

CATALOGUE No.

13-001

QUARTERLY



CANADA

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NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
FIRST QUARTER
1960



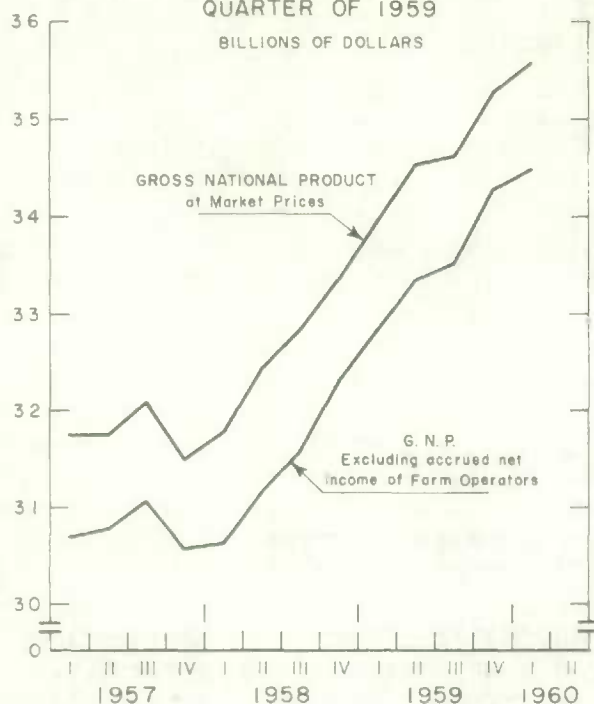
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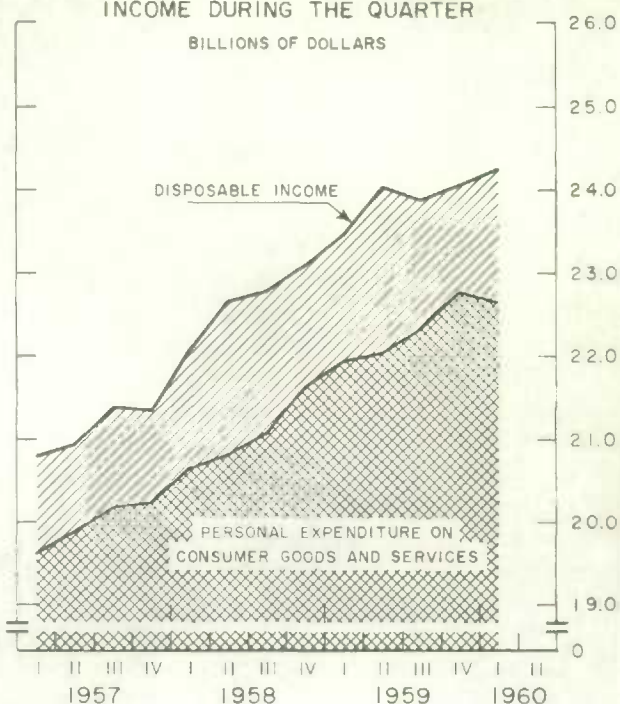
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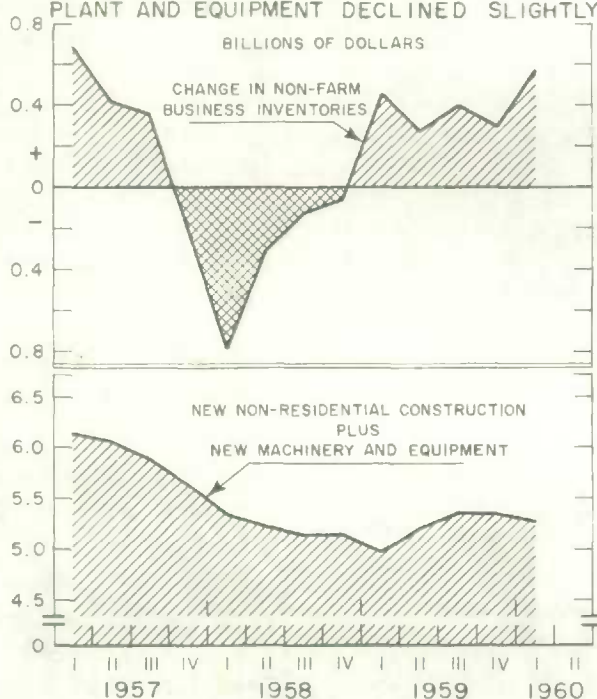
THE ADVANCE IN GROSS NATIONAL PRODUCT MODERATED IN THE FIRST QUARTER OF 1960, FOLLOWING A GAIN OF 2 PER CENT IN THE FINAL QUARTER OF 1959



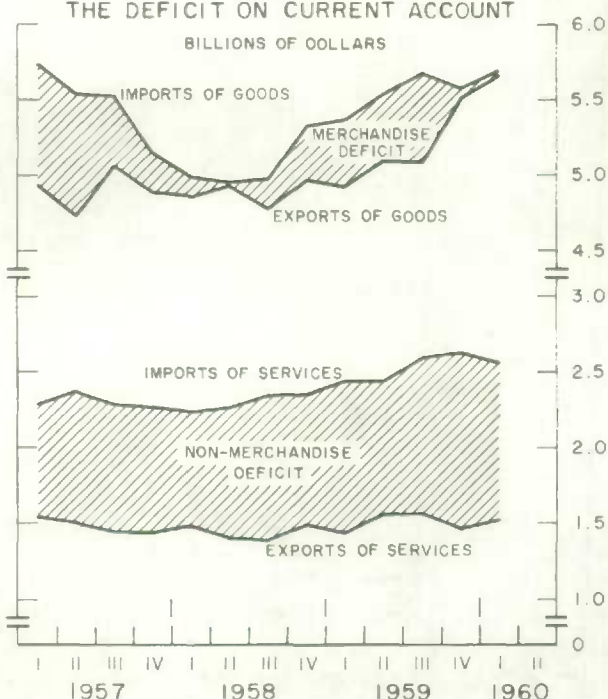
THE SLOW-DOWN WAS ACCOMPANIED BY WEAKNESS IN THE CONSUMER SECTOR, WHERE SPENDING DECLINED IN SPITE OF A SMALL RISE IN DISPOSABLE INCOME DURING THE QUARTER



BUSINESS INVENTORY ACCUMULATION WAS SHARPLY HIGHER, REFLECTING MAINLY THE MOVEMENT OF GOODS INTO RETAIL AND WHOLESALE CHANNELS; BUSINESS OUTLAYS FOR PLANT AND EQUIPMENT DECLINED SLIGHTLY



EXPORTS OF GOODS AND SERVICES CONTINUED TO ADVANCE MODERATELY, BUT THE INCREASE IN IMPORTS WAS SMALL, LEADING TO A FURTHER NARROWING IN THE DEFICIT ON CURRENT ACCOUNT



