

CATALOGUE No.

13-001

QUARTERLY



CANADA

STATISTICS CANADA STATISTIQUE CANADA

MAY 1958

LIBRARY  
BIBLIOTHÈQUE

# NATIONAL ACCOUNTS INCOME AND EXPENDITURE

## FOURTH QUARTER

### AND

## PRELIMINARY ANNUAL

## 1958

**DOES NOT CIRCULATE**  
**NE PAS PRÊTER**

*Published by Authority of*

The Honourable Gordon Churchill, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS

Research and Development Division

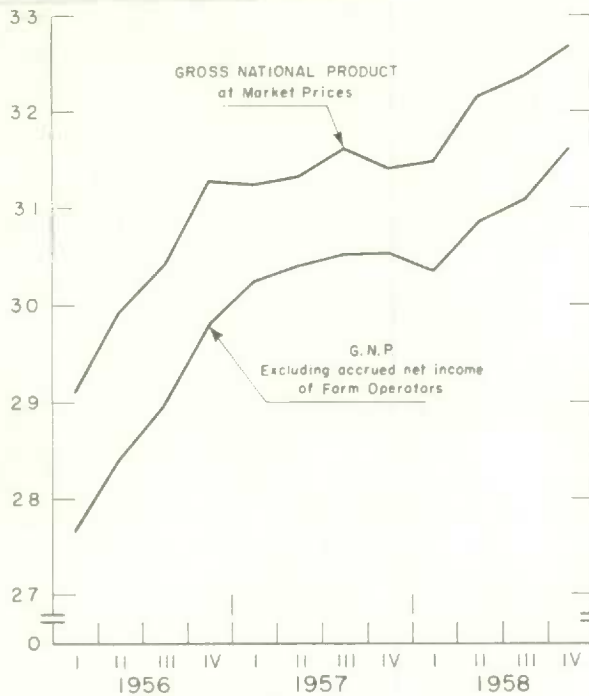
National Income Section

2102-513-128

Price \$1.00 per year

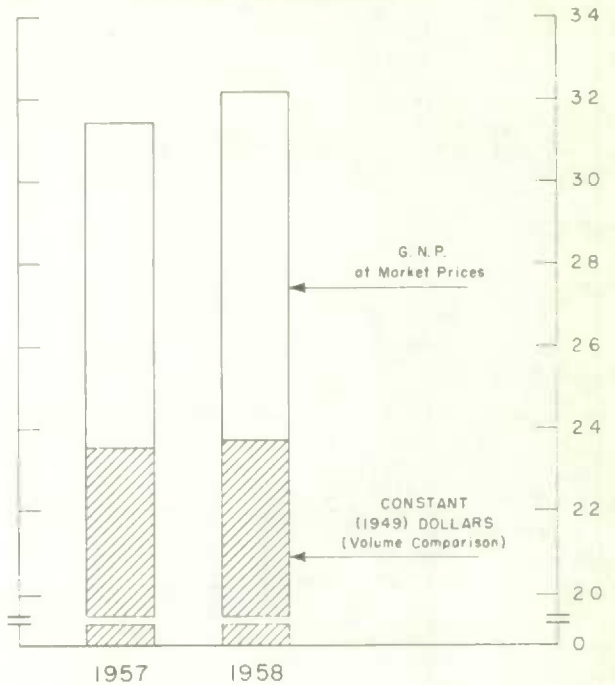
THE UPWARD TREND OF G. N. P.,  
WHICH WAS INTERRUPTED IN 1957,  
WAS RESUMED IN 1958

BILLIONS OF DOLLARS



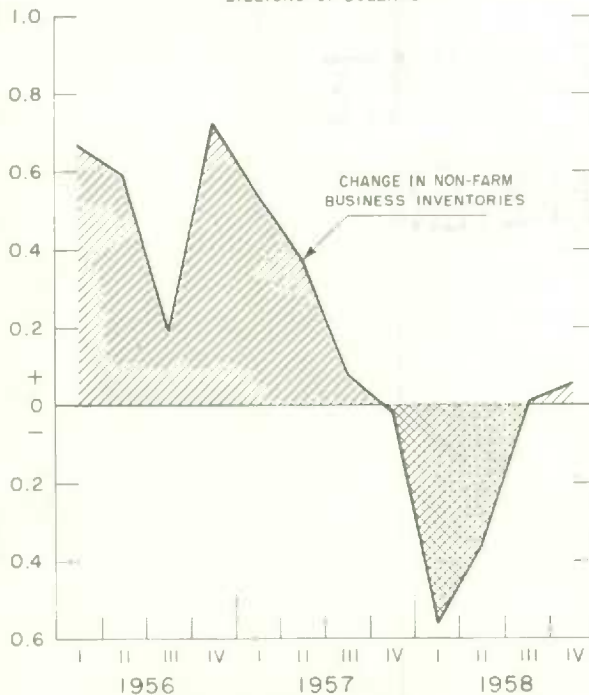
THE VALUE INCREASE FOR THE YEAR AS A WHOLE,  
OF 2.5 PER CENT, WAS LARGELY ACCOUNTED FOR  
BY PRICE FACTORS; THE VOLUME OF PRODUCTION  
ROSE BY LESS THAN 1 PER CENT.

BILLIONS OF DOLLARS



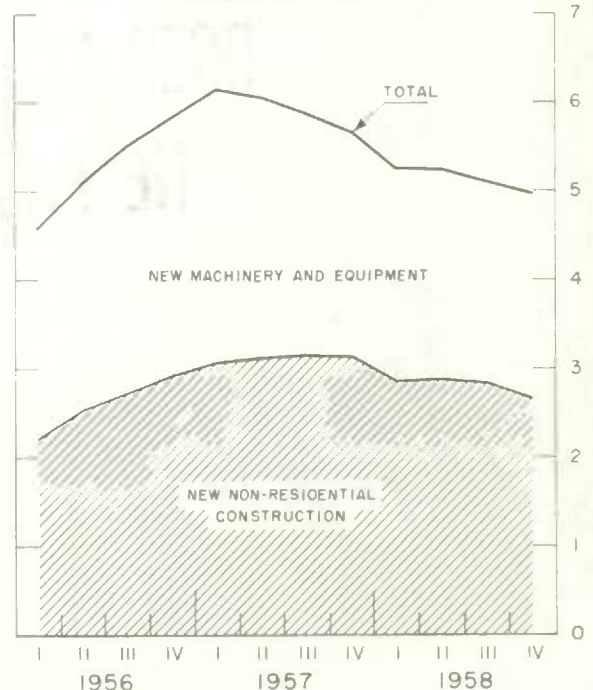
BUSINESS INVENTORY LIQUIDATION, WHICH  
ADVERSELY AFFECTED THE LEVEL OF PRO-  
DUCTION IN THE FIRST HALF OF THE YEAR,  
CAME TO A HALT IN THE SECOND HALF.

BILLIONS OF DOLLARS



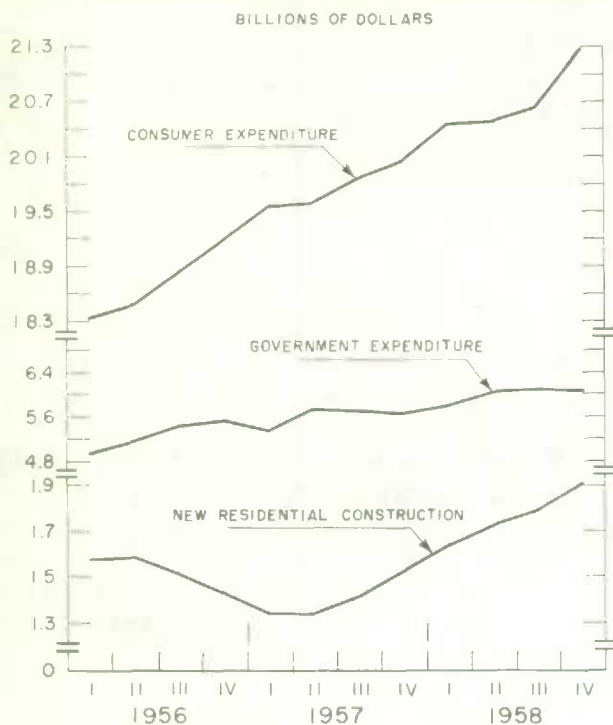
HOWEVER, THE TREND OF BUSINESS  
OUTLAYS FOR PLANT AND EQUIPMENT  
CONTINUED DOWNWARD THROUGHOUT  
THE COURSE OF THE YEAR.

