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SYSTEM OF NATIONAL ACCOUNTS

NATIONAL INCOME AND
EXPENDITURE ACCOUNTS

PRELIMINARY FOURTH QUARTER
AND ANNUAL

1969

DOMINION BUREAU OF STATISTICS



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National Income and Expenditure Division

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Published by Authority of
The Minister of Industry, Trade and Commerce

March 1970
2202-513

Price: 75 cents
\$3.00 a year

Vol. 17—No. 4

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

<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 195950
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13-001	"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1967", for the year 196450
13-001	"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1968", for the years 1965-196750
13-001	"National Accounts, Income and Expenditure, First Quarter 1969", for four quarters 1968 and first quarter 196975

NOTE

Data for 1969, consistent with previously published quarterly estimates are available on request from the National Income and Expenditure Division.

Contents of this publication are published in French in "Revue Statistique Du Canada" D.B.S. 11-003F.

Remittances should be in the form of cheque or money order made payable to the Receiver General of Canada and forwarded to the Publications Distribution, Dominion Bureau of Statistics, Ottawa, or to the Queen's Printer, Hull, P.Q.

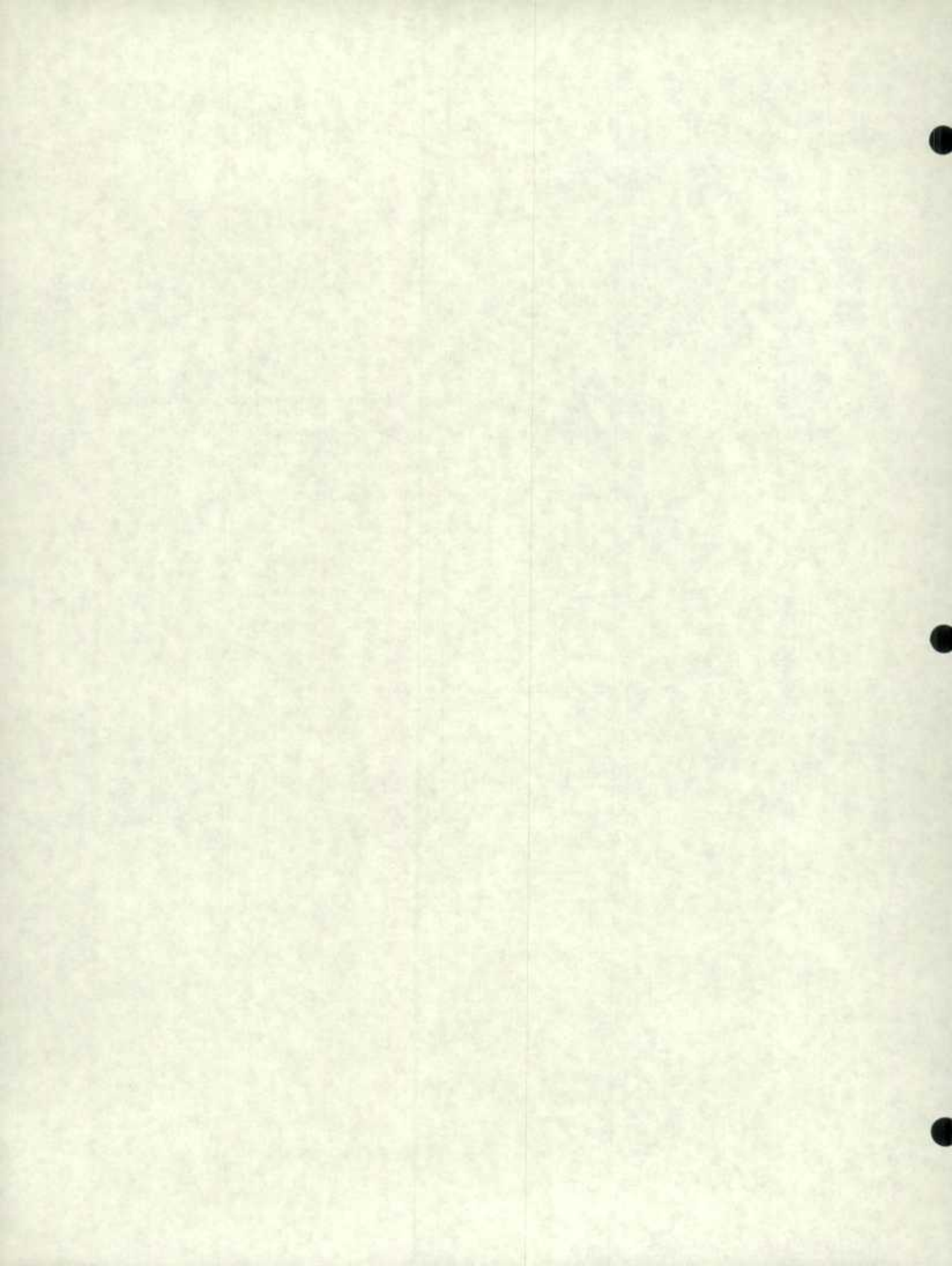
INTRODUCTION

Beginning in the third quarter 1969, the report on the quarterly National Income and Expenditure Accounts is released on a new accelerated time schedule which represents the culmination of a year-long program designed to speed up the basic data flow and assembly. As a result, the quarterly accounts are being released more than a month earlier than before. To make this possible, some changes in the normal quarterly procedures for producing the estimates were required. In a number of cases this meant that surveys were "cut-off" earlier than usual; at the same time, attempts were made to promote earlier response. In other cases, where data were not yet available, estimates were produced using related information.

It must be emphasized that because of the changes in procedure, the estimates are now based on less complete information and may, therefore, be subject to larger revisions than formerly. In spite of this, the Dominion Bureau of Statistics, in response to widespread demand by users of this information, has decided to proceed with publishing the Accounts in their present form.

NOTE

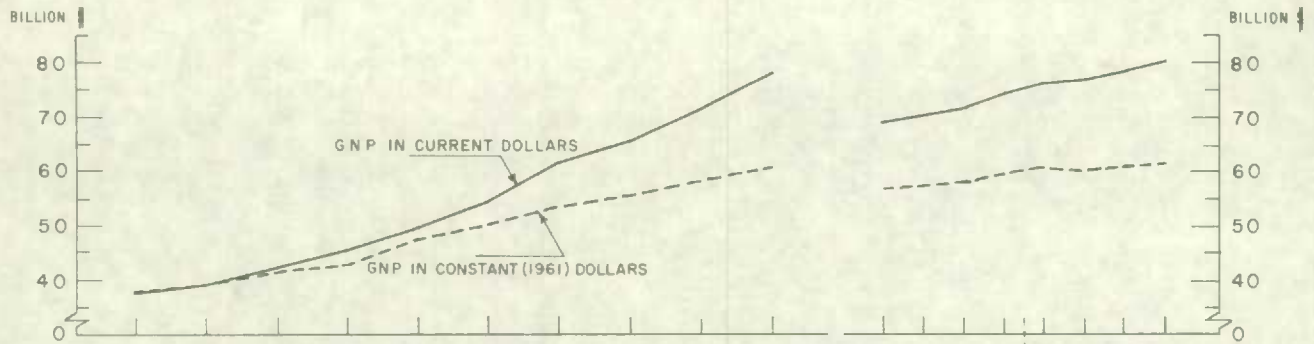
D.B.S. recently released the summary results of a complete and comprehensive revision of the National Income and Expenditure Accounts. This revision was carried out at the annual level only; a revision of quarterly estimates is now underway and will not be available for some time. During the interim period, 1968 quarterly data previously published have been restructured into the new framework of the accounts and then adjusted arithmetically to the new annual totals; these revised estimates have been linked forward for the four quarters of 1969. In this publication, data are given for the income and expenditure tables only and for G.N.E. in constant (1961) dollars; a full set of tables will be prepared at the time of the final fourth quarter. In the meantime, data for all tables on an unrevised basis are available on request from the National Income and Expenditure Division.



