

(1) See footnote 1, Table 6.

TABLE 17. Source of National Saving, by Quarters, 1967 and 1968 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	4,064	4,460	3,724	3,732	3,995	3,064	4,600	3,880
2. Business gross saving	7,964	8,236	7,976	8,028	8,051	8,288	8,440	8,684
3. Undistributed corporation profits	1,052	876	1,080	1,284	1,073	1,148	1,304	1,540
4. Capital consumption allowances and miscellaneous valuation adjustments	7,000	7,176	6,980	6,844	7,000	7,288	7,316	7,284
5. Adjustment on grain transactions(1)	- 140	124	- 132	- 200	- 87	- 228	- 216	- 248
6. Capital assistance	52	60	48	100	65	80	36	108
7. Inventory valuation adjustment	- 292	- 268	- 228	- 376	- 291	- 292	- 192	- 304
8. Government surplus or deficit (-)	824	- 588	452	- 60	157	940	- 128	432
9. Residual error of estimate	- 28	172	- 32	148	65	156	116	100
10. Totals	12,532	12,012	11,892	11,472	11,977	12,156	12,836	12,792

(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, 1967 and 1968 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	12,972	12,724	11,916	11,848	12,365	12,480	12,572	13,008
2. New residential construction	1,920	2,348	2,532	2,548	2,337	2,536	2,844	2,828
3. New non-residential construction	5,128	4,724	4,236	4,592	4,670	4,600	4,704	4,768
4. New machinery and equipment	5,924	5,652	5,148	4,708	5,358	5,344	5,024	5,412
5. Value of physical change in inventories	152	148	680	- 80	225	156	144	360
6. Surplus or deficit (-) on current account with non-residents(1)	- 620	- 688	- 736	- 152	- 549	- 324	232	- 480
7. Residual error of estimate	28	- 172	32	- 144	- 64	- 156	- 112	- 96
8. Totals	12,532	12,012	11,892	11,472	11,977	12,156	12,836	12,792

(1) See Revision Note Section "C" page 17

TABLE 19. Relation between Gross National Product at Market Prices and Gross Domestic Product at Factor Cost, by Quarters, 1967 and 1968
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. GROSS NATIONAL PRODUCT AT MARKET PRICES ..	60,836	62,072	62,372	62,992	62,068	65,088	66,288	67,628
2. Deduct: Residual error of estimate	28	- 172	32	- 148	- 65	- 156	- 116	- 100
3. Indirect taxes less subsidies ..	- 8,792	- 8,688	- 8,624	- 8,716	- 8,705	- 9,372	- 9,312	- 9,476
4. Income received from non-residents	- 292	- 228	- 316	- 288	- 281	- 308	- 352	- 400
5. Add: Income paid to non-residents ...	1,040	1,180	1,260	1,116	1,149	1,256	1,368	1,404
6. GROSS DOMESTIC PRODUCT AT FACTOR COST	52,820	54,164	54,724	54,956	54,166	56,508	57,876	59,056

TABLE 20. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1967 and 1968(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1967					1968		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	30,788	31,224	31,508	31,788	31,327	32,336	32,280	33,096
2. Non-durable goods	15,284	15,708	15,896	15,944	15,708	16,084	16,012	16,140
3. Durable goods	4,100	4,308	4,424	4,200	4,258	4,456	4,444	4,844
4. Services	11,404	11,208	11,188	11,644	11,361	11,796	11,824	12,112
5. Government expenditure on goods and services	8,312	8,932	8,460	8,720	8,606	8,776	8,920	8,804
6. Business gross fixed capital formation ..	9,748	9,636	9,036	8,852	9,318	9,280	9,212	9,480
7. New residential construction	1,348	1,608	1,720	1,688	1,591	1,660	1,832	1,796
8. New non-residential construction	3,732	3,400	3,024	3,244	3,350	3,220	3,236	3,264
9. New machinery and equipment	4,668	4,628	4,292	3,920	4,377	4,400	4,144	4,420
10. Change in inventories	116	100	556	- 76	174	152	32	180
11. Non-farm business inventories	160	180	572	- 264	162	- 4	192	320
12. Farm inventories and grain in commercial channels	- 44	- 80	- 16	188	12	156	- 160	- 140
13. Exports of goods and services(2)	12,396	12,796	12,148	12,528	12,467	13,636	14,096	13,948
(of which merchandise)	(10,252)	(10,304)	(9,524)	(10,440)	(10,130)	(11,516)	(11,832)	(11,728)
14. Deduct: Imports of goods and services(3)	- 12,832	- 13,296	- 12,720	- 12,488	- 12,834	- 13,668	- 13,660	- 14,056
(of which merchandise)	(9,624)	(9,868)	(9,604)	(9,332)	(9,607)	(10,276)	(10,176)	(10,408)
15. Residual error of estimate	24	- 140	24	- 112	- 51	- 120	- 84	- 72
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	48,552	49,252	49,012	49,212	49,007	50,392	50,796	51,380

(1) See footnote 1, Table 10.

(2) See Revision Note Section "D" page 18

(3) See Revision Note Section "E" page 18

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