BILLIONS OF DOLLARS

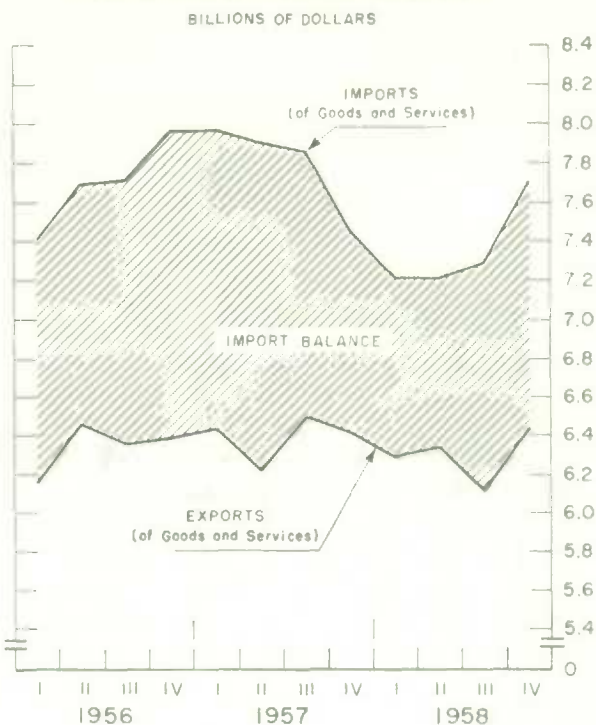


(DATA IN CHARTS 1, 3 AND 4 AT SEASONALLY ADJUSTED ANNUAL RATES)

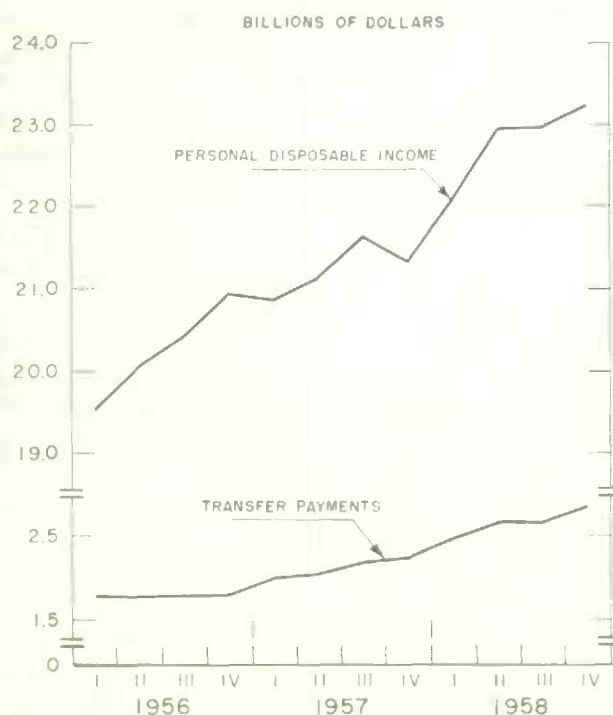
THE MAJOR STRENGTH ON THE DEMAND SIDE DURING 1958 WAS PROVIDED BY CONTINUED GROWTH IN CONSUMER AND GOVERNMENT EXPENDITURES AND BY A SHARP RISE IN OUTLAYS FOR NEW HOUSING.



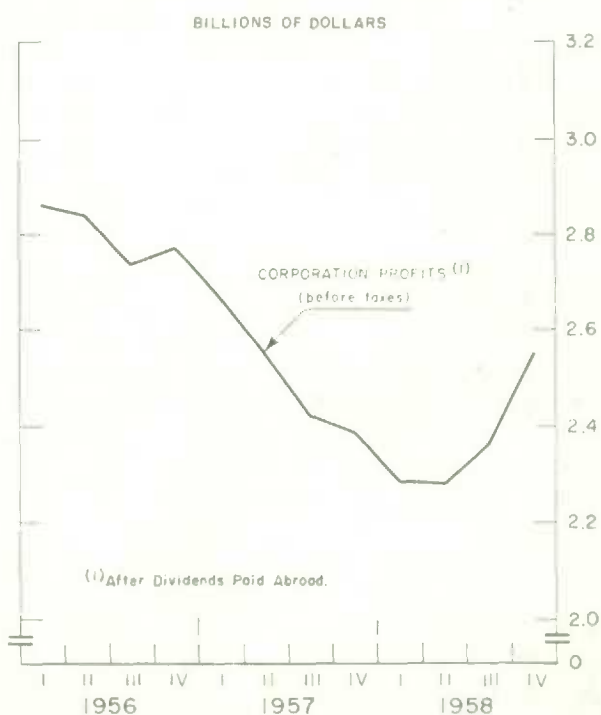
IMPORTS MOVED UPWARD IN THE LATTER HALF OF THE YEAR, FOLLOWING THE EARLIER SHARP DECLINE; EXPORTS CONTINUED TO MOVE IRREGULARLY THROUGHOUT 1958.



TRANSFER PAYMENTS FROM GOVERNMENT WERE THE LARGEST SINGLE FACTOR IN THE YEAR TO YEAR INCREASE OF DISPOSABLE INCOME.



THE DOWN-TREND IN CORPORATION PROFITS WAS REVERSED DURING THE COURSE OF THE YEAR.



(ALL DATA AT SEASONALLY ADJUSTED ANNUAL RATES)

### INTRODUCTORY REVIEW

(This report incorporates revisions to data for 1957 and 1958, based mainly on new information from "Private and Public Investment in Canada, Outlook 1959").

### The Year 1958 - Annual Review

The year 1958 witnessed a gradual resumption of the upward trend in Gross National Product which had been interrupted in 1957 as recessionary influences began to bear adversely upon the level of economic activity. By the second quarter of the year, the Gross National Product was showing a firmer trend and by the final quarter was responding to a sharp rise in consumer expenditures, a strong advance in exports of goods and services, and a cessation in the rate of business inventory liquidation which had previously been operating to hold production in check as final demand was met out of current inventory stocks. The year thus ended on a stronger note, although business outlays for new plant and equipment were still tending downward at year-end.

Despite the improvement in a number of the main statistical aggregates during the course of 1958, Gross National Product for the year as a whole was affected in a major way by the heavy inventory liquidation of the first half, and by the continued downward drift in business spending for new plant and equipment. As a result, the Gross National Product showed an advance of only 2.5 per cent over the year 1957, of which the larger part represented higher prices prevailing in the period. In volume terms, Gross National Product in 1958 is estimated to have risen by less than 1 per cent. The slight volume gain was attributable to higher production in the farm sector; the physical volume of non-farm production remained unchanged from the previous year. This relative stability in the physical volume of total output in 1958 compares with a gain of 9 per cent in 1955, 7 per cent in 1956, no change in 1957, and a postwar average for the years 1947 to 1958 of 4 per cent per year.

The broad changes in the main expenditure categories between the years 1957 and 1958, and the effect of these shifts on the Gross National Product, are shown in the table below. It is apparent that a major downward pressure during 1958 was coming from the business investment sector, with inventory liquidation assuming a major role, and declines in business outlays for non-residential construction and machinery and equipment acting to reinforce the curtailment in inventory demand. Altogether, these three components of the expenditure side accounted for a cut-back in the flow of expenditures equivalent to about \$1.3 billion in terms of new production. As will be noted, however, these downward tendencies in the economy were counteracted by the continued growth in consumer and government expenditures for goods and services, and the upswing in residential construction. These three elements on the demand side more than offset the declines noted in the business investment sector. At the same time, a good deal of the effect of the downward shift in domestic demand was transferred on to foreign sources of supply through



the mechanism of declining imports of goods and services. The fall-off here in 1958 amounted to \$0.4 billion, or about one-third of the net reduction in demand attributable to the business investment sector. The overall effect of these developments was to bring about a change in the value of Canadian production in 1958 of about 2.5 per cent over the level of the year 1957.

Changes in Components of Gross National Expenditure<sup>1.</sup>  
1957 to 1958

	\$ billions			Change <sup>2.</sup>	
	Year 1957	Year 1958	Change	%	
<u>Business Investment</u>					
Non-Residential Construction.....	3.1 <sup>x</sup>	2.8 <sup>✓</sup>	- 0.3 <sup>✓</sup>	- 9.3 <sup>✓</sup>	
Machinery and Equipment.....	2.8 <sup>x</sup>	2.3 <sup>✓</sup>	- 0.5 <sup>✓</sup>	-17.7 <sup>✓</sup>	
Inventories.....	0.1 <sup>0.2<sup>x</sup></sup>	- 0.4 <sup>✓</sup>	- 0.5 <sup>0.6</sup>	n.a.	
(Non-Farm Business Inventories)....	(0.2)(0.3) <sup>x</sup>	(- 0.2)(-0.3)	(- 0.4)(-0.6)	n.a.	
Sub-Total.....	6.1	4.8 <sup>4.7</sup>	- 1.3 <sup>-1.4</sup>	-21.7	-23.2
<u>Other Purchases</u>					
Consumer Expenditures.....	19.8 <sup>20.0<sup>x</sup></sup>	20.7 <sup>21.0</sup>	0.9 <sup>1.0</sup>	4.8 <sup>5.2</sup>	
Government Expenditures.....	5.6 <sup>5.7<sup>x</sup></sup>	6.0 <sup>6.2</sup>	0.4 <sup>0.5</sup>	6.8 <sup>7.2</sup>	
Residential Construction.....	1.4 <sup>x</sup>	1.8 <sup>✓</sup>	0.4 <sup>✓</sup>	25.1 <sup>✓</sup>	
Exports.....	6.4 <sup>x</sup>	6.3 <sup>✓</sup>	- 0.1 <sup>✓</sup>	- 1.5 <sup>-1.6</sup>	
Sub-Total.....	33.2 <sup>33.5</sup>	34.8 <sup>35.3</sup>	1.6 <sup>1.8</sup>	4.8 <sup>5.1</sup>	
<u>Total Final Purchases plus Inventory Investment</u>					
(Total Available Supply)...	39.3 <sup>39.4</sup>	39.5 <sup>40.0</sup>	0.3 <sup>0.4</sup>	0.7	
Less: Imports.....	- 7.8 <sup>x</sup>	- 7.4 <sup>✓</sup>	-(- 0.4)	- 5.6 <sup>✓</sup>	
<u>Gross National Expenditure</u>					
(Canadian Production).....	31.7 <sup>31.4</sup>	32.5 <sup>32.2</sup>	0.8 <sup>0.8</sup>	2.5 <sup>2.3</sup>	

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

2. Per cent changes based on unrounded data.

While these annual comparisons provide a useful setting for viewing the year 1958 in perspective, they conceal to a considerable extent the evidence of developing strength which became more apparent toward the end of the year. The table on the following page provides a view of the quarter-to-quarter changes, seasonally adjusted, in the main expenditure categories in 1958 against a background of trends in the two previous years. As has already been noted, business inventories, which were being liquidated heavily in the early part of the year (and thus acting as a brake on production), moved to a position of small net accumulation in the last half. In addition, while the downtrend in business outlays for new plant and equipment which developed in 1957 continued through all quarters of 1958, the declines were of more modest proportions in the last three quarters of the year. Thus, the major downward pressures on production which arose from weakness in these three areas during 1957 and the early part of 1958, were moderating in the last three quarters; in fact, the swing in business inventories to a position where they were making new demands on production all but offset the declines in plant and equipment investment.

