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NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
THIRD QUARTER  
1957

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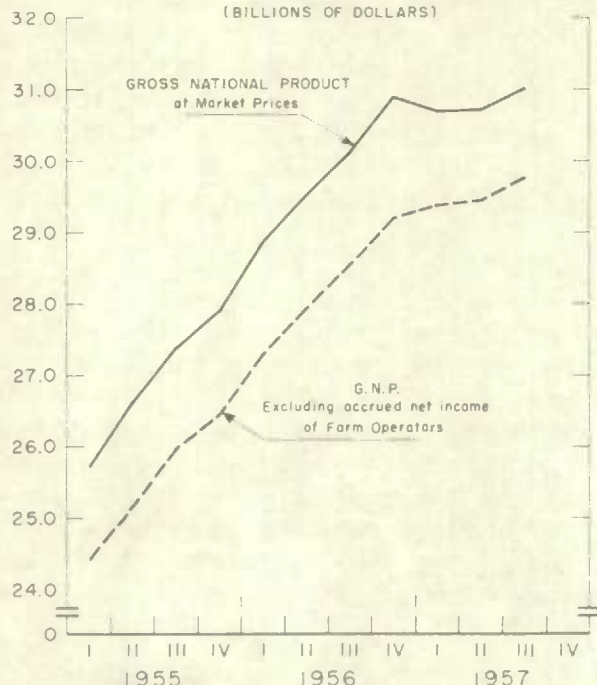
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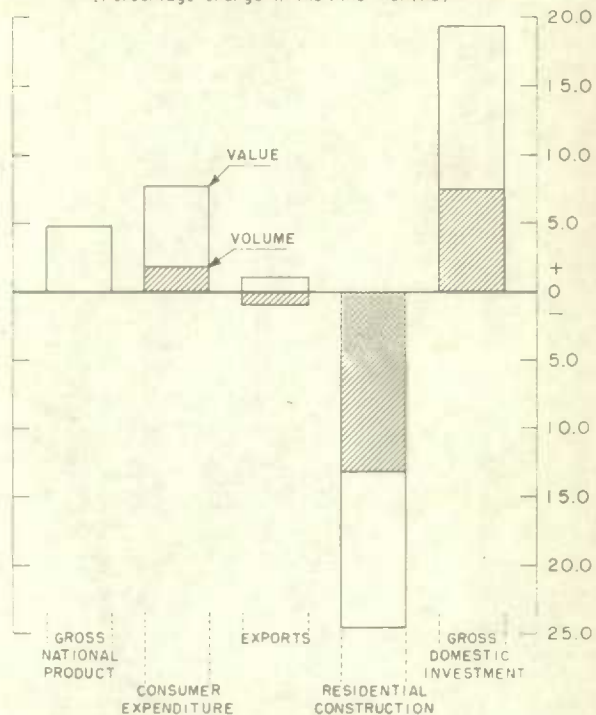
**GROSS NATIONAL PRODUCT IN THE FIRST NINE MONTHS OF 1957 AVERAGED 3 PER CENT ABOVE LAST YEAR'S ANNUAL AVERAGE**

(At seasonally adjusted annual rates)  
(BILLIONS OF DOLLARS)



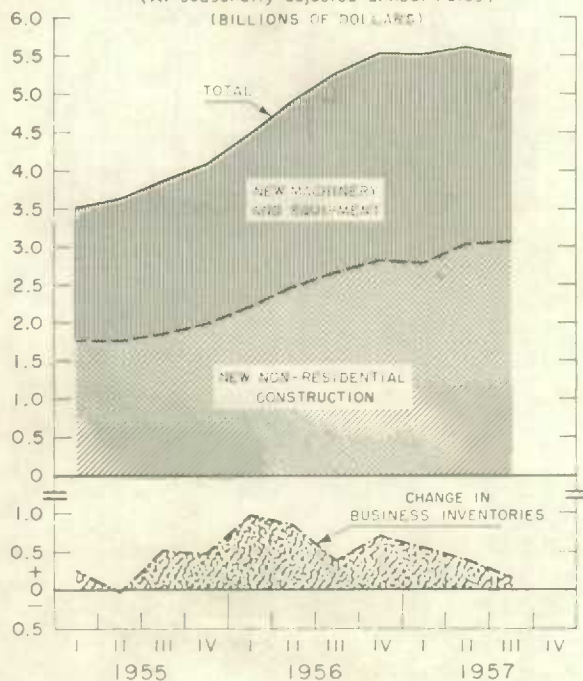
**PRICE FACTORS ACCOUNTED FOR MOST OF THE INCREASE IN GROSS NATIONAL PRODUCT IN 1957. THE VOLUME OF PRODUCTION WAS RELATIVELY UNCHANGED IN THE NINE MONTHS' COMPARISON**

(Percentage change in the nine months)



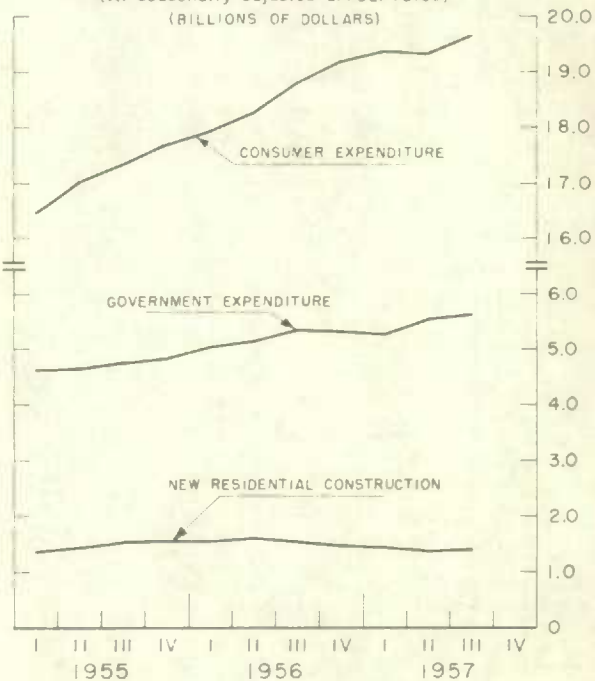
**THE GROWTH IN BUSINESS OUTLAYS FOR NEW PLANT AND EQUIPMENT SLACKENED DURING 1957, AND THE RATE OF BUSINESS INVENTORY ACCUMULATION DECLINED**

(At seasonally adjusted annual rates)  
(BILLIONS OF DOLLARS)



**CONSUMER AND GOVERNMENT EXPENDITURES ROSE FURTHER DURING THE YEAR. OUTLAYS FOR HOUSING, AFTER DECLINING SINCE EARLY IN 1956, MOVED UPWARD IN THE THIRD QUARTER OF 1957**

(At seasonally adjusted annual rates)  
(BILLIONS OF DOLLARS)



## INTRODUCTION

Gross National Product showed a slight advance in the third quarter, following the levelling off which occurred in the first half of the year. Seasonally adjusted, the nation's total output of goods and services was at an annual rate of \$31.0 billion, or about 1 per cent over the rate of the preceding two quarters. It is estimated that approximately one-half of the increase between the second and third quarters was accounted for by a further advance in final product prices, so that in volume terms, output of goods and services was substantially unchanged. Since the fourth quarter of 1956, there has been little change in the volume of the nation's total output, apart from the farm sector where a decline in crop production has affected the level of the statistical aggregates<sup>1</sup>.