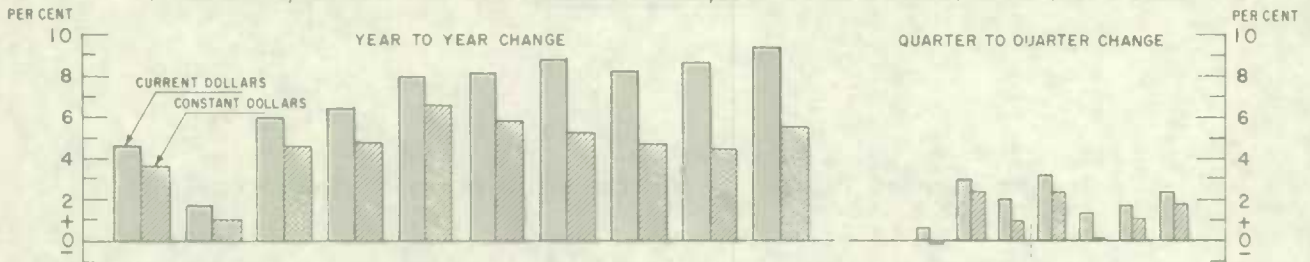
TECHNICAL NOTE

The Balance of Payments and Financial Flows Division revised data for 1967 and 1968 in the second quarter of 1969. The revised figures are shown in "Quarter Estimates of the Canadian Balance of International Payments, Second Quarter 1969", DBS 67-001. These revisions have not been incorporated in the national accounts. The revised balance of payments figures for 1968 on a national accounts basis are shown in footnotes to Tables B., C., B1.* and C1.*

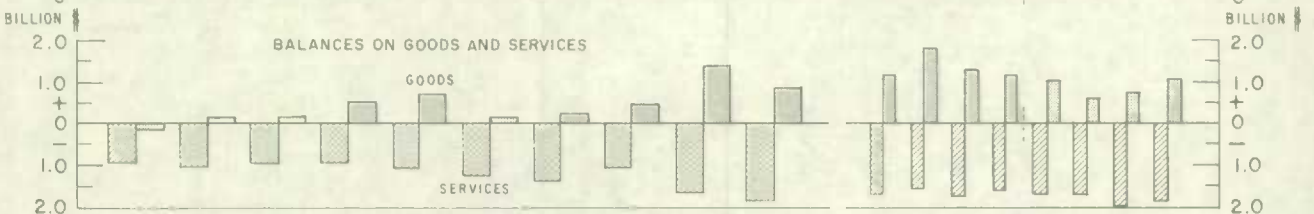
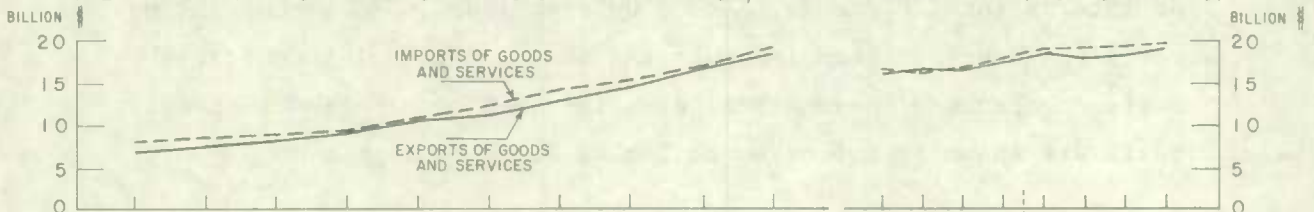
GNP ROSE 9.3 PER CENT IN CURRENT DOLLARS IN 1969, COMPARED WITH 8.5 PER CENT IN 1968. IN REAL TERMS, THE INCREASES WERE 4.8 PER CENT IN BOTH 1968 AND 1969.



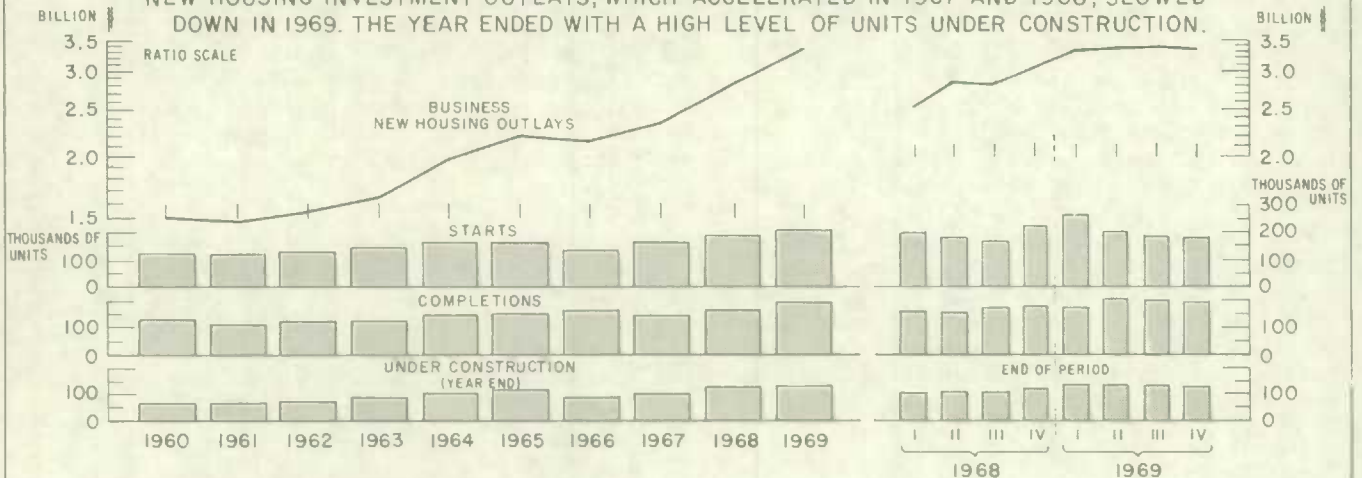
PERSONAL EXPENDITURE ROSE 9.4 PER CENT IN CURRENT DOLLARS, THE LARGEST GAIN SINCE 1960; AND 5.6 PER CENT IN REAL TERMS, THE THIRD LARGEST GAIN SINCE 1960.



THE DEFICIT ON GOODS AND SERVICES TRANSACTIONS WITH NON-RESIDENTS WIDENED FOR THE YEAR - WITH A SMALLER SURPLUS ON MERCHANDISE, AND A LARGER DEFICIT ON SERVICES.



HOUSE BUILDING SET A NEW RECORD IN 1969 WITH STARTS TOTALLING 210,415 UNITS. NEW HOUSING INVESTMENT OUTLAYS, WHICH ACCELERATED IN 1967 AND 1968, SLOWED DOWN IN 1969. THE YEAR ENDED WITH A HIGH LEVEL OF UNITS UNDER CONSTRUCTION.



ALL DATA SEASONALLY ADJUSTED, AT ANNUAL RATES.

ANNUAL REVIEW 1969

The Canadian economy maintained its momentum through 1969. The value of goods and services produced rose by 9.3 per cent to reach a level of \$78.1 billion. This expansion, which compares with an 8.9 per cent increase in the previous year, occurred despite the imposition of restrictive fiscal and monetary measures and despite numerous labour disputes which were reflected in a record number of man-hours lost. The implicit price deflator for GNP rose 4.2 per cent, slightly more than the high increase of 4.0 per cent in 1968. In real terms, gross national product rose by 4.8 per cent, the same rate as in 1968.

Widespread buoyancy of demand in the first quarter gave a strong initial impetus to the economy. Although this was followed by a pause in the second quarter, when the value of production rose only marginally, good advances were again shown in the summer and fall quarters. A glance at the pattern of growth in the last five quarters would tend to indicate some lessening in demand pressure, especially in the second quarter, as quarterly gains became smaller during the period. For the year as a whole, two key developments were an acceleration in the rate of consumer spending, and renewed high rates of business investment in plant and equipment after two years of declines. As the economy performed vigorously, employment grew by 3.2 per cent, while the labour force increased by 3.1 per cent. As a result, the unemployment rate for the year declined from the 1968 level of 4.8 per cent to 4.7 per cent.