Quarter-to-Quarter Changes in Final Purchases

(Seasonally Adjusted at Annual Rates)

(\$ millions)

	1Q-2Q 1956	2Q-3Q 1956	3Q-4Q 1956	4Q '56 1Q '57	1Q-2Q 1957	2Q-3Q 1957	3Q-4Q 1957	4Q '57 1Q '58	1Q-2Q 1958	2Q-3Q 1958	3Q-4Q 1958
Personal Expenditure.....	144	360	356	384	36	260	188	408	40	124	660
Government Expenditure.....	260	224	92	-168	396	-12	-92	124	292	32	-4
Residential Construction.....	8	-72	-80	-84	8	56	108	116	92	52	124
Non-Residential Construction...	328	196	196	136	60	24	-24	-252	36	-64	-168
Machinery and Equipment.....	204	200	120	192	-172	-180	-200	-156	-60	-56	52
Exports.....	300	-96	40	40	-212	276	-84	-128	56	-220	312
Total Final Purchases.....	1,244	812	724	500	116	424	-104	112	456	-132	976
(Final Domestic Demand)...	( 944)	(908)	(684)	(460)	(328)	(148)	(-20)	(240)	(400)	(88)	(664)

Quarter-to-Quarter Changes in Other Selected Items

"Shift" in Business Inventories (Change in the change).....	-72	-404	532	-184	-168	-292	-100	-540	192	376	48
Change in Imports.....	284	28	248	8	-76	-40	-412	-232	-	80	420
Change in G.N.P. (ex farm).....	740	572	820	452	168	116	8	-180	500	224	524

This easing of the downward pressures coming from the business investment sector was accompanied by a sharp upswing in other final purchases of goods and services in the fourth quarter of the year, the largest increase since early in 1956. The rise reflected a sharp advance in personal expenditure on consumer goods and services of more than 3 per cent, though it should be noted that this increase followed upon a period in which consumer expenditures had shown little change for two quarters. Exports of goods and services, which were showing some weakness in 1958, also advanced strongly in the fourth quarter, with widespread gains in most of the main commodity groups. The developing strength in these final demand categories, and in the accompanying swing in business inventories brought about a reversal in the down-trend of imports of goods and services which had been under way since the second quarter of 1957; by the second quarter of 1958, imports had stopped declining, and in the last half of the year they moved upward, with an exceptionally sharp rise in the fourth quarter.

### Changes in Income During 1958

National income rose by about 3 per cent in 1958, but personal income increased by 6 per cent, and disposable income by more than 7 per cent. The major factors in the reconciliation of these differences are indicated in the table below.

#### Analysis of Changes in Major Income Components 1957 to 1958

	\$ billions			Change <sup>1.</sup>
	Year 1957	Year 1958	Change	%
National Income .....	<del>23.8</del> 23.9	24.7 ✓	+0.9 +0.8	+3.5
Deduct: Corporation Profits.....	-2.5 ✓	-2.4 2.5	=(+0.1) -	-5.4
Add: Dividends to Persons.....	0.4 0.3	0.4 0.3	- -	-1.4
Add: Transfer Payments from government.....	2.1 ✓	2.6 ✓	+0.5 ✓	+26.2
Other.....	-0.7 -0.8	-0.7 ✓	- (-0.1)	+9.5
Equals: <u>Personal Income</u> .....	<del>23.1</del> 23.0	24.6 24.4	+1.5 +1.4	+6.2
Deduct: Personal Direct Taxes.....	-1.9 ✓	-1.8 ✓	-(-0.1) ✓	-6.8 (0)
Equals: <u>Disposable Income</u> .....	<del>21.2</del> 21.1	22.8 22.6	+1.6 +1.5	+7.4

1. Per cent changes based on unrounded data.

Transfer payments from government provided the most important single element in the differing rates of increase between national and personal income, and the rise here was very sharp, amounting to about 26 per cent. In addition, disposable income was further bolstered by a decline in direct personal tax collections. It is of interest to note that more than 40 per cent of the over-the-year increase of \$1.6 billion in disposable income can be attributed to changes which have occurred in the flow of transfer payments from the government to the personal sector, and in the reverse flow of tax collections from the personal sector to the government sector. National income, which does not reflect changes in these transfer-type transactions, was adversely affected in 1958 by a significant decline in the level of corporation profits, amounting to about 5 per cent.



A summary and consolidation of the series which accounted for the changes in total disposable income between 1957 and 1958, is given in the following table.

Changes in Disposable Income  
1957 to 1958

	\$ billions			Change <sup>1.</sup> %
	Year 1957	Year 1958	Change	
Transfer Payments from Government....	2.1✓	2.6✓	+0.5	26.2
Personal Direct Taxes.....	-1.9	-1.8	+0.1	-6.8
Wages and Salaries.....	15.8	16.2	+0.4	2.2
Net Income of Farm Operators.....	1.0	1.2	+0.2	23.8
Interest, Dividends and Net Rental Income.....	2.4	2.5	+0.2	7.6
Other Disposable Income.....	1.8	2.1	+0.2	12.8
Total Disposable Income.....	21.2	22.8	+1.6	7.4

1. Per cent changes based on unrounded data.

Turning to the trend of income during 1958, the movement from quarter to quarter of most of the components was uniformly upward, though the rates of increase varied substantially as is indicated by the year-to-year comparisons shown in the preceding tables. The major exception occurred in the case of corporation profits, where the down-turn which had been under way since early in 1956 was reversed during the course of the year 1958.

Production and Employment in 1958

The volume of production in 1958 was up only slightly above 1957, by less than 1 per cent. In general, gains in non-farm output originating in the broad group of service industries were substantially offset by losses in the output of the commodity-producing industries, considered as a whole. This shift in the product pattern of output, continuing a trend evident in 1957, is related to the impact of recessionary influences which bore most heavily on the commodity-producing industries.

Among the primary industries, the trends were mixed. Agricultural output rose substantially, mainly as a result of higher output and sales of livestock associated with opportunities for export to the United States and higher domestic prices; crop production was about the same as that of the previous year. Production in the forestry industry fell by about 10 per cent in the year-over-year comparison, reflecting a further sharp decline in output of pulpwood which was partially offset by higher production of other forest products. However, in the last three quarters of 1958, after allowing for seasonal factors, production in forestry appears to have stabilized at a level somewhat higher than at the end of 1957. Production in mining, quarrying and oil wells was about the same as in 1957; greatly expanded production of uranium and natural gas was important in sustaining over-all mining production in the face of a major decline in output of nickel, asbestos, iron ore and crude petroleum. Deterioration in the export market for these products accounts for these declines in output, although in the case of nickel a prolonged industrial dispute involving a major producer was also a factor. Mining production followed a gently declining trend throughout the year.



Manufacturing production fell by nearly 4 per cent in the year-to-year comparison, virtually all the decline being in durable manufacturing. The majority of the durable group industries shared in the decline, with the drop in output being most pronounced in transportation equipment (13 per cent) and in iron and steel (12 per cent). However, output of non-metallic minerals, having risen a little in 1957, rose substantially in 1958. In addition, output of wood products was a little higher than in 1957, after a sharp decline in that year. The decline in the production of durables of 7 per cent in 1958 compares with one of 5 per cent in 1957.

The non-durables manufacturing group displayed mixed trends within a relatively unchanged total. Printing, publishing and allied industries, products of petroleum and coal, clothing, rubber products and textiles reduced production by rates ranging from 3 to 7 per cent; the decline in output in leather products and paper products was comparatively small; output in the remaining divisions continued to rise, the significant gains being in tobacco products (8 per cent) and in food and beverages (3 per cent).

The pattern of manufacturing production through the year 1958 was one of recovery in the opening months rising to a peak in May, followed by a setback in the summer months, and renewed recovery in the last quarter. By December of 1958 the index of manufacturing production stood at 139.7 (1949 = 100), about 5 per cent above its low point one year earlier, but still 6 per cent below the peak reached in December 1956.

Production rose in all the service-producing industries in 1958 with the exception of transportation, communications and storage. The decline in the latter group was related to a drop in revenue freight car loadings of nearly 7 per cent; some other forms of transport, including oil pipelines and shipping also handled a smaller volume of business in 1958 as commodity-producing industries reduced their scale of operations and the volume of imports declined.

Turning now to the employment side, the total number of persons with jobs in 1958 averaged 0.4 per cent lower than in 1957, though the number of persons with jobs in the non-agricultural sector was up by 0.2 per cent. With the growth in the labour force and the decline in the total number of persons with jobs, the number of persons without jobs and seeking work amounted to 6.6 per cent of the labour force in 1958, compared with 4.3 per cent in 1957.

#### Value-Volume-Price Comparisons

Taking the change in the price of all components together, it is estimated that the price element of total Gross National Expenditure was higher in 1958 by about 2 per cent. As has been noted, this price advance accounted for the greater part of the increase in the value of production from 1957, so that in volume terms the Gross National Product showed only a slight increase. The value, volume and price components of each of the main expenditure categories are shown in the accompanying table.

It will be apparent that price factors were less conspicuous as an element of the value change in Gross National Product between 1958 and 1957, than in the preceding year. Almost all components of the Gross National Product registered smaller price advances in 1958 than in 1957. The price of consumer goods and services showed a further rise of 2.5 per cent, a somewhat more moderate advance than in 1957. The greater part of the increase was in the area of consumer services and non-durable goods; however, the price of consumer durable goods in 1958 also showed a small advance over the year 1957.

The capital goods sector in particular was less strongly influenced by advancing prices in 1958 than in the preceding year. The influence of moderating prices in this sector was reflected in both the machinery and equipment component and in the non-residential construction item; however, the price factor in residential construction advanced by about the same amount as in the previous year.