(IN ALL CHARTS DATA ARE SEASONALLY ADJUSTED AT ANNUAL RATES)

INTRODUCTORY REVIEW

The advance in Gross National Product moderated in the first quarter of 1960. Apart from the third quarter of last year, the increase of 1 per cent was the smallest quarter-to-quarter gain in the value of production (seasonally adjusted) since the expansion began following recovery from the 1957-1958 recession. With prices showing no overall change, the first quarter advance represents a real, though modest, gain in the physical volume of output. 1/

The less vigorous advance in Gross National Product in the first quarter was associated with a levelling off in total final purchases of goods and services (see Table, overleaf). While there was a decline in final domestic demand, external demand for Canadian export products continued to rise. All of the production gain during the quarter was represented, on balance, by a movement into inventory stocks. There was a significant increase in the rate of inventory accumulation at the retail and wholesale levels, and in livestock held on farms.

Prominent among the developments which operated to suppress the level of final demand during the quarter was a small, but unusual, decline in personal expenditure on consumer goods and services. A number of factors were associated with this drop in consumer outlays in the first quarter, among them the delayed spring weather and the late date of Easter this year. In addition, disposable income had stopped rising between the second and fourth quarter of 1959, as the effects of the work stoppage in the primary wood and wood-fabricating industries in British Columbia in the third quarter and the United States steel strike in the fourth, impeded the flow of income; higher direct personal taxes were also a factor in this development. Disposable income by the first quarter of 1960 had, in fact, risen by less than 1 per cent over the second quarter of 1959. 2/ In addition, there was a small decline in the price of consumer goods between the fourth and the first quarters, so that the drop in the volume of consumer outlays was only about half as much as that indicated in the value figures. While it is clear that the retardation in the growth of consumer income and the price decline have affected the movement of the figures, it is not possible to assess the relative importance of these factors in relation to the irregular influences of a delayed spring and a late Easter this year.

A further factor contributing to the relatively unchanged level of total final purchases in the first quarter was a decline in business outlays for new

1/ A small part of the first quarter increase (about \$50 million) represents a higher estimate of crop production in 1960, based on a calculation involving acreage intentions and 10-year average yields. (See Footnote 3, Table 6).

2/ A factor of some significance in the current period has been the fact that recent gains in employment have been concentrated in the service industries where wage rates tend to be lower than in the goods-producing industries. Structural changes of this nature in the composition of employment have slowed the rate of growth in labour income and this in turn may have had an effect on the level of personal expenditures.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(\$ millions)

2

	1Q'56 to 2Q'56	2Q'56 to 3Q'56	3Q'56 to 4Q'56	4Q'56 to 1Q'57	1Q'57 to 2Q'57	2Q'57 to 3Q'57	3Q'57 to 4Q'57	4Q'57 to 1Q'58	1Q'58 to 2Q'58	2Q'58 to 3Q'58	3Q'58 to 4Q'58	4Q'58 to 1Q'59	1Q'59 to 2Q'59	2Q'59 to 3Q'59	3Q'59 to 4Q'59	4Q'59 to 1Q'60
Personal Exp..	444	364	280	268	276	284	44	432	164	256	576	300	88	280	476	-136
Gov't. Exp....	44	404	76	-64	124	120	-28	184	84	168	88	4	276	-168	-88	68
Res. Constr...	8	-60	-88	-80	12	48	96	136	96	52	84	-120	-8	-28	28	-
Non.-Res. Con.	308	172	144	192	76	16	-56	-216	-8	-60	-100	-132	-	8	64	-12
Mach. & Equip.	220	160	120	208	-168	-180	-212	-64	-112	-16	100	-40	228	144	-68	-72
Exports.....	284	-60	40	56	-252	264	-164	8	-4	-168	284	-96	276	8	328	192
Total Final Purchases..	1,308	980	572	580	68	552	-320	480	220	232	1,032	-84	860	192	844	40
(Final Domestic Demand)...	(1,024)	(1,040)	(532)	(524)	(320)	(288)	(-156)	(472)	(224)	(400)	(748)	(12)	(584)	(236)	(412)	(-152)

Quarter to Quarter Changes in Other Selected Items

"Shift" in Non- Farm Bus. Inv.	-436	-220	484	-268	-276	-52	-560	-584	476	180	72	512	-180	128	-104	276
Change in Imports.....	208	56	188	104	-128	-100	-392	-184	-12	92	360	124	176	292	-64	48
Change in GNP (ex farm)...	532	812	760	452	80	284	-484	44	532	416	744	508	520	168	764	216

plant and equipment, seasonally adjusted, following the levelling which occurred in the fourth quarter of last year. The decline was mainly in machinery and equipment investment, and reflected a reduction in outlays by the transportation industry for railway rolling stock. Non-residential construction was little changed in the quarter, and outlays for housing remained steady. However, new orders for construction goods, non-residential building permits, and shipments of construction materials showed declines during the quarter, after allowing for seasonal factors. Housing starts fell sharply during the quarter, although completions were running well above the fourth quarter level.

Other elements of final demand continued to show moderate strength during the quarter, with exports of goods and services advancing further over the fourth quarter, on a seasonally adjusted basis, and government outlays showing a small rise following two quarters of decline in the last half of 1959. The gain in exports reflected continued strength in both overseas markets and in the United States for Canadian non-ferrous metal and forest products, particularly copper, nickel, aluminum, and lumber. On a year-to-year basis, commodity exports were higher than the first quarter of 1959 by 21 per cent.

These developments in the major demand categories during the first quarter were accompanied by shifts in the composition of the income flow. With labour income rising by less than 1 per cent from the fourth quarter, profits remaining unchanged, and net income of unincorporated business enterprises reflecting a decline in retail trade, the advance in national income in the first quarter was small, amounting to about one-half of 1 per cent. This rate of growth is considerably less than that which occurred during the fourth quarter of 1959, when national income advanced by 2 per cent, and labour income showed a similar rise. The rate of advance in both personal and disposable income has also slackened in recent quarters; while the first quarter rise in these two components, amounting to about 1 per cent, was similar to that which occurred in the fourth quarter of 1959, the rates of increase are now running well below those of a year ago.

The Table below shows percentage changes in some of the main income components from the first quarter of 1959 to the first quarter of 1960, compared with those which occurred in the same period one year earlier.