Personal expenditure on consumer goods and services rose by 9½ per cent compared with 8½ per cent in 1968. This was the largest percentage increase shown in the current expansion. Much of the increased expenditure reflected price movements rather than real gains, but the constant dollar estimates also showed a sizeable rise of 5½ per cent - the largest since 1965. Thus consumer spending in 1969 was more than maintained in the face of sharply increasing income taxes, up over 20 per cent and historically high interest rates. This last factor may, however, have affected spending on automobiles, which with a 4 per cent rise was one of the few major items to show a substantially smaller rate of increase than in 1968, when it rose by 10 per cent.

After the very high rates of investment of 15 to 20 per cent that prevailed in the mid-sixties, business gross fixed capital formation registered a small decline in 1967 and a moderate 3 per cent increase in 1968. In 1969 it rose by 9 per cent. Business residential construction made a further impressive gain (16½ per cent versus 17½ per cent in 1968) and accounted for nearly half of the increase in the total. The upswing in activity in residential construction starting in the spring of 1967 and accelerating through 1968 slowed down this year as credit tightness in mortgage markets contributed to a sharp drop in the number of starts in the spring. The acceleration in the rate of business gross fixed capital formation was due to the marked pick-up in business investment in plant and equipment, which rose by 7 per cent compared with declines of 1½ per cent in 1968 and one-half of one per cent in 1967. In the case of non-residential construction, the increase of 5 per cent was considerably smaller than that indicated by the mid-year forecast of business intentions of close to 15 per cent and in fact non-residential construction declined in real terms by 3 per cent.

Canada's balance of transactions in goods and services deteriorated in 1969 from a deficit of \$244 million to one of \$938 million, as the rate of increase of imports accelerated while exports slowed somewhat. Although the rise in imports was very broadly based, automotive products and capital goods accounted for about half of the increase in the merchandise account. Highlighting the increase in service imports was an exceptionally large rise of 27 per cent in Canadian tourist and travel expenditures abroad, as both Canadians returning directly from overseas and those travelling to the U.S.A. increased their spending by 35 and 24 per cent respectively. The rise in exports, which was entirely oriented to U.S.A. markets, consisted very largely of automotive products, in line with the continuing rationalization of that industry resulting from the Canada-U.S.A. automotive trade agreement. Other exports rose only moderately.

On the income side, wages and salaries rose by 12 per cent; only the boom year 1966 showed a larger gain in the current expansion. Most of the increase was due to higher rates of pay. Within the year, however, there was a deceleration in the quarterly rate of increases in labour income, from a 3½ per cent increase in the last quarter of 1968 to one of less than 2 per cent in the closing quarter of 1969. Corporation profits for the year 1969 rose by 7 per cent. In the quarterly movement, however, profits declined in all except the second quarter, when they posted a marginal gain.

The slow performance of profits is in part due to the large number of strikes this year, but cost pressures combined with smaller productivity gains - as indicated by preliminary estimates - were probably additional factors. Among other income components, the major movement was the 18 per cent increase in interest and miscellaneous investment income.

Price Movements

Aggregate price change as measured by the implicit price index of gross national expenditure rose by 4.2 per cent in 1969 compared to 4.0 per cent in 1968. Within the year, the highest price increase occurred in the second quarter, up 1.8 per cent.

All major components except personal expenditure on consumer goods and services showed higher rates of increase. The decline in the rate of price increase of personal expenditure coupled with the increase in the price index of imports (which is a negative item) dampened the total price increase. The following table shows the year-to-year percentage changes in the implicit price indexes of the major components of gross national expenditure.

In personal expenditure, lower rates of price increases are noticed in durable and non-durable goods with a higher increase in service prices. Home furnishings, furniture and new cars contributed to the slowdown in prices of durable goods. Within the non-durables group, there were off-

Implicit Price Indexes

Percentage Change from the Previous Year

	1962	1963	1964	1965	1966	1967	1968	1969
Personal expenditure on consumer goods and services	1.4	1.6	1.3	2.1	3.3	3.4	3.9	3.7
Government current expenditure on goods and services	2.6	3.6	3.6	5.9	6.6	8.1	6.2	7.5
Gross fixed capital formation	1.5	2.6	2.9	4.9	4.9	0.4	3.0	5.0
Government	1.8	4.0	2.5	6.7	5.5	-0.6	3.4	2.2
Non-residential construction	2.0	4.2	2.8	7.4	6.4	-0.8	3.5	2.2
Machinery and equipment	0.5	2.3	1.0	1.7	1.4	-0.4	1.4	1.9
Business	1.4	2.3	2.9	4.5	4.8	0.6	2.9	5.6
Residential construction	-	2.2	4.6	5.1	6.1	3.5	6.4	7.4
Non-residential construction	0.9	2.2	1.2	5.8	6.5	1.2	2.8	8.2
Machinery and equipment	3.0	2.2	3.4	2.9	2.5	-1.4	0.4	2.5
Exports of goods and services	3.2	1.3	2.3	1.5	2.9	1.7	1.4	2.6
Imports of goods and services	4.4	1.7	1.1	0.2	1.7	1.9	1.8	3.6
Residual error of estimate	1.2	2.3	2.1	3.4	4.4	3.8	4.0	3.2
Gross National Expenditure at Market Prices	1.4	1.9	2.4	3.5	4.6	3.4	4.0	4.2

setting movements with higher rates of increase in the prices of food, women's and children's clothing, drugs and cosmetics, auto parts and accessories, and newspapers and magazines and lower rates in electricity, tobacco products, alcoholic beverages, men's and boys' clothing and footwear. In services, increases were widespread particularly in personal services and care, transportation, domestic servants, communication, medical care and rents.

Strong increases occurred in the implicit price indexes of residential and non-residential construction; labour costs rose by about 11 per cent while the materials component advanced by about 5 per cent. Machinery and equipment prices increased by $2\frac{1}{2}$ per cent.

The Components of Demand

Personal Expenditure on Consumer Goods and Services

Personal expenditure on goods and services rose by \$4 billion to reach a level of \$46.4 billion. This increase of $9\frac{1}{2}$ per cent, versus $8\frac{1}{2}$ per cent in 1968 - the largest recorded since 1961 - was very broadly based. In real terms, however, the increase of $5\frac{1}{2}$ per cent was smaller than the rate of increases for 1964 and 1965, but larger than the $4\frac{1}{2}$ per cent recorded in 1968.

There was an acceleration in the expenditures of most components. The sharp increases in the rates of furniture and home furnishings may be related to the high levels of residential construction in 1967 and 1968. In real terms outlays on furniture rose by $3\frac{1}{2}$ per cent after a marginal decline in 1968. The accelerations in the rates of increase of expenditure on shelter and household operations and in total transportation are also notable. The latter's increase of 6.8 per cent, however, was entirely due to price increases. A feature of the year in consumer expenditure was a jump of 26 per cent in tourist and travel expenditures by Canadians abroad.

The only major items to show sharply reduced rates of increase were tobacco and new and used cars. The former increased by $1\frac{1}{2}$ per cent this year - a much lower gain than in recent years when it regularly increased at rates above 6 per cent. In real terms, however, this movement is reversed as tobacco consumption declined by $2\frac{1}{2}$ per cent versus a decline of 4 per cent last year. The rise in outlays on new and used cars of $3\frac{1}{2}$ per cent occurred after an exceptionally strong rise last year. The increase in new car purchases this year was heavily centered on cars of European manufacture.

Gross Fixed Capital Formation

Business capital outlays totalled \$14 billion in current dollars in 1969, an increase of \$1,186 million or 9 per cent from the preliminary level of the previous year. Among the components, new housing expenditures increased by $18\frac{1}{2}$ per cent, adding \$523 million. Investment in new machinery and equipment also rose vigorously by $8\frac{1}{2}$ per cent, or \$426 million. The rise in new non-residential construction was markedly lower than the other components, adding \$215 million.

