

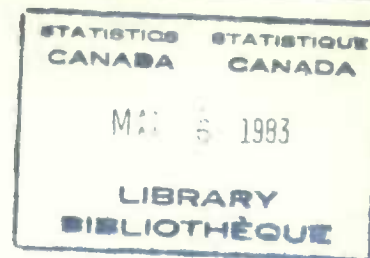
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P. Copes

B. McCormick



CANADA



NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
THIRD QUARTER
1956

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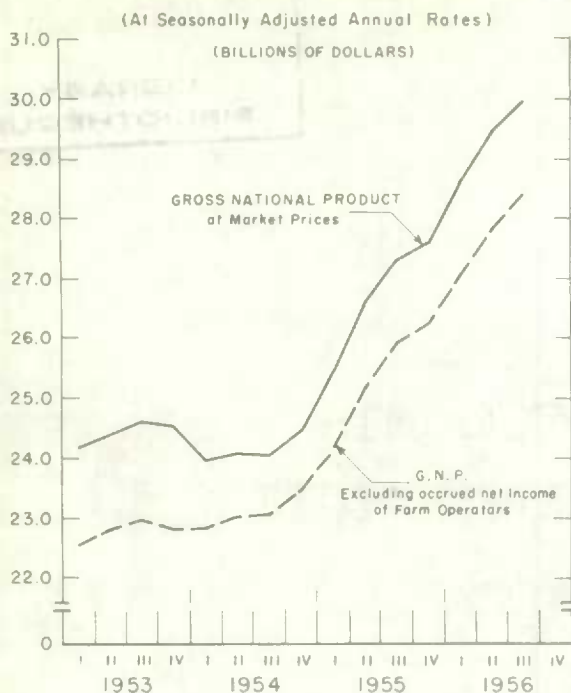
The Right Honourable C. D. Howe, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
Research and Development Division
National Income Section

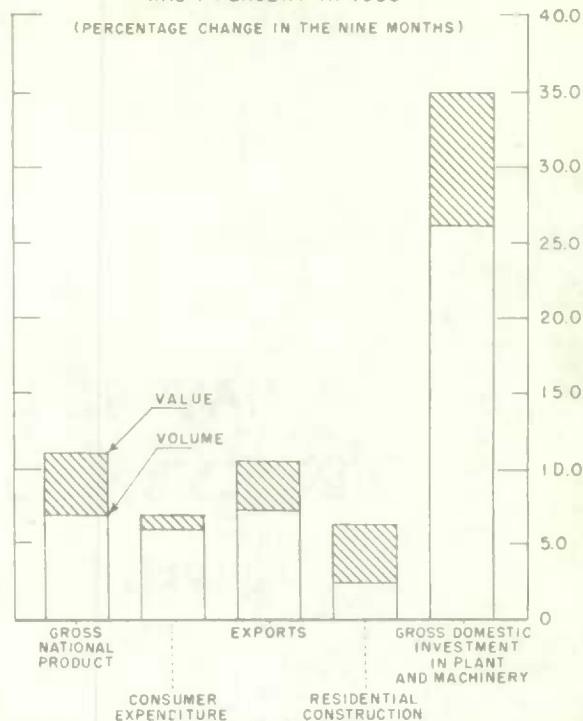
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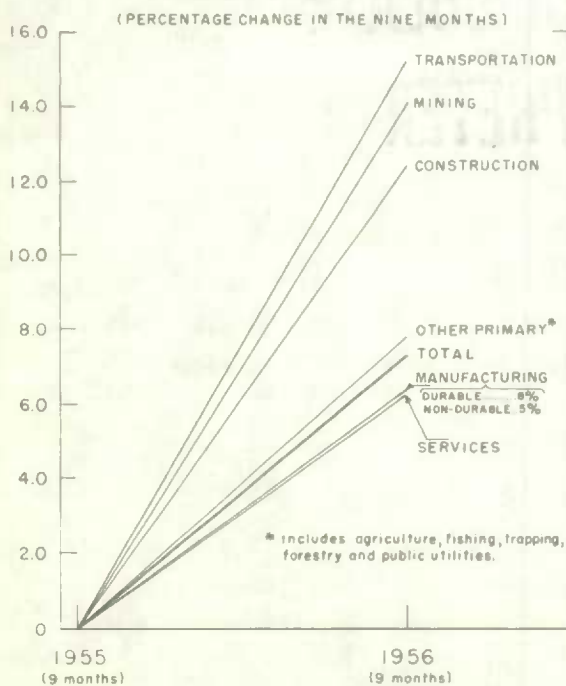
GROSS NATIONAL PRODUCT IN THE FIRST NINE MONTHS OF 1956 AVERAGED 11 PERCENT ABOVE THE SAME PERIOD A YEAR AGO



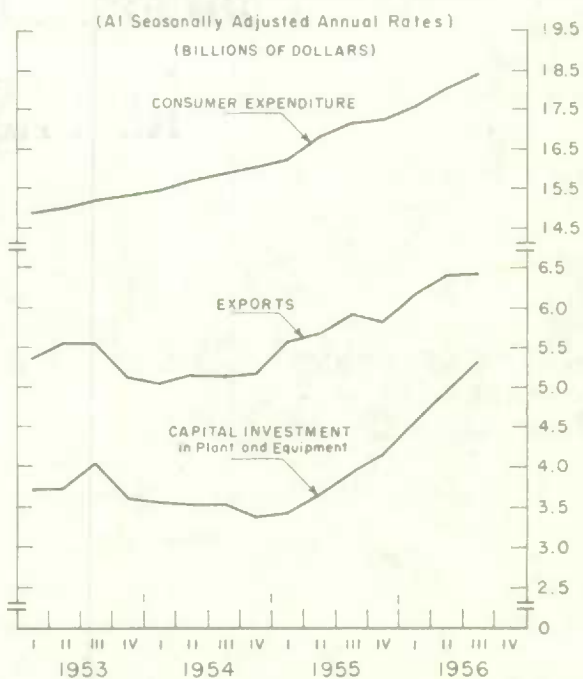
PRICE FACTORS ACCOUNTED FOR ABOUT ONE-THIRD OF THE INCREASE IN GROSS NATIONAL PRODUCT BUT THE GAIN IN THE VOLUME OF PRODUCTION WAS 7 PERCENT IN 1956



VOLUME GAINS BY INDUSTRY WERE WIDESPREAD, WITH MINING, CONSTRUCTION, TRANSPORTATION AND DURABLE GOODS MANUFACTURING SHOWING THE SHARPEST ADVANCES



THE MAJOR EXPANSIONARY FACTOR IN THE NINE MONTHS HAS BEEN THE RISING CAPITAL INVESTMENT PROGRAM, BUT CONSUMER EXPENDITURE AND EXPORTS PROVIDED STRONG ELEMENTS OF DEMAND



INTRODUCTORY REVIEW

Gross National Product continued upward in the third quarter of 1956 and was at a seasonally adjusted annual rate of \$30 billion. This constitutes a gain of close to 2 per cent over the second quarter, somewhat less than the increases of 3 per cent in the first two quarters of the year. Price factors have been somewhat more prominent in recent quarterly increases in the value of production, and related evidence suggests that about one-half of the gain in the third quarter is accounted for by higher prices, with the remainder representing an increase in the real volume of output.