Changes in Major Income Components
(Seasonally Adjusted at Annual Rates)

Selected Personal and Business Income Components	Percent Change 1Q 1958 to 1Q 1959	Percent Change 1Q 1959 to 1Q 1960
1. National Income	8.1	3.8
2. Personal Income	6.4	4.2
3. Disposable Income	6.4	3.3
4. Wages and Salaries	7.6	5.0
5. Corporate Profits Before Taxes	19.7	4.4
6. Net Income of Non-Farm Unincorporated Business	3.5	-2.1

Production and Employment

The advance in the physical volume of output between the fourth quarter of 1959 and the first quarter of 1960, estimated at slightly less than 1 per cent, on

a seasonally adjusted basis, reflected mixed and partly offsetting movements in individual industries. Available information indicates that gains occurred in manufacturing production, public utilities, agriculture, finance, insurance, and real estate, government, and "other" services. Losses were recorded in mining, forestry, construction, and trade. Taken over all, the increase in production in the first quarter is entirely attributable to the goods-producing industries; output in the service-producing industries was, on balance, unchanged. Over the full year, the volume of output in the first quarter of 1960 was running about 4 per cent above the first quarter of 1959.

Manufacturing output in the first quarter of 1960 showed a gain of 1.5 per cent over the fourth quarter of 1959, on a seasonally adjusted basis; however, the level of manufacturing production in March was about 2.5 per cent below the level at the beginning of the year. The increase in durable goods output over the full quarter was somewhat greater than that in the non-durable group. Within durables, much the largest gain was in the transportation equipment industry, which showed an increase of 17 per cent, largely reflecting the resumption of operations in the automotive industry which were interrupted in the fourth quarter when stocks of steel imported from the United States became depleted; production of motor vehicles rose by 35 per cent in the quarter. Production in ship-building was also up, but output in the aircraft and railway rolling stock industries was lower. Changes in the output of other durable goods industries were mixed and more moderate; production was higher in non-ferrous metal products and electrical apparatus and supplies, roughly unchanged in non-metallic mineral products, and lower in iron and steel and wood products.

The non-durable manufacturing industries also showed varying trends in production in the first quarter. Those industries recording gains were textiles, rubber products, chemicals, and products of petroleum and coal; the largest gains, amounting to 8 and 7 per cent respectively, were in the first two of these industries. Declines in production of other non-durable goods were moderate except in the tobacco and tobacco products industry where output fell 7 per cent.

By comparison with the same period a year earlier, manufacturing production in the first quarter was about 5 1/2 per cent higher, with both durables and non-durables showing closely similar gains. All the durable goods industries except non-metallic mineral products and wood products were above a year ago, the largest increases being in non-ferrous metal products (12 per cent), and iron and steel products (9 per cent). Among the non-durable goods industries, clothing, rubber products and leather products were lower by amounts ranging from 1 to 4 per cent; all other industries recorded gains, the largest (15 per cent) being in chemicals.

Output of public utilities continued to make relatively large gains in the first quarter; the increase from the fourth quarter of 1959 was more than 3 per cent and from the same quarter a year earlier about 13 1/2 per cent. The major factor in these gains was the continued expansion in the distribution of natural gas to final users; higher output in electric power utilities also contributed to these changes.

Mining output fell nearly 1 per cent between the fourth quarter of 1959 and the first quarter of 1960, after seasonal adjustment; production was unchanged in metal mining, fractionally lower in fuels, and significantly lower in non-metals and quarrying. There were some striking changes in the composition of the output of metals within an unchanged total; major gains occurred in lead, zinc and copper (up 17, 10 and 8 per cent respectively) and major declines in iron ore and nickel (down 19 and 7 per cent). By comparison with a year earlier, mining output was

higher by 7 per cent, with gains in fuels, non-metals and metals, ranging from 5 to 10 1/2 per cent; quarrying output was down 4 per cent.

While output in the forestry industry was down moderately from the fourth quarter of 1959, seasonally adjusted, in the year-over-year comparison the rise in production of 12 1/2 per cent was the largest of any major industry except public utilities. Exports of forest products in the first quarter were running higher than a year ago by 15 1/2 per cent.

The physical volume of activity in the construction industry was down slightly in the first quarter, compared with the preceding quarter, reflecting the slight fall-off in non-residential construction activity.

The volume of output in the trade group in the first quarter was affected by the decline in consumer spending, and showed a slight drop from the fourth quarter of 1959 on a seasonally adjusted basis. Compared with a year earlier, output in trade in the first quarter of 1960 was only slightly above the first quarter of 1959, with all of the gain occurring in the wholesale trade group.

The overall gain in the physical volume of production in the first quarter was accompanied by further increases in employment. The total number of persons with jobs rose 0.4 per cent from the fourth quarter to the first quarter, seasonally adjusted, as did the number with jobs in the non-farm sector. The total number of persons with jobs was higher by 131 thousand than in the same period a year earlier; the number of persons with jobs in the non-farm sector was 158 thousand above a year ago. The gain in total employment of 2.4 per cent over the full year was somewhat smaller than the gain in total production which is estimated to have been about 4 per cent. At the same time, hours of work have declined a little in three of the four industries for which data are available. The number of persons without jobs and seeking work averaged 541 thousand in the first quarter of 1960, compared with 533 thousand in the first quarter of 1959.

Consumer Buying

Personal expenditure on consumer goods and services, seasonally adjusted, declined by 0.6 per cent in the first quarter of 1960 from the level of the preceding quarter. The decline was accompanied by a small drop in the price of consumer goods. In terms of the real volume of consumption, the first quarter decline was only about half of that indicated by the value figures. Compared with one year earlier, consumer spending in the first quarter was about 3 per cent above the first quarter of 1959 in value terms, and about 2 per cent in terms of volume.

The drop in total consumer expenditure in the first quarter was caused entirely by a decline in expenditures for non-durable goods, which were 1 1/2 per cent below the level of the fourth quarter, on a seasonally adjusted basis. Declines were evident in most commodities; the only important exceptions being alcoholic beverages (+4 per cent) and electricity (+3 per cent). Food declined by 1 per cent; tobacco by 1 1/2 per cent; clothing and footwear by almost 3 per cent; gas, oil, and grease and auto parts and accessories both by 5 per cent; and fuel by 1 1/2 per cent. However, there were price declines in many of these commodities, so that the changes in real consumption were less marked. The most notable example of this occurred in food. With a price decline slightly greater than 1 per cent, there was actually a fractional rise in the real volume of food consumption. For all non-durables, the price decline of greater than 1/2 per cent dampened the drop in real consumption to about 1 per cent.

Expenditures on durable goods were relatively unchanged in the first quarter, on a seasonally adjusted basis. Here again some price declines were evident. For durables as a whole, these price declines averaged almost 1 per cent, so that there was a corresponding increase in real consumption. The largest single durable component, purchases of new and used autos, rose by slightly more than 1 per cent. A decline in expenditures on household appliances and radios reflected a drop in price, and it is estimated that there was a 2 per cent increase in real consumption. Purchases of furniture declined by 2 per cent.