The major factors in the third quarter movement of Gross National Product were a resumption of the upward trend in consumer expenditures, which had eased off in the second quarter; an increase in outlays for housing, which had been moving down since early in 1956; a rise in exports of goods and services, following upon the second quarter decline and reflecting larger shipments of iron ore and higher sales of animal products. At the same time, imports of goods and services fell slightly in the third quarter, contributing to some reduction in the current account deficit. On the income side, further gains occurred in labour income, reflecting mainly higher wage rates in some industrial groups. Other elements of personal income were also significantly higher in the third quarter. Corporation profits, seasonally adjusted, declined by 5 per cent.

### Components of Income and Expenditure (Per cent changes from 2nd to 3rd Quarter, 1957)

(Seasonally adjusted at annual rates)

<u>Income</u>		<u>Expenditure</u>	
Wages, salaries, etc.....	+2	Personal goods and services.....	+2
Investment income.....	-2	Government goods and services.....	+1
Farm net income.....	-3	Residential construction.....	+2
Other unincorporated business..	+1	Non-residential construction.....	+1
		Machinery and equipment.....	-6
		Inventory change, total \$392 Mn. to \$16 Mn.	
		(Inventory change, business \$408 Mn. to \$188 Mn.)	
National Income.....	+1	Exports, goods and services.....	+4
Indirect taxes, etc.....	+1	Imports, goods and services.....	-1
Depreciation, etc.....	-		
Gross National Product....	+1	Gross National Expenditure.....	+1
Gross National Product ex			
farm net income.....	+1		

1. It is estimated that the value of crop production in 1957 was about \$350 million below that of the year 1956.



With the crop out-turn 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 1957 as a whole. On the basis of present evidence, it seems likely that the Gross National Product in 1957 will be about 3 or 4 per cent above last year's figure of \$29.9 billion. With final product prices also higher by about the same amount in the first nine months of this year, compared with a year ago, the physical volume of output in 1957 will probably show little change from that of the year 1956. This would compare with a gain in the physical volume of output between 1955 and 1956 of about 7 per cent, and with a gain in the physical volume of output between 1954 and 1955 of about 9 per cent. It is evident from these figures that a substantial levelling off in economic activity, compared with the very rapid advances of the preceding two years, occurred in 1957.

It should be noted in this connection that the stability in the total volume of output in 1957 takes account of a sharp drop in crop production. The decline in grain output represents about 1 per cent of the Gross National Product. The non-farm Gross National Product in 1957 may therefore show a somewhat larger increase than the total, amounting to about 1 per cent in volume terms.

The significant changes which have occurred on the expenditure side during the present year are shown in the opposite table, in the perspective of the two previous years. It will be recalled that in 1955 and 1956, demand was expanding very rapidly, and sharp quarter-to-quarter increases were occurring in non-farm output of goods and services. Since the latter part of 1956, however, the quarter-to-quarter advance in total final purchases has slackened appreciably, falling to a low rate of increase in the first half of this year, though showing further strength again in the third quarter. The rapid expansion of investment outlays which has characterized the past two years appears to have moderated, and machinery and equipment investment has been declining for two successive quarters. At the same time, the upsurge in imports, which was a notable feature of 1956, subsided in the past two quarters, and declines occurred in the seasonally adjusted value of imports of goods and services. Business inventory accumulation, which reached its peak in the middle of 1956, has declined steadily in each of the three quarters of 1957, and the seasonally adjusted rate in the third quarter was less than one-third of the rate for the year 1956 as a whole.

The table below shows the value changes in the main expenditure components for the periods 1954-1955, 1955-1956, and the first nine months of 1957, compared with the annual average for 1956.

Value Changes in Selected Components of Gross National Expenditure,  
1955, 1956 and 1957

	Per cent change 1954 to 1955	Per cent change 1955 to 1956	Per cent change 1956 annual to 1957 average of three quarters*
Personal Expenditure.....	8	8	5
Government Expenditure.....	7	10	6
Residential Construction.....	27	5	-10
Non-Residential Construction.....	11	38	16
Machinery and Equipment.....	6	29	3
Exports.....	12	10	1
Total Final Purchases (ex inventories)....	9	12	4
Imports of Goods and Services.....	15	20	2
Gross National Expenditure.....	11	11	3

\* 1957 quarterly averages at seasonally adjusted annual rates.

Quarter-to-Quarter Changes in Final Purchases  
(S A A R)

	Change 1Q-2Q 1955	Change 2Q-3Q 1955	Change 3Q-4Q 1955	Change 4Q '55 to 1Q, 1956	Change 1Q-2Q 1956	Change 2Q-3Q 1956	Change 3Q-4Q 1956	Change 4Q '56 to 1Q, 1957	Change 1Q-2Q 1957	Change 2Q-3Q 1957
Personal Expenditure.....	532	312	384	220	348	524	388	172	-52	360
Government Expenditure	48	92	56	192	128	208	-44	-36	308	76
Residential Construction	68	88	40	12	28	-64	-68	-48	-56	28
Non-Residential Construction.....	-4	84	128	244	248	188	164	-40	248	28
Machinery and Equipment	136	156	76	152	184	172	80	20	-148	-152
Exports.....	120	188	36	252	236	-44	-4	76	-216	240
Total Final Purchases	900	920	720	1,072	1,172	984	516	144	84	580

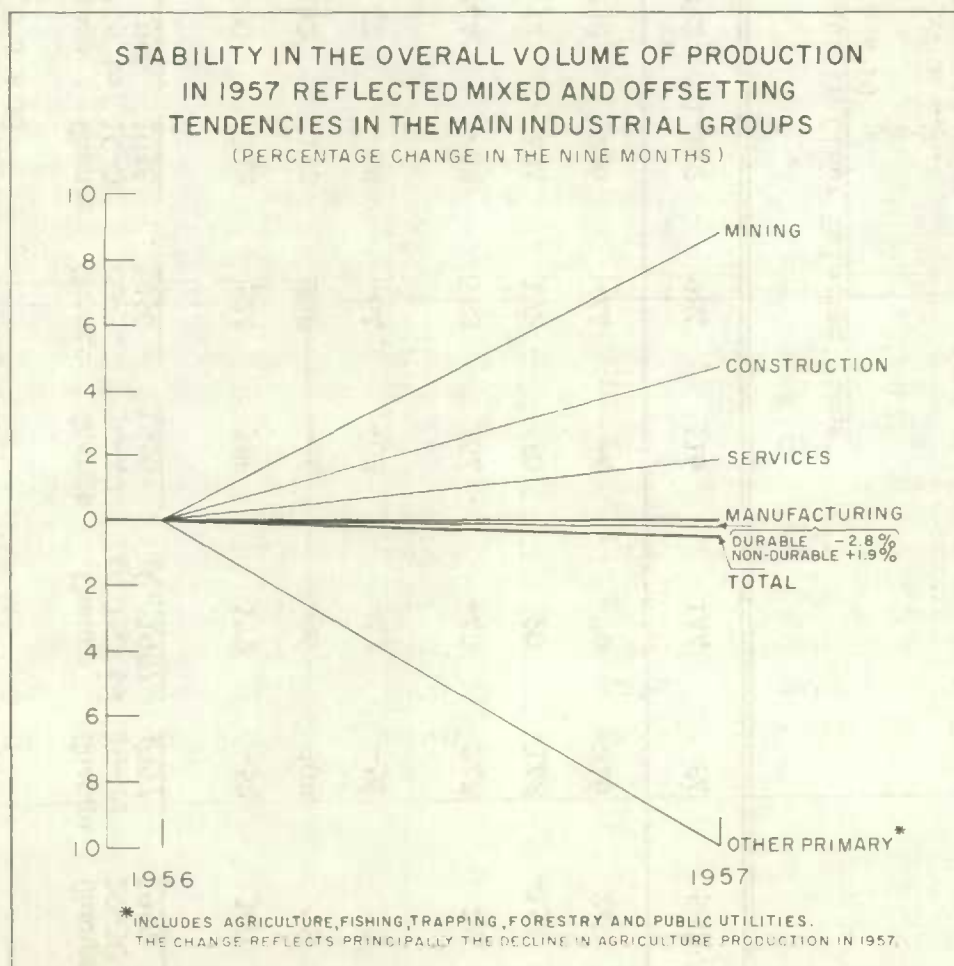
Quarter-to-Quarter Changes in Other Selected Items  
(S A A R)

