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SECOND QUARTER

1961

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

"National Accounts, Income and Expenditure, by
Quarters, 1947-1957", for the years 1947-1954.

"National Accounts, Income and Expenditure,
Fourth Quarter and Preliminary Annual, 1960",
for the years 1955-1959.

The historical record of the recently introduced series of Gross National Expenditure in Constant (1957) Dollars, both unadjusted and adjusted for seasonal variation, may be found in the publication:

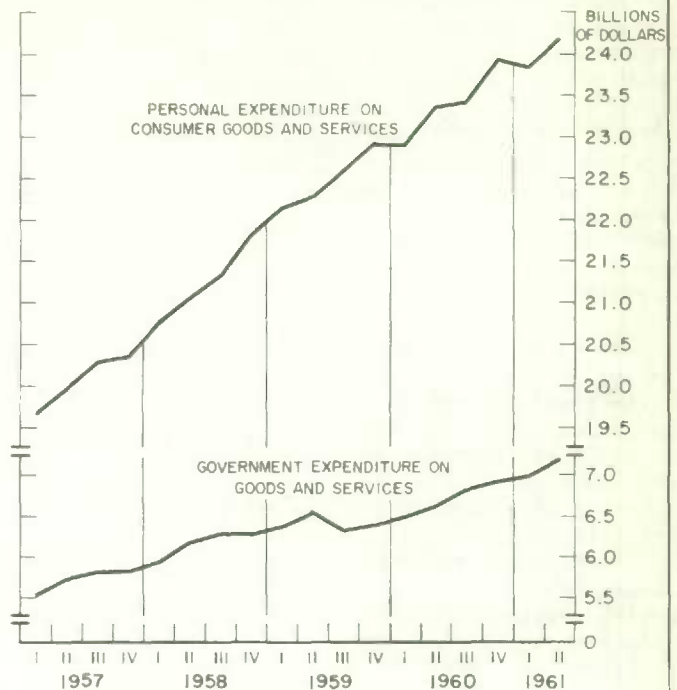
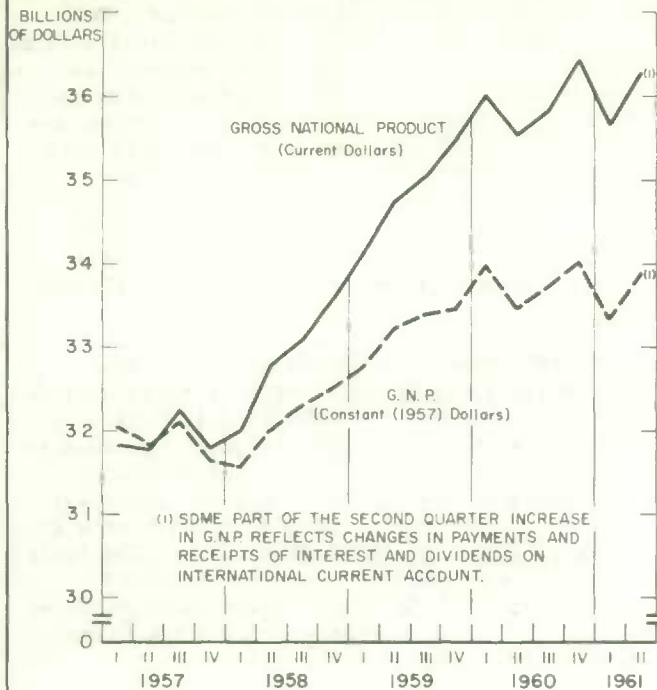
"National Accounts, Income and Expenditure,
First Quarter 1961"