Expenditures on services also showed little change in the first quarter. In contrast to durable and non-durable goods, the prices of services continued their upward trend. Increases in expenditures on personal services, medical care, purchased transportation, and shelter, were almost offset by declines in user-operated transportation, recreation, and net expenditures abroad.

The flow of consumer income has been retarded in recent quarters by a number of factors, among which were the industrial disputes in both Canada and the United States in the last half of 1959, and a structural change in employment which is characterized by a higher proportion of new workers entering the lower wage rate service-producing industries. In addition, hours worked per week have declined in a number of industries in recent quarters. Disposable income remained unchanged between the second and fourth quarters of 1959, and in the first quarter of 1960 was less than 1 per cent above the earlier period. However, the rate of personal saving rose sharply in the first quarter, reflecting the decline in consumer spending and a modest advance in disposable income.

Consumer credit outstanding, including unsecured bank personal loans, rose by 10 per cent between March 31st, 1959 and March 31st, 1960, with the greater part of the increase centred in personal loans from chartered banks which were higher by 15 per cent. As a percent of disposable income, consumer credit outstanding was 11.9 per cent in the first quarter of 1960 compared with 11.1 per cent one year earlier. The data suggest that, after making allowance for seasonal factors, there was little change in consumer credit outstanding from the fourth quarter of 1959 to the first quarter of 1960.

Investment in Business Inventories

Business inventories in the first quarter of 1960 were built up at a seasonally adjusted annual rate of \$572 million, a rate of accumulation nearly twice as high as in the closing quarter of 1959. While retail trade accounts for the major part of the increase in the rate of stock-building, there was also a considerably higher rate of accumulation in wholesale trade. Stocks of manufacturers continued to accumulate at about the same rate as in the preceding quarter. Investment in business inventories by broad industrial groups in the two quarters is shown in the following table:

Change in Business Inventories
(Seasonally Adjusted at Annual Rates)
 (millions of dollars)

	4th Quarter 1959	1st Quarter 1960
Manufacturing	208	192
Durables	168	8
Non-Durables	40	184
Retail Trade	40	256
Motor Vehicle Dealers	-112	100
Other	152	156
Wholesale Trade	52	108
Other	-4	16
Total	296	572

The movement of stocks in retail trade was dominated by the changes in inventory in the hands of motor vehicle dealers. Stocks of motor vehicle dealers had been drawn down in the fourth quarter when automotive production was interrupted as a consequence of the United States' steel strike. The resumption of production on a large scale, together with a fairly modest increase in sales, combined to produce heavy inventory accumulation in the first quarter. Retail stocks in other durable lines, considered as a group, continued to accumulate, but at a lower rate than in the fourth quarter; a shift from heavy accumulation to moderate liquidation in the lumber and building materials' trade between the two quarters was the paramount factor in this development.

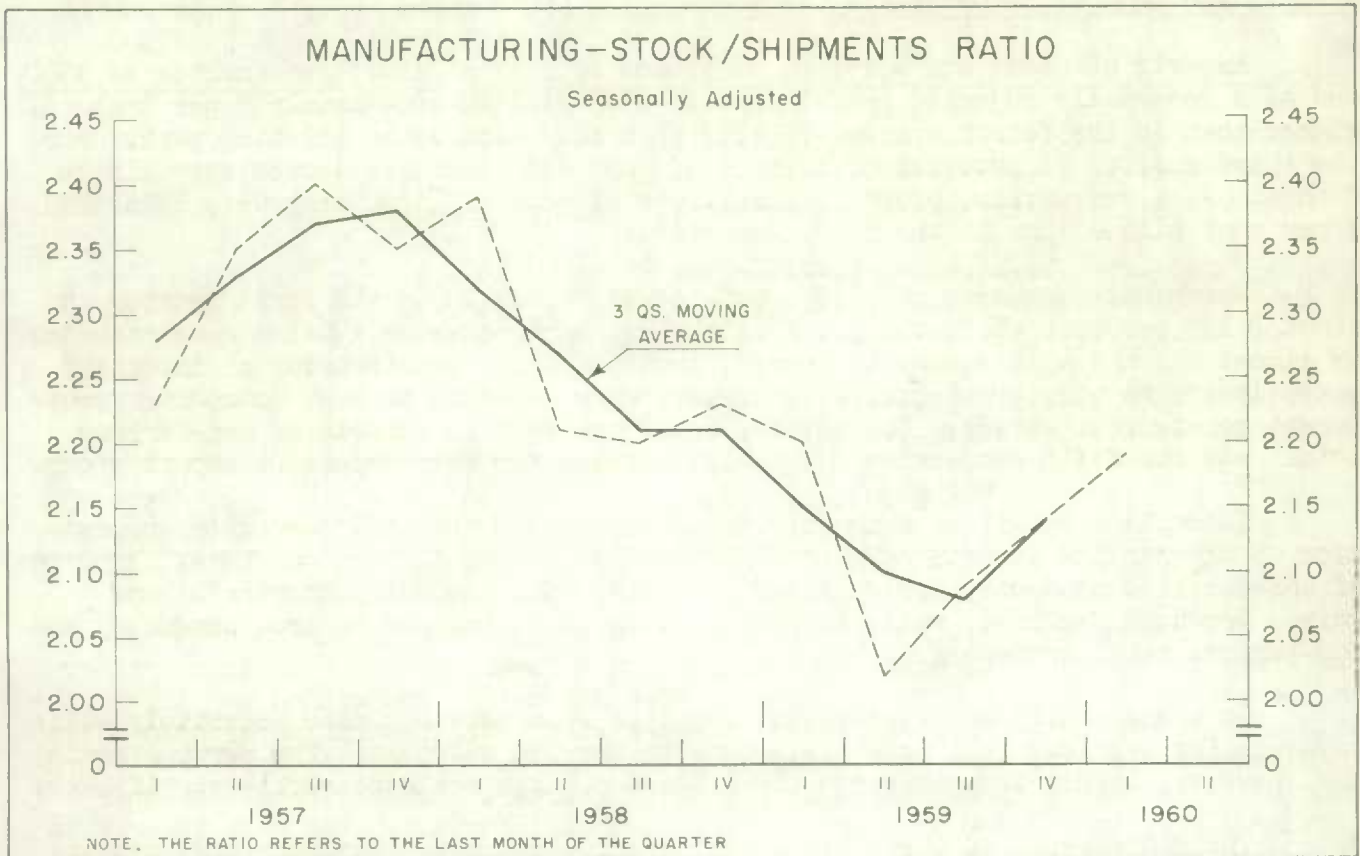
Retail stocks in non-durables' lines accumulated at a considerably higher rate in the quarter. Accumulation was fairly general among the trades, in contrast to the fourth quarter, when stocks remained unchanged in many industries. Inventories in the food group continued to accumulate, though at a lower rate than in the fourth quarter.