Percentage Change -- Value, Volume and Price

	Year 1958 Year 1957 <sup>1</sup>			Price Change <sup>1</sup> Year 1957 Year 1956
	Value	Volume	Price <sup>1</sup>	
Personal Expenditure.....	4.8 %	2.2 %	2.5 %	(3.5) %
Goods.....	4.2	2.2	1.8	(3.1)
Non-Durable.....	4.4	2.3	2.0	(2.9)
Durable.....	3.1	2.0	1.4	(3.9)
Services.....	5.8	2.0	3.6	(4.4)
Government Expenditure.....	6.8	3.5	2.4	(5.2)
Gross Fixed Capital Formation.....	-5.9	-7.7	2.2	(3.4)
New Residential Construction.....	25.1	22.3	2.5	(2.4)
New Non-Residential Construction.....	-9.3	-11.0	1.2	(2.8)
New Machinery and Equipment.....	-17.7	-19.4	2.7	(4.6)
Exports of Goods and Services.....	-1.5	1.2	-0.4	(0.5)
Imports of Goods and Services.....	-5.6	-6.0	1.1	(2.4)
Gross National Expenditure.....	2.5	0.8	2.1	(3.4)

1. The price comparisons shown above are based on a set of fixed weight price indexes (1955 = 100), and not upon the implicit price deflators which can be derived by dividing the value series by the volume series. The latter are weighted by changes in the expenditure pattern over time; between 1957 and 1958, weight shifts of this nature were sufficiently large to affect the use of the implicit deflators for pure price analysis. (See page 177, "National Accounts, Income and Expenditure, 1926-1956" for a discussion of the effect of weight shifts on the implicit deflators). A specially constructed set of fixed weight price indexes has therefore been used for purposes of depicting price changes in the above table.

The Fourth Quarter

As is indicated in the table on page 6, total final purchases of goods and services rose sharply in the fourth quarter of 1958, showing much the largest advance since early in 1956. However, Canadian production did not reflect the full effects of this renewed strength, since close to one-half of the increase in final demand in the fourth quarter was met by a pronounced rise in imports of goods and services; in addition, that part of the rise in demand attributable to higher exports of goods and services was met in part by drawing upon existing stocks of grain and livestock, which showed a sharp liquidation in the fourth quarter. The rise in Gross National Product, seasonally adjusted, thus amounted to about 1 per cent in the fourth quarter, though the non-farm Gross National Product rose by close to 2 per cent.

Related information suggests that the advances in output in the fourth quarter were quite widespread by industry. Manufacturing production advanced by more than 2 per cent, following the weakness of the preceding quarter; both durable



and non-durable production advanced by about the same amount as the total index. All of the service-producing industries showed strong advances in the fourth quarter, with the gains in retail and wholesale trade, and transportation, storage and communication being especially marked. However, construction and mining were lower in the fourth quarter.

Personal expenditure on consumer goods and services, seasonally adjusted, rose by 3 per cent in the fourth quarter, one of the largest quarterly increases in recent years. A major advance occurred in expenditures on durables which were up by 8 per cent, largely as a result of a 15 per cent increase in expenditure on passenger cars. Outlays on non-durables and services rose by about 2 and 3 per cent respectively.

Exports of goods and services, seasonally adjusted, rose by 5 per cent in the fourth quarter, with both the commodity and service items showing roughly parallel movements. Gains were widespread among the commodity groups, but especially pronounced in agricultural and animal products and wood and wood products; exports of non-ferrous metals declined.

Business gross fixed capital formation remained practically unchanged in total in the fourth quarter, seasonally adjusted, but the components showed sharply divergent trends. A further advance in outlays for housing was not sufficient to offset the continued drop in expenditures on non-residential construction, but expenditures on machinery and equipment were moderately higher.

Investment in business inventories made only a small contribution to the level of activity in the fourth quarter. Stocks of manufacturing inventories showed some liquidation in the fourth quarter, but this was more than offset by an accumulation of stocks in trade. The latter build-up was most apparent in the durable trade groups, largely reflecting the flow of new model automobiles to dealers.

As has been noted, the rise in final demand in the fourth quarter was met in part by a large increase in imports of goods and services, amounting to 6 per cent. The advance was entirely attributable to an increase in commodity imports, which showed widespread gains; however, imports of iron and its products accounted for over half of the total increase, in addition to showing the sharpest percentage gain.

The major development on the income side in the fourth quarter was an estimated 8 per cent rise in corporate profits, following a smaller increase in the third quarter; the rise thus appears to have been fairly sharp in spite of the adverse effect of industrial disputes during the quarter. The rate of advance in labour income was also moderately higher than in the preceding quarter.

## COMPONENTS OF GROSS NATIONAL EXPENDITURE

### Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services rose to \$20.7 billion in 1958, nearly 5 per cent higher than in the previous year. The increase was fairly well distributed over the three main categories of consumer spending, with a gain in services of 6 per cent, non-durables of 4 per cent, and durables of 3 per cent. Higher prices and increased real consumption were about equally important in accounting for the near 5 per cent increase in total spending. The rise in real



consumption fell somewhat short of the growth of population and on a per capita basis real consumption declined a little for the second successive year; all three of the main categories of spending were affected.

Consumer outlays for non-durable goods were up about 4 per cent in 1958, with expenditures on food up 5 per cent, and on clothing up 4 per cent. The element of price increase contained in the estimate for expenditure on non-durables amounted to 2 per cent and to that extent the gain in real consumption was lower than the value figures. The drop in real per capita consumption, already noted, was common to most of the principal non-durable groups.

After showing no change in 1957, consumer purchases of durables rose 3 per cent in 1958. Modest gains took place in all the durable groups. Purchases of new passenger cars were up by more than 4 per cent but this gain was partially offset by lower purchases of used cars, so that the two together rose by 3 per cent. Since prices of durables are estimated to have risen only 1 per cent between the two years, the greater part of the rise in outlays represents higher purchasing in real terms.

Continuing to make relatively large gains, outlays in services rose nearly 6 per cent. Again, as in 1957, the advance in prices was most apparent in the services sector and nearly 4 percentage points of the gain mentioned above are accounted for by higher prices. Relatively large gains occurred in expenditure on shelter, household operation and utilities and medical care.

The rate of change in consumer expenditure was far from uniform through the year. The major part of the annual increase occurred in the first and final quarters, particularly in the latter; the second and third quarters showed only a small advance on a seasonally adjusted basis. This pattern in 1958 is largely the result of the decline in purchases of durables in the two middle quarters, but at the same time expenditures on non-durables remained virtually stable in this period.

The gain in total consumer expenditure in 1958 fell considerably short of the more than 7 per cent advance in personal disposable income. Thus a rise in the rate of personal saving, from \$1.5 billion in 1957 to \$2.1 billion in 1958, is one of the notable developments of the year. As a percentage of disposable income, personal saving amounted to 6.9 per cent in 1957 and 9.2 per cent in 1958, the latter being one of the highest ratios in the post-war period.

### Investment in Inventories

Total holdings of inventories were reduced in 1958, by about \$0.4 billion, in contrast to the year 1957 when a moderate build-up of inventories occurred. The turnaround reflects mainly a shift in the position of business inventories from accumulation to liquidation, but farm inventories and grain in commercial channels also contributed to the running down of total stocks in 1958.

For the year as a whole, business inventories generally were reduced against a background of uncertain business conditions. The liquidation of \$216 million in 1958 was the largest annual decline in the post-war period and represented a turnaround of just under \$500 million from 1957.

This drawing down of business inventories in 1958 was concentrated mainly in the manufacturing industries, and was in part a response to reduced factory shipments as well as a drop in the backlog of unfilled orders. Also, with excess

capacity in many industries, businessmen were able to obtain delivery on shorter notice, a factor which contributed to the trimming of stocks. Inventory liquidation was most pronounced in iron and steel products, and transportation equipment industries.

At the year-end, manufacturers in general had succeeded in reducing stock/shipments ratios sharply below the levels prevailing at year-end 1956 and 1957, and close to the low levels prevailing at the end of 1955. The most notable exception to this trend was the non-ferrous metal products industry, where stock/shipments ratios at the end of the year were higher than in the three previous years.

Trade inventories showed, on balance, a slight accumulation in 1958, mainly as a result of the continued build-up of stocks in retail food stores. This accumulation appears consistent with increased retail and wholesale sales in 1958. The pick-up in sales, however, reduced stock/sales ratios at the year-end below the level of the year-end 1957.

The trend of business inventories through the year was an important determinant of the level of economic activity in 1958. In the first quarter final demand was partly met by drawing down business inventories, with the liquidation amounting to an annual rate, seasonally adjusted, of \$560 million. The rate of liquidation slowed markedly in the second quarter and by the fourth quarter stocks were being built up at a rate of \$56 million. Thus the shift from liquidation to accumulation between the first and last quarters of the year represented an additional demand on current production and imports of over \$600 million at annual rates.

#### Gross Fixed Capital Formation

Business gross fixed capital formation, estimated at \$6,899 million in 1958, fell about 6 per cent from the level of the previous year, following three years of impressive increases. The total was the outcome of a major advance in outlays for housing and a drop in expenditures for both non-residential construction and machinery and equipment, especially the latter.

Investment in housing established new records in 1958; dwellings started rose to 164,600 units from 122,300 units, dwellings completed to 146,700 units from 117,300 units, and dwellings under construction at the year-end to 88,200 units from 72,600 a year earlier. Estimated at \$1,762 million in 1958, expenditures on housing were 25 per cent higher than in 1957. Activity in housing was encouraged by Government advances to the Central Mortgage and Housing Corporation for mortgage lending under the National Housing Act and by the increased availability of financing from private sources. Somewhat more than half the houses started in 1958 were financed under the National Housing Act. Expenditures on housing rose continuously throughout the year.