On the income side, the major factor in the third quarter increase in Gross National Product has been a further advance in labour income, which rose by more than 3 per cent after allowance for seasonal variation. Employment and wage rates each showed further gains in the quarter. The recent sharp gains in income have been accompanied by a continued rise in personal expenditures on consumer goods and services; these showed a further increase of 2 per cent in the quarter. Business investment outlays for plant, machinery and equipment have been a major expansionary factor throughout the whole course of the year 1956, and in the third quarter they provided a continued impetus on the demand side, with a gain of about 7 per cent. These two factors together largely accounted for the increase in the nation's expenditure in the third quarter of 1956. Declines in residential construction and in the rate of inventory accumulation were partly offset by gains in outlays by governments, and a small reduction in the deficit on current international account.

Changes in Selected Components of Income and Expenditure in the Third Quarter (seasonally adjusted)

	2 Q.1956 to 3 Q.1956		2 Q.1956 to 3 Q.1956
Gross National Product.....	+ 2 %	Residential Construction.....	- 8 %
Wages and Salaries.....	+ 3 %	Non-Residential Construction...	+10 %
Investment Income.....	- 2 %	Machinery and Equipment.....	+ 6 %
Profits.....	+ 3 %		
Personal Expenditure.....	+ 2 %	Exports.....	-
Government Expenditure.....	+ 3 %	Imports.....	- 1 %

With the crop out-turn¹ now known and data covering three quarters of the year's activity in the non-farm sector available, it is now possible to suggest an order of magnitude for the year 1956 as a whole. On the basis of present evidence, it seems likely that the Gross National Product in 1956 will be about 11 per cent above last year's figure of \$26.8 billion. With final product prices higher in the first nine months of this year by 3 or 4 per cent compared with a year ago, the gain in the physical volume of output will likely amount to about 7 per cent. A gain of this magnitude in the physical volume of output would be very close to the 9 per cent increase achieved in 1955, when the economy was recovering from the effects of the mild 1953-1954 recession and increases in the

1. The value of crop production in 1956 is estimated to be \$150 million higher than in the year 1955.

labour force and in productive capacity had not been fully utilized. By any standard, this is an impressive performance, though it has been accompanied by some upward pressure on the general level of prices.

It may be recalled that in 1955 the pattern of demand was characterized by rising expenditures for consumer goods and services, a sharp advance in housing outlays, and a large gain in exports. In the first nine months of 1956, the major dynamic element on the demand side has been the very sharp expansion in the rate of fixed capital investment expenditure, but it is interesting to note that consumer expenditures and exports have also shown increases which come very close to matching those of the year 1955 in percentage terms. (See table below). As a result, total final purchases (excluding inventories) by the major spending groups have increased by more than 11 per cent in the first nine months of 1956 compared with an increase of less than 9 per cent in 1955. However, a larger proportion of these final demands was met out of imports of goods and services in the first nine months of 1956, and the value of Canadian production has increased only slightly more than in 1955. As has been noted, price factors were more significant in this year's increase, and in volume terms the 1956 production gain will be somewhat lower than in 1955.

Value Changes in Selected Components of Gross National Expenditure, 1955 and 1956

	Per Cent Change <u>1954 to 1955</u> (annual)	Per Cent Change <u>1955 to 1956</u> (9 months)
Personal Expenditure.....	7	7
Government Expenditure.....	7	8
Residential Construction.....	27	6
Non-Residential Construction.....	7	36
Machinery and Equipment.....	10	33
Exports.....	12	11
Total Final Purchases (ex inventories)	9	11
Imports of Goods and Services.....	15	20
Gross National Expenditure.....	10	11

A number of major developments can thus be singled out as characterizing the first nine months of 1956. These are:

- (1) A very large advance in fixed capital investment expenditures by business for plant, machinery and equipment.
- (2) A sharp rise in imports and in the current account deficit, accompanied by a gain in exports comparable to last year's increase.
- (3) Upward pressures on prices which are now showing up in all major segments of Gross National Expenditure, but more particularly in construction and machinery and equipment items.
- (4) An increase in consumer expenditures equivalent to that of the year 1955.

- (5) A marked increase in the rate of business inventory accumulation, particularly in the first half of the year.
- (6) Gains in national and personal income of 11 and 10 per cent.

Changes from a year ago in the main components of the Gross National Expenditure are shown in the table below:

Components of Gross National Expenditure
(seasonally adjusted at annual rates)

	9 months 1955 (\$ billion)	9 months 1956 (\$ billion)	Change (\$ billion)	Change (%)
<u>Business Investment</u>				
New Non-residential construction.....	1.7	2.4	+ 0.6	36.4 %
New Machinery and Equipment.....	1.9	2.6	+ 0.6	32.8 %
Inventories.....	.4	.9	+ 0.5	N.A.
(Business).....	(.3)	(.8)	+(0.5)	N.A.
Sub-Total...	4.1	5.8	+ 1.7	42.2 %
<u>Other Purchases</u>				
Consumer Expenditures.....	16.8	18.0	+ 1.2	7.4 %
Government Expenditures.....	4.7	5.1	+ 0.4	8.1 %
New Residential Construction.....	1.4	1.5	+ 0.1	5.8 %
Exports.....	5.7	6.3	+ 0.6	10.7 %
Sub-Total...	28.6	31.0	+ 2.3	8.1 %
<u>Total Final Purchases plus</u>				
<u>Inventory Investment</u>	32.7	36.8	+ 4.0	12.4 %
Less Imports	- 6.3	- 7.5	- 1.2	19.8 %
<u>Gross National Expenditure</u>	26.5	29.3	+ 2.8	10.6 %

Note: Figures will not add by + .1 or - .1 due to rounding.