Within wholesale trade, the accumulation of stocks was substantial in both durable and non-durable lines. However, liquidation took place in some trades, prominent among them being industrial and commercial equipment and construction and building materials.

The approximately steady rate of stock-building in manufacturing industries in the first quarter reflects strongly opposed developments in durable and non-durable industries. The rate of accumulation fell sharply in the durable industries, reflecting a markedly reduced rate of stock-building in iron and steel, a shift to heavy liquidation in non-ferrous metals and a shift to moderate liquidation in electrical apparatus and supplies and in non-metallic mineral products; in the wood products industry the shift was in the opposite direction, stocks having been drawn

down a little in the fourth quarter and built up considerably in the first quarter.

In the non-durable goods-manufacturing group, the rate of stock accumulation in the first quarter was sharply higher, the highest rates of build-up being in food, chemicals and paper industries.



Business inventories have been built up at varying rates, from quarter to quarter, since the beginning of 1959. By the end of the first quarter of 1960, the relationship of stocks to sales differed considerably in some instances from what it had been a year earlier. In retail trade the ratio of stocks to sales was considerably higher than a year earlier, and also above the 1954 and 1957 peaks, on a seasonally adjusted basis. Stocks of automotive dealers in relation to sales were at a post-war high for that time of the year at the end of March. In wholesale trade, on the other hand, stocks were somewhat lower in relation to sales than a year earlier, and much below the 1954 and 1957 peaks. In manufacturing, the ratio of stocks to shipments was virtually unchanged from a year earlier, but again well below the previous peaks reached in 1953 and 1957. (See Chart).

The relatively low levels of stock/sales (or shipments) ratios in a number of industries during the course of the current expansion have given rise to considerable comment. A number of explanations have been suggested for this, including the

possibility that the spread of electronic data processing has led to more effective inventory control, the high rates of interest which have discouraged excessive inventory investment, and the existence of excess capacity which makes it possible to obtain prompt delivery on order. The incentive to accumulate inventories in anticipation of higher prices has also disappeared as prices have been more stable during the recent period.

Exports and Imports of Goods and Services

Exports of goods and services continued to rise in the first quarter of 1960, and at a seasonally adjusted annual rate of \$7.2 billion were nearly 3 per cent higher than in the fourth quarter of 1959 when they were at an all-time peak. For the third quarter in succession, imports of goods and services showed very little change. At a seasonally adjusted annual rate of \$8.3 billion, they were less than 1 per cent higher than in the fourth quarter.

Merchandise exports were at a rate of \$5.7 billion in the first quarter, about 2 1/2 per cent above the level of the preceding quarter. Gains were recorded by almost all the main commodity groups, iron and its products being an important exception. The quarter-to-quarter increases were moderate in most commodity groups except non-ferrous metals. The advance of 12 per cent in exports of non-ferrous metals was the fifth successive quarterly increase for this important export group.

Incomplete detail on commodity imports suggests that the commodity composition of merchandise imports changed considerably between the two quarters. Imports of non-metallic products, agricultural products, wood products, chemicals, and animal products declined, while increases occurred in imports of iron products, and non-ferrous metal products.

On a seasonally adjusted basis, receipts from services rose moderately while payments for services fell moderately between the two quarters. The service series are, however, highly irregular and these movements are not necessarily significant.

The consequence of these divergent movements in total payments and receipts was a further narrowing of the deficit on international current account. The merchandise account came closer into balance, after having fallen to about \$70 million in the fourth quarter of 1959 from about \$590 million in the third (all data at seasonally adjusted annual rates). The overall deficit fell from about \$1.2 billion in the fourth quarter of 1959 to about \$1.1 billion in the first quarter of 1960.

The international current account for the first quarter of 1960 is compared with the same period a year ago in the following table:-

	1Q'59 ^{1/}	1Q'60	Change
	(millions of dollars)		
Receipts	1,347	1,586	239
Merchandise	1,061	1,284	223
Services	286	302	16
Payments	1,745	1,887	142
Merchandise	1,215	1,330	115
Services	530	557	27
Deficit	398	301	-97
Merchandise	154	46	-108
Services	244	255	11

^{1/} Small revisions in the 1959 Balance of Payments data have not yet been incorporated in the National Accounts.

In this comparison, merchandise exports rose about twice as much as merchandise imports and the deficit on merchandise trade fell sharply. The deficit on services continued to increase.

The major gains in merchandise exports in this comparison were in exports of metals and forest products; the increase in exports of steel, copper, nickel and aluminum was particularly large; other important export commodities showing gains were uranium, pulp and paper and lumber. The increase in imports was widely distributed among commodities; automobiles, industrial materials and machinery and equipment showed further increases; petroleum and some agricultural commodities were exceptions to this trend.

Fixed Capital Formation

Total spending on gross fixed capital formation showed a small decline in the first quarter, from a seasonally adjusted annual rate of \$7.1 billion in the fourth quarter of 1959, to \$7.0 billion, a drop of 1 per cent. The first quarter figure represents a rate only slightly below the \$7.1 billion foreseen by businessmen for the year 1960 as a whole in the outlook survey published last February.

The first quarter decline was centred in business outlays for new plant and equipment and was mainly attributable to a fall-off of 3 per cent in machinery and equipment investment. The latter development reflected reduced outlays by the transportation industry for railway rolling stock. Non-residential construction expenditures showed a fractional loss.

The value of housing construction was unchanged in the first quarter from the level of \$1,748 million reached in the fourth quarter of 1959. This rate of investment is at present somewhat above the predicted level of \$1,677 million for the whole year, although the first quarter decline of 33 per cent in dwelling unit starts (seasonally adjusted) suggests there will likely be a fairly substantial falling off in housing investment in the second quarter. The completion of 157.7 thousand dwelling units in the first quarter (reflecting the high level of starts in the two previous quarters), was responsible for the maintenance of the high value of residential construction put in place during the quarter.

Related statistical information indicates that, after allowing for seasonal factors, there was a drop in shipments of construction materials in the first quarter, and also a drop in new orders received by those industries producing construction goods.

Changes in Income Components

National income, seasonally adjusted, showed only a small rise in the first quarter of 1960, as the rate of increase in labour income slowed, and corporation profits remained unchanged. Net income of non-farm unincorporated business enterprises fell during the quarter, reflecting losses in retail trade; however, there was an increase in net income of farm operators associated with a rise in production of livestock. The flow of interest, dividends and net rental income of persons continued upward.

The small advance in labour income from the fourth quarter of 1959 (seasonally adjusted), reflected the slight fall-off in this component which occurred between January and March. The main contributors to this decline within the quarter were forestry, construction, and transportation; adverse weather conditions affected logging operations in British Columbia and also had an influence on railway operations and construction activity.