Business expenditures for plant and equipment, estimated at \$5,137 million in 1958, were 13 per cent lower than in 1957, with the construction component down 9 per cent and the machinery and equipment component down 18 per cent. The distribution of investment by industry was strikingly altered. Outlays for financial services and for institutions rose sharply, but all other industries except agriculture curtailed their investment in varying degrees. The rate of decline was pronounced in the primary industries, particularly in mining, which showed a drop of 40 per cent. Investment in manufacturing fell 27 per cent, reflecting reduced outlays in all industry divisions except foods and beverages, tobacco products and products of petroleum and coal. The huge investment program of the utilities was



lower by 8 per cent. The fact that some major projects initiated in previous years moved close to completion, without new projects of comparable size coming forward, was a factor in the trend of investment outlays in 1958.

So far as the trend through the year is concerned, expenditures for non-residential construction were falling in the second half of 1958 but purchases of machinery and equipment were stronger in the final quarter, after several successive declines.

The prices prevailing in the investment sector in 1958 were about 2 per cent higher than in 1957, so that the decline in the volume of investment was actually somewhat greater than the 6 per cent drop indicated by the value figures.

#### Exports and Imports of Goods and Services

Exports of goods and services in 1958 amounted to \$6.3 billion, 2 per cent lower than in 1957. The fall in receipts pertains largely to the service items; commodity exports held close to the level of the record year 1957.

Mixed trends in merchandise exports had developed in 1957 and were accentuated in 1958; the virtually unchanged total for the year was the outcome of large increases in some commodities and numerous declines in others. Two new resource products, uranium ores and concentrates, and natural gas, continued to make growing contributions to export totals, their value rising by about \$165 million between the two years. Other exports whose value rose sharply were wheat and flour, an increase of about \$75 million; cattle, an increase of about \$45 million; and aircraft, an increase of about \$70 million. Decreases occurred in many traditional exports as well as in some of the new resource products. In the first category are pulp and paper, copper, nickel, lead, zinc and asbestos, and in the second, petroleum and iron ore; the value of exports of the last two items fell by about \$110 million. The quarter-to-quarter movement of commodity exports during the year was uneven, with a rise in the second quarter, a decline in the third, and a further sharp rise in the fourth.

Imports of goods and services in 1958 were \$7.4 billion, nearly 6 per cent less than in 1957. The bulk of the decline occurred in commodity imports; payments on invisible account were only slightly lower.

Most of the 8 per cent drop in commodity imports was concentrated in those groups where imports had risen very sharply during the period of rapidly rising investment in plant and equipment in 1955 and 1956. The biggest increases had been in metal products and it was these groups which accounted for some three-quarters of the decline in commodity imports in 1958; imports of iron and its products fell by 13 per cent and of non-ferrous metals by 11 per cent. Even more striking were the declines in imports of specific types of metal products; imports of mining and metallurgical machinery, rolling mill products and pipes, tubes and fittings were down by rates that ranged from 35 to 40 per cent. The reduction in imports of fuels was also large. The drawing down of inventories in the first half of the year was a further factor contributing to the drop in imports in 1958. However, imports of many consumer goods remained at much the same level as in the previous year. By the middle of 1958, the downtrend of imports of goods and services had levelled off, and in the last half of the year imports were rising again; the fourth quarter advance was one of the sharpest for several years.

Receipts from invisibles fell by 5 per cent in 1958, an important factor in the decline being lower earnings from freight and shipping. This development was



associated with lower external trade in commodities having high transportation costs and further sales of Canadian vessels. Receipts from miscellaneous services were also considerably lower. Payments on invisibles in 1958 were only a little lower than in 1957. However, payments for freight and shipping were substantially lower, reflecting the drop in imports and a decline in rates for ocean shipping.

With commodity exports at \$4,890 million and commodity imports at \$5,064 million, the deficit on visible account in 1958 contracted sharply to \$174 million from \$579 million in 1957; the deficit on invisibles rose to \$889 million from \$823 million in the previous year. The over-all deficit was thus sharply reduced, falling from \$1.4 billion in 1957 to \$1.1 billion in 1958, a decline of 24 per cent.

#### Government Expenditure on Goods and Services

Government expenditure on goods and services rose to \$6.0 billion in 1958, some 7 per cent higher than in 1957. More than two-thirds of this advance is accounted for by increased outlays of the provincial and municipal governments, reflecting mainly higher expenditures for capital works and for wages and salaries. At the federal level, outlays for goods and services were higher by about 4 per cent in 1958. Defence expenditures were lower by about 6 per cent, but this decline was more than offset by a 23 per cent advance in outlays for goods and services for non-defence purposes; the latter reflected larger expenditures for public works, higher payments on wage and salary account, the service costs of the conversion loan, and larger purchases under the Agricultural Stabilization Act.

#### COMPONENTS OF GROSS NATIONAL PRODUCT

##### Wages and Salaries

Labour income rose to \$16.2 billion in 1958, slightly more than 2 per cent above the level of the year 1957. The major part of this advance in labour income is accounted for by higher average weekly earnings.

Forestry, transportation, construction, mining and manufacturing did not share in the annual advance in labour income. Labour income in forestry fell sharply, reflecting the much reduced level of employment in the industry. The decline in labour income in mining and manufacturing, a little more than 1 per cent, is related in part to the incidence of industrial disputes in these industries.

Labour income rose in all the service-producing industries in 1958, except in transportation, reflecting generally expanded employment as well as further advances in average weekly earnings. In general, the increases were quite substantial; for example, finance, insurance and real estate and non-government services recorded gains of about 9 per cent.

##### Corporation Profits and Other Investment Income

Corporate profits before taxes and including dividends paid abroad declined more than 6 per cent in 1958, reflecting the impact of recessionary influences on corporate earnings. In this situation dividends paid abroad (including remitted profits), were cut by 10 per cent so that corporate profits after dividends paid to non-residents, the figure included in national income, declined by about 5 per cent.

The trend of corporate earnings by industry mirrored the mingled elements of weakness and strength present in the economy in 1958. The sharpest drop in profits - 25 per cent - occurred in mining, quarrying and oil wells. Profits in manufacturing fell 10 per cent, the major declines being in iron and steel, petroleum and coal and electrical apparatus and supplies. This experience is related in part to the lower domestic demand for durable goods. Certain other manufacturing industries had higher earnings, notably foods and beverages, wood and paper products and chemicals.

In general, the service-connected industries earned somewhat higher profits in 1958. The major exception was wholesale trade where profits declined by 13 per cent. There was also some decline in earnings in transportation, communications and storage.

The quarterly pattern of corporate profits during 1958 reveals the sensitivity to changes in the tempo of economic activity characteristic of this component. After a series of successive declines, corporate profits stabilized in the second quarter of 1958 and then rose at an accelerating rate in the second half of the year. Although the fourth quarter returns are not yet fully tabulated, preliminary compilations indicate that the increase in the final quarter of the year was quite pronounced and was fairly widespread by major industry groups.

Rent, interest and miscellaneous investment income, estimated at \$2.4 billion in 1958, was 9 per cent higher than in the previous year. All the components, -- net rents, investment income of life insurance companies, trading profits of government enterprises and other miscellaneous investment income -- contributed in varying degrees to this increase.

#### Net Income of Unincorporated Business

Accrued net income of farm operators from farm production is estimated to be \$1,202 million in 1958, a major advance of 24 per cent over 1957. With little change in crop production, the source of the increase was larger output and higher prices for livestock and animal products.

Net income of non-farm unincorporated business rose to an estimated \$2,079 million in 1958, 7 per cent higher than in 1957. The largest gains occurred in construction and fishing but retail trade and the service groups also showed some increases.

#### Indirect Taxes Less Subsidies

Indirect taxes less subsidies, estimated at \$3.8 billion in 1958, were slightly higher than in the preceding year. The increase reflected a small gain in yields from indirect taxes partly offset by a sharp rise in subsidies.

A 1 per cent increase in yields from indirect taxes was the outcome of largely offsetting changes in the revenues of the different levels of government. Revenues from this source dropped significantly at the federal level, mainly as a result of the fall in imports and the accompanying decline in the yield of customs import duties; excise taxes were also down. Higher yields from real and personal municipal taxes and increased revenues from provincial sales and gasoline taxes were largely responsible for raising indirect taxes in total.

Federal subsidies rose by 21 per cent, with agricultural subsidies accounting for most of the increase.



# National Saving and Investment

Gross national saving declined by 9 per cent in 1958, from approximately \$6.0 billion in 1957 to \$5.5 billion. The decline was entirely attributable to a shift in the position of the government sector from a small surplus in 1957 to a deficit of more than \$1 billion in 1958; \* this change in the position of the government sector was partly offset by a sharp increase in the rate of personal saving, but the saving of the business sector remained unchanged from the previous year. As a percent of Gross National Product, total national saving amounted to 17 per cent in 1958 compared with 19 per cent in 1957.

	<u>1957</u>	<u>1958</u>	<u>Change</u> <u>1957 to 1958</u>
	(billions of dollars)		
Personal Saving.....	1.5	2.1	+0.6
Business Saving.....	4.5	4.5	-
Government Deficit.....	-	-1.0	-1.1
Gross National Saving <sup>1</sup> .....	6.0	5.5	-0.5
Business Gross Fixed Capital Formation.....	7.3	6.9	-0.4
Change in Inventories.....	0.1	-0.4	-0.5
Net Foreign Investment.....	-1.4	-1.1	+0.3
Gross National Investment <sup>1</sup> .....	6.0	5.5	-0.5

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

The nation's total capital investment program for plant, machinery and equipment, housing, and inventories was considerably lower in 1958 than in the previous year. Business gross fixed capital formation declined by 6 per cent, while inventories shifted from a position of accumulation in 1957 to one of net liquidation in 1958. As in the preceding year, however, the amount of saving available from domestic sources was insufficient to support the capital investment program. This short-fall in the nation's saving was met by drawing upon foreign resources, and the deficit on current account in 1958 amounted to \$1.1 billion, a decline of about 24 per cent from the \$1.4 billion deficit of the previous year.