The strength in end-product demand in the first nine months of 1956 has given rise to sharp increases in the volume of output of the main industrial groups. Manufacturing output has risen by more than 6 per cent in the nine months, with an advance in durable goods production of 8 per cent and non-durable goods production of 5 per cent. Within the durable goods group, production of iron and steel products has shown the sharpest gain, rising by 17 per cent; production in the non-metallic minerals group is up by 14 per cent in the nine months, electrical apparatus and supplies by 9 per cent, chemical products by 4 per cent, and non-ferrous metal products by 3 per cent. The gains in output of hard goods and industrial equipment items are related to the needs of the capital investment program, the strong export market for basic metals and their

products, and higher levels of consumer purchases of durable goods. In the non-durable manufacturing group, gains were also widespread, with increases of 7 per cent or more in rubber, leather, clothing and paper products, printing and publishing, and petroleum and coal.

Outside the manufacturing field, output in mining, quarrying and oil wells rose by 14 per cent in the nine months, reflecting large gains in the production of petroleum, iron ore, copper and other minerals. Exports of these products have risen sharply in 1956. Related indicators suggest that output in the construction industry was higher by about 12 per cent, transportation, storage and communication, by about 15 per cent, and public utilities by about 7 per cent. The primary goods industries of agriculture, forestry, fishing and trapping, and the service producing industries of trade, finance, insurance and real estate have all shown marked gains in output in the nine months' comparison.

These gains in production in the first nine months of 1956 were accompanied by an increase of 5 per cent in the number of persons with jobs in the non-agricultural sector of the economy. Persons with jobs in the construction industry rose by 12 per cent. The very pronounced increase in the number of persons with jobs in the non-agricultural sector of the economy was made possible by a decline in unemployment, further transfers of persons from agricultural to non-agricultural employment, and by the entry into the labour market of members of the population not recently in the labour force. Persons without jobs and seeking work in the first nine months of this year were about 25 per cent below the same period of a year ago, and averaged 3 per cent of the total labour force.

Prices in the nine months have shown increases over a year ago in almost all categories of the Gross National Expenditure. Prices of machinery and equipment items have averaged about 7 per cent higher, while the price factor in new non-residential construction has averaged 8 per cent higher. Residential construction prices are up by about 4 per cent over a year ago. Both exports and imports of goods and services have risen in price by 3 or 4 per cent. The price factor in consumer expenditure has risen by about 1 per cent in the nine months' comparison, but it should be noted that consumer prices have been rising more sharply since mid-year; between May and November the increase in the consumer price index was more than 3 per cent, mainly attributable to a rise in food prices, which had previously been declining.

Gross Domestic Investment (excluding inventories)

Business investment in plant, machinery and equipment, seasonally adjusted, continued to advance in the third quarter, to an annual rate of \$5.3 billion. This represented a gain of 10 per cent in non-residential construction and 6 per cent in outlays for machinery and equipment. These latest gains have brought the average rate of plant and equipment outlays in the first nine months of this year to a point about 30 per cent above the 1955 annual average. It may be noted that the revised mid-year survey of investment intentions indicated a proposed increase of about 40 per cent in business investment outlays in these categories, with the gains concentrated in commodity producing, fuel, and power industries. The figures available to date suggest that there may be some shortfall in the investment program in 1956, with a part of the scheduled investment carried over into 1957. Prices of construction and machinery and equipment items have been increasing for some time, and volume increases over 1955 have therefore been less than the value changes shown in the National Accounts. In the first nine months of 1956, the price factor in non-residential construction

and machinery and equipment has averaged about 7 or 8 per cent above a year ago.

The large advance in the rate of non-residential construction in 1956, amounting to 33 per cent over last year's annual average, has been accompanied by sharp gains in employment in buildings and structures (up 16 per cent), and in average hourly earnings in the construction trades (up 8 per cent). Average hours worked per week are also appreciably higher.

Outlays for new machinery and equipment in the first nine months of 1956 have averaged 28 per cent above the 1955 annual figure. Imports of machinery and equipment have continued to supply a major part of the program, and it is estimated that in the first nine months of this year imports of machinery and equipment were more than 30 per cent higher than in the same period one year ago. Domestic shipments of machinery and equipment have risen by 20 per cent.

Residential construction outlays, seasonally adjusted, declined by 8 per cent between the second and third quarters of 1956, reflecting a drop in both housing starts and completions. Housing starts have declined steadily since the third quarter of 1955 and the rate of completions has now begun to fall off. In the first nine months of this year, the value of housing put in place has been about 6 per cent higher than in the comparable period one year ago; however, it is apparent that a further decline can be expected in the fourth quarter of this year, so that the increase for 1956 as a whole will likely be somewhat lower than the figure indicated. It may be recalled that in 1955, outlays for new housing rose by 27 per cent and provided one of the major expansionary elements on the demand side. Competing demands on the available supply of credit for business investment and shortages of serviced land in some municipalities in 1956 have been a factor in the current decline in housing starts and completions.

In the first nine months of 1956, the price factor in residential construction averaged about 4 per cent higher than a year ago.