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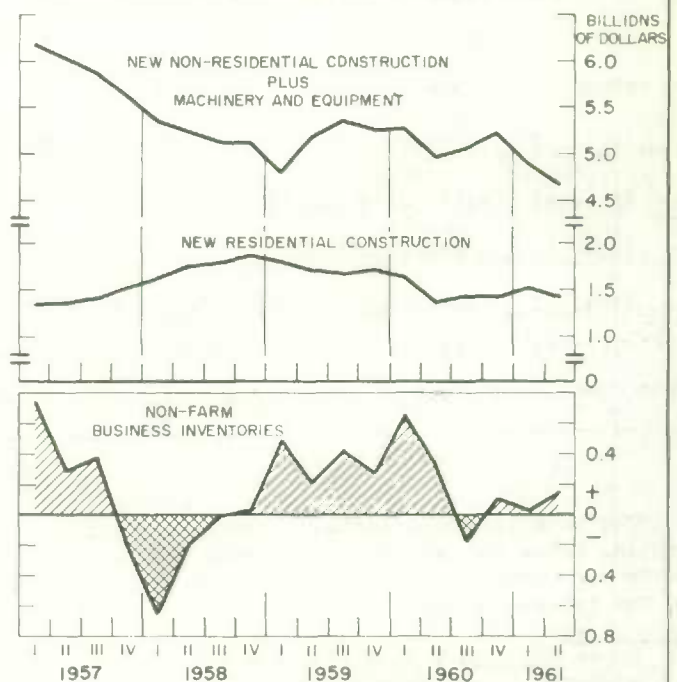
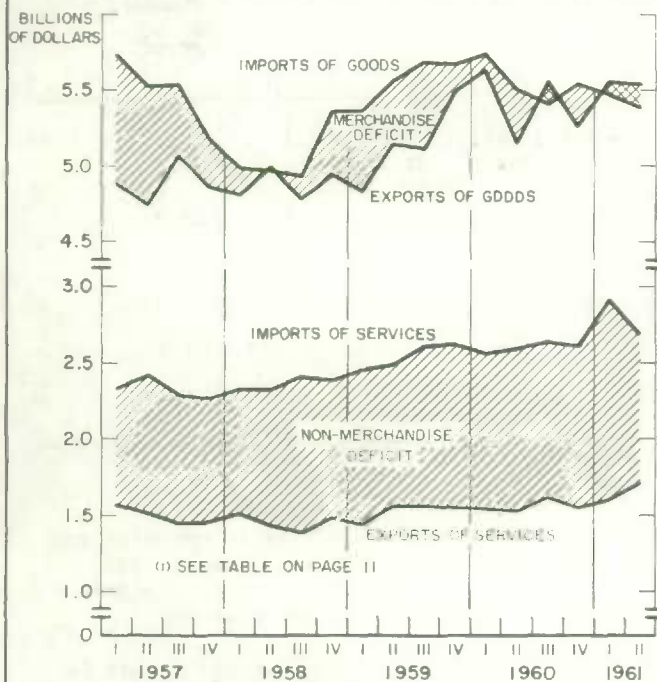
G.N.P. RESUMED ITS UPWARD TREND IN THE SECOND QUARTER OF 1961, FOLLOWING THE SLACKENING IN ACTIVITY WHICH DEVELOPED IN THE FIRST QUARTER

CONSUMER EXPENDITURES AND GOVERNMENT OUTLAYS FOR GOODS AND SERVICES WERE MAJOR FACTORS CONTRIBUTING TO THE STRENGTH OF FINAL DEMAND IN THE QUARTER



THE DEFICIT ON CURRENT ACCOUNT NARROWED SHARPLY, REFLECTING FOR THE MOST PART A DECLINE IN PAYMENTS ON SERVICE ACCOUNT (MAINLY INTEREST AND DIVIDENDS), ACCOMPANIED BY AN INCREASE IN RECEIPTS FROM SERVICES; THERE WAS ALSO A SMALL INCREASE IN THE SURPLUS ON MERCHANDISE TRADE⁽¹⁾

BUSINESS OUTLAYS FOR PLANT, MACHINERY AND EQUIPMENT CONTINUED TO DECLINE IN THE SECOND QUARTER, AND OUTLAYS FOR NEW HOUSING WERE ALSO LOWER; BUSINESS INVENTORIES WERE BEING BUILT UP IN THE SECOND QUARTER, THOUGH AT A MODEST RATE



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

INTRODUCTORY REVIEW

The upward trend in production of goods and services was resumed in the second quarter of 1961, following the slackening in the pace of economic activity which occurred in the first quarter. On a seasonally adjusted basis, the Gross National Product rose by close to 2 per cent over the level of the preceding quarter, though the advance was magnified by changes on interest and dividend account, as shown below. The production gain was supported by advances in most major demand categories, with the exception of business outlays for new plant and equipment, and expenditures for new housing, which declined. In spite of the weakness in these categories of fixed investment, total final purchases rose by about \$0.3 billion during the quarter, and the effect of this recovery on total production was further augmented by a decline in the supply of imported goods and services. A substantial gain in consumer expenditures, rising outlays by the government sector, and a small increase in exports of goods and services, were the major factors accounting for the increased level of final expenditures. Business inventories were also built up during the quarter, but to a very limited extent. The changes in these major demand categories are shown in the Table overleaf.