\* The deficits and surpluses referred to here are based on National Accounts definitions and thus differ from the conventional budgetary figures reported in the various public accounts.



TABLE 1. NATIONAL INCOME AND  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	3,381	3,637	3,850	3,851	14,719
2. Military Pay and Allowances .....	93	106	113	112	424
3. Corporation Profits before Taxes <sup>1</sup> .....	606	795	771	624	2,802
4. Rent, Interest and Miscellaneous Investment Income ..	463	478	509	514	1,964
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	-6	86	1,247	141	1,458
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	385	513	508	531	1,937
7. Inventory Valuation Adjustment <sup>4</sup> .....	-64	-86	-43	-67	-260
8. NET NATIONAL INCOME AT FACTOR COST .....	4,858	5,529	6,961	5,706	23,054
9. Indirect Taxes less Subsidies .....	855	909	912	925	3,601
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	797	878	911	929	3,515
11. Residual Error of Estimate .....	-43	-68	-9	132	12
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	6,467	7,248	8,775	7,692	30,182
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(6,473)	(7,162)	(7,528)	(7,551)	(28,714)

1. Excludes dividends paid to non-residents.
2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.
3. Includes net income of independent professional practitioners.
4. See footnote 3, Table 2.

TABLE 2. GROSS NATIONAL  
(millions)

	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services..	4,273	4,660	4,574	5,190	18,697
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,180	1,173	1,514	1,399	5,266
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	1,263	1,810	1,911	1,790	6,774
4. New Residential Construction .....	291	414	428	393	1,526
5. New Non-Residential Construction .....	425	624	806	734	2,589
6. New Machinery and Equipment .....	547	772	677	663	2,659
7. Value of Physical Change in Inventories <sup>3</sup> .....	62	-27	969	-189	815
8. Non-Farm Business Inventories .....	321	158	-11	77	545
9. Farm Inventories and Grain in Commercial Channels..	-259	-185	980	-266	270
10. Exports of Goods and Services .....	1,342	1,634	1,725	1,638	6,339
11. Deduct: Imports of Goods and Services .....	-1,697	-2,069	-1,926	-2,005	-7,697
12. Residual Error of Estimate .....	44	67	8	-131	-12
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	6,467	7,248	8,775	7,692	30,182

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.
3. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).
4. Includes defence expenditures of:

1956				
I	II	III	IV	Year
490	394	448	468	1,800

1957				
I	II	III	IV	Year
509	386	442	431	1,768

1958				
I	II	III	IV	Year
470	377	404	408	1,659

GROSS NATIONAL PRODUCT, BY QUARTERS, 1956-1958  
of dollars)

1957					1958						
I	II	III	IV	Year	I	II	III	IV	Year		
3,731	3,955	4,136	4,003	15,825	3,828	4,043	4,173	4,136	16,180	1.	
108	116	131	121	476	117	126	125	123	491	2.	
566	728	687	524	2,505	470	649	680	570	2,369	3.	
521	515	569	574	2,179	526	531	629	688	2,374	4.	
9	58	828	73	968	15	127	920	140	1,202	5.	
406	511	505	519	1,941	420	536	553	570	2,079	6.	
-29	-30	-7	6	-60	-15	3	10	-32	-34	7.	
5,312	5,853	6,849	5,820	23,834	5,361	6,015	7,090	6,195	24,661	8.	
955	948	963	936	3,802	937	955	961	972	3,825	9.	
897	946	938	941	3,722	917	940	928	940	3,725	10.	
-64	-43	21	139	48	-72	-66	28	83	-27	11.	
7,100	7,699	8,771	7,836	31,406	7,143	7,844	9,007	8,190	32,184	12.	
(7,091)	(7,641)	(7,943)	(7,763)	(30,438)	(7,128)	(7,717)	(8,087)	(8,050)	(30,982)	13.	

EXPENDITURE, BY QUARTERS, 1956-1958  
of dollars)

I	II	III	IV	Year	I	II	III	IV	Year		
4,601	4,928	4,810	5,429	19,768	4,855	5,135	4,989	5,734	20,713	1.	
1,265	1,294	1,620	1,433	5,612	1,327	1,381	1,731	1,555	5,994	2.	
1,544	1,992	2,001	1,798	7,335	1,405	1,874	1,907	1,713	6,899	3.	
248	359	393	409	1,409	301	457	494	510	1,762	4.	
579	775	946	803	3,103	535	724	861	693	2,813	5.	
717	858	662	586	2,823	569	693	552	510	2,324	6.	
51	-24	559	-444	142	-245	-288	587	-440	-386	7.	
304	80	-38	-103	243	68	-155	-75	-54	-216	8.	
-253	-104	597	-341	-101	-313	-133	662	-386	-170	9.	
1,412	1,579	1,767	1,636	6,394	1,378	1,607	1,654	1,659	6,298	10.	
-1,837	-2,119	-1,964	-1,876	-7,796	-1,649	-1,932	-1,832	-1,948	-7,361	11.	
64	49	-22	-140	-49	72	67	-29	-83	27	12.	
7,100	7,699	8,771	7,836	31,406	7,143	7,844	9,007	8,190	32,184	13.	

TABLE 3. SOURCES OF PERSONAL INCOME  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	3,381	3,637	3,850	3,851	14,719
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-117	-122	-125	-126	-490
3. Military Pay and Allowances .....	93	106	113	112	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-2	86	1,228	136	1,448
5. Net Income of Non-Farm Unincorporated Business .....	385	513	508	531	1,937
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	479	541	525	580	2,125
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	540	420	404	401	1,765
8. Charitable Contributions by Corporations .....	7	8	8	7	30
9. PERSONAL INCOME .....	4,766	5,189	6,511	5,492	21,958

1. This item differs from line 5 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL INCOME  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	400	459	426	435	1,720
2. Income Taxes .....	331	390	382	392	1,495
3. Succession Duties .....	37	50	30	29	146
4. Miscellaneous .....	32	19	14	14	79
5. Personal Expenditure on Consumer Goods and Services:	4,273	4,660	4,574	5,190	18,697
6. Non-Durable Goods .....	2,150	2,265	2,336	2,801	9,552
7. Durable Goods .....	482	704	592	628	2,406
8. Services <sup>1</sup> .....	1,641	1,691	1,646	1,761	6,739
9. Personal Net Saving: .....	93	70	1,511	-133	1,541
10. Personal Saving Excluding Change in Farm Inventories .....	314	247	558	180	1,299
11. Value of Physical Change in Farm Inventories .....	-221	-177	953	-313	242
12. PERSONAL INCOME .....	4,766	5,189	6,511	5,492	21,958
13. (Personal Disposable Income) <sup>2</sup> .....	(4,366)	(4,730)	(6,085)	(5,057)	(20,238)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1956-1958  
of dollars)

1957					1958					
I	II	III	IV	Year	I	II	III	IV	Year	
3,731	3,955	4,136	4,003	15,825	3,828	4,043	4,173	4,136	16,180	1.
-133	-132	-141	-141	-547	-143	-137	-143	-145	-568	2.
108	116	131	121	476	117	126	125	123	491	3.
28	79	810	57	974	36	134	911	125	1,206	4.
406	511	505	519	1,941	420	536	553	570	2,079	5.
532	600	592	634	2,358	565	636	649	688	2,538	6.
594	471	491	527	2,083	757	630	591	650	2,628	7.
7	9	9	7	32	6	8	9	9	32	8.
5,273	5,609	6,533	5,727	23,142	5,586	5,976	6,868	6,156	24,586	9.

INCOME, BY QUARTERS, 1956-1958  
of dollars)

1957					1958					
I	II	III	IV	Year	I	II	III	IV	Year	
466	497	472	472	1,907	456	430	437	454	1,777	1.
393	444	424	429	1,690	381	376	392	405	1,554	2.
31	32	32	32	127	33	32	27	32	124	3.
42	21	16	11	90	42	22	18	17	99	4.
4,601	4,928	4,810	5,429	19,768	4,855	5,135	4,989	5,734	20,713	5.
2,272	2,417	2,436	2,896	10,021	2,413	2,527	2,506	3,016	10,462	6.
522	672	598	622	2,414	541	674	593	682	2,490	7.
1,807	1,839	1,776	1,911	7,323	1,901	1,934	1,890	2,036	7,761	8.
206	184	1,251	-174	1,467	275	411	1,442	-32	2,096	9.
452	303	667	197	1,619	543	519	814	358	2,234	10.
-246	-119	584	-371	-152	-268	-108	628	-390	-138	11.
5,273	5,609	6,533	5,727	23,142	5,586	5,976	6,868	6,156	24,586	12.
(4,807)	(5,112)	(6,061)	(5,255)	(21,235)	(5,130)	(5,546)	(6,431)	(5,702)	(22,809)	13.

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

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	14,060	14,572	14,956	15,288	14,719
2. Military Pay and Allowances .....	396	420	432	448	424
3. Corporation Profits before Taxes <sup>1</sup> .....	2,860	2,840	2,736	2,772	2,802
4. Rent, Interest and Miscellaneous Investment Income ..	1,876	1,952	1,984	2,044	1,964
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,432	1,496	1,452	1,492	1,468
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	1,904	1,964	1,952	1,928	1,937
7. Inventory Valuation Adjustment .....	-256	-344	-172	-268	-260
8. NET NATIONAL INCOME AT FACTOR COST .....	22,272	22,900	23,340	23,704	23,054
9. Indirect Taxes less Subsidies .....	3,456	3,632	3,608	3,708	3,601
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	3,344	3,464	3,596	3,656	3,515
11. Residual Error of Estimate .....	28	-92	-112	224	12
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	29,100	29,904	30,432	31,292	30,182
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(27,668)	(28,408)	(28,980)	(29,800)	(28,714)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	18,320	18,464	18,824	19,180	18,697
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,936	5,196	5,420	5,512	5,266
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	6,148	6,688	7,012	7,248	6,774
4. New Residential Construction .....	1,576	1,584	1,512	1,432	1,526
5. New Non-Residential Construction .....	2,196	2,524	2,720	2,916	2,589
6. New Machinery and Equipment .....	2,376	2,580	2,780	2,900	2,659
7. Value of Physical Change in Inventories .....	980	708	424	1,148	815
8. Non-Farm Business Inventories .....	668	596	192	724	545
9. Farm Inventories and Grain in Commercial Channels <sup>3</sup> ..	312	112	232	424	270
10. Exports of Goods and Services .....	6,152	6,452	6,256	6,396	6,239
11. Deduct: Imports of Goods and Services .....	-7,408	-7,692	-7,720	-7,968	-7,697
12. Residual Error of Estimate .....	-28	88	116	-224	-12
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	29,100	29,904	30,432	31,292	30,182

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

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

	1956				Year
	I	II	III	IV	
3. Detail: Farm Inventories -					
Value of grain crop production .....	1,232	1,236	1,236	1,236	1,235
Depletions of farm stocks of grain ....	-968	-1,116	-952	-964	-1,000
Change in livestock inventories .....	52	-44	-16	36	7
Grain in Commercial Channels .....	-4	36	-36	116	28

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.