Government capital outlays totalled \$3 billion, a decrease of \$204 million from preliminary 1968. Later information indicates little change from 1968. Machinery and equipment spending was somewhat lower.

House-building activity set a new record in 1969 with starts totalling 210,415 dwelling units compared with the previous high of 196,878 units in 1968. This increase was made possible in part by a large carry-over of institutional mortgage loans which were approved in 1968 but did not lead to starts until 1969. Housing starts reached an annual total of 275,000 in the first quarter but dropped off in each quarter to an annual rate of 190,200 in the last quarter of 1969. New housing investment outlays, which follow developments in starts, rose throughout 1968 and until the last quarter of 1969.

Fixed Capital Formation
(millions of dollars)

	1968	1969
Business	12,831	14,017
New residential construction	2,831	3,354
Non-residential construction (1)	4,431	4,646
Machinery and equipment (2)	5,197	5,623
Adjustments (3)	372	394
Government	3,204	3,000
New residential construction	13	16
Non-residential construction	2,861	2,674
Machinery and equipment	345	333
Adjustments (4)	-15	-23
Total	16,035	17,017

- (1) As per Table 9 in Private and Public Investment in Canada Outlook 1970 (DPS 61-205) less allocation of municipal water systems and public hospitals (other than federal or provincial) to "Government", and plus allocation of CBC outlays from "Business".
- (2) See note 1.
- (3) Includes estimates of commissions on real estate transfers of land and existing buildings, scrap, net sales of used motor vehicles, and ships exported.
- (4) Estimate of defence capital.

Investment in Non-Farm Business Inventories

Investment in non-farm business inventories was \$461 million in 1969 compared with \$473 million in 1968. By far the largest accumulation occurred in the first quarter, over a billion dollars at annual rates. Manufacturing contributed nearly 50 per cent and retail trade 40 per cent to the total build-up in 1969. Wholesale trade showed a moderate increase.

The major part of the accumulation in manufacturing inventories took place in durable goods-producing industries. Stock increases occurred in all groups except transportation industries, which showed a small depletion. Within non-durable goods-producing industries, offsetting movements left on balance a moderate accumulation.

The stock increases in both retail and wholesale trade showed equal strength as between durable and non-durable goods. In retail trade the increases in the stocks of durables were widespread, whereas for non-durables the accumulation was almost entirely centered in the stocks of food.

Exports and Imports of Goods and Services

The major increases in trade in 1969 for both exports and imports occurred in the first and fourth quarters. Merchandise exports rose by almost 10 per cent, primarily spurred by sharp gains in automotive products and to a lesser extent in crude petroleum, pulp and newsprint. Trade of Canada data shows an increase of \$1,191 million, comprised of higher sales of \$1,293 million to United States markets, a drop in sales of \$113 million to United Kingdom markets, and a rise of \$11 million to all others. Merchandise imports rose by 15 per cent. The available data on commodity detail suggest that machinery along with transportation and communication equipment (mainly automotive products) accounted for half of the increase.

The deficit on external account increased from \$244 to \$938 million. The merchandise trade surplus dropped by \$505 million to \$871 million. This lower merchandise surplus was accompanied by a deterioration of \$189 million in the non-merchandise deficit. The main element in the larger service deficit was the worsening by \$178 million in the net balance on tourist and travel transactions. Receipts increased by \$90 million, but payments rose by \$268 million.

Transactions with Non-Residents
(National Accounts Basis)

	1968	1968	1969	Change	
	Published* (Millions of dollars)	Revised* (Millions of dollars)		1969 from Revised 1968 (Million \$)	1968 (Per Cent)
Exports	16,692	16,707	18,404	1,697	10.2
Merchandise	13,597	13,538	14,885	1,347	9.9
Services	3,095	3,169	3,519	350	11.0
Imports	16,996	16,951	19,342	2,391	14.1
Merchandise	12,302	12,162	14,014	1,852	15.2
Services	4,694	4,789	5,328	539	11.3
Balance	-304	-244	-938	-694	-
Merchandise	1,295	1,376	871	-505	-
Services	-1,599	-1,620	-1,809	-189	-

* See Technical Note on Page 7.

Components of Income

Labour Income

During 1969, total labour income advanced by 12 per cent as compared with rates of around 9 per cent during 1968 and 1967. Most of the advance resulted from increases in average weekly earnings.

Wages and salaries in the goods-producing industries were about 9½ per cent higher than in 1968. This compares with gains of about 5½ per cent in 1968 and 1967. Manufacturing increased by almost 10½ per cent and construction by about 10 per cent. The primary industries, which were seriously affected by labour disputes in mining, advanced by slightly more than 4½ per cent.

In the service-producing industries, wages and salaries increased by over 13½ per cent as compared with gains of about 11 and 12 per cent in 1968 and 1967. Transportation, storage and communication increased by about 10 per cent, public utilities by 8½ per cent, and service by almost 16 per cent. The other industries in this group recorded advances of about 13½ per cent.

Corporation Profits

On the basis of preliminary fourth quarter data, corporation profits before taxes increased in 1969 by slightly more than 7 per cent over 1968 to a level of almost \$8.0 billion.

Following a pattern of steady growth since 1967 profits in the first half of 1969 levelled off and remained virtually the same in the fourth quarter 1968 and the first and second quarters of 1969. During the second half of the year, however, rising costs, tight money and labour disputes had a marked effect on profits with a decrease of 7 per cent being recorded from the second to the third quarter and a decrease of 2 per cent from the third to the fourth quarter.

Due to the earlier publication of the National Income and Expenditure Accounts, industrial detail for the fourth quarter and consequently for the year as a whole is not yet available.

Accrued Net Income of Farm Operators

Accrued net income of farm operators from farm production increased slightly in 1969 from the 1968 level. Increases occurred in the value of livestock production and in the cash income from the sale of other farm products. The value of grain production declined, reflecting a lower estimated value of the new crop and lower Canadian Wheat Board profits as both exports and export prices continued to decline. Operating expenses rose during the year, further dampening the increase in farm income.

Net Income of Non-Farm Unincorporated Business

Net income of non-farm unincorporated business increased by just over 3 per cent in 1969. This was one of the smaller annual increments in recent years and resulted from largely offsetting movements in the various industry groupings. Large increases were registered in the construction, community service, business service and personal service industries while the major decline occurred in the net income of the retail trade industry.

Real Domestic Product

Canada's R.D.P. for 1969 rose by 4.6 per cent. Increased manufacturing output had the largest effect within the goods-producing industries; the advance in manufacturing alone accounted for one-third of the year-over-year increase in output in the domestic economy. Within manufacturing, durables grew a little faster than non-durables. The increase in durables resulted from advances in the transportation equipment, electrical products, machinery and metal fabricating industries which more than offset a decrease in the strike-affected primary metal industries. Non-durables increased on the basis of a strong advance in paper and allied industries, and gains in the food and beverages, textile, and printing and publishing industries. Of the other goods-producing industry divisions, construction made the largest contribution to the change in aggregate R.D.P.

More than one-third of the increase in the service-producing industries came from the community, business and personal service division. Continued advances were recorded for education, business management, health and welfare, personal, and other services.

Trade showed the second most significant increase of the service-producing industries, with two-thirds of it originating in retail trade. Department, variety, and chain grocery stores showed the largest volume increases among the retail outlets, while the most significant wholesale trade increases occurred in automotive parts and accessories, household electrical appliances, industrial and transportation equipment, and petroleum bulk tank stations.

FOURTH QUARTER 1969

In the final quarter of 1969, GNP rose by 2 per cent to reach a level of \$80.3 billion, seasonally adjusted at annual rates. This increase was only slightly less than that realized in the summer quarter. After allowing for a price rise of 0.5 per cent, the rise in the physical volume of production was 1.4 per cent.

Whereas the year as a whole presented a fairly balanced picture of growth, the pattern of demand in the fourth quarter was uneven. Personal expenditures on goods and services were very strong, accounting for roughly half of the increase in total demand. The 2½ per cent increase in the expenditure on goods was concentrated in non-durable types of goods, as many durables and especially purchases of new cars declined. Automotive products and machinery made up a dominant proportion of the 5½ per cent increase in exports.