Investment in Business Inventories

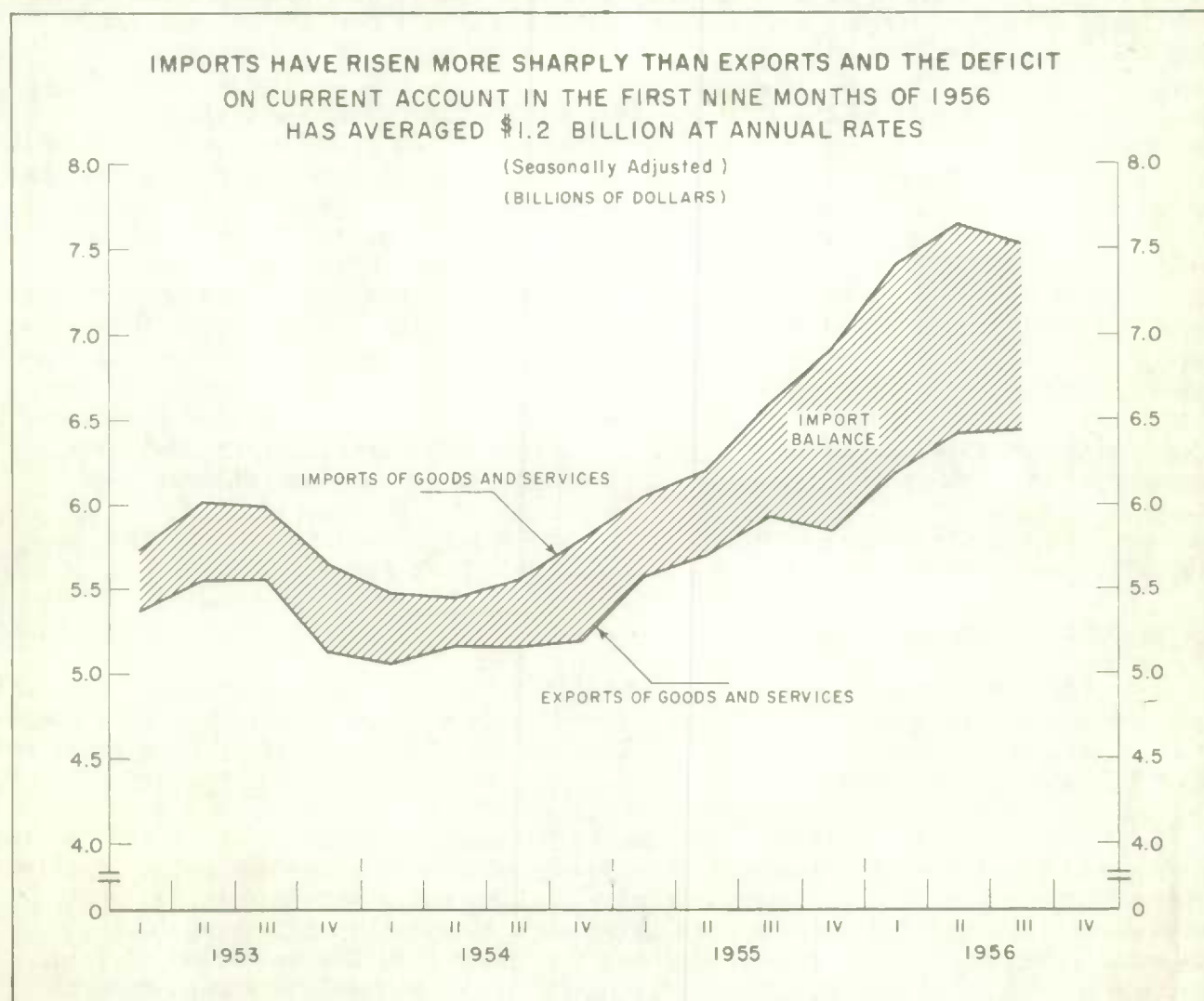
The rate of business inventory accumulation slackened further in the third quarter and was at a seasonally adjusted annual rate of \$0.3 billion. This compares with a rate of accumulation of \$1.3 billion in the first quarter of this year, and \$0.8 billion in the second quarter.

The moderate build-up in business inventory holdings in the third quarter took place chiefly at the manufacturing level, with smaller accumulations fairly widespread among wholesale trade, forestry, mining and other industries. Only at the retail level did there appear to be some liquidation of stocks (after seasonal adjustment). This was accounted for largely by the reduction of motor vehicle stocks following relatively strong sales and reduced shipments from the factory in the third quarter. Within the manufacturing group, inventories were higher particularly in the iron and steel industry, petroleum products and certain of the food manufactures, with smaller increases in many of the other industries.

The lower overall rate of inventory accumulation in the third quarter reflected a continuing high level of final demand, at a time when domestic production was advancing somewhat less rapidly than in the immediately preceding quarters and commodity imports were showing some declines. The strength of final demand was broadly based among consumer items, exports and investment in non-residential construction and machinery and equipment.

In the first nine months of 1956, business inventory investment has averaged about \$775 million (at seasonally adjusted annual rates), compared with an average of only about \$250 million in the same period of 1955. At the same time, the Gross National Product has increased by \$2.8 billion between these two periods (averaged at annual rates). The stepped up rate of inventory accumulation in 1956 has thus accounted for about 18 per cent of the gain in Gross National Product since a year ago.

The price element in the value of current inventory investment appears more pronounced than in any of the past four years, accounting for nearly one-half of the overall accumulation in the first nine months.



Exports and Imports of Goods and Services

Exports of goods and services, seasonally adjusted, showed little change from the second to the third quarter of 1956; imports of goods and services declined fractionally. As a consequence, the deficit on current account in the third quarter showed a small reduction, though it remained at a seasonally adjusted annual rate in excess of \$1 billion. Since the beginning of the year, export prices of goods have risen by about 2 per cent, while import prices have remained relatively unchanged.

The stability of exports between the second and third quarters reflected offsetting movements in the main commodity and service groups. The decline in imports of goods and services was chiefly related to a drop in imports of iron and its products (after adjustment for seasonality), reflecting the effects of the United States steel strike in July. The service component of imports advanced in the third quarter, mainly due to substantially increased interest and dividend payments abroad.

During the first nine months of 1956, demands for Canadian exports rose by 11 per cent compared with one year ago, reflecting new capacity in resource development industries, with the continuing high level of economic activity in the United States and overseas countries. Most commodity exports showed increases in the nine months' comparison. Agricultural exports accounted for one-third of the total increase in commodities, associated with the sharp upturn in the sale of wheat, which advanced about 50 per cent. Iron and its products, petroleum, uranium and other metals and minerals also increased significantly. While the wood and wood products group showed little change, there was some reduction in the export of lumber. Export of services rose in the nine months' comparison, with increases in receipts from shipping and freight accounting for more than half the increase.

The sharp expansion in industrial activity in Canada in 1956, the heavy demands of the capital investment program, and the continued growth of consumer expenditures, have been accompanied by a sharp rise in imports of goods and services, amounting to 20 per cent. The heaviest increase occurred in imports of iron and its products, which accounted for nearly half of the increase in commodity imports in the first three quarters of the year. Other commodity groups also showed marked increases, notably non-metallic minerals and non-ferrous metals. The service portion of imports advanced in the first nine months of 1956, related to higher payments for shipping, freight, and to increased tourist expenditures abroad.