"Shift" in business in- ventories (change in the change).....	-292	544	-40	504	-136	-460	328	-156	-160	-220
Change in Imports.....	52	588	276	536	212	36	168	28	-56	-60
Change in G.N.P.(ex farm)	756	808	484	840	636	624	644	188	60	336



## Employment and Production

The change in employment in the first nine months of 1957 compared with the same period of 1956 has not paralleled that of production. Persons with jobs in the non-agricultural sector of the economy were 3 to 4 per cent higher than a year ago in the nine months' comparison, but non-agricultural production during the same period is estimated to have risen by only about 1 per cent. This divergence between the output and the employment indicators is a matter of considerable interest to the analyst since it suggests a decline in output per person employed. A number of factors suggest themselves as possible explanations of this development. These factors may be discussed with reference to manufacturing, for which more data are available than for any other large industry. Firstly, there appears to have been a decline in average hours worked per week in the period under consideration. Average hours worked per week in the manufacturing industry declined by 1.2 per cent in the first nine months of this year, compared with the same period of 1956. Secondly, it is possible that employers are reluctant to dismiss workers in the initial stages of production cut-backs, preferring to wait until the outlook for new orders has clarified. Finally, there is some evidence to suggest that in both Canada and the United States the very large additions to plant capacity in recent years have increased the need for administrative and overhead staff relative to the requirements for "production" workers. Thus, in the manufacturing industry in the United States, the number of non-production workers has actually increased at a time when production workers were being cut back. In Canada, there has been a similar shift towards a larger proportion of office and other staff-side workers in the manufacturing industry, relative to the proportion employed on the production line.



The labour force averaged 5,890 thousand persons in the first nine months of this year, compared with 5,686 thousand in the same period of 1956. This unusually large increase, 204,000, approximately double that of the average annual increase during the past few years, is attributable in part to the heavy flow of immigrants into Canada in 1957, and in part to a rise in participation rates. In the same period the increase in the number of persons with jobs was 156,000. The number of persons without jobs and seeking work averaged about 25 per cent higher than in the same period a year ago and as a percentage of the labour force averaged 4.2 per cent, compared with 3.5 per cent in the first nine months of 1956.

The overall stability in the volume of total output in 1957 has concealed mixed and offsetting tendencies in the main industrial groups. In the first nine months of this year, manufacturing output has remained level, with a drop of 3 per cent in durable goods production approximately offset by an increase in the non-durable manufacturing sector. The main factors in the drop in durable goods output were declines in production of wood products, electrical apparatus and supplies, and non-ferrous metal products. Production of iron and steel products was also lower in the nine months; this group declined by 13 per cent, on a seasonally adjusted basis, from March to September, 1957.

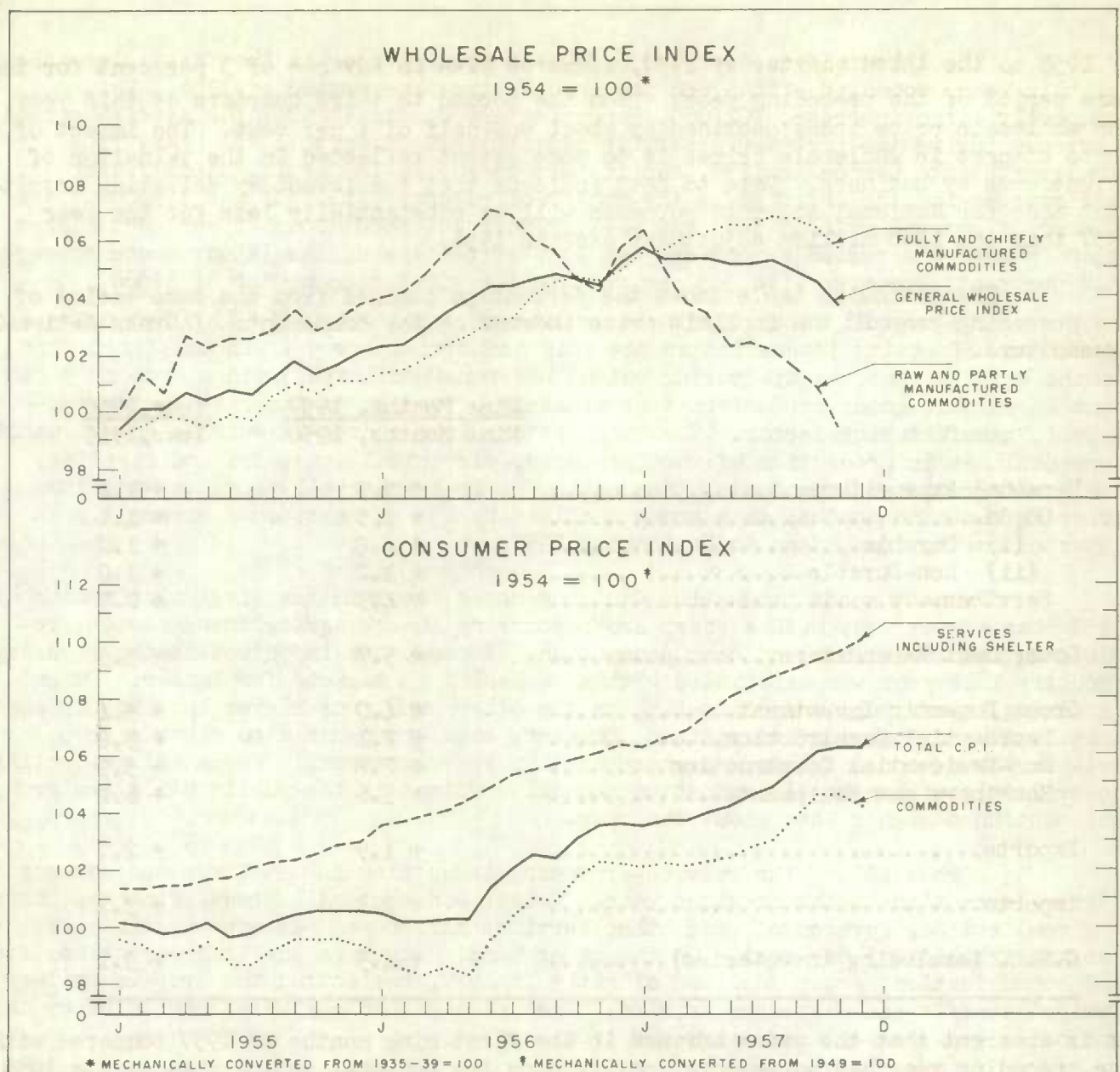
Primary goods production was in general lower in the first nine months of 1957 than a year ago, with a sharp drop occurring in the agricultural sector, reflecting the lower level of crop production. A reduction in output in the forestry industry this year was associated with a weakening in markets for lumber. Output in mining, quarrying, and oil wells, on the other hand, was higher by almost 9 per cent in the nine months' comparison; however, this group has also shown a drop between the second and third quarters of this year (seasonally adjusted) reflecting lower levels of non-metal production and oil. Output in the public utilities group has continued higher throughout the year.