As in the case of the first quarter of 1961, the second quarter was characterized by sizeable changes in interest and dividend transactions with non-residents. The unusually large dividend outflow of the first quarter was not maintained, and interest and dividend payments in total declined by more than 20 per cent from the first quarter level; even so, the outflow remained unusually high by comparison with previous quarters. At the same time, there was a large increase in interest and dividends received from abroad, amounting to almost 30 per cent, on a seasonally adjusted basis. The irregular nature of these interest and dividend flows in the first and second quarters of this year have made it difficult to disentangle the various sets of forces operating on the Gross National Product. The Table on this page is presented in order to show the quantitative effect of these interest and dividend transactions on the measurement of production. The Gross Domestic Product, that is, the value of production arising within the geographical boundaries of Canada, is shown for comparison with the Gross National Product figure(1).

Relation between National and Domestic Product

(Seasonally Adjusted at Annual Rates)

	4Q '60	1Q '61	2Q '61	% Change 2Q '61 1Q '61
	(millions of dollars)			
Gross National Product	36,436	35,668	36,280	1.7
Add: Interest & Dividend Payments to Abroad	584	936	740	-20.9
GNP Plus Interest & Dividend Payments to Abroad.	37,020	36,604	37,020	1.1
Deduct: Interest & Dividends Received from Abroad	172	188	240	27.7
Gross Domestic Product	36,848	36,416	36,780	1.0

The internal and external factors influencing the movement of interest and dividends are many and complex, being the outcome of a number of decisions made in an international context. Present and prospective investment plans, liquidity, exchange rates, money market conditions, budgetary changes, and tax agreements may all be factors which have influenced these transfers in recent quarters.

(1) Gross National Product includes the earnings of Canadian factors of production located abroad (as measured by the interest and dividend inflow), but excludes the earnings of foreign factors of production located in Canada (as measured by the interest and dividend outflow). Gross Domestic Product measures production and earnings arising within the geographical boundaries of Canada, irrespective of whether the means of production are Canadian or foreign-owned.

Quarter to Quarter Changes in Final Purchases

(Seasonally Adjusted at Annual Rates)

(\$ millions)

	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	1Q'60 to 2Q'60	2Q'60 to 3Q'60	3Q'60 to 4Q'60	4Q'60 to 1Q'61	1Q'61 to 2Q'61
1. Personal Expenditure	280	284	480	320	156	300	332	-24	480	44	524	-88	324
2. Government Expenditure	264	104	-4	88	172	-208	60	88	132	212	92	64	200
3. Residential Construction	136	36	76	-68	-84	-32	36	-84	-244	48	-20	88	-76
4. Non-Residential Construction	-4	-76	-96	-220	124	16	32	-44	-132	108	16	-184	-
5. Machinery and Equipment	-116	-36	88	-84	256	148	-124	52	-156	-40	152	-132	-216
6. Exports	104	-248	248	-136	404	-24	372	128	-496	492	-356	336	104
7. Total Final Purchases	664	64	792	-100	1,028	200	708	116	-416	864	408	84	336
8. (Final Domestic Demand).	(560)	(312)	(544)	(36)	(624)	(224)	(336)	(-12)	(80)	(372)	(764)	(-252)	(232)

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in Non-Farm Business Inventories.	460	192	32	464	-280	212	-148	372	-312	-512	284	-80	120
10. Imports	-20	44	400	80	232	248	-12	4	-192	-48	96	236	-300
11. GNP (ex. farm)	748	384	452	552	684	232	624	216	-264	244	528	-484	680