These changes in current account transactions in 1956 were accompanied by an approximate doubling of the current account deficit in the first nine months of the year; the deficit has averaged \$1.2 billion at seasonally adjusted annual rates, compared with \$0.6 billion a year ago. The greater portion of the increase in the deficit on current account resulted from an increase in the deficit with the United States, while the remainder was made up of a reduction in the surplus with United Kingdom and other overseas countries.

In the first nine months of 1956, there were some shifts in the demands for Canadian exports. Notable increases in export of wheat to Western and Central Europe took place, while increases in other exports to West Germany and Japan may also be noted. These increases in exports have been insufficient to offset increased imports from these countries. While the United States and United Kingdom continued to be the major sources of supply for the wide variety of imports, significantly more imports also came in 1956 from such countries as West Germany, Belgium, Luxembourg, Mexico and Japan.

Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services, seasonally adjusted, rose by 2 per cent in the third quarter, to a rate of \$18.4 billion. Non-durable goods purchases and outlays for services moved up at about the same rate as the rise in total consumer expenditure, but durable goods purchases advanced by less

than 1 per cent. It may be noted that sales of passenger automobiles, seasonally adjusted, showed little change in the third quarter, following the sharp upturn (30 per cent) which occurred in the second quarter. Outlays for other types of durable goods including home furnishings and appliances and radios showed moderate gains in the third quarter.

In the first nine months of 1956, personal expenditure on consumer goods and services has risen by 7 per cent compared with a year ago. This increase is equivalent to that which occurred in the year 1955 when consumer expenditures were providing the major expansionary factor in the economy, and reflects the continued sharp advance of personal income in the current year. In "real" terms, personal income per capita has made one of the sharpest advances of any year in the post-war period.

Purchases of non-durable goods have risen by 7 per cent in the nine months' comparison. The gains are widespread, with major advances in the food and clothing groups, household supplies, and purchases related to motor vehicle transportation. Consumer outlays for durable goods show a gain of 10 per cent from a year ago, with purchases of new passenger cars up by 11 per cent. Other major gains in the durable group have occurred in sales of furniture, house furnishings, and appliances and radios; sales of television sets, however, declined relative to a year ago.

The gain in the service component of consumer expenditure has been widely spread, with an important portion attributable to increases in household rents.

In the nine months' comparison, total consumer prices have risen by about 1 per cent, so that the volume gain has been of the order of 6 per cent. A substantial increase in the volume of per capita consumption is thus indicated for 1956. The major price increase has been in the service component, where an advance of 3 per cent has taken place from a year ago; the volume gain in services is about 4 per cent. Prices of durable and non-durable goods in the nine months' comparison have shown little change, so that value and volume increases are quite similar. As has been noted previously, prices of consumer goods have shown more marked increases since mid-year.

National and Personal Income

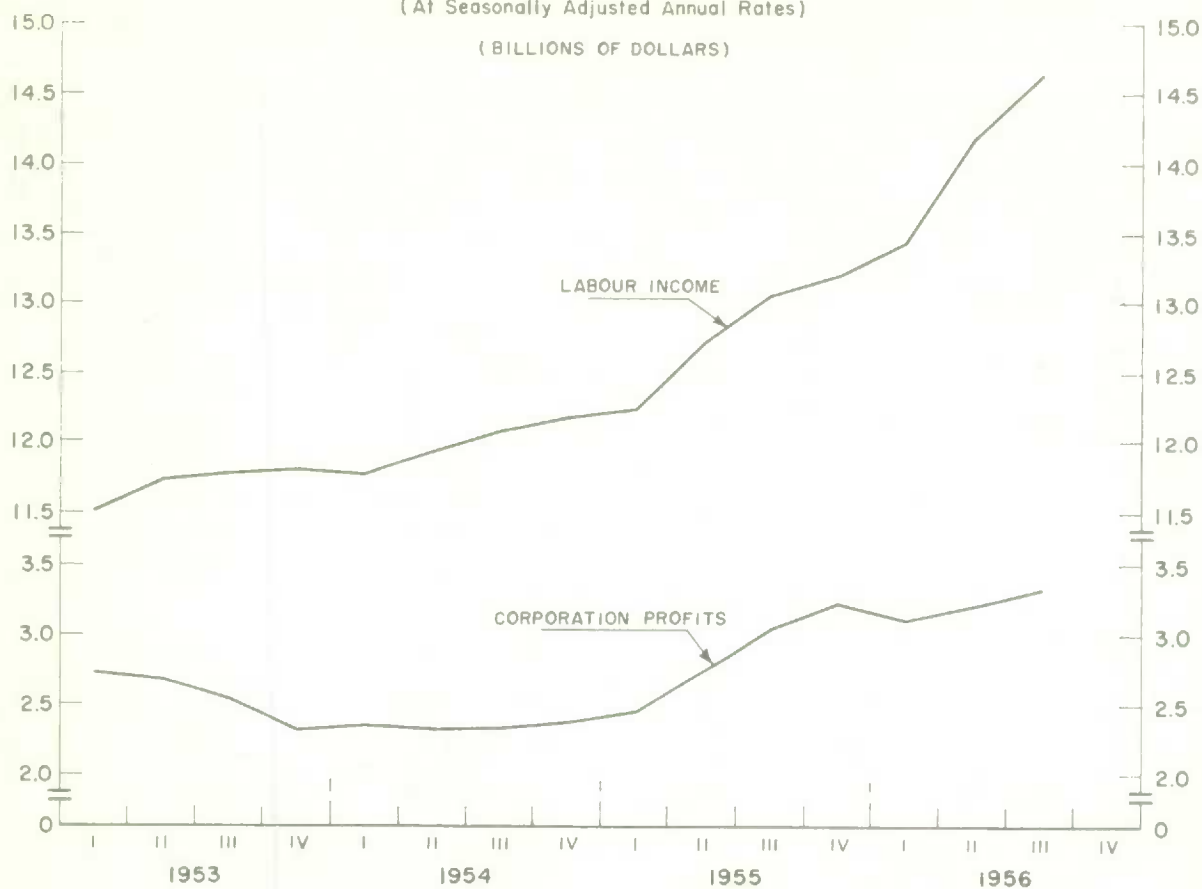
The gains in output and in final expenditures in the first nine months of 1956 have been accompanied by important advances in both personal and business incomes.