NATIONAL PRODUCT, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957					1958					
I	II	III	IV	Year	I	II	III	IV	Year	
15,524	15,828	16,048	15,900	15,825	15,904	16,164	16,208	16,444	16,180	1.
460	464	500	480	476	492	500	488	484	491	2.
2,664	2,548	2,420	2,388	2,505	2,284	2,280	2,360	2,552	2,369	3.
2,132	2,152	2,180	2,252	2,179	2,204	2,288	2,440	2,564	2,374	4.
996	904	1,092	880	968	1,132	1,308	1,284	1,084	1,202	5.
2,000	1,936	1,940	1,888	1,941	2,012	2,048	2,088	2,168	2,079	6.
-116	-120	-28	24	-60	-60	12	40	-128	-34	7.
23,660	23,712	24,152	23,812	23,834	23,968	24,600	24,908	25,168	24,661	8.
3,824	3,788	3,836	3,760	3,802	3,796	3,816	3,808	3,880	3,825	9.
3,752	3,732	3,696	3,708	3,722	3,836	3,712	3,664	3,688	3,725	10.
12	92	-56	144	48	-104	44	-8	-40	-27	11.
31,248	31,324	31,628	31,424	31,406	31,496	32,172	32,372	32,696	32,184	12.
(30,252)	(30,420)	(30,536)	(30,544)	(30,438)	(30,364)	(30,864)	(31,088)	(31,612)	(30,982)	13.

BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957					1958					
I	II	III	IV	Year	I	II	III	IV	Year	
19,564	19,600	19,860	20,048	19,768	20,456	20,496	20,620	21,280	20,713	1.
5,344	5,740	5,728	5,636	5,612	5,760	6,052	6,084	6,080	5,994	2.
7,492	7,388	7,288	7,172	7,335	6,880	6,948	6,880	6,888	6,899	3.
1,348	1,356	1,412	1,520	1,409	1,636	1,728	1,780	1,904	1,762	4.
3,052	3,112	3,136	3,112	3,103	2,860	2,896	2,832	2,664	2,813	5.
3,092	2,920	2,740	2,540	2,823	2,384	2,324	2,268	2,320	2,324	6.
400	364	60	-256	142	-780	-408	-48	-308	-386	7.
540	372	80	-20	243	-560	-368	8	56	-216	8.
-140	-8	-20	-236	-101	-220	-40	-56	-364	-170	9.
6,436	6,224	6,500	6,416	6,394	6,288	6,344	6,124	6,436	6,298	10.
-7,976	-7,900	-7,860	-7,448	-7,796	-7,216	-7,216	-7,296	-7,716	-7,361	11.
-12	-92	52	-144	-49	108	-44	8	36	27	12.
31,248	31,324	31,628	31,424	31,406	31,496	32,172	32,372	32,696	32,184	13.

1957				
I	II	III	IV	Year
808	808	808	808	808
-1,068	-1,000	-796	-932	-949
8	76	52	-180	-11
112	108	-84	68	51

1958				
I	II	III	IV	Year
848	852	852	852	851
-980	-960	-940	-1,084	-991
-36	128	32	-116	2
-52	-60	0	-16	-32



TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	14,060	14,572	14,956	15,288	14,719
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-472	-488	-496	-504	-490
3. Military Pay and Allowances .....	396	420	432	448	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,456	1,426	1,388	1,512	1,448
5. Net Income of Non-Farm Unincorporated Business .....	1,904	1,964	1,952	1,928	1,927
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> Transfer Payments to Persons:	2,020	2,100	2,148	2,232	2,125
7. From Government (Excluding Interest) .....	1,760	1,760	1,772	1,768	1,765
8. Charitable Contributions by Corporations .....	32	28	28	32	30
9. PERSONAL INCOME .....	21,156	21,792	22,180	22,704	21,958

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	1,656	1,716	1,752	1,756	1,720
2. Income Taxes .....	1,428	1,488	1,528	1,526	1,495
3. Succession Duties .....	148	148	144	144	146
4. Miscellaneous .....	80	80	80	76	79
5. Personal Expenditure on Consumer Goods and Services:	18,320	18,464	18,824	19,180	18,697
6. Non-Durable Goods .....	9,452	9,344	9,580	9,832	9,552
7. Durable Goods .....	2,328	2,452	2,420	2,424	2,406
8. Services <sup>1</sup> .....	6,540	6,668	6,824	6,924	6,739
9. Personal Net Saving: .....	1,180	1,612	1,604	1,768	1,541
10. PERSONAL INCOME .....	21,156	21,792	22,180	22,704	21,958
11. (Personal Disposable Income) <sup>2</sup> .....	(19,500)	(20,076)	(20,428)	(20,948)	(20,238)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
(of dollars)

1957					1958						
I	II	III	IV	Year	I	II	III	IV	Year		
15,524	15,828	16,048	15,900	15,825	15,904	16,164	16,208	16,444	16,180	1.	
-532	-532	-560	-564	-547	-572	-560	-564	-576	-568	2.	
460	464	500	480	476	492	500	488	484	491	3.	
1,068	940	1,032	856	974	1,160	1,292	1,204	1,068	1,206	4.	
2,000	1,936	1,940	1,888	1,941	2,012	2,048	2,088	2,168	2,079	5.	
2,262	2,340	2,392	2,432	2,358	2,440	2,512	2,608	2,592	2,538	6.	
1,968	2,008	2,156	2,200	2,083	2,448	2,636	2,616	2,812	2,628	8.	
32	32	32	32	32	28	28	32	40	32	9.	
22,788	23,016	23,540	23,224	23,142	23,912	24,620	24,780	25,032	24,586	10.	

INCOME, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
(of dollars)

1957					1958						
I	II	III	IV	Year	I	II	III	IV	Year		
1,920	1,912	1,920	1,876	1,907	1,824	1,676	1,796	1,812	1,777	1.	
1,692	1,692	1,696	1,680	1,690	1,604	1,460	1,568	1,584	1,554	2.	
124	128	128	128	127	124	124	124	124	124	3.	
104	92	96	68	90	96	92	104	104	99	4.	
19,564	19,600	19,860	20,048	19,768	20,456	20,496	20,620	21,280	20,713	5.	
9,892	10,004	10,012	10,176	10,021	10,400	10,408	10,396	10,644	10,462	6.	
2,480	2,332	2,484	2,360	2,414	2,496	2,432	2,424	2,608	2,490	7.	
7,192	7,264	7,364	7,512	7,333	7,560	7,656	7,800	8,028	7,761	8.	
1,304	1,504	1,760	1,300	1,467	1,632	2,448	2,364	1,940	2,096	9.	
22,788	23,016	23,540	23,224	23,142	23,912	24,620	24,780	25,032	24,586	10.	
(20,868)	(21,104)	(21,620)	(21,348)	(21,235)	(22,088)	(22,944)	(22,984)	(23,220)	(22,809)	11.	



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

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	3,576	3,900	3,783	4,257	15,516
2. Non-Durable Goods .....	1,952	2,049	2,078	2,165	8,544
3. Durable Goods .....	438	642	545	560	2,185
4. Services .....	1,186	1,209	1,160	1,532	4,787
5. Government Expenditure on Goods and Services .....	852	826	1,067	969	3,714
6. Business Gross Fixed Capital Formation .....	923	1,320	1,379	1,868	4,890
7. New Residential Construction .....	214	303	311	282	1,111
8. New Non-Residential Construction .....	301	439	565	509	1,814
9. New Machinery and Equipment .....	408	578	503	476	1,965
10. Change in Inventories .....	-28	-117	1,186	-290	751
11. Non-Farm Business Inventories .....	280	132	-24	65	453
12. Farm Inventories and Grain in Commercial Channels..	-308	-249	1,210	-355	298
13. Exports of Goods and Services .....	1,136	1,372	1,444	1,370	5,322
14. Deduct: Imports of Goods and Services .....	-1,447	-1,768	-1,654	-1,721	-6,590
15. Residual Error of Estimate .....	34	52	6	-101	-9
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS .....	5,046	5,585	7,211	5,752	23,594

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.