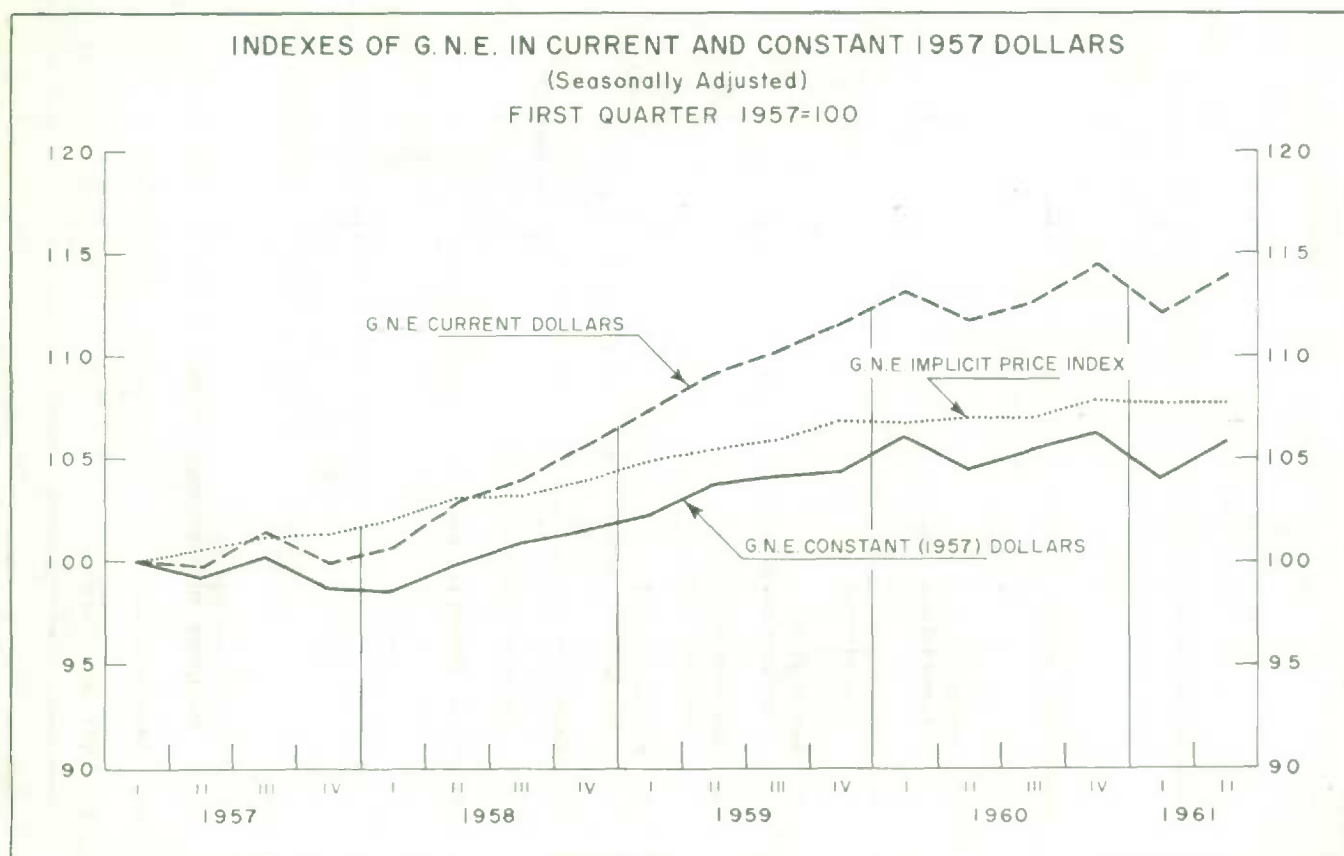
Production and Employment

In physical volume terms, the second quarter level of output of goods and services was very close to that achieved at the peak 15 months earlier, and better than 1 per cent above the first quarter 1961 level (all data seasonally adjusted). However, the average rate of output for the first six months of 1961 was fractionally below that for the first half of 1960. It may be noted that this comparison allows for an estimated \$400 million reduction in the value of the 1961 grain crop as compared with that for 1960. The August crop estimates suggest that the total value of crop production in 1961 may amount to less than \$600 million, compared with more than \$1,000 million in the preceding year. The Gross National Product estimates of crop production which were presented at the time of the first quarter, based on acreage intentions and 10-year average yields, have been revised accordingly in the present estimates (see Footnote 3, Table 11).

The increase in the physical volume of production between the first and second quarters of 1961, seasonally adjusted, was evenly divided between the goods-producing and the service-producing industries. Among the service-producing industries, much the largest rate of increase -- about 4 per cent -- was in transportation, communication and storage, reflecting the higher level of activity in goods-handling industries as a result of larger exports of grain to China and renewed strength in mining and manufacturing. Real output in the other service groups was up 1 per cent or less.