Wages and salaries, seasonally adjusted, rose by a further 3 per cent in the third quarter, following the sharp advance of 5 per cent in the second quarter. The most recent increase reflected continued gains in employment and a rise in average hourly earnings. Taking the first nine months of 1956 together, labour income has shown an increase of 11 per cent compared with a year ago, of which about 7 per cent is due to higher employment and the balance to an increase in average hourly earnings. All industrial groups show gains of between 10 and 12 per cent, with the exception of construction, where an increase of about 20 per cent occurred associated with the large investment program undertaken this year. With average consumer prices slightly higher in 1956, these increases in labour income over the previous year represent a further substantial advance in "real" earnings.

LABOUR INCOME AND CORPORATION PROFITS SHOWED PRONOUNCED GAINS FROM THE 1955 LEVELS

(At Seasonally Adjusted Annual Rates)

(BILLIONS OF DOLLARS)



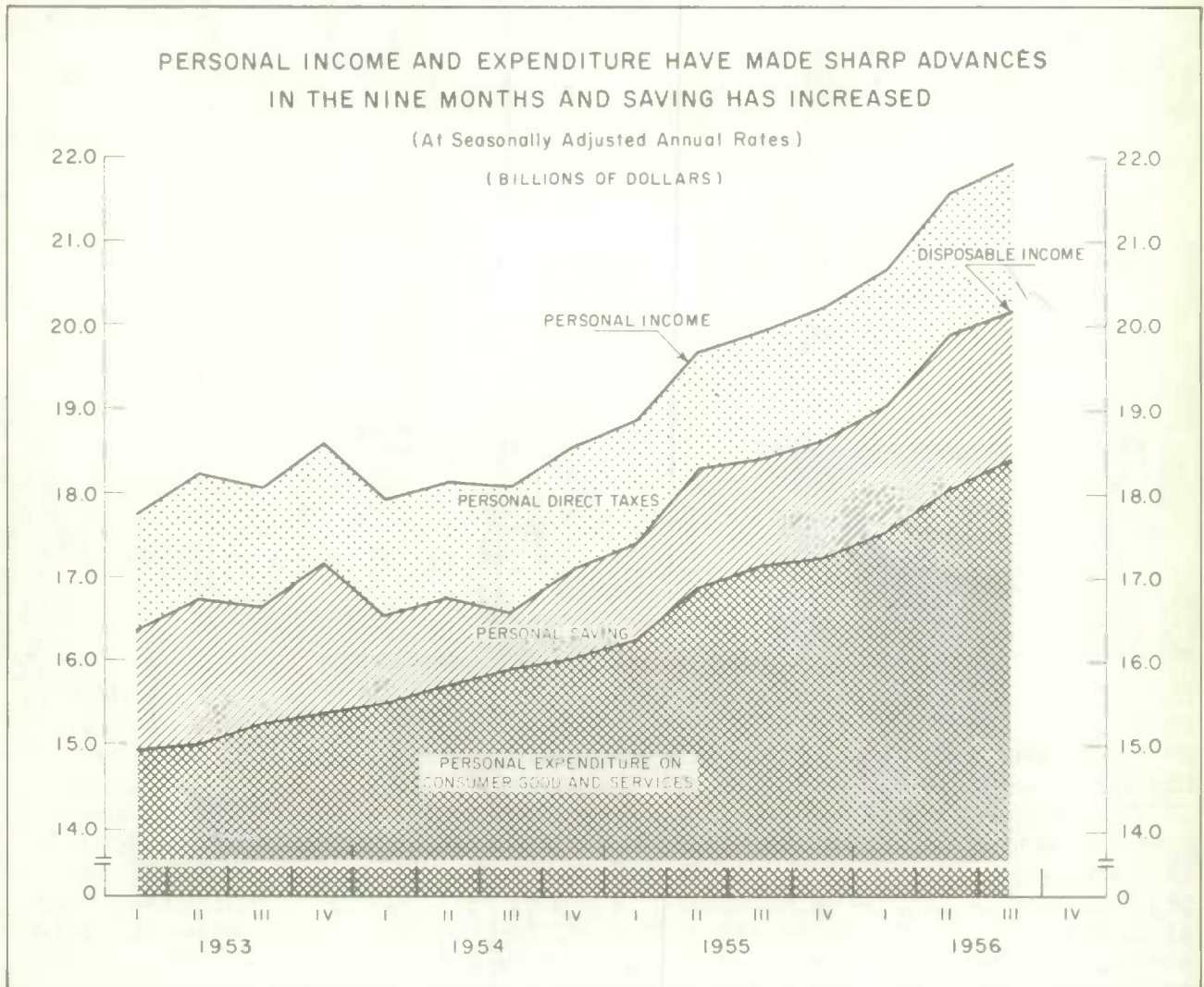
Investment income has continued to expand in 1956, with corporation profits, interest, and net rents all showing further gains over the previous year. It may be noted that the rate of increase in corporation profits has slackened substantially from the very sharp quarter to quarter gains of early 1955. From the first to the third quarter of this year, the increase in corporation profits, seasonally adjusted, amounted to about 8 per cent, compared with an increase of about 25 per cent in the comparable period of 1955. In the nine months of the current year, the level of corporation profits has been at an average annual rate of about \$3.2 billion, or 16 per cent above the same period of a year ago. Almost all industrial groups have shared in this advance, with increases of 20 to 30 per cent occurring in iron and steel manufacturing, wholesale trade, transportation, and mining.

Investment income as a whole showed a small drop between the second and third quarters of this year, after allowing for seasonal variation. Profits rose by about 3 per cent in the quarter, but at the same time, a more than seasonal increase occurred in dividends paid abroad; the latter are deducted from Canadian income since they represent earnings of non-residents.

Accrued net income of farm operators has been at an annual rate of \$1.6 billion in the first nine months of 1956, compared with \$1.4 billion in 1955, a gain of 14 per cent. This increase is largely attributable to the higher level of crop production in 1956, which is estimated to have been about

\$150 million above a year ago. Farm cash income in the first nine months of 1956 has averaged about 11 per cent above last year, with the bulk of this increase accounted for by income from sales of grain, which are up by 35 per cent. As has been noted, exports of grain rose sharply this year, with exports of wheat about 50 per cent higher than in the first nine months of 1955.

The increase in net income of non-farm unincorporated business in the first nine months of this year amounted to 7 per cent, a smaller advance than that indicated for the other main components of the National Income.



With earnings higher in all segments of the economy in 1956, personal income has risen by about 10 per cent over a year ago, and disposable income (personal income after taxes) by about 9 per cent. This rise in income has not been fully absorbed by the increase in consumer expenditure (up 7 per cent), so that the rate of personal saving in 1956 has been appreciably higher than last year, averaging \$1.7 billion at annual rates, compared with \$1.3 billion in the full year 1955. As a proportion of disposable income, personal saving has amounted to 9 per cent in 1956 compared with about 7 per cent in 1955.