Taking the quarter as a whole, the increase of 0.8 per cent in labour income from the fourth quarter of 1959 was concentrated in the service industries; labour income in manufacturing showed virtually no change, and labour income in construction declined. Most of the small first quarter increase appears to be attributable to higher wage rates since employment of paid workers showed little change and hours of work were lower in some industries.

Compared with one year earlier, labour income was higher by 5 per cent in the first quarter of 1960. The service industries continued to record relatively large gains -- more than 7 per cent. As is shown in the accompanying Table, a slight reduction in the length of the average work week operated to restrain the expansion of labour income in manufacturing and mining.

	<u>Employment</u>	<u>Hours Worked Per Week</u>	<u>Average Hourly Earnings</u>	<u>Labour Income</u>
	(1)	(2)	(3)	(4)
Manufacturing	0.9 %	-0.2 %	1.4 %	4.2 %
Mining	1.9 %	-0.3 %	2.5 %	3.5 %

NOTE: Columns (1) and (4) refer to all paid workers; columns (2) and (3) refer to production workers only.

The relatively unchanged level of corporation profits in the first quarter of 1960 conceals divergent trends in individual industries. Profits declined in mining by 10 per cent, associated with a small drop in output in this industry in the first quarter. Profits in manufacturing declined by 2 per cent, with a moderate fall-off in foods and beverages, and a sharp drop in non-metallic mineral products; the latter may be associated with the decline in output in the construction industry, which is a large consumer of cement and glass products. Profits

were also lower in the retail and wholesale trade industries in the first quarter, the decline amounting to 10 per cent for the trade group as a whole.

The declines in these industries were counter-balanced by higher profits in a number of other industrial groups. Gains occurred in public utility operation and in some of the service industries. Within manufacturing, the major gain was in electrical apparatus and supplies. Profits in transportation, storage and communication showed a sharp increase in the quarter.

Seasonally adjusted corporation profits data by industry are now being released on a regular basis in the quarterly D.B.S. series, "Corporation Profits", published by the Business Finance Division of D.B.S. Detail of the changes described above will appear in the first quarter 1960 issue of this publication.

Compared with one year earlier, corporation profits (after dividends paid abroad) in the first quarter of 1960 were higher by about 5 per cent; at \$2.9 billion, profits in the first quarter were running at about the same seasonally adjusted annual rate as that reached at the previous peak in mid-1956.

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13-001
Quarterly

ERRATUM, Page 11.

Average hourly earnings in Manufacturing (Column 3 of Table C-1)

Page 11.) should read 3.7 %.

TABLE 1. NATIONAL INCOME AND
(millions)

	1958				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income	3,864	4,104	4,252	4,214	16,434
2. Military Pay and Allowances	117	126	125	123	491
3. Corporation Profits before Taxes ¹	471	658	686	668	2,483
4. Rent, Interest, and Miscellaneous Investment Income ..	459	471	532	553	2,015
5. Accrued Net Income of Farm Operators from Farm Production ²	10	133	877	173	1,193
6. Net Income of Non-Farm Unincorporated Business ³	431	533	551	604	2,119
7. Inventory Valuation Adjustment ⁴	-27	15	5	-26	-33
8. NET NATIONAL INCOME AT FACTOR COST	5,325	6,040	7,028	6,309	24,702
9. Indirect Taxes less Subsidies	950	968	963	1,002	3,883
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	955	1,002	979	987	3,923
11. Residual Error of Estimate	-120	-30	124	124	98
12. GROSS NATIONAL PRODUCT AT MARKET PRICES	7,110	7,980	9,094	8,422	32,606
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(7,100)	(7,847)	(8,217)	(8,249)	(31,413)

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)

	1958				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services ..	4,834	5,215	5,166	5,820	21,035
2. Government Expenditure on Goods and Services ^{1,2}	1,360	1,431	1,763	1,607	6,161
3. Business Gross Fixed Capital Formation ³	1,410	1,883	1,913	1,769	6,975
4. New Residential Construction	301	458	494	510	1,763
5. New Non-Residential Construction	532	718	852	709	2,811
6. New Machinery and Equipment ⁴	577	707	567	550	2,401
7. Value of Physical Change in Inventories ⁵	-358	-265	561	-373	-435
8. Non-Farm Business Inventories	-51	-146	-84	-42	-323
9. Farm Inventories and Grain in Commercial Channels ..	-307	-119	645	-331	-112
10. Exports of Goods and Services	1,387	1,616	1,655	1,674	6,332
11. Deduct: Imports of Goods and Services	-1,643	-1,930	-1,840	-1,950	-7,363
12. Residual Error of Estimate	120	30	-124	-125	-99
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	7,110	7,980	9,094	8,422	32,606

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 defence expenditures of:

(Millions of Dollars)

1958					1959					1960
I	II	III	IV	Year	I	II	III	IV	Year	I
472	377	404	408	1,661	457	356	371	376	1,560	433

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

4. The 1959 annual figure is \$150 million higher than that shown in "Private and Public Investment in Canada, Outlook 1960", Table 9, to take account of later available information. This adjustment is included in the quarterly distribution of expenditures on new machinery and equipment.

5. 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).

GROSS NATIONAL PRODUCT, BY QUARTERS, 1958-1960
of dollars)

1959				1960	
I	II	III	IV	Year	I
4,171	4,437	4,571	4,538	17,717	4,382
118	129	127	122	496	120
568	810	780	678	2,836	597
513	504	517	560	2,094	522
-29	151	920	66	1,108	-17
453	552	543	602	2,150	445
-33	-42	-42	-3	-120	-37
5,761	6,541	7,416	6,563	26,281	6,012
1,000	1,056	1,079	1,085	4,220	1,072
962	1,070	1,036	1,063	4,131	1,017
-120	-103	80	104	-39	-78
7,603	8,564	9,611	8,815	34,593	8,023
(7,832)	(8,413)	(8,691)	(8,749)	(33,485)	(8,040)

EXPENDITURE, BY QUARTERS, 1958-1960
of dollars)

1959				1960	
I	II	III	IV	Year	I
5,163	5,523	5,442	6,133	22,261	5,327
1,444	1,556	1,818	1,619	6,437	1,461
1,341	1,899	1,946	1,775	6,961	1,414
322	462	480	479	1,743	337
471	646	783	692	2,592	474
548	791	683	604	2,626	603
-68	-80	774	-326	300	44
262	-13	60	46	355	330
-330	-67	714	-372	-55	-286
1,347	1,727	1,779	1,804	6,657	1,586
-1,745	-2,164	-2,067	-2,086	-8,062	-1,887
121	103	-81	-104	39	78
7,603	8,564	9,611	8,815	34,593	8,023