TABLE 10. NATIONAL SAVING ACCOUNT, 1956-1958  
SOURCE  
(millions of dollars)

	1956	1957	1958
1. Personal net saving .....	1,541	1,467	2,096
2. Business gross saving:			
(a) Undistributed corporation profits .....	1,012	803	767
(b) Capital consumption allowances and miscellaneous valuation adjustments .....	3,515	3,722	3,725
(c) Adjustment on grain transactions .....	20	-6	-4
3. Inventory valuation adjustment .....	-260	-60	-34
4. Government surplus (+) or deficit (-) .....	379	52	-1,046
5. Residual error of estimate .....	12	48	-27
6. Total .....	6,219	6,026	5,477

DOLLARS, BY QUARTERS, 1956-1958  
 FOR SEASONALITY<sup>1,2</sup>  
 of dollars)

1957					1958				
I	II	III	IV	Year	I	II	III	IV	Year
3,699	3,957	3,823	4,335	15,814	3,802	4,002	3,876	4,476	16,156
1,992	2,117	2,105	2,511	8,725	2,069	2,145	2,130	2,579	8,923
456	580	525	548	2,109	468	580	520	584	2,152
1,251	1,260	1,193	1,276	4,980	1,265	1,277	1,226	1,313	5,081
864	867	1,089	946	3,766	865	892	1,137	1,004	3,898
1,079	1,384	1,381	1,233	5,077	956	1,279	1,296	1,153	4,684
178	254	277	288	997	211	317	341	350	1,219
394	527	641	542	2,104	356	484	575	457	1,872
507	603	463	403	1,976	389	478	380	346	1,593
-42	-117	751	-499	93	-287	-348	808	-430	-307
252	70	-26	-74	222	72	-108	-34	-51	-121
-294	-187	777	-425	-129	-359	-240	842	-429	-186
1,170	1,297	1,476	1,412	5,355	1,180	1,384	1,412	1,443	5,419
-1,546	-1,776	-1,662	-1,574	-6,558	-1,356	-1,617	-1,549	-1,644	-6,166
48	37	-16	-106	-37	54	49	-21	-62	20
5,272	5,649	6,842	5,747	23,510	5,214	5,641	6,959	5,890	23,704

TABLE 11. NATIONAL SAVING ACCOUNT, 1956-1958  
 DISPOSITION  
 (millions of dollars)

	1956	1957	1958
1. Business gross fixed capital formation: <sup>1</sup>			
(a) New residential construction .....	1,526	1,409	1,762
(b) New non-residential construction .....	2,589	3,103	2,813
(c) New machinery and equipment .....	2,659	2,823	2,324
2. Value of physical change in inventories .....	815	142	-396
3. Surplus (+) or deficit (-) on current account with non-residents ..	-1,358	-1,402	-1,063
4. Residual error of estimate .....	-12	-49	27
5. Total .....	6,219	6,026	5,477

1. See Footnote 4, Table 2. For reconciliation with "private and public investment" figures published by the Department of Trade and Commerce, See Table 15.

TABLE 12. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1956-1958  
REVENUE  
 (millions of dollars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>
1. Direct Taxes - Persons .....	1,720	1,907	1,777
2. Federal .....	1,550	1,722	1,580
3. Provincial .....	162	177	188
4. Municipal .....	8	8	9
5. Direct Taxes - Corporations .....	1,430	1,320	1,225
6. Federal .....	1,353	1,106	980
7. Provincial .....	77	214	245
Withholding Taxes:			
8. Federal .....	68	83	48
9. Indirect Taxes .....	3,722	3,910	3,957
10. Federal .....	1,972	1,990	1,912
11. Provincial .....	839	925	953
12. Municipal .....	911	995	1,092
13. Investment Income .....	819	824	920
14. Federal .....	315	268	294
15. Provincial .....	319	354	399
16. Municipal .....	185	202	227
17. Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	490	547	568
18. Federal .....	347	376	378
19. Provincial .....	133	160	176
20. Municipal .....	10	11	14
21. Transfers from Other Levels of Government .....	842	950	1,190
22. Provinces - from Canada .....	472	504	636
23.       - from Municipalities .....	21	20	22
24. Municipalities - from Canada .....	9	16	22
25.       - from Provinces .....	340	410	510
26. Total Revenue .....	9,091	9,541	9,685
27. Federal .....	5,605	5,545	5,192
28. Provincial .....	2,023	2,354	2,619
29. Municipal .....	1,463	1,642	1,874



TABLE 13. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1956-1958  
EXPENDITURE  
(millions of dollars)

	1956	1957	1958
1. Goods and Services .....	5,266	5,612	5,994
2. Federal <sup>1</sup> .....	2,671	2,722	2,831
3. Provincial .....	1,051	1,145	1,252
4. Municipal .....	1,544	1,745	1,911
5. Transfer Payments .....	2,483	2,819	3,415
6. Federal .....	1,740	1,970	2,440
7. Provincial .....	605	702	803
8. Municipal .....	138	147	172
9. Subsidies .....	121	108	132
10. Federal .....	118	106	128
11. Provincial .....	3	2	4
12. Transfers to Other Levels of Governments .....	842	950	1,190
13. Canada - to provinces .....	472	504	636
14. - to municipalities .....	9	16	22
15. Provinces - to municipalities .....	340	410	510
16. Municipalities - to provinces .....	21	20	22
17. Total expenditure .....	8,712	9,489	10,721
18. Federal .....	5,010	5,318	6,057
19. Provincial .....	1,999	2,259	2,569
20. Municipal .....	1,703	1,912	2,105
21. Deficit (-) or surplus (+) .....	379	52	-1,046
22. Federal <sup>2</sup> .....	595	227	-865
23. Provincial .....	24	95	50
24. Municipal .....	-240	-270	-231
25. Total Expenditure Minus Deficit (or Plus Surplus) .....	9,091	9,541	9,685
26. Federal .....	5,605	5,545	5,192
27. Provincial .....	2,023	2,354	2,619
28. Municipal .....	1,463	1,642	1,874

1. Defence expenditures included in these figures are as follows: 1956, \$1,800 million; 1957, \$1,768 million; 1958, \$1,659 million.
2. The conventional accounting statements of the various governments have been adjusted to include only those transactions which have relevance for the National Accounts.

TABLE 14. BUSINESS GROSS FIXED CAPITAL FORMATION, BY INDUSTRY, 1956-1958<sup>1</sup>  
(millions of dollars)

	1956	1957	1958
1. Agriculture .....	488	434	469
2. Fishing and Trapping .....			
3. Forestry .....	76	48	33
4. Mining, Quarrying and Oil Wells .....	542	606	362
5. Manufacturing .....	1,394	1,479	1,082
6. Construction .....	200	158	133
7. Transportation .....			
8. Storage .....	717	1,032	926
9. Communication <sup>2</sup> .....	254	312	331
10. Electric Power, Gas, and Water Utilities <sup>3</sup> .....	786	959	873
11. Trade .....	325	370	345
12. Finance, Insurance and Real Estate <sup>4</sup> .....	1,650	1,545	1,941
13. Service <sup>5</sup> .....	342	392	404
14. Total .....	6,774	7,335	6,899

1. This table is derived from "Private and Public Investment in Canada, Outlook 1958 and 1959." Additional detail has been provided by the D.B.S. Business Finance Division, and adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 15. For an industrial distribution of total private and public investment, see Table 1 in the aforementioned publications.
2. Excludes investment expenditures by the Canadian Broadcasting Corporation, which are included in "government expenditure on goods and services".
3. Includes outlays for investment of grain elevators of \$14 million in 1956, \$10 million in 1957 and 1958. This industry is assigned to the storage group under the standard Industrial Classification.
4. Includes all new residential construction, (exclusive of government other than government business enterprises). See Table 2, line 6.
5. Excludes government departmental expenditures, federal hospital and school, and municipal school expenditures, which are included with "government expenditure on goods and services". Investment expenditures of government business enterprises (railways, power commissions, etc.) are included under appropriate industry headings.

TABLE 15. BUSINESS GROSS FIXED CAPITAL FORMATION, 1956-1958  
RECONCILIATION STATEMENT  
(millions of dollars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>
1. Total Private and Public Investment in Canada <sup>1</sup> .....	8,034	8,717	8,417
2. Deduct: New Residential Construction by Governments <sup>2,3</sup> .....	-21	-21	-19
3. Deduct: New Non-Residential Construction by Governments <sup>3</sup> ....	-1,137	-1,251	-1,361
4. Deduct: New Machinery and Equipment Outlays by Governments <sup>3</sup> ..	-102	-110	-138
5. Business Gross Fixed Capital Formation .....	6,774	7,335	6,899

- 
1. As presented in the publication "Private and Public Investment in Canada, Outlook, 1958 and 1959."
  2. Excluding residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint federal - provincial housing (Section 36, National Housing Act) which are included under line 5.
  3. Included in "government fixed capital formation", line 4, Table 2.

TABLE 16. EXPORTS AND IMPORTS OF GOODS AND SERVICES, 1956-1958<sup>1</sup>  
RECONCILIATION STATEMENT  
(millions of dollars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>
<b>Exports of Goods and Services:</b>			
1. Merchandise Exports .....	4,837	4,909	4,890
2. Gold Production Available for Export .....	150	147	160
3. Interest and Dividends Received from Non-Residents .....	142	149	161
4. Other Receipts from Services Rendered to Non-Residents .....	1,225	1,213	1,169
5. Subtotal: "Current Receipts" as per Canadian Balance of International Payments .....	6,464	6,518	6,380
6. Inheritances and Immigrants' Funds .....	-99	-124	-91
7. Other Adjustments .....	-26	-	9
8. Total "Exports of Goods and Services" as per National Accounts <sup>2</sup> .	6,239	6,294	6,298
<b>Imports of Goods and Services:</b>			
9. Merchandise Imports .....	5,565	5,488	5,064
10. Interest and Dividends Paid to Non-Residents .....	523	593	594
11. Other Payments for Services Rendered by Non-Residents .....	1,742	1,837	1,834
12. Subtotal: "Current Payments" as per Canadian Balance of International Payments .....	7,830	7,918	7,492
13. Inheritances and Emigrants Funds .....	-115	-122	-131
14. Other Adjustments .....	-18	-	-
15. Total "Imports of Goods and Services" as per National Accounts <sup>2</sup> .	7,697	7,796	7,361

- 
1. Data sources are reports on the "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics) and other information received from the Balance of Payments Section. Figures exclude mutual aid to NATO countries.
  2. See also Table 2.





352038

STATISTICS CANADA LIBRARY  
BIBLIOTHÈQUE STATISTIQUE CANADA



1010527801