Among the goods-producing industries, production gains were widespread, ranging from 1 per cent in forestry to more than 5 per cent in public utilities and in mining, quarrying and oil wells. Manufacturing output was up about 2 per cent in the quarter, but activity in the construction industry declined, reflecting mainly the drop in outlays for new housing from the high first quarter level.

Within manufacturing, production gains were general, with an increase in the non-durable group of 1.4 per cent, and in the durable group of 2.1 per cent. Among the non-durables, the gains in production ranged from 2 per cent in chemicals, paper, clothing and textile products to 12 per cent in rubber products; however, foods and beverages, and printing and publishing were lower. Among the durables, the gains in non-ferrous metal products and transportation equipment were fractional, but the increase in production in the other durable groups ranged from 1 per cent in wood products to 5 per cent in non-metallic mineral products. A 17 per cent rise in the output of primary steel contributed to a 4 per cent gain in production of the iron and steel group.



It is interesting to consider the production performance of certain selected industries in the second quarter in relation to the peaks previously achieved. A sharp expansion in the production of crude oil and in production and distribution of natural gas has lifted the indexes of production for mining and utilities to an all-time high. Mining has more than recovered the ground lost since the first quarter of 1960 when cut-backs in uranium production began to pull down the index. However, output in manufacturing was still about 2 per cent below the peak reached in the first quarter of 1960, although the latest advance in non-durable goods production brought the level of this particular component to a point about 1 1/2 per cent higher than in the first quarter of 1960; output of durables, despite the recent gain, was more than 9 per cent below the all-time peak reached in the fourth quarter of 1956, and 7 per cent below the first quarter of 1960.

When the first half of 1961 is compared with the same period of 1960 on a seasonally adjusted basis total output of goods and services in physical terms is estimated to be down fractionally, with a decline in the output of goods more than offsetting increased activity in the service industries. Production was lower in forestry (-3 per cent), durable goods manufacturing (-6 per cent), construction (-4 per cent), and in agriculture (where the crop was estimated to be lower by 40 per cent). Increases were recorded in all other industries, with gains ranging from 1 per cent in trade and other services to 6 per cent in public utilities.

The increase in production in the second quarter was associated with a 1 per cent gain in employment (when seasonal factors are taken into account), as well as with an increase in hours worked in some industries. The improvement in employment was more than sufficient to absorb the increment to the labour force with the result that unemployment as a per cent of the labour force fell from 7.8 per cent to 7.5 per cent. At the end of the quarter, the rate of unemployment was the lowest in the preceding nine months, on a seasonally adjusted basis.

In the first half-year comparison, employment was 1.2 per cent higher. As is apparent from the following Table, the goods-producing group provided fewer jobs in 1961 than in 1960, much the sharpest rate of decline being in "other primary industries", that is, forestry, mining, fishing and trapping. However, employment in manufacturing was at a somewhat higher level. The notable increase was in the service industries, continuing a trend that has been evident for some years.

Employment by Industry(1)

	Half-Year Averages		% Change
	1960	1961	
	(Estimates in thousands)		
Total Employed	5,786	5,853	1.2
Goods-Producing Industries	2,648	2,624	-0.9
Agriculture	625	639	2.2
Other Primary Industries	192	160	-16.7
Manufacturing	1,452	1,465	0.9
Construction	379	361	-4.7
Service-Producing Industries	3,139	3,229	2.9
Transportation & Other Utilities	511	503	-1.6
Trade	957	957	N.C.
Finance, Insurance & Real Estate	226	239	5.8
Service	1,445	1,531	6.0

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

THE COMPONENTS OF DEMAND

Consumer Spending

Following a slight easing in the first quarter, consumer spending advanced in the second, and at a seasonally adjusted annual rate of \$24.2 billion was up by 1 1/2 per cent. Prices in the consumer sector were fractionally lower with the result that the gain in the volume of consumption slightly exceeded the rise in value.

All the major components contributed to the rise in consumer spending but none of them showed signs of unusual strength. The largest gain was in purchases of durables which were up 2 per cent. The bulk of this increase is accounted for by purchases of new and used cars which rose by 5 per cent. Purchases of new cars increased by 8 per cent, with all of the gain being accounted for by cars of North American manufacture; purchases of British and European cars declined for the second quarter in succession. Spending on household durables showed mixed trends with an increase of about 4 per cent in purchases of furniture and with an equivalent rate of decline in purchases of radios and appliances. Spending on home furnishings was somewhat higher. Changes in prices of durables were small and virtually offsetting.