Almost all of the service-producing industries in 1957 were operating at a higher level than in the previous year. Retail and wholesale trade, finance, insurance and real estate, government, and other services all showed advances in the year, ranging from 1 to 5 per cent. On the other hand, output in the transportation, storage and communications group declined slightly in 1957, reflecting the drop in railway freight traffic and passenger service. Freight car loadings were down in every major commodity group except newsprint and iron ore.

Output in the construction industry was higher in 1957, as the large-scale programme of non-residential building more than counter-balanced the sharp drop in housing construction.

These year-over-year developments in the main industrial groups were largely sustained in the third quarter (on a seasonally adjusted basis), with a continuation of gains in the service-producing industries, declines in some of the primary industries, a further rise in output in non-durable manufacturing production and a continuation of the drop in durable manufacturing production. It may be noted that the index of durable manufacturing production declined by 10 per cent from January to September 1957, seasonally adjusted.





### Prices

Final product prices continued to move upward in the third quarter of 1957, and it is estimated that the price element in Gross National Product was higher by about one-half of 1 per cent. The third quarter increase is attributable mainly to an advance in the price of consumer goods and services (the consumer price index rose by about 1 per cent in the quarter, with consumer expenditure having a weight of about 60 per cent in Gross National Expenditure), but small price gains were also evident in the investment components; both export and import prices showed a slight decline. Since the end of 1956, the advance in final product prices has not been accompanied by price increases at the wholesale level; from the fourth quarter of 1956 through to the third quarter of 1957, the wholesale price index showed virtually no change, compared with an advance of 3 per cent for the corresponding period of 1956. The prices of raw and partly manufactured goods, and of industrial materials have declined by 3 and 4 per cent respectively in this period, compared with gains of 3 per cent in the same period a year ago. Fully and chiefly manufactured goods advanced by 2 per cent from the end



of 1956 to the third quarter of 1957, compared with an advance of 3 per cent for the same period of the preceding year. From the second to third quarters of this year, the wholesale price index declined by about one-half of 1 per cent. The impact of these changes in wholesale prices is to some extent reflected in the valuation of inventories by business. Data to date indicate that the inventory valuation adjustment made for National Accounts purposes will be substantially less for the year 1957 than the \$300 million adjustment made in 1956.

The following table shows the percentage changes from the same period of the preceding year in the implicit price indexes of the components of Gross National Expenditure.

	<u>Nine Months, 1957</u> Nine Months, 1956	<u>Year, 1956</u> Year, 1955
Personal Expenditure.....	+ 3.9	+ 1.4
Goods.....	+ 3.5	+ 1.1
(i) Durable.....	+ 4.8	+ 1.2
(ii) Non-Durable.....	+ 3.2	+ 1.0
Services.....	+ 4.3	+ 2.7
Government Expenditure.....	+ 5.7	+ 5.5
Gross Domestic Investment.....	+ 4.0	+ 5.4
Residential Construction.....	+ 2.1	+ 3.6
Non-Residential Construction.....	+ 2.8	+ 5.9
Machinery and Equipment.....	+ 5.6	+ 6.2
Exports.....	+ 1.9	+ 2.7
Imports.....	+ 2.1	+ 3.2
G.N.E. (excluding inventories).....	+ 4.3	+ 3.1

It is apparent that the price advance in the first nine months of 1957 compared with the preceding year has borne more heavily upon the consumer sector than in the 1955 to 1956 comparison, and that there has been a somewhat smaller price rise in investment goods and in exports and imports of goods and services than occurred in the earlier period. The price increase in the personal expenditure component in 1957 affected both goods and services in much the same degree, whereas in 1956 the price rise in the services segment was substantially greater than in the goods component.

To summarize, the year 1957 has been characterized by the following developments:

1. Stability in the total volume of production, after the sharp increases of 1955 and 1956;
2. A continuation of advances in final product prices, with some decline in prices at the basic commodity level;
3. Year-to-year gains in fixed capital investment expenditures by business for plant, machinery and equipment but a levelling off in the rate of these expenditures during the course of the current year;

4. A gain of 3 per cent in National Income, reflecting sharp gains in labour income, partly offset by a drop in crop production, and a decline in corporation profits of about 5 per cent;

5. Gains in personal income of about 5 per cent, which have been closely paralleled by advances in personal expenditure on consumer goods and services;

6. A strengthening of outlays for housing, following the successive declines since early in 1956;

7. Little change in the year-to-year levels of exports and imports of goods and services, following the sharp increases of 1955 and 1956;

8. A reduction in the rate of business inventory accumulation.

#### COMPONENTS OF GROSS NATIONAL EXPENDITURE

##### Personal Expenditure on Consumer Goods and Services

Consumer expenditure, which had eased slightly in the second quarter, mainly as a result of reduced sales of automobiles, resumed its upward course in the third. The seasonally adjusted estimate of \$19,676 million represents about a 2 per cent increase from that of the preceding period, half of which is accounted for by higher prices.

All three main categories registered a higher rate of spending, with the major increase in durable goods, which were up 4 per cent compared with 2 per cent in non-durables and 2 per cent in services. Purchases were higher in all the non-durable groups except fuel and auto accessories. The largest rate of increase was in purchases of clothing, which had registered no increase in the first half of the year. Most of the gain in durables is accounted for by a rise in sales of automobiles, but other durable sales were also somewhat higher in the quarter.

A comparison of the first three quarters of 1957 with the same period of 1956 shows consumer expenditure up some 6 per cent, of which nearly 4 per cent represents the higher prices prevailing in the consumer sector. The increase in volume terms is thus one of the smallest of the post-war period and represents a slight decline in real consumption on a per capita basis.

The same comparison reveals a distinct shift in the pattern of spending between the two periods. Whereas expenditure on durables showed little change, expenditure on non-durables and services was up 6 and 8 per cent respectively. These shifts are explained only in part by differential price movements. The rise in prices was most pronounced in durables, some 5 per cent, with services and non-durables showing gains of 4 and 3 per cent respectively. In real terms, expenditure on services and non-durables was up about 3 per cent but purchases of durables declined by about 5 per cent, a decline which is more than accounted for by a substantial drop in purchases of automobiles. Purchases of other durables were slightly higher in real terms.

The high level of expenditure on durables in 1956 was associated with a very considerable expansion in the volume of consumer credit outstanding. Whereas in the first nine months of 1956 the balances outstanding on the books of instalment finance companies in respect of consumers' goods advanced nearly 30 per cent, in the same period of 1957 the advance was only 9 per cent. The major part of consumer credit represents the financing of purchases of automobiles. Repayments on automobile purchases in the first nine months of the year have been substantially in excess of the same period last year while new credit extended was below last year.



The rate of saving out of disposable income in the first nine months of 1957 was about 7 per cent, virtually the same as in the corresponding period of 1956.

#### Government Expenditure on Goods and Services

Government expenditure on goods and services was \$5,660 million, at seasonally adjusted annual rates, in the third quarter, slightly above the level of the second quarter.

Compared with the same quarter of last year, government expenditure was higher by 6 per cent. Federal expenditures were little changed in aggregate, as a fall in defence outlays was offset by increased outlays for other purposes. Provincial and municipal expenditures were up 9 and 14 per cent respectively.