In contrast to its strong performance in the summer quarter, business capital formation rose by a modest 1 per cent. Within this aggregate, residential construction declined marginally, while non-residential construction and machinery and equipment rose at much lesser rates than in the third

quarter. In constant dollars, business gross fixed capital formation was practically unchanged from the third quarter level, as a small increase in machinery and equipment was entirely offset by declines in residential and non-residential construction.

Noticeable developments on the income side are the slowdown in the rate of increase of labour income and a second consecutive fall in corporation profits. The rise in wages and salaries of slightly more than 1 per cent was the smallest in two years. Preliminary data on corporation profits indicate a further decline of 2 per cent after the 7 per cent drop of last quarter.

Price Movements

In the fourth quarter the implicit price index of gross national expenditure rose by 0.5 per cent. The slowdown in the aggregate price index is largely attributable to the lower rate of increase in the deflator for personal expenditure on goods and services.

Within personal expenditure, there was deceleration in the prices of food and clothing which was partly offset by an increase in the prices of new cars, transportation, communication and medical care.

In business gross fixed capital formation, there was a lower rate of price increases in the fourth quarter largely due to a slowdown in the prices of residential construction and machinery and equipment.

Selected Implicit Price Indexes - Seasonally Adjusted
Percentage Change from the Previous Quarter

	1968			1Q	1969		
	2Q	3Q	4Q		2Q	3Q	4Q
Personal expenditure on consumer goods and services	0.8	0.6	1.1	0.8	1.3	0.7	0.6
Business gross fixed capital formation	1.5	0.7	0.8	1.3	2.4	1.6	1.2
Residential construction	1.6	1.5	1.1	3.6	2.0	0.4	0.3
Non-residential construction	1.6	0.5	1.1	1.1	4.1	3.0	3.0
Machinery and equipment	0.4	0.8	-0.1	0.1	1.4	1.5	0.3
Exports of goods and services	0.3	-	0.1	1.4	1.2	-0.1	0.5
Gross National Expenditure	0.7	1.0	1.0	0.7	1.8	1.2	0.5

Components of Demand

Personal expenditure on goods and services rose 2½ per cent in the fourth quarter to reach a level of \$47.8 billion. This was the second highest increase in the year, next to the first quarter gain of 3 per cent.

A significant increase was shown by purchases of home furnishings, which were up 5 per cent, their largest increase since the first quarter of 1966. Expenditure on clothing including footwear increased by 2 per cent. Among declines, purchases of passenger cars fell 1 per cent, after an increase of nearly 8 per cent in the third quarter. The decline was entirely attributable to lower purchases of North American vehicles; overseas passenger vehicles were up 15½ per cent - their best gain since the third quarter of 1968. Expenditures on jewellery, appliances and radios, and heating fuels except gas also declined by 1, 4 and 4½ per cent respectively.

Business and government capital outlays at a \$17.4 billion annual rate grew by a little over 1 per cent in the quarter, compared with a rise of 3½ per cent in the preceding quarter. The gain can be attributed to increased activity in non-residential building, and engineering construction other than work on highways, bridges and streets. Reflecting the drop in starts and the imposition of monetary restraints, housing outlays turned down in the quarter. Machinery and equipment spending showed little change in the quarter. In contrast, the third quarter was marked by sharp increases in the latter two categories of investment.

Goods in inventories in the fourth quarter of 1969 showed an increase of \$512 million at annual rates, compared with \$200 million in the third quarter. Though all major industrial groups contributed to the increase in the aggregate, the most important increase came from manufacturing.

Substantial accumulation in manufacturers' stocks was due to a greatly enhanced investment in the cyclically volatile durables component. Among durables, all the groups with the exception of transportation contributed to this increase, although the most noticeable accumulation was concentrated in primary metal fabricating and machinery producing industries. Among non-durables there were offsetting movements, leaving on balance a moderate accumulation. Additions to manufacturers' stocks took place at all stages of production but most strongly in finished goods. The stock-to-shipments ratio for manufacturing as a whole was much higher than that of the previous quarter.

Inventories at the wholesale level showed a moderate accumulation which was wholly concentrated in all the non-durable goods trades. Stocks at the durable goods level showed a small decline.

Over 20 per cent of the total increase in the investment of business inventories was contributed by investment in retail trade. The major part of this investment in retail trade was concentrated in non-durable goods.

With exports of goods and services increasing by \$952 million and imports by \$564 million, the balance on external account for the quarter narrowed from a deficit of \$1,212 million at annual rates to a deficit of \$824 million. The merchandise surplus improved by \$288 million, while the non-merchandise deficit narrowed by \$100 million.

Merchandise exports rose 6 per cent from the third quarter level, stimulated by higher sales of automotive products, machinery, wheat, lumber, pulp and communication equipment. Merchandise imports rose 4½ per cent. Data are not yet available to identify import commodity changes corrected for seasonal factors.

The narrowing of the non-merchandise deficit is mainly attributable to an improvement in the net balance on tourist and travel transactions due to a sharp decline in tourist and travel payments after sizeable increases in the second and third quarters.

Transactions with Non-Residents
Seasonally Adjusted at Annual Rates
(National Accounts Basis)

	3Q 1969	4Q 1969		Change
	Millions of dollars		Million \$	Per Cent
Exports	18,112	19,064	952	5.3
Merchandise	14,632	15,544	912	6.2
Services	3,480	3,520	40	1.1
Imports	19,324	19,888	564	2.9
Merchandise	13,856	14,480	624	4.5
Services	5,468	5,408	-60	-1.1
Balance	-1,212	-824	388	
Merchandise	776	1,064	288	
Services	-1,988	-1,888	100	

Components of Income

Total labour income increased by 2 per cent in the fourth quarter, compared with nearly 3 per cent in the preceding quarter. The goods-producing industries advanced by about $2\frac{1}{2}$ per cent compared with $1\frac{1}{2}$ per cent in the third quarter, while the service-producing industries increased by about $1\frac{1}{2}$ per cent compared with over $3\frac{1}{2}$ per cent in the third quarter.

Wages and salaries in the goods-producing industries increased more rapidly in the quarter mainly because labour disputes in manufacturing, construction and mining affected the third quarter estimates to a larger degree. Manufacturing increased by 2 per cent, construction by 4 per cent and the primary industries by about $4\frac{1}{2}$ per cent.

Among the service-producing industries, wages and salaries increased by almost 4 per cent in trade and by about 2 per cent in public utilities, finance, insurance and real estate, and service. Government wages and salaries declined by almost $2\frac{1}{2}$ per cent mainly because the third quarter estimates included large retroactive payments to federal government employees.