TABLE 3. SOURCES OF PERSONAL
(millions)

	1954				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income	3,864	4,104	4,252	4,214	16,434
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-152	-149	-156	-157	-614
3. Military Pay and Allowances	117	126	125	123	491
4. Net Income Received by Farm Operators from Farm Production ¹	30	140	868	159	1,197
5. Net Income of Non-Farm Unincorporated Business	431	533	551	604	2,119
6. Interest, Dividends, and Net Rental Income of Persons ²	497	538	535	550	2,120
Transfer Payments to Persons:					
7. From Government (Excluding Interest)	765	638	599	655	2,657
8. Charitable Contributions by Corporations	7	9	10	10	36
9. PERSONAL INCOME	5,559	5,939	6,784	6,158	24,440

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
(millions)

	1958				Year
	I	II	III	IV	
1. Personal Direct Taxes:	456	431	440	467	1,794
2. Income Taxes	380	376	393	406	1,555
3. Succession Duties	33	33	27	33	126
4. Miscellaneous	43	22	20	28	113
5. Personal Expenditure on Consumer Goods and Services:	4,834	5,215	5,166	5,820	21,035
6. Non-Durable Goods	2,453	2,609	2,651	3,140	10,853
7. Durable Goods	538	688	600	674	2,500
8. Services ¹	1,843	1,918	1,915	2,006	7,682
9. Personal Net Saving:	269	293	1,178	-129	1,611
10. Personal Saving Excluding Change in Farm Inventories	531	386	567	206	1,690
11. Value of Physical Change in Farm Inventories	-262	-93	611	-335	-79
12. PERSONAL INCOME	5,559	5,939	6,784	6,158	24,440
13. (Personal Disposable Income) ²	(5,103)	(5,508)	(6,344)	(5,691)	(22,646)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1958-1960
of dollars)

1959				1960	
I	II	III	IV	Year	I
4,171	4,437	4,571	4,538	17,717	4,382
-162	-157	-164	-181	-664	-187
118	129	127	122	496	120
-10	175	908	43	1,116	-
453	552	543	602	2,150	445
529	577	574	620	2,300	578
824	689	636	636	2,785	881
8	11	11	10	40	9
5,931	6,413	7,206	6,390	25,940	6,228

INCOME, BY QUARTERS, 1958-1960
of dollars)

1959				1960	
I	II	III	IV	Year	I
480	531	525	552	2,088	552
375	447	454	471	1,747	429
35	30	30	35	130	44
70	54	41	46	211	79
5,163	5,523	5,442	6,133	22,261	5,327
2,570	2,711	2,789	3,330	11,400	2,649
584	763	624	687	2,658	582
2,009	2,049	2,029	2,116	8,203	2,096
288	359	1,239	-295	1,591	349
595	405	569	89	1,658	580
-307	-46	670	-384	-67	-231
5,931	6,413	7,206	6,390	25,940	6,228
(5,451)	(5,882)	(6,681)	(5,838)	(23,852)	(5,676)

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

	1958				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income	16,144	16,360	16,460	16,772	16,434
2. Military Pay and Allowances	496	500	476	492	491
3. Corporation Profits before Taxes ¹	2,340	2,260	2,468	2,864	2,483
4. Rent, Interest, and Miscellaneous Investment Income..	1,872	1,948	2,108	2,132	2,015
5. Accrued Net Income of Farm Operators from Farm Production ²	1,168	1,280	1,256	1,068	1,193
6. Net Income of Non-Farm Unincorporated Businesses ³	2,068	2,064	2,120	2,224	2,119
7. Inventory Valuation Adjustment	-108	60	20	-104	-33
8. NET NATIONAL INCOME AT FACTOR COST	23,980	24,472	24,908	25,448	24,702
9. Indirect Taxes less Subsidies	3,872	3,828	3,820	4,012	3,883
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	3,972	3,936	3,880	3,904	3,923
11. Residual Error of Estimate	-36	196	216	16	98
12. GROSS NATIONAL PRODUCT AT MARKET PRICES	31,788	32,432	32,824	33,380	32,606
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(30,620)	(31,152)	(31,568)	(32,312)	(31,413)

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)

	1958				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	20,640	20,804	21,060	21,636	21,088
2. Government Expenditure on Goods and Services ¹	5,992	6,076	6,244	6,332	6,161
3. Business Gross Fixed Capital Formation ²	6,984	6,960	6,936	7,020	6,975
4. New Residential Construction	1,644	1,740	1,792	1,876	1,763
5. New Non-Residential Construction	2,872	2,864	2,804	2,704	2,811
6. New Machinery and Equipment ³	2,468	2,356	2,340	2,440	2,401
7. Value of Physical Change in Inventories	-980	-332	-56	-372	-435
8. Non-Farm Business Inventories	-788	-312	-132	-60	-323
9. Farm Inventories and Grain in Commercial Channels ⁴	-192	-20	76	-312	-112
10. Exports of Goods and Services	6,348	6,344	6,176	6,460	6,332
11. Deduct: Imports of Goods and Services	-7,236	-7,224	-7,316	-7,676	-7,363
12. Residual Error of Estimate	40	-196	-220	-20	-99
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	31,788	32,432	32,824	33,380	32,606

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

3. The 1959 annual figure is \$150 million higher than that shown in "Private and Public Investment in Canada, Outlook, 1960", Table 9, to take account of later available information. This adjustment is included in the quarterly distribution of expenditures on new machinery and equipment.

(millions)

	1958				Year
	I	II	III	IV	
4. <u>Detail:</u> Farm Inventories -					
Value of grain crop production	860	860	860	860	860
Depletion of farm stocks of grain	-972	-992	-872	-1,004	-960
Change in livestock inventories	-12	196	72	-172	21
Grain in Commercial Channels	-68	-84	16	4	-33

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, 1956-1960
AT ANNUAL RATES
of dollars)

1959					1960	
I	II	III	IV	Year	I	
17,372	17,640	17,756	18,100	17,717	18,244	1.
500	508	488	488	496	508	2.
2,800	2,796	2,816	2,932	2,836	2,924	3.
2,112	2,056	2,088	2,120	2,094	2,200	4.
1,136	1,188	1,108	1,000	1,108	1,100	5.
2,140	2,156	2,128	2,176	2,150	2,096	6.
-132	-168	-168	-12	-120	-148	7.
25,928	26,176	26,216	26,804	26,281	26,924	8.
4,076	4,188	4,268	4,348	4,220	4,348	9.
4,008	4,152	4,132	4,232	4,131	4,268	10.
-56	12	-	-112	-39	48	11.
33,956	34,528	34,616	35,272	34,593	35,588	12.
(32,820)	(33,340)	(33,508)	(34,272)	(33,485)	(34,488)	13.