When the first nine months of this year are compared with the same period of 1956, government expenditure on goods and services is approximately 7 per cent higher.

#### Gross Domestic Investment (excluding inventories)

Investment in durable physical assets in the third quarter is estimated to have been \$6,892 million, that is, about 1 1/2 per cent below the level of the second quarter. Both the construction components rose, but outlays for machinery and equipment were considerably lower, as they had been in the second quarter. The up-turn in outlays for residential construction reflects the recovery in housing starts that began in the Spring and is the first increase to occur since mid-1956. Seasonally adjusted, housing starts, which had begun to decline in the last quarter of 1955, rose from 79,100 in the first quarter of 1957 to 121,400 in the third.

The pressure on prices in the investment goods sector appears to have eased. A small element of price increase is embodied in the estimate of the construction components. Prices of machinery and equipment showed little change from the second to the third quarter.

In the first three quarters of 1957, investment in durable physical assets was at a rate of \$6,942 million, that is to say about 7 per cent above the corresponding period of 1956. Non-residential construction and machinery and equipment investment was higher by 21 and 5 per cent respectively. It may be noted that the trend of investment outlays does not conform to the expectations expressed in the mid-year survey of investment intentions which indicated a rise of 12 per cent in aggregate and of 27 and 13 per cent in non-residential construction and machinery and equipment respectively. On the other hand, outlays for housing were in excess of what was anticipated at mid-year.

#### Investment in Inventories

The tendency toward a lower rate of investment in business inventories, which has been apparent in the seasonally adjusted data since early 1956, continued in the third quarter, when accumulation amounted to \$188 million, compared with \$408 million in the second quarter and \$992 million in the first quarter of 1956. The movements of farm and non-farm inventories were nearly offsetting so that net investment in inventories in the third quarter is estimated to be \$16 million at seasonally adjusted annual rates.



The lower rate of investment in business inventories was particularly evident in retail and wholesale trade. In retail trade, after seasonal adjustment, there was some easing of investment in both durable and non-durable goods. The reduction in durables occurred in items held by furniture and radio and appliances stores and in stocks of farm implement dealers; in non-durables, the most important factor was a shift from accumulation in the food group in the second quarter to liquidation in the third. In wholesale trade, the rate of investment in inventories fell off significantly in the third quarter. The liquidation of stocks of durable goods was more than offset by accumulation of non-durables, principally stocks of food.

The rate of accumulation of inventories in manufacturing industries remained high in the third quarter, after allowing for normal seasonal change. Accumulation was most apparent in the food and iron and steel industries. Most of the other manufacturing industries experienced moderate investment in inventories and liquidation occurred in only two or three industries. The ratio of total inventories to shipments and that of finished goods to shipments in the third quarter was higher than at the same time in either of the last two years.

The element of higher prices in the value of business inventories was less significant in the third quarter than it had been throughout 1956 or the earlier part of 1957, reflecting the decline in some price series and the slackened rate of increase in others.

A comparison of the first nine months of 1957 with the same period of 1956, shows that the rate of accumulation of business inventories in the current year was only about half the rate of the previous year. The decline was general among the industry groups but in this comparison was particularly pronounced in manufacturing. The falling off in the rate of investment in inventories was widespread within manufacturing groups, being most evident in the wood products, electrical apparatus, transportation equipment and pulp and paper industries.

#### Exports and Imports of Goods and Services

Exports of goods and services in the third quarter amounted to \$6,444 million at seasonally adjusted annual rates, a rise of nearly 4 per cent from the second quarter. Special elements of strength appear to account for the increase.

Since receipts from invisibles were lower, after seasonal adjustment, the increase in exports of goods and services is attributable to a more than 6 per cent rise in merchandise items. Major gains occurred in two groups, animal products and iron and its products, where the rates of increase were 57 and 17 per cent respectively. Most other commodity groups showed comparatively little change.

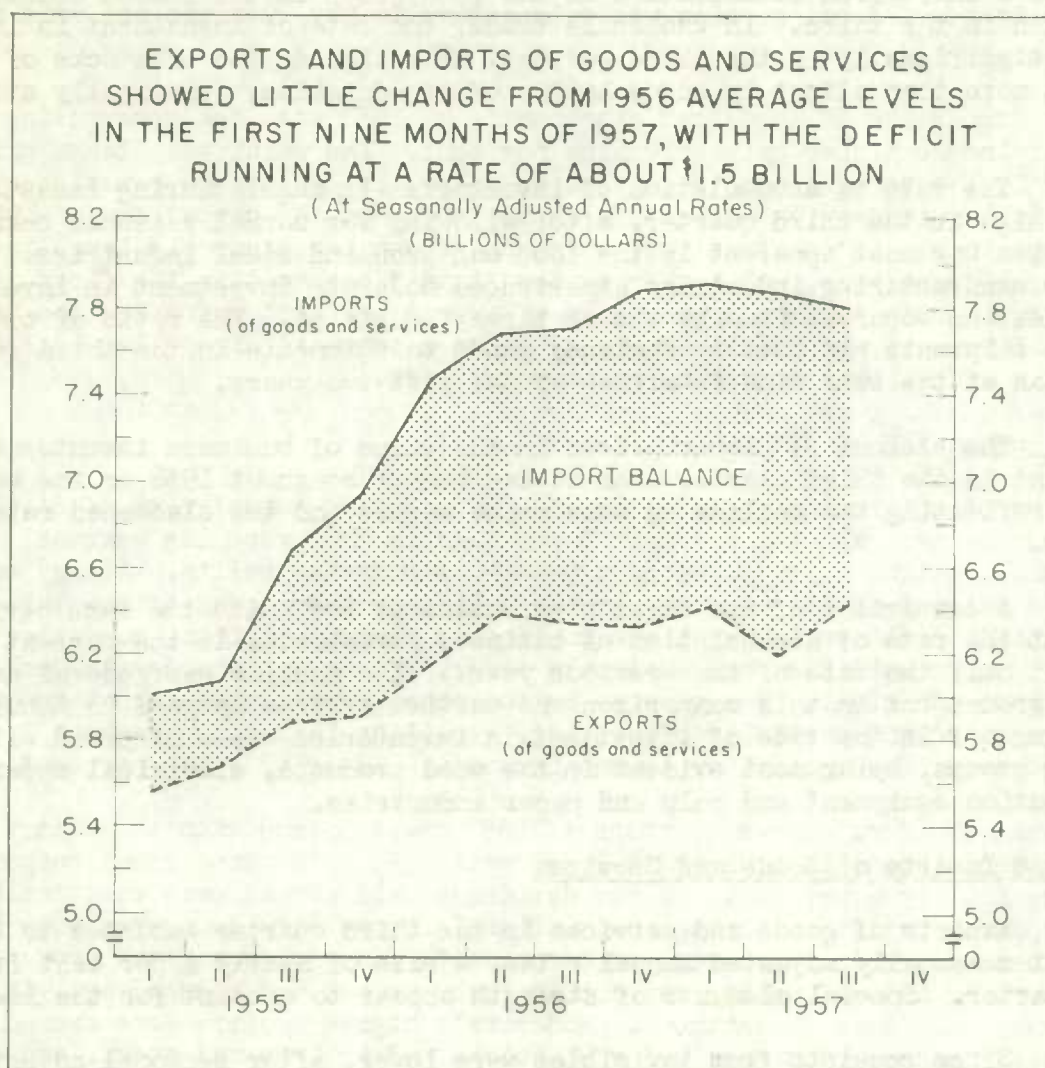
Imports of goods and services, at a seasonally adjusted annual rate of \$7,808 million, declined slightly, as they had done in the second quarter, following nearly three years of steady quarter-to-quarter growth. The aggregate reflects a falling off in invisible items and small declines among a number of commodity groups.