Expenditures on non-durable goods are estimated to have risen by 1 1/2 per cent in the second quarter, with all categories except tobacco and alcoholic beverages contributing to the increase. Prices of non-durables were down fractionally as a result of a more than 1 per cent decline in food prices. Some small price increases were apparent in clothing for the first time in two years.

Expenditures on services rose by 1 per cent. The increase would have been somewhat greater but for an irregular movement in the adjustment for net expenditures abroad. Other items in the service component were either unchanged or slightly higher in the second quarter. The increase in prices in the service sector was small. An important factor in the levelling off of the implicit price index for services was the stability in rents, although other prices also showed marked stability or slight declines.

In the first half of 1961 consumer spending was higher than in the same period of 1960 by 4 per cent, and higher than the average rate for 1960 by 2 1/2 per cent. Both comparisons show a distinct drop in purchases of durables, reflecting for the most part declines in prices of durable goods. Car purchases were off about 5 per cent in the year-over-year comparison, approximately half of which was price. Declines in outlays for other household durables were attributable entirely to lower prices; real purchases of these durables were slightly higher.

Consumer credit (including bank personal loans) at the end of June, was more than 6 per cent higher than a year earlier.

Gross Fixed Capital Formation

Business gross fixed capital formation is estimated at an annual rate of \$6.1 billion in the second quarter, a drop of 4 1/2 per cent from the level of the preceding period. This decline reflects a reversal of the improvement in housing that had been apparent early in the year, and a further decline in business outlays for plant and equipment. The rate of total business fixed capital formation in the first half of the year was almost 7 per cent below spending intentions for the full year 1961 as reviewed in the June investment survey.

In response to the easing in the supply of mortgage money, housing starts began to rise in the third quarter of 1960; this tendency was reinforced by the liberalization of lending terms under the National Housing Act at the end of the year. In these circumstances, starts were at a very high level in the opening months of 1961. However, in the second quarter housing starts declined by about 23 per cent. At the same time, completions were also moderately lower, with the result that outlays for new housing were down by 5 per cent.

Business expenditures for plant and equipment in the second quarter are estimated at a seasonally adjusted annual rate of \$4.7 billion, a drop of about 4 1/2 per cent. All of the decline was concentrated in machinery and equipment. Related information on non-residential construction suggests some shift in composition, with more emphasis on engineering construction and less emphasis on building and structures, but in total non-residential construction outlays were unchanged in the second quarter; the rate in the first half of the year was about 10 per cent below the rate expected for the year as a whole. The "Mid-Year Review of Private and Public Investment in Canada - Outlook 1961" reports that a

significant number of construction programs were running behind schedule, partly because of unfavourable weather in Eastern Canada in the early spring. It may be noted that the rate of decline in new orders in the construction goods industries slackened perceptibly in the second quarter; this series is, however, highly irregular.

Outlays for machinery and equipment fell by almost 9 per cent in the second quarter, following a considerably smaller rate of decline in the first quarter. At an annual rate of \$2.3 billion, they were running 7 per cent below the year 1960 and more than 4 per cent below businessmen's spending plans for 1961. Details of imports of machinery and equipment are not yet available for the full quarter but related information suggests that the decline affected agricultural implements, commercial vehicles and railway rolling stock. New orders in the domestic capital goods industries (excluding heavy transportation equipment) were up about 3 per cent in the second quarter.

Investment in Non-Farm Business Inventories

Some support to the level of economic activity in the second quarter came from the building up of business inventory stocks, in contrast to the previous quarter when the accumulation of inventories had been negligible. The second quarter build-up was small, however, and was concentrated in retail and wholesale trade, and other industries including mining and transportation. Manufacturing industries continued to draw down their stocks, with the liquidation centred in raw materials and goods in process; manufacturer's finished products, on the contrary, were built up during the quarter.

Changes in Business Inventories, by Quarters

(Seasonally Adjusted at Annual Rates)

(millions of dollars)

	1961	
	(1)	(2)
Manufacturing	-24	-64
Durable	-180	12
Non-Durable	156	-76
Wholesale	68	24
Retail	-64	40
Other	48	148
Total	28	148

The movement of stocks at retail was dominated by the inventories in the hands of automotive dealers, which were drawn down sharply in the first quarter and built up moderately in the second. In other retail trades changes in inventories were mixed and largely offsetting.