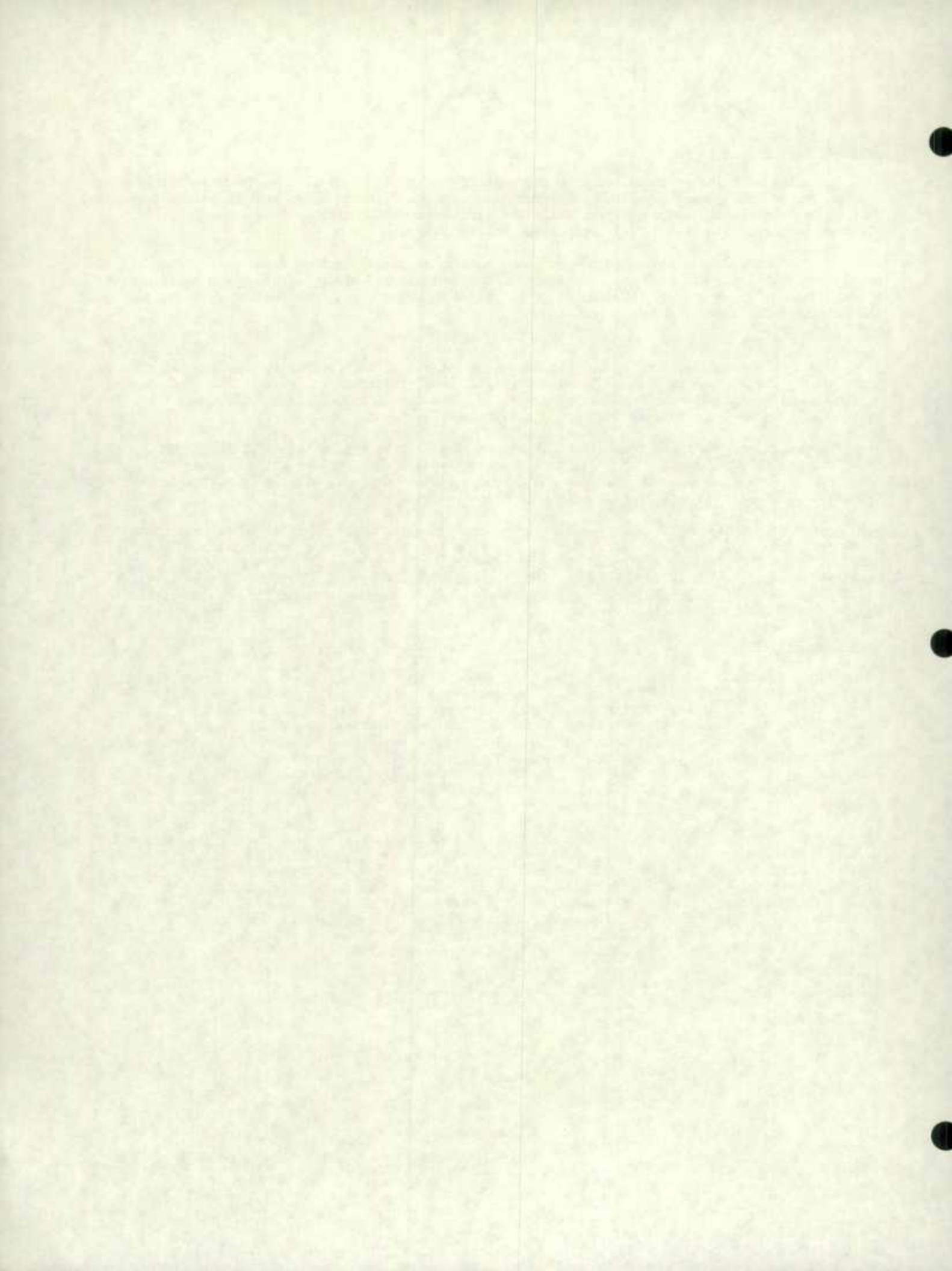
A preliminary estimate indicates that corporation profits before taxes fell by about 2 per cent from the third quarter, compared with a 7 per cent decline in the preceding quarter. Due to the early release of the National Income and Expenditure Accounts estimates an industrial distribution of profits is not available at this time.

Accrued net income of farm operators from farm production rose by about 4 per cent in the quarter to a rate of \$1,492 million. Cash income from the sale of farm products declined sharply as wheat marketings fell to their lowest level in years. This decline was more than offset by a substantial accumulation in farm-held inventories, most notably grains. Profits of the Canadian Wheat Board were slightly higher during the quarter as exports rose somewhat from the unusually low rate of the third quarter.

Real Domestic Product

The seasonally adjusted R.D.P. index rose $1\frac{1}{2}$ per cent in the fourth quarter from its revised third quarter level. The service-producing industries accounted for over 60 per cent of the increase with transportation, storage and communication recording the major increase within this grouping. Railway transport led the way, because of renewed carriage of commodities that had fallen off in volume in the previous months due to the iron ore, steel, and nickel strikes. Water transport also benefited from the pick-up in activity. Pipeline transport was up strongly, particularly gas pipelines, in response to accelerated demand from the United States. The effects of recovery from the telephone strike in British Columbia as well as continued advances in output are reflected in the advance in telephone systems.

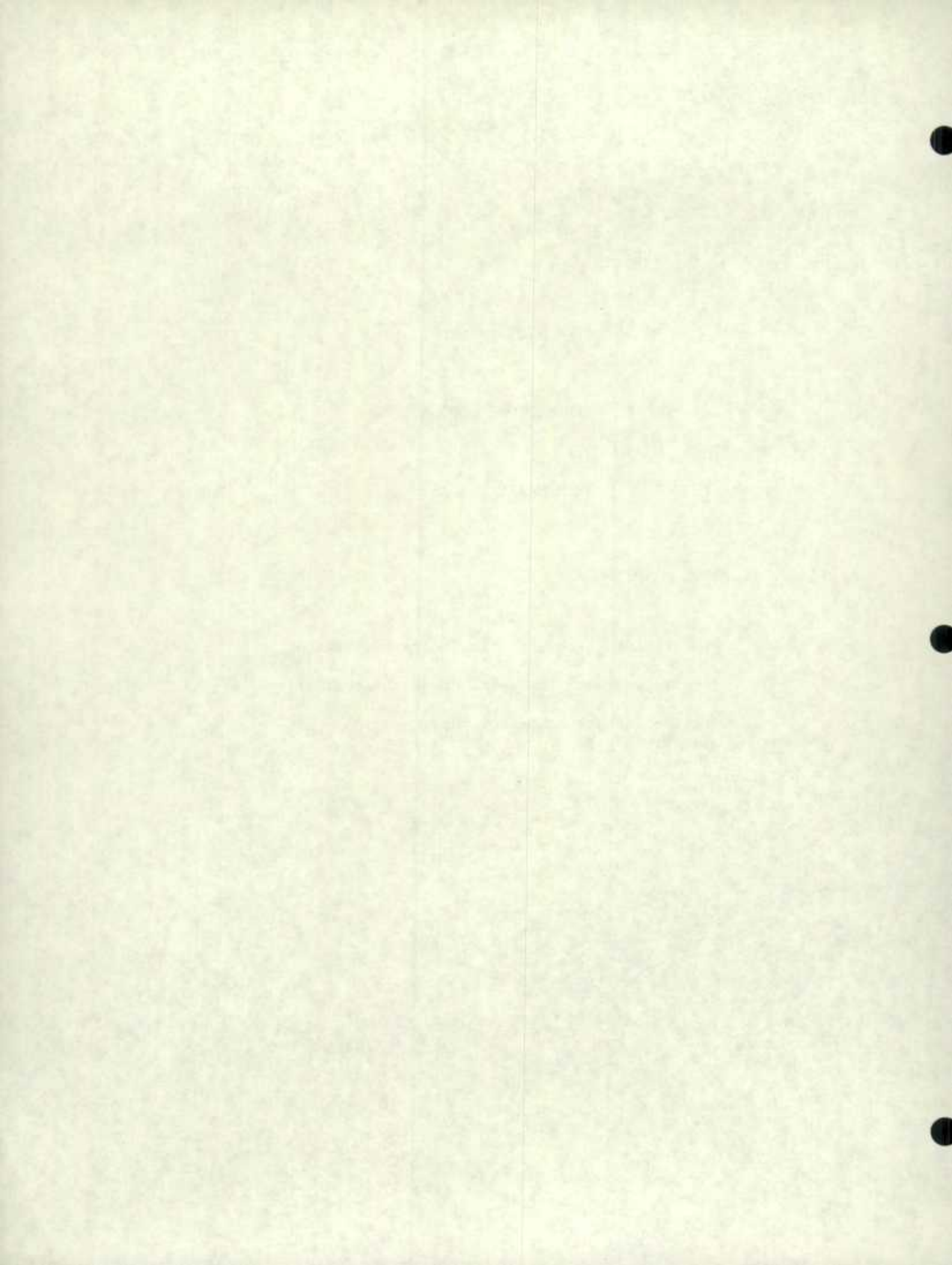
Mining's strong advance was the result of iron ore mining rising from the strike-depressed levels of the previous two quarters, and an expansion in the crude petroleum and natural gas industry. Manufacturing also rose significantly in the fourth quarter, with most of the increase originating in durables. Within durables, strike recoveries in iron and steel mills and in smelting and refining, along with expansion in the wood industries, more than offset decreases in the transportation equipment industries and in the electrical product industries.