Consequent upon these movements in exports and imports of goods and services the deficit on current international account, seasonally adjusted, fell from \$1,664 million in the second quarter to \$1,364 million in the third.

In the nine months' comparison, exports of goods and services were somewhat higher, with a rise in merchandise items partially offset by a fall in receipts from invisibles. The pattern of commodity trade shows shifts among the groups.



Major increases occurred in non-metallic minerals, iron and its products (reflecting the expanded output of iron ore), chemical products and non-ferrous metals. Exports of uranium accounted for a substantial part of the rise in merchandise exports in 1957. On the other hand, exports of vegetable products were substantially lower, reflecting reduced sales of wheat.



Imports of goods and services in the first nine months of 1957 were about 3 per cent above the level of the same period of 1956, with increases in both visible and invisible items. The increase in merchandise items is the outcome of comparatively small, partially offsetting, changes among the main commodity groups. In this comparison, imports of iron and its products were only slightly higher than in the corresponding period of last year.

The deficit for the first nine months of 1957 was at an annual rate of close to \$1.5 billion, compared with \$1.4 billion for the year 1956 as a whole.

#### COMPONENTS OF GROSS NATIONAL PRODUCT

##### Labour Income

Labour income for the third quarter is estimated to be \$15,616 million, at seasonally adjusted annual rates, about 2 per cent higher than in the preceding quarter. Higher average wage rates, and somewhat higher employment in some industries,

contributed to the gain. Labour income in manufacturing was slightly higher, despite some easing in employment. The principal gains in labour income occurred in the service-producing industries, including public utilities, transportation, communication and storage, finance, insurance and real estate, where they were of the order of 3 or 4 per cent. Comparable gains also occurred in mining. A particularly large increase is registered in public service, reflecting the fact that the increase in salaries in the Federal service was retroactive to May, but was not paid until the third quarter.

A comparison of the first nine months of 1957 with the same period of 1956 shows labour income higher by nearly nine per cent. The relatively large gains are to be found in the service and trade groups, where, in percentage terms, they are comparable in magnitude with those made in the nine months' comparison of 1956 with 1955. Labour income in construction, which had shown conspicuously large increases in the earlier comparison, was higher by less than 5 per cent in the first nine months of this year. Manufacturing shows a gain of over 6 per cent, of which the major part represents higher average hourly earnings, since a somewhat higher level of employment was partially offset by a reduction in hours of work.

### Investment Income

Investment income was at a seasonally adjusted annual rate of \$4,604 million in the third quarter, about 2 per cent lower than in the preceding quarter. The major factor in this decline was a 5 per cent drop in corporate profits. It may be noted that profits in most of the industry groups fell from the second to the third quarter with substantial declines taking place in finance, transportation, communication and storage and public utilities and wholesale trade. There was a moderate decline in profits in iron and steel. The changes in the other private investment income components were mixed and partially offsetting, resulting in a rise of about 2 per cent. On the other hand, government investment income was lower by 3 1/2 per cent.

When the first three quarters of 1957 are compared with the same period of 1956, investment income is down about 1 per cent. In this comparison, corporate profits were down by 6 per cent. Since dividends paid abroad were substantially higher, corporate profits entering into national income were down even more sharply. Major declines occurred in wood and paper products, non-ferrous metal products, and mining, quarrying and oil wells, reflecting lower prices and reduced activity in certain segments of these industries. Moderately higher profits were earned in retail trade, finance, insurance and real estate and in iron and steel, and the rise in profits in products of petroleum and coal was quite substantial.

In the nine months' comparison, the trading profits of government enterprises are appreciably lower, reflecting mainly a reduction in earnings of the Canadian National Railways. Other elements of investment income show varying rates of increase, the investment income received by individuals being 8 per cent higher, reflecting increases in interest as well as in rents and dividends.

### Personal Income

Personal income in the third quarter was \$23,240 million at seasonally adjusted annual rates, about 2 per cent higher than in the second quarter. The trend of labour income has already been discussed. Net farm income shows a considerable decline in the third quarter, reflecting the fact that there were no grain adjustment payments made by the Wheat Board in the third quarter, following substantial outlays in the second. Military pay and allowances rose some 12 per cent, reflecting, as did labour income in government services, the higher rates of pay which were retroactive to May, but which were paid out in the third quarter.



There was a notable advance, about 9 per cent, in transfer payments from governments. Several factors account for this increase: the rise in pensions payable under the old age security scheme, the rise in unemployment insurance benefits consequent upon the larger volume of unemployment (seasonally adjusted), and the special dividend paid to residents of Alberta out of oil royalties.

Since personal direct taxes were higher by nearly 4 per cent, disposable income rose by a little over 1 per cent.

The rise of 7 per cent in personal income in the first nine months of 1957 compared with the corresponding period of the preceding year was considerably in excess of the advance in the National Income. This development reflects, in part, a further rise in dividend payments despite the fall in corporation profits, and a significantly higher level of transfer payments from governments. With direct personal taxes showing a gain of about 13 per cent in the nine months' comparison, disposable income was up by about 6 per cent. It should be noted, however, that consumer prices were higher by about 4 per cent in the year-to-year comparison, and disposable income in real terms showed only a moderate rise over 1956.

TABLE 1. NATIONAL INCOME AND GROSS  
(millions)

	1955				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,969	3,150	3,315	3,376	12,810
2. Military Pay and Allowances.....	93	100	101	100	394
3. Investment Income.....	876	1,123	1,229	1,111	4,339
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> ..	-17	198	1,063	160	1,404
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	347	460	478	508	1,793
6. NET NATIONAL INCOME AT FACTOR COST.....	4,268	5,031	6,186	5,255	20,740
7. Indirect Taxes less Subsidies.....	756	800	831	851	3,238
8. Depreciation Allowances and Similar Business Costs.....	652	712	744	770	2,878
9. Residual Error of Estimate.....	63	-3	-23	23	60
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,739	6,540	7,738	6,899	26,916
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,756)	(6,342)	(6,675)	(6,739)	(25,512)

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  
(millions)

	1955				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	3,862	4,314	4,169	4,794	17,139
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,172	1,038	1,291	1,227	4,728
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction .....	255	375	428	423	1,481
4. New Non-Residential Construction.....	366	426	544	511	1,847
5. New Machinery and Equipment .....	401	563	489	494	1,947
6. Change in Inventories.....	-87	-4	879	-278	510
7. (Business Inventories only) <sup>3</sup> .....	(198)	(9)	(66)	(46)	(319)
8. Exports of Goods and Services.....	1,217	1,437	1,581	1,518	5,753
9. Deduct: Imports of Goods and Services.....	-1,385	-1,612	-1,666	-1,767	-6,430
10. Residual Error of Estimate.....	-62	3	23	-23	-59
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,739	6,540	7,738	6,899	26,916

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					1957		
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III
520	390	413	433	1,756	490	394	448	468	1,800	509	386	442



NATIONAL PRODUCT, BY QUARTERS, 1955-1957  
of dollars)

1956					1957			
I	II	III	IV	Year	I	II	III	
3,261	3,510	3,727	3,786	14,284	3,607	3,810	3,995	1.
93	106	113	112	424	108	116	131	2.
1,070	1,276	1,290	1,146	4,782	1,085	1,244	1,260	3.
-2	111	1,267	232	1,608	37	104	916	4.
376	497	537	541	1,951	388	502	542	5.
4,798	5,500	6,934	5,817	23,049	5,225	5,776	6,844	6.
855	909	912	925	3,601	955	949	964	7.
710	780	819	842	3,151	785	854	873	8.
18	-58	-11	116	65	-34	-93	-29	9.
6,381	7,131	8,654	7,700	29,866	6,931	7,486	8,652	10.
(6,383)	(7,020)	(7,387)	(7,468)	(28,258)	(6,894)	(7,382)	(7,736)	11.