BY QUARTERS, 1958-1960
AT ANNUAL RATES
of dollars)

1959					1960	
I	II	III	IV	Year	I	
21,936	22,024	22,304	22,780	22,261	22,644	1.
6,336	6,612	6,444	6,356	6,437	6,424	2.
6,728	6,948	7,072	7,096	6,961	7,012	3.
1,756	1,748	1,720	1,748	1,743	1,748	4.
2,572	2,572	2,580	2,644	2,592	2,632	5.
2,400	2,628	2,772	2,704	2,626	2,632	6.
332	296	412	160	300	640	7.
452	272	400	296	355	572	8.
-120	24	12	-136	-55	68	9.
6,364	6,640	6,648	6,976	6,657	7,168	10.
-7,800	-7,976	-8,268	-8,204	-8,062	-8,252	11.
60	-16	4	108	39	-48	12.
33,956	34,528	34,616	35,272	34,593	35,588	13.

of dollars)

1959					1960
I	II	III	IV	Year	I
920	924	924	924	923	976
-1,108	-832	-1,024	-1,080	-1,011	-884
60	-4	56	-28	21	96
8	-64	56	48	12	-120

TABLE 7. SOURCES OF PERSONAL
SEASONALLY ADJUSTED
(millions)

	1958				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income ...	16,144	16,360	16,460	16,772	16,434
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-600	-608	-620	-628	-614
3. Military Pay and Allowances	496	500	476	492	491
4. Net Income Received by Farm Operators from Farm Production ¹	1,196	1,256	1,284	1,052	1,197
5. Net Income of Non-Farm Unincorporated Business	2,068	2,064	2,120	2,224	2,119
6. Interest, Dividends, and Net Rental Income of Persons ²	2,080	2,092	2,196	2,112	2,120
Transfer Payments to Persons:					
7. From Government (Excluding Interest)	2,472	2,644	2,616	2,896	2,657
8. Charitable Contributions by Corporations	36	32	36	40	36
9. PERSONAL INCOME	23,892	24,340	24,568	24,960	24,440

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)

	1958				Year
	I	II	III	IV	
1. Personal Direct Taxes:	1,832	1,688	1,784	1,872	1,794
2. Income Taxes	1,596	1,460	1,572	1,592	1,555
3. Succession Duties	132	132	108	132	126
4. Miscellaneous	104	96	104	148	113
5. Personal Expenditure on Consumer Goods and Services:	20,640	20,804	21,060	21,636	21,035
6. Non-Durable Goods	10,752	10,808	10,824	11,028	10,853
7. Durable Goods	2,492	2,420	2,464	2,624	2,500
8. Services ¹	7,396	7,576	7,772	7,984	7,682
9. Personal Net Saving	1,420	1,848	1,724	1,452	1,611
10. PERSONAL INCOME	23,892	24,340	24,568	24,960	24,440
11. (Personal Disposable Income) ²	(22,060)	(22,652)	(22,784)	(23,088)	(22,646)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1958-1960
AT ANNUAL RATES
of dollars)

1959				1960	
I	II	III	IV	Year	I
17,372	17,640	17,756	18,100	17,717	18,244 1.
-640	-640	-652	-724	-664	-740 2.
500	508	488	488	496	508 3.
1,128	1,248	1,120	968	1,116	1,072 4.
2,140	2,156	2,128	2,176	2,150	2,096 5.
2,212	2,248	2,356	2,384	2,300	2,420 6.
2,672	2,860	2,788	2,820	2,785	2,864 7.
40	40	40	40	40	40 8.
25,424	26,060	26,024	26,252	25,940	26,504 9.

INCOME, BY QUARTERS, 1958-1960
AT ANNUAL RATES
of dollars)

1959				1960	
I	II	III	IV	Year	I
1,956	2,044	2,148	2,204	2,088	2,260 1.
1,616	1,700	1,820	1,852	1,747	1,844 2.
140	120	120	140	130	176 3.
200	224	208	212	211	240 4.
21,936	22,024	22,304	22,780	22,261	22,644 5.
11,156	11,288	11,456	11,700	11,400	11,524 6.
2,708	2,664	2,584	2,676	2,658	2,684 7.
8,072	8,072	8,264	8,404	8,203	8,436 8.
1,532	1,992	1,572	1,268	1,591	1,600 9.
25,424	26,060	26,024	26,252	25,940	26,504 10.
(23,468)	(24,016)	(23,876)	(24,048)	(23,852)	(24,244) 11.

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

	1952				
	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services ..	3,782	4,065	4,030	4,544	16,421
2. Non-Durable Goods	2,106	2,222	2,261	2,681	9,270
3. Durable Goods	465	590	526	577	2,158
4. Services	1,211	1,253	1,243	1,286	4,993
5. Government Expenditure on Goods and Services	882	920	1,155	1,028	3,985
6. Business Gross Fixed Capital Formation	961	1,285	1,301	1,191	4,738
7. New Residential Construction	211	318	341	350	1,220
8. New Non-Residential Construction	356	481	572	468	1,877
9. New Machinery and Equipment ³	394	486	388	373	1,641
10. Change in Inventories	-377	-334	749	-418	-380
11. Non-Farm Business Inventories	-20	-102	-67	-39	-228
12. Farm Inventories and Grain in Commercial Channels...	-357	-232	816	-379	-152
13. Exports of Goods and Services	1,186	1,391	1,411	1,452	5,440
14. Deduct: Imports of Goods and Services	-1,357	-1,626	-1,559	-1,656	-6,198
15. Residual Error of Estimate	88	22	-91	-92	-73
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS.	5,165	5,723	6,996	6,049	23,933

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.

3. The 1959 figures reflect the \$150 million adjustment in current dollars made to take account of later available information - see footnote 4, Table 2.

DOLLARS, BY QUARTERS, 1958-1960
FOR SEASONALITY^{1,2}
of dollars)

1959				Year	1960	
I	II	III	IV		I	
3,970	4,273	4,197	4,723	17,163	4,048	1.
2,197	2,335	2,383	2,811	9,726	2,253	2.
493	640	540	586	2,259	488	3.
1,280	1,298	1,274	1,326	5,178	1,307	4.
908	969	1,154	1,000	4,031	886	5.
895	1,258	1,285	1,163	4,601	923	6.
219	307	317	316	1,159	222	7.
308	422	511	447	1,688	302	8.
368	529	457	400	1,754	399	9.
-156	-161	928	-407	204	-80	10.
214	-2	44	25	281	269	11.
-370	-159	884	-432	-77	-349	12.
1,140	1,448	1,464	1,505	5,557	1,318	13.
-1,468	-1,824	-1,752	-1,777	-6,821	-1,596	14.
86	74	-58	-74	28	55	15.
5,375	6,037	7,218	6,133	24,763	5,554	16.

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