NATIONAL INCOME
AND
EXPENDITURE ACCOUNTS

SUMMARY TABLES

The tables in this section contain estimates consistent with the level of the historically revised annual estimates published in August 1969.



TABLES UNADJUSTED FOR SEASONAL VARIATION

A.* National Income and Gross National Product, by Quarters, 1968 and 1969

	1968					1969				
	I	II	III	IV	Year	I	II	III	IV	Year
	(millions of dollars)									
1. Wages, salaries, and supplementary labour income	8,959	9,530	9,971	10,033	38,493	10,028	10,666	11,243	11,194	43,131
2. Military pay and allowances .	216	197	218	229	860	211	222	217	236	886
3. Corporation profits before taxes	1,433	1,993	1,853	2,163	7,442	1,774	2,291	1,883	2,033	7,981
4. Deduct: Dividends paid to non-residents (1)	- 198	- 196	- 201	- 281	- 876	- 195	- 170	- 174	- 307	- 846
5. Interest, and miscellaneous investment income	622	603	650	705	2,580	752	710	781	799	3,042
6. Accrued net income of farm operators from farm production	59	54	1,190	168	1,471	84	131	1,133	159	1,507
7. Net income of non-farm unincorporated business including rents (2)	882	1,037	1,061	1,238	4,218	937	1,058	1,066	1,294	4,355
8. Inventory valuation adjustment (3)	- 86	- 56	- 41	- 134	- 317	- 168	- 204	- 56	- 192	- 620
9. NET NATIONAL INCOME AT FACTOR COST	11,887	13,162	14,701	14,121	53,871	13,423	14,704	16,093	15,216	59,436
10. Indirect taxes less subsidies	2,333	2,343	2,432	2,569	9,677	2,586	2,616	2,675	2,800	10,677
11. Capital consumption allowances and miscellaneous valuation adjustments	2,057	2,205	2,074	2,113	8,449	2,158	2,244	2,215	2,268	8,885
12. Residual error of estimate ..	- 345	- 247	197	- 148	- 543	- 457	- 428	30	- 44	- 899
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	15,932	17,463	19,404	18,655	71,454	17,710	19,136	21,013	20,240	78,099
14 (Gross national product at market prices excluding accrued net income of farm operators)	(15,873)	(17,409)	(18,214)	(18,487)	(69,983)	(17,626)	(19,005)	(19,880)	(20,081)	(76,592)

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

(2) Includes net income of independent professional practitioners.

(3) See footnote I Table B.

* This table corresponds to Table 1 of the previously published estimates.

8.* Gross National Expenditure, by Quarters, 1968 and 1969

	1968					1969				
	I	II	III	IV	Year	I	II	III	IV	Year
	(millions of dollars)									
1. Personal expenditure on consumer goods and services ..	9,802	10,404	10,353	11,801	42,360	10,735	11,446	11,291	12,887	46,359
2. Government current expenditure on goods and services	2,994	2,857	3,034	3,193	12,078	3,358	3,258	3,533	3,596	13,745
3. Gross fixed capital formation	3,263	4,197	4,302	4,273	16,035	3,429	4,438	4,611	4,539	17,017
4. Government	437	858	1,085	824	3,204	427	797	982	794	3,000
5. Residential construction	4	3	3	2	12	2	3	4	3	12
6. Non-residential construction	347	782	987	731	2,847	333	721	891	710	2,655
7. Machinery and equipment	86	73	95	91	345	92	73	87	81	333
8. Business	2,826	3,339	3,217	3,449	12,831	3,002	3,641	3,629	3,745	14,017
9. Residential construction	639	831	870	954	3,294	783	973	1,044	1,030	3,830
10. Non-residential construction	887	1,105	1,206	1,290	4,488	924	1,114	1,308	1,358	4,704
11. Machinery and equipment	1,300	1,403	1,141	1,205	5,049	1,295	1,554	1,277	1,357	5,483
12. Value of physical change in inventories(1)	- 202	- 189	1,632	- 500	741	18	- 64	1,621	- 558	1,017
13. Government	- 21	14	37	- 1	29	-25	11	34	- 13	7
Business:										
14. Non-farm	248	48	181	- 4	473	472	- 74	90	- 27	461
15. Farm and grain in commercial channels	- 429	- 251	1,414	- 495	239	-429	- 1	1,497	- 518	549
16. Exports of goods and services (2)	3,572	4,302	4,428	4,390	16,692	4,114	4,689	4,745	4,856	18,404
17. Deduct: Imports of goods and services(2)	- 3,843	- 4,355	- 4,149	- 4,649	- 16,996	-4,402	-5,059	-4,757	-5,124	-19,342
18. Residual error of estimate ..	346	247	- 196	147	544	458	428	- 31	44	899
19. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	15,932	17,463	19,404	18,655	71,454	17,710	19,136	21,013	20,240	78,099

(1) 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 A).

(2) Revised figures not incorporated into the Accounts as shown in the "Quarterly Estimates of the Canadian Balance of Payments, Second quarter 1969" DBS 67-001, are as follows:

Exports	3,586	4,290	4,443	4,388	16,707
Imports	3,829	4,348	4,149	4,625	16,951

* This table corresponds to Table 2 of the previously published estimates.

C.* Gross National Expenditure in Constant (1961) Dollars, by Quarters, 1968 and 1969(1)

	1968					1969				
	I	II	III	IV	Year	I	II	III	IV	Year
	(millions of dollars)									
1. Personal expenditure on consumer goods and services	8,424	8,840	8,699	9,890	35,853	8,913	9,365	9,129	10,446	37,853
2. Government current expenditure on goods and services	2,137	2,021	2,166	2,139	8,463	2,285	2,124	2,273	2,277	8,959
3. Gross fixed capital formation	2,695	3,448	3,518	3,504	13,165	2,715	3,519	3,584	3,491	13,309
4. Government	318	676	868	687	2,549	298	641	772	623	2,334
5. Residential construction ..	4	2	2	1	9	1	1	2	1	5
6. Non-residential construction	234	605	779	603	2,221	213	573	691	550	2,027
7. Machinery and equipment ...	80	69	87	83	319	84	67	79	72	302
8. Business	2,377	2,772	2,650	2,817	10,616	2,417	2,878	2,812	2,868	10,975
9. Residential construction ..	501	636	659	713	2,509	568	686	737	725	2,716
10. Non-residential construction	733	903	988	1,046	3,670	725	856	986	988	3,555
11. Machinery and equipment	1,143	1,233	1,003	1,058	4,437	1,124	1,336	1,089	1,155	4,704
12. Value of physical change in inventories	- 101	- 167	1,181	- 302	611	124	- 194	1,373	- 408	895
13. Government	- 20	12	33	- 2	23	- 24	9	30	- 13	2
Business:										
Non-farm	232	88	101	60	481	449	- 37	4	- 1	415
Farm and grain in commercial channels	- 313	- 267	1,047	- 360	107	- 301	- 166	1,339	- 394	478
16. Exports of goods and services(2)	3,117	3,737	3,799	3,832	14,485	3,533	3,964	3,950	4,127	15,574
17. Deduct: Imports of goods and services(2)	- 3,393	- 3,842	- 3,639	- 4,104	- 14,978	- 3,798	- 4,329	- 3,988	- 4,328	- 16,443
18. Residual error of estimate ...	282	200	- 157	117	442	363	334	- 24	34	707
19. GROSS NATIONAL EXPENDITURE IN CONSTANT (1961) DOLLARS	13,161	14,237	15,567	15,076	58,041	14,135	14,783	16,297	15,639	60,854

- (1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in current dollars by the constant dollar figures, 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) Revised figures not incorporated into the Accounts as shown in the "Quarterly Estimates of the Canadian Balance of Payments, Second quarter 1969" DBS 67-001, are as follows:

Exports	3,129	3,727	3,810	3,829	14,495
Imports	3,380	3,834	3,639	4,082	14,935

* This table corresponds to Table 10 of the previously published estimates.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