EXPENDITURE, BY QUARTERS, 1955-1957  
of dollars)

1956					1957			
I	II	III	IV	Year	I	II	III	
4,202	4,617	4,518	5,219	18,556	4,517	4,854	4,758	1.
1,189	1,138	1,502	1,380	5,209	1,259	1,231	1,590	2.
296	422	436	402	1,556	265	358	400	3.
436	589	789	735	2,549	549	735	904	4.
519	729	629	635	2,512	630	753	576	5.
110	24	986	-181	939	82	-7	581	6.
(377)	(227)	(33)	(105)	(742)	(335)	(111)	(-61)	7.
1,342	1,627	1,719	1,622	6,310	1,405	1,573	1,760	8.
-1,695	-2,072	-1,935	-1,997	-7,699	-1,810	-2,104	-1,946	9.
-18	57	10	-115	-66	34	93	29	10.
6,381	7,131	8,654	7,700	29,866	6,931	7,486	8,652	11.

TABLE 3. SOURCES OF PERSONAL  
(millions)

	1955				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,969	3,150	3,315	3,376	12,810
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-100	-103	-107	-113	-423
3. Military Pay and Allowances.....	93	100	101	100	394
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	-38	215	1,050	155	1,382
5. Net Income of Non-Farm Unincorporated Business.....	347	460	478	508	1,793
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	463	489	484	521	1,957
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	536	419	391	385	1,731
8. Charitable Contributions by Corporations.....	6	8	9	8	31
9. Net Bad Debts Losses of Corporations.....	6	6	7	7	26
10. PERSONAL INCOME.....	4,282	4,744	5,728	4,947	19,701

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  
(millions)

	1955				
	I	II	III	IV	Year
Personal Direct Taxes:					
1. Income Taxes.....	310	336	322	329	1,297
2. Succession Duties.....	25	25	39	38	127
3. Miscellaneous.....	25	16	10	16	67
4. Total Personal Direct Taxes.....	360	377	371	383	1,491
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	2,111	2,367	2,348	2,847	9,673
6. Durable Goods.....	381	545	487	506	1,919
7. Services <sup>1</sup> .....	1,370	1,402	1,334	1,441	5,547
8. Total Personal Expenditure on Consumer Goods and Services.....	3,862	4,314	4,169	4,794	17,139
Personal Saving:					
9. Personal Saving Excluding Farm Inventory Change.....	287	62	423	88	860
10. Farm Inventory Change.....	- 227	-9	765	-318	211
11. Total Personal Saving.....	60	53	1,188	-230	1,071
12. PERSONAL INCOME.....	4,282	4,744	5,728	4,947	19,701
13. (Personal Disposable Income) <sup>2</sup> .....	(3,922)	(4,367)	(5,357)	(4,564)	(18,210)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1955-1957  
of dollars)

1956					1957			
I	II	III	IV	Year	I	II	III	
3,261	3,510	3,727	3,786	14,284	3,607	3,810	3,995	1.
-111	-115	-119	-119	-464	-125	-123	-132	2.
93	106	113	112	424	108	116	131	3.
-6	117	1,247	230	1,588	57	126	891	4.
376	497	537	541	1,951	388	502	542	5.
480	534	517	566	2,097	523	587	567	6.
541	419	404	401	1,765	592	470	488	7.
7	10	10	8	35	7	9	9	8.
6	6	7	7	26	6	6	7	9.
4,647	5,084	6,443	5,532	21,706	5,163	5,503	6,498	10.

INCOME, BY QUARTERS, 1955-1957  
of dollars)

1956					1957			
I	II	III	IV	Year	I	II	III	
331	390	382	392	1,495	394	444	424	1.
37	49	31	29	146	31	32	32	2.
32	20	13	14	79	41	21	16	3.
400	459	426	435	1,720	466	497	472	4.
2,310	2,506	2,550	3,147	10,513	2,470	2,661	2,685	5.
428	605	516	512	2,061	457	574	512	6.
1,464	1,506	1,452	1,560	5,982	1,590	1,619	1,561	7.
4,202	4,617	4,518	5,219	18,556	4,517	4,854	4,758	8.
274	203	573	211	1,261	426	285	643	9.
-229	-195	926	-333	169	-246	-133	625	10.
45	8	1,499	-122	1,430	180	152	1,268	11.
4,647	5,084	6,443	5,532	21,706	5,163	5,503	6,498	12.
(4,247)	(4,625)	(6,017)	(5,097)	(19,986)	(4,697)	(5,006)	(6,026)	13.

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Wages, Salaries and Supplementary Labour Income.....	12,360	12,672	12,976	13,232	12,810
2.	Military Pay and Allowances.....	372	400	404	400	394
3.	Investment Income.....	3,864	4,304	4,512	4,676	4,339
Net Income of Unincorporated Business:						
4.	Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> ..	1,312	1,448	1,412	1,444	1,404
5.	Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,752	1,776	1,812	1,832	1,793
6.	NET NATIONAL INCOME AT FACTOR COST.....	19,660	20,600	21,116	21,584	20,740
7.	Indirect Taxes less Subsidies.....	3,096	3,192	3,284	3,380	3,238
8.	Depreciation Allowances and Similar Business Costs.....	2,772	2,844	2,920	2,976	2,878
9.	Residual Error of Estimate.....	204	-12	76	-28	60
10.	GROSS NATIONAL PRODUCT AT MARKET PRICES.....	25,732	26,624	27,396	27,912	26,916
11.	(Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(24,420)	(25,176)	(25,984)	(26,468)	(25,512)

1. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for 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.

2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Personal Expenditure on Consumer Goods and Services.....	16,488	17,020	17,332	17,716	17,139
2.	Government Expenditure on Goods and Services <sup>1</sup> .....	4,632	4,680	4,772	4,828	4,728
Gross Domestic Investments: <sup>2</sup>						
3.	New Residential Construction .....	1,376	1,444	1,532	1,572	1,481
4.	New Non-Residential Construction.....	1,776	1,772	1,856	1,984	1,847
5.	New Machinery and Equipment .....	1,748	1,884	2,040	2,116	1,947
6.	Change in Inventories..... <sup>3</sup>	380	208	740	712	510
7.	(Business Inventories only) <sup>3</sup> .....	(276)	(-16)	(528)	(488)	(319)
8.	Exports of Goods and Services.....	5,560	5,680	5,868	5,904	5,753
9.	Deduct: Imports of Goods and Services.....	-6,028	-6,080	-6,668	-6,944	-6,430
10.	Residual Error of Estimate.....	-200	16	-76	24	-59
11.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	25,732	26,624	27,396	27,912	26,916

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.