TABLE 1. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1955-1956
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income..	2,969	3,150	3,315	3,376	12,810	3,261	3,510	3,720
2. Military Pay and Allowances.....	93	100	101	100	394	93	106	113
3. Investment Income.....	878	1,137	1,244	1,096	4,355	1,090	1,305	1,308
Net Income of Unincorporated Business:								
4. Accrued Net Income of Farm Operators from Farm Production ¹	-7	197	1,059	155	1,404	-6	130	1,305
5. Net Income of Non-Farm Unincorporated Business ²	341	455	474	505	1,775	370	485	507
6. NET NATIONAL INCOME AT FACTOR COST.....	4,274	5,039	6,193	5,232	20,738	4,808	5,536	6,953
7. Indirect Taxes less Subsidies.....	751	793	822	843	3,209	843	895	902
8. Depreciation Allowances and Similar Business Costs	662	713	725	765	2,865	729	788	813
9. Residual Error of Estimate.....	6	-33	-21	5	-43	-8	-124	-59
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,693	6,512	7,719	6,845	26,769	6,372	7,095	8,609
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	5,700	6,315	6,660	6,690	25,365	6,378	6,965	7,304

1. Includes change in farm inventories as shown in line 10, Table 4. Also includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1955-1956
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	3,760	4,270	4,142	4,716	16,888	4,033	4,550	4,453
2. Government Expenditure on Goods and Services ^{1,4} .	1,242	948	1,271	1,277	4,738	1,303	1,025	1,402
Gross Domestic Investment: ²								
3. New Residential Construction ⁵	254	374	427	421	1,476	281	423	419
4. New Non-Residential Construction.....	327	419	534	495	1,775	426	578	764
5. New Machinery and Equipment ⁶	417	568	525	507	2,017	566	759	677
6. Change in Inventories.....	-133	74	884	-317	508	93	78	1,035
7. (Business Inventories only) ³	(152)	(87)	(71)	(7)	(317)	(367)	(264)	(79)
8. Exports of Goods and Services.....	1,217	1,437	1,581	1,518	5,753	1,344	1,625	1,716
9. Deduct: Imports of Goods and Services.....	-1,385	-1,612	-1,666	-1,767	-6,430	-1,682	-2,067	-1,916
10. Residual Error of Estimate.....	-6	34	21	-5	44	8	124	59
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,693	6,512	7,719	6,845	26,769	6,372	7,095	8,609

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

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

3. Excluding grain in commercial channels and change in farm inventories.

4. Includes defence expenditures of:

1955					1956		
I	II	III	IV	Year	I	II	III
520	390	413	433	1,756	490	394	448

5. In 1955, data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

6. The 1955 total has been revised upward from that shown in "Public and Private Investment in Canada, Outlook 1956" to take account of later available information. The entire adjustment is in the non-government machinery and equipment item.

TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1955-1956
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income..	2,969	3,150	3,315	3,376	12,810	3,261	3,510	3,720
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds..	-100	-103	-106	-111	-420	-110	-114	-121
3. Military Pay and Allowances.....	93	100	101	100	394	93	106	113
4. Net Income Received by Farm Operators from Farm Production ¹	-28	214	1,046	150	1,382	-4	132	1,285
5. Net Income of Non-Farm Unincorporated Business...	341	455	474	505	1,775	370	485	507
6. Interest, Dividends and Net Rental Income of Persons ²	453	491	488	528	1,960	487	550	522
Transfer Payments to Persons:								
7. From Government (Excluding Interest).....	537	415	390	383	1,725	527	411	401
8. Charitable Contributions by Corporations.....	6	8	9	8	31	7	10	10
9. Net Bad Debt Losses of Corporations.....	6	6	7	7	26	6	6	7
10. PERSONAL INCOME.....	4,277	4,736	5,724	4,946	19,683	4,637	5,096	6,444

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1955-1956
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
Personal Direct Taxes:								
1. Income Taxes.....	310	336	322	328	1,296	329	389	381
2. Succession Duties.....	24	22	37	37	120	36	45	27
3. Miscellaneous.....	25	18	9	15	67	32	18	12
4. Total Personal Direct Taxes.....	359	376	368	380	1,483	397	452	420
Personal Expenditure on Consumer Goods and Services:								
5. Non-Durable Goods.....	2,019	2,343	2,327	2,780	9,469	2,175	2,469	2,504
6. Durable Goods.....	385	537	478	501	1,901	428	597	511
7. Services ¹	1,356	1,390	1,337	1,435	5,518	1,430	1,484	1,438
8. Total Personal Expenditure on Consumer Goods and Services.....	3,760	4,270	4,142	4,716	16,888	4,033	4,550	4,453
Personal Saving:								
9. Personal Saving Excluding Farm Inventory Change	385	99	449	168	1,101	444	272	642
10. Farm Inventory Change.....	-227	-9	765	-318	211	-237	-178	929
11. Total Personal Saving.....	158	90	1,214	-150	1,312	207	94	1,571
12. PERSONAL INCOME.....	4,277	4,736	5,724	4,946	19,683	4,637	5,096	6,444
13. (Personal Disposable Income) ²	(3,918)	(4,360)	(5,356)	(4,566)	(18,200)	(4,240)	(4,644)	(6,024)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1955-1956
SEASONALLY ADJUSTED AT ANNUAL RATES
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income..	12,240	12,728	13,064	13,208	12,810	13,444	14,188	14,644
2. Military Pay and Allowances.....	372	400	404	400	394	372	424	452
3. Investment Income.....	3,816	4,404	4,564	4,636	4,355	4,744	4,916	4,796
Net Income of Unincorporated Business:								
4. Accrued Net Income of Farm Operators from Farm Production ¹	1,328	1,476	1,396	1,416	1,404	1,572	1,608	1,588
5. Net Income of Non-Farm Unincorporated Business ²	1,712	1,744	1,816	1,828	1,775	1,892	1,856	1,892
6. NET NATIONAL INCOME AT FACTOR COST.....	19,468	20,752	21,244	21,488	20,738	22,024	22,992	23,372
7. Indirect Taxes less Subsidies.....	3,100	3,204	3,232	3,300	3,209	3,460	3,576	3,548
8. Depreciation Allowances and Similar Business Costs	2,776	2,828	2,912	2,944	2,865	3,052	3,124	3,264
9. Residual Error of Estimate.....	144	-156	-68	-92	-43	96	-216	-200
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	25,488	26,628	27,320	27,640	26,769	28,632	29,476	29,984
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	24,160	25,152	25,924	26,224	25,365	27,060	27,868	28,396