Al.* National Income and Gross National Product, by Quarters, 1968 and 1969 Seasonally Adjusted at Annual Rates

	1968					1969				
	I	II	III	IV	Year	I	II	III	IV	Year
	(millions of dollars)									
1. Wages, salaries, and supplementary labour income	36,920	38,076	38,828	40,148	38,493	41,440	42,604	43,816	44,664	43,131
2. Military pay and allowances ..	844	808	900	888	860	836	884	872	952	886
3. Corporation profits before taxes	6,744	7,164	7,548	8,312	7,442	8,284	8,312	7,736	7,592	7,981
4. Deduct: Dividends paid to non-residents(1)	- 836	- 980	- 940	- 748	- 876	- 868	- 856	- 800	- 860	- 846
5. Interest, and miscellaneous investment income	2,460	2,536	2,600	2,724	2,580	3,008	2,940	3,096	3,124	3,042
6. Accrued net income of farm operators from farm production(2)	1,492	1,304	1,496	1,592	1,471	1,512	1,588	1,436	1,492	1,507
7. Net income of non-farm unincorporated business including rents(3)	4,040	4,188	4,288	4,356	4,218	4,328	4,264	4,280	4,548	4,355
8. Inventory valuation adjustment (4).....	- 296	- 184	- 296	- 492	- 317	- 600	- 768	- 428	- 684	- 620
9. NET NATIONAL INCOME AT FACTOR COST	51,368	52,912	54,424	56,780	53,871	57,940	58,968	60,008	60,828	59,436
10. Indirect taxes less subsidies ..	9,520	9,488	9,628	10,072	9,677	10,584	10,468	10,748	10,908	10,677
11. Capital consumption allowances and miscellaneous valuation adjustments	8,444	8,420	8,484	8,448	8,449	8,840	8,564	8,952	9,184	8,885
12. Residual error of estimate ..	- 252	- 528	- 616	- 776	- 543	- 872	- 1,032	- 1,024	- 668	- 899
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	69,080	70,292	71,920	74,524	71,454	76,492	76,968	78,684	80,252	78,099
14. (Gross national product at market prices excluding accrued net income of farm operators)	(67,588)	(68,988)	(70,424)	(72,932)	(69,983)	(74,980)	(75,380)	(77,248)	(78,760)	(76,592)

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

(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.

(4) See footnote 1 Table B.

* This table corresponds to Table 11 of the previously published estimates.

51.* Gross National Expenditure, by Quarters, 1968 and 1969 Seasonally Adjusted at Annual Rates

	1968					1969				
	I	II	III	IV	Year	I	II	III	IV	Year
	(millions of dollars)									
1. Personal expenditure on consumer goods and services ...	41,300	41,576	42,832	43,732	42,360	45,144	45,840	46,664	47,788	46,359
2. Government current expenditure on goods and services ...	11,716	11,732	12,020	12,844	12,078	13,068	13,460	14,176	14,276	13,745
3. Gross fixed capital formation	15,812	15,848	16,104	16,376	16,035	16,692	16,772	17,180	17,424	17,017
4. Government	3,092	3,280	3,268	3,176	3,204	3,028	3,020	2,920	3,032	3,000
5. Residential construction	16	12	12	8	12	8	12	16	12	12
6. Non-residential construction.....	2,732	2,916	2,904	2,836	2,847	2,660	2,660	2,588	2,712	2,655
7. Machinery and equipment	344	352	352	332	345	360	348	316	308	333
8. Business	12,720	12,568	12,836	13,200	12,831	13,664	13,752	14,260	14,392	14,017
9. Residential construction	3,012	3,292	3,312	3,560	3,294	3,808	3,840	3,848	3,824	3,830
10. Non-residential construction	4,432	4,420	4,468	4,632	4,488	4,580	4,516	4,812	4,908	4,704
11. Machinery and equipment	5,276	4,856	5,056	5,008	5,049	5,276	5,396	5,600	5,660	5,483
12. Value of physical change in inventories	524	400	768	1,272	741	1,372	920	856	920	1,017
13. Government	4	24	48	40	29	8	12	16	- 8	7
Business:										
Non-farm	284	392	672	544	473	1,084	48	200	512	461
15. Farm and grain in commercial channels (1)	236	- 16	48	688	239	280	860	640	416	549
16. Exports of goods and services(2)	16,116	16,692	16,592	17,368	16,692	18,420	18,020	18,112	19,064	18,404
17. Deduct: Imports of goods and services(2)	- 16,644	- 16,484	- 17,012	- 17,844	- 16,996	- 19,076	- 19,080	- 19,324	- 19,888	- 19,342
18. Residual error of estimate	256	528	616	776	544	872	1,036	1,020	668	899
19. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	69,080	70,292	71,920	74,524	71,454	76,492	76,968	78,684	80,252	78,099

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

(2) Revised figures not incorporated into the Accounts as shown in the "Quarterly Estimates of the Canadian Balance of Payments, Second quarter 1969" DBS 67-001, are as follows:

Exports	16,128	16,648	16,576	17,476	16,707
Imports	16,580	16,360	16,968	17,896	16,951

* This table corresponds to Table 12 of the previously published estimates.

Cl.* Gross National Expenditure in Constant (1961) Dollars, by Quarters, 1968 and 1969 (1)
Seasonally Adjusted at Annual Rates

	1968					1969				
	I	II	III	IV	Year	I	II	III	IV	Year
	(millions of dollars)									
1. Personal expenditure on consumer goods and services	35,372	35,332	36,168	36,540	35,853	37,408	37,492	37,920	38,592	37,853
2. Government current expenditure on goods and services	8,420	8,400	8,300	8,732	8,463	8,880	8,888	9,060	9,008	8,959
3. Gross fixed capital formation	13,196	12,984	13,112	13,368	13,165	13,328	13,224	13,288	13,396	13,309
4. Government	2,492	2,560	2,548	2,596	2,549	2,320	2,400	2,244	2,372	2,334
5. Residential construction ..	16	8	8	4	9	4	4	8	4	5
6. Non-residential construction	2,152	2,216	2,224	2,292	2,221	1,988	2,076	1,948	2,096	2,027
7. Machinery and equipment ...	324	336	316	300	319	328	320	288	272	302
8. Business	10,704	10,424	10,564	10,772	10,616	11,008	10,824	11,044	11,024	10,975
9. Residential construction ..	2,348	2,524	2,504	2,660	2,509	2,748	2,716	2,712	2,688	2,716
10. Non-residential construction	3,688	3,620	3,640	3,732	3,670	3,648	3,456	3,576	3,540	3,555
11. Machinery and equipment ...	4,668	4,280	4,420	4,380	4,437	4,612	4,652	4,756	4,796	4,704
12. Value of physical change in inventories	360	356	700	1,028	611	1,340	840	676	724	895
13. Government	4	20	44	24	23	12	- 4	12	-12	2
Business :										
Non-farm	268	424	624	608	481	1,024	52	160	424	415
Farm and grain in commercial channels	88	- 88	32	396	107	304	792	504	312	478
16. Exports of goods and services(2)	14,016	14,472	14,396	15,056	14,485	15,748	15,216	15,304	16,028	15,574
17. Deduct: Imports of goods and services(2)	- 14,744	- 14,552	- 15,004	- 15,612	- 14,978	-16,524	-16,356	-16,268	-16,624	-16,443
18. Residual error of estimate ...	212	432	500	624	442	696	820	796	516	707
19. GROSS NATIONAL EXPENDITURE IN CONSTANT (1961) DOLLARS	56,832	57,424	58,172	59,736	58,041	60,876	60,124	60,776	61,640	60,854

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in current dollars by the constant dollar figures, 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) Revised figures not incorporated into the Accounts as shown in the "Quarterly Estimates of the Canadian Balance of Payments, Second quarter 1969" DBS 67-001, are as follows:

Exports	14,024	14,436	14,376	15,144	14,495
Imports	14,684	14,440	14,960	15,656	14,935

* This table corresponds to Table 20 of the previously published estimates.

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