NATIONAL PRODUCT, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
13,636	14,108	14,560	14,832	14,284	15,076	15,288	15,616	1.
372	424	452	448	424	456	456	512	2.
4,748	4,784	4,736	4,860	4,782	4,800	4,696	4,604	3.
1,576	1,584	1,568	1,704	1,608	1,316	1,276	1,232	4.
1,916	1,920	2,012	1,956	1,951	1,964	1,960	1,988	5.
22,248	22,820	23,328	23,800	23,049	23,612	23,676	23,952	6.
3,480	3,628	3,604	3,692	3,601	3,872	3,764	3,800	7.
3,048	3,112	3,176	3,268	3,151	3,340	3,416	3,424	8.
108	-32	28	156	65	-108	-120	-148	9.
28,884	29,528	30,136	30,916	29,866	30,716	30,736	31,028	10.
(27,308)	(27,944)	(28,568)	(29,212)	(28,258)	(29,400)	(29,460)	(29,796)	11.

BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
17,936	18,284	18,808	19,196	18,556	19,368	19,316	19,676	1.
5,020	5,148	5,356	5,312	5,209	5,276	5,584	5,660	2.
1,584	1,612	1,548	1,480	1,556	1,432	1,376	1,404	3.
2,228	2,476	2,664	2,828	2,549	2,788	3,036	3,064	4.
2,268	2,452	2,624	2,704	2,512	2,724	2,576	2,424	5.
1,284	824	540	1,108	939	524	392	16	6.
(992)	(856)	(396)	(724)	(742)	(568)	(408)	(188)	7.
6,156	6,392	6,348	6,344	6,310	6,420	6,204	6,444	8.
-7,480	-7,692	-7,728	-7,896	-7,699	-7,924	-7,868	-7,808	9.
-112	32	-24	-160	-66	108	120	148	10.
28,884	29,528	30,136	30,916	29,866	30,716	30,736	31,028	11.

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Wages, Salaries and Supplementary Labour Income.....	12,360	12,672	12,976	13,232	12,810
2.	Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-408	-416	-428	-440	-423
3.	Military Pay and Allowances.....	372	400	404	400	394
4.	Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	1,224	1,516	1,360	1,428	1,382
5.	Net Income of Non-Farm Unincorporated Business.....	1,752	1,776	1,812	1,832	1,793
6.	Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,968	1,880	1,976	2,004	1,957
Transfer Payments to Persons:						
7.	From Government (Excluding Interest).....	1,760	1,756	1,708	1,700	1,731
8.	Charitable Contributions by Corporations.....	24	32	36	32	31
9.	Net Bad Debt Losses of Corporations.....	24	24	28	28	26
10.	PERSONAL INCOME.....	19,076	19,640	19,872	20,216	19,701

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  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
Personal Direct Taxes:						
1.	Income Taxes.....	1,308	1,236	1,320	1,324	1,297
2.	Succession Duties.....	100	100	156	152	127
3.	Miscellaneous.....	64	64	64	76	67
4.	Total Personal Direct Taxes.....	1,472	1,400	1,540	1,552	1,491
Personal Expenditure on Consumer Goods and Services:						
5.	Non-Durable Goods.....	9,324	9,612	9,760	9,996	9,673
6.	Durable Goods.....	1,720	1,916	2,008	2,032	1,919
7.	Services <sup>1</sup> .....	5,444	5,492	5,564	5,688	5,547
8.	Total Personal Expenditure on Consumer Goods and Services.....	16,488	17,020	17,332	17,716	17,139
9.	Total Personal Saving.....	1,116	1,220	1,000	948	1,071
10.	PERSONAL INCOME.....	19,076	19,640	19,872	20,216	19,701
11.	(Personal Disposable Income) <sup>2</sup> .....	(17,604)	(18,240)	(18,332)	(18,664)	(18,210)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
13,636	14,108	14,560	14,832	14,284	15,076	15,288	15,616	1.
-452	-464	-476	-464	-464	-512	-496	-528	2.
372	424	452	448	424	456	456	512	3.
1,560	1,608	1,488	1,696	1,588	1,396	1,364	1,132	4.
1,916	1,920	2,012	1,956	1,951	1,964	1,960	1,988	5.
2,044	2,056	2,112	2,176	2,097	2,224	2,268	2,312	6.
1,772	1,752	1,768	1,768	1,765	1,904	1,960	2,144	7.
28	40	40	32	35	28	36	36	8.
24	24	28	28	26	24	24	28	9.
20,900	21,468	21,984	22,472	21,706	22,560	22,860	23,240	10.

INCOME, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
1,392	1,432	1,564	1,592	1,495	1,664	1,692	1,732	1.
148	196	124	116	146	124	124	128	2.
76	80	88	72	79	96	84	108	3.
1,616	1,708	1,776	1,780	1,720	1,884	1,900	1,968	4.
10,196	10,272	10,668	10,916	10,513	10,912	10,924	11,096	5.
1,948	2,100	2,112	2,084	2,061	2,132	2,012	2,088	6.
5,792	5,912	6,028	6,196	5,982	6,324	6,380	6,492	7.
17,936	18,284	18,808	19,196	18,556	19,368	19,316	19,676	8.
1,348	1,476	1,400	1,496	1,430	1,308	1,644	1,596	9.
20,900	21,468	21,984	22,472	21,706	22,560	22,860	23,240	10.
(19,284)	(19,760)	(20,208)	(20,692)	(19,986)	(20,676)	(20,960)	(21,272)	11.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949)  
UNADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Personal Expenditure on Consumer Goods and Services.....	3,255	3,663	3,537	4,070	14,525
2.	Non-Durable Goods.....	1,909	2,136	2,114	2,565	8,724
3.	Durable Goods.....	346	506	466	474	1,792
4.	Services.....	1,000	1,021	957	1,031	4,009
5.	Government Expenditure on Goods and Services.....	873	757	951	883	3,464
Gross Domestic Investment:						
6.	New Residential Construction.....	197	287	323	317	1,124
7.	New Non-Residential Construction.....	275	319	402	368	1,364
8.	New Machinery and Equipment.....	324	457	392	382	1,555
9.	Change in Inventories.....	-185	-94	1,057	-392	386
10.	(Business Inventories only).....	(144)	(-13)	(12)	(-33)	(110)
11.	Exports of Goods and Services.....	1,084	1,249	1,366	1,299	4,998
12.	Deduct: Imports of Goods and Services.....	-1,246	-1,443	-1,489	-1,543	-5,721
13.	Residual Error of Estimate.....	-50	2	18	-18	-48
14.	GROSS NATIONAL EXPENDITURE.....	4,527	5,197	6,557	5,366	21,647

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. 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.



CONSTANT DOLLARS, BY QUARTERS, 1955-1957  
FOR SEASONALITY <sup>1,2</sup>  
(of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
3,533	3,888	3,764	4,317	15,502	3,660	3,924	3,816	1.
2,092	2,299	2,268	2,771	9,390	2,160	2,320	2,320	2.
395	559	483	465	1,902	402	505	459	3.
1,046	1,070	1,013	1,081	4,210	1,098	1,099	1,037	4.
845	781	1,046	945	3,617	835	801	1,058	5.
219	310	318	293	1,140	193	257	286	6.
307	412	551	508	1,778	375	501	614	7.
396	555	476	463	1,890	455	541	414	8.
-49	-141	1,134	-325	619	-2	-117	727	9.
(259)	(111)	(-28)	(26)	(368)	(252)	(70)	(-52)	10.
1,143	1,377	1,451	1,367	5,338	1,166	1,296	1,473	11.
-1,455	-1,782	-1,675	-1,725	-6,637	-1,527	-1,767	-1,651	12.
-14	44	8	-90	-52	26	70	22	13.
4,925	5,444	7,073	5,753	23,195	5,181	5,506	6,759	14.







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