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1955-1956
SEASONALLY ADJUSTED AT ANNUAL RATES
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	16,264	16,880	17,152	17,256	16,888	17,560	18,048	18,424
2. Government Expenditure on Goods and Services ¹ ...	4,572	4,768	4,780	4,832	4,738	4,920	5,096	5,244
Gross Domestic Investment: ²								
3. New Residential Construction ⁴	1,340	1,448	1,532	1,584	1,476	1,472	1,612	1,484
4. New Non-Residential Construction.....	1,676	1,716	1,812	1,896	1,775	2,148	2,360	2,592
5. New Machinery and Equipment ⁵	1,748	1,940	2,132	2,248	2,017	2,380	2,600	2,748
6. Change in Inventories.....	512	216	508	796	508	1,464	764	380
7. (Business Inventories only) ³	(480)	(-24)	(300)	(512)	(317)	(1,272)	(764)	(292)
8. Exports of Goods and Services.....	5,568	5,688	5,924	5,832	5,753	6,176	6,412	6,432
9. Deduct: Imports of Goods and Services.....	-6,048	-6,184	-6,588	-6,900	-6,430	-7,392	-7,632	-7,520
10. Residual Error of Estimate.....	-144	156	68	96	44	-96	216	200
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	25,488	26,628	27,320	27,640	26,769	28,632	29,476	29,984

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels and farm inventories.

4. In 1955 data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

5. The 1955 total has been revised upward from that shown in "Public and Private Investment in Canada, Outlook 1955" to take account of later available information. The entire adjustment is in the non-government machinery and equipment item.

TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1955-1956
SEASONALLY ADJUSTED AT ANNUAL RATES
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income..	12,240	12,728	13,064	13,208	12,810	13,444	14,188	14,644
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds..	-408	-416	-424	-432	-420	-448	-460	-484
3. Military Pay and Allowances.....	372	400	404	400	394	372	424	452
4. Net Income Received by Farm Operators from Farm Production ¹	1,244	1,544	1,344	1,396	1,382	1,584	1,656	1,508
5. Net Income of Non-Farm Unincorporated Business...	1,712	1,744	1,816	1,828	1,775	1,892	1,856	1,892
6. Interest, Dividends and Net Rental Income of Persons ²	1,908	1,908	1,972	2,052	1,960	2,052	2,132	2,108
Transfer Payments to Persons:								
7. From Government (Excluding Interest).....	1,764	1,740	1,704	1,692	1,725	1,728	1,720	1,748
8. Charitable Contributions by Corporations.....	24	32	36	32	31	28	40	40
9. Net Bad Debt Losses of Corporations.....	24	24	28	28	26	24	24	28
10. PERSONAL INCOME.....	18,880	19,704	19,944	20,204	19,683	20,676	21,580	21,936

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1955-1956
SEASONALLY ADJUSTED AT ANNUAL RATES
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
Personal Direct Taxes:								
1. Income Taxes.....	1,304	1,232	1,320	1,328	1,296	1,388	1,432	1,560
2. Succession Duties.....	96	88	148	148	120	144	180	108
3. Miscellaneous.....	64	68	60	76	67	84	68	76
4. Total Personal Direct Taxes.....	1,464	1,388	1,528	1,552	1,483	1,616	1,680	1,744
Personal Expenditure on Consumer Goods and Services:								
5. Non-Durable Goods.....	9,168	9,532	9,576	9,600	9,469	9,916	10,040	10,284
6. Durable Goods.....	1,744	1,888	1,992	1,980	1,901	1,932	2,112	2,128
7. Services ¹	5,352	5,460	5,584	5,676	5,518	5,712	5,896	6,012
8. Total Personal Expenditure on Consumer Goods and Services.....	16,264	16,880	17,152	17,256	16,888	17,560	18,048	18,424
9. Total Personal Saving.....	1,152	1,436	1,264	1,396	1,312	1,500	1,852	1,768
10. PERSONAL INCOME.....	18,880	19,704	19,944	20,204	19,683	20,676	21,580	21,936
11. (Personal Disposable Income) ²	(17,416)	(18,316)	(18,416)	(18,652)	(18,200)	(19,060)	(19,900)	(20,192)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949) CONSTANT DOLLARS, BY QUARTERS, 1955-1956
UNADJUSTED FOR SEASONALITY ^{1,2}
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	3,162	3,625	3,516	3,997	14,300	3,383	3,827	3,705
2. Non-Durable Goods.....	1,827	2,117	2,094	2,506	8,544	1,969	2,223	2,222
3. Durable Goods.....	347	493	451	463	1,754	394	551	477
4. Services.....	988	1,015	971	1,028	4,002	1,020	1,053	1,006
5. Government Expenditure on Goods and Services	929	692	937	923	3,481	932	699	975
Gross Domestic Investment:								
6. New Residential Construction.....	196	287	323	316	1,122	208	311	307
7. New Non-Residential Construction.....	242	310	390	352	1,294	292	397	518
8. New Machinery and Equipment.....	343	468	426	391	1,628	433	581	513
9. Change in Inventories.....	-225	-9	1,058	-388	436	-86	-96	1,176
10. (Business Inventories only).....	(104)	(72)	(13)	(-29)	(160)	(235)	(143)	(16)
11. Exports of Goods and Services.....	1,087	1,248	1,363	1,300	4,998	1,146	1,377	1,444
12. Deduct: Imports of Goods and Services.....	-1,247	-1,441	-1,489	-1,544	-5,721	-1,443	-1,777	-1,663
13. Residual Error of Estimate.....	-5	27	17	-4	35	6	97	46
14. GROSS NATIONAL EXPENDITURE.....	4,482	5,207	6,541	5,343	21,573	4,871	5,416	7,021

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure. The percentage changes noted on page 4 represent the orders of magnitude suggested by the implicit price deflators between the second quarters of 1955 and 1956. The general ranges indicated here are supported by related price information. It should be noted that no implicit deflator can be derived for Gross National Expenditure as a whole without first making allowance for the inventory valuation adjustment.

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