The building up of stocks in wholesale trade continued in the second quarter, but at a reduced rate. Further liquidation occurred in durable goods, but there was a continuation of the build-up in non-durables.

In manufacturing, there was a relatively large advance in durable goods production in the second quarter, in contrast to the first quarter decline, and this development was accompanied by a shift from inventory liquidation in the first quarter to a modest rate of accumulation in the second. However, in non-durables manufacturing inventories moved in reverse fashion, from a position of accumulation in the first quarter to substantial liquidation in the second. Most of the decumulation took place in paper, chemicals, textiles and clothing. The drawing down of stocks in manufacturing industries in the second quarter brought the ratio of stocks to shipments at the end of the period down to the same level as a year earlier.

In the first half of 1961, in contrast to the first half of 1960, inventory changes have had little impact on the level of economic activity. In 1960, as the rate of economic activity weakened, inventory accumulation dropped sharply in the second quarter, but in the first half of 1961 the gradualness of recovery apparently offered little inducement to the building up of stocks.

Exports and Imports of Goods and Services

In the second quarter of 1961, as in the first, changes in transactions on interest and dividend account between Canada and abroad played an important part in the current balance of payments position. Some of the factors that may be behind these changes have been suggested in the introductory section of this report. As the Table below indicates, receipts from exports of goods and services in the second quarter are estimated at \$7.3 billion, and payments for imports of goods and services at \$8.1 billion (all figures seasonally adjusted at annual rates); these figures represent an increase from the preceding quarter of 1 1/2 per cent in the case of receipts and a decrease of more than 3 1/2 per cent in the case of payments. The deficit on current account in the second quarter was thus reduced by about one-third, from \$1.2 billion in the first quarter (seasonally adjusted at annual rates) to \$0.8 billion. The major part of this reduction in the deficit was brought about by changes in transactions on interest and dividend account. Interest and dividends received from abroad rose by 28 per cent, and interest and dividend payments to abroad fell by 21 per cent. Transactions on merchandise account were a relatively unimportant factor in the reduced current account deficit, the decline in merchandise imports of \$80 million representing only about one-fifth of the total reduction in the deficit.

Exports and Imports of Merchandise and Services

(Seasonally Adjusted at Annual Rates)

	4Q 1960	1Q 1961	2Q 1961	% Change 1Q to 2Q
	(millions of dollars)			
Exports:				
Merchandise	5,264	5,548	5,540	- 0.1
Services (including interest and dividend receipts)	1,548	1,600	1,712	7.0
Total	6,812	7,148	7,252	1.5
Imports:				
Merchandise	5,540	5,468	5,388	- 1.5
Services (including interest and dividend payments)	2,608	2,916	2,696	- 7.5
Total	8,148	8,384	8,084	- 3.6

The adoption of the Standard Commodity Classification for exports has delayed compilation of the commodity detail that is normally available at this time; detail on the composition of imports is also incomplete. However, five months' comparisons for exports of leading commodities and for leading countries is shown in the accompanying Table. For commodities, the major changes are the very large expansion in sales of wheat and the contraction in sales of uranium ores and concentrates. Other changes in sales of major export products were also fairly large but varied widely in direction; total merchandise exports in the five months were higher than a year ago by almost 1 per cent. As in the recent past, there was a striking growth in sales to the countries of the European Common Market and to Japan. Sales to the United States were considerably lower.

Domestic Exports

	Jan. - May 1960	Jan. - May 1961	% Change
	(thousands of dollars)		
<u>Leading Commodities</u>			
Newsprint paper	296,432	303,758	2.5
Wheat	157,854	210,880	33.6
Lumber and timber	141,142	137,274	- 2.7
Woodpulp	135,036	138,187	2.3
Uranium ores and concentrates	126,586	88,298	- 30.2
Aluminum and products	103,183	94,907	- 8.0
Nickel	109,369	121,593	11.2
Copper and products	92,024	82,990	- 9.8
Fish and fishery products	44,875	44,532	- 0.8
Farm machinery and implements	47,178	42,341	- 10.3
<u>Leading Countries</u>			
United States	1,233,029	1,127,257	- 8.6
United Kingdom	350,923	347,671	- 0.9
European Common Market	139,250	173,778	24.8
Japan	68,453	82,314	20.2
Other(1)	301,203	381,684	26.7
Total Domestic Exports	2,092,858	2,112,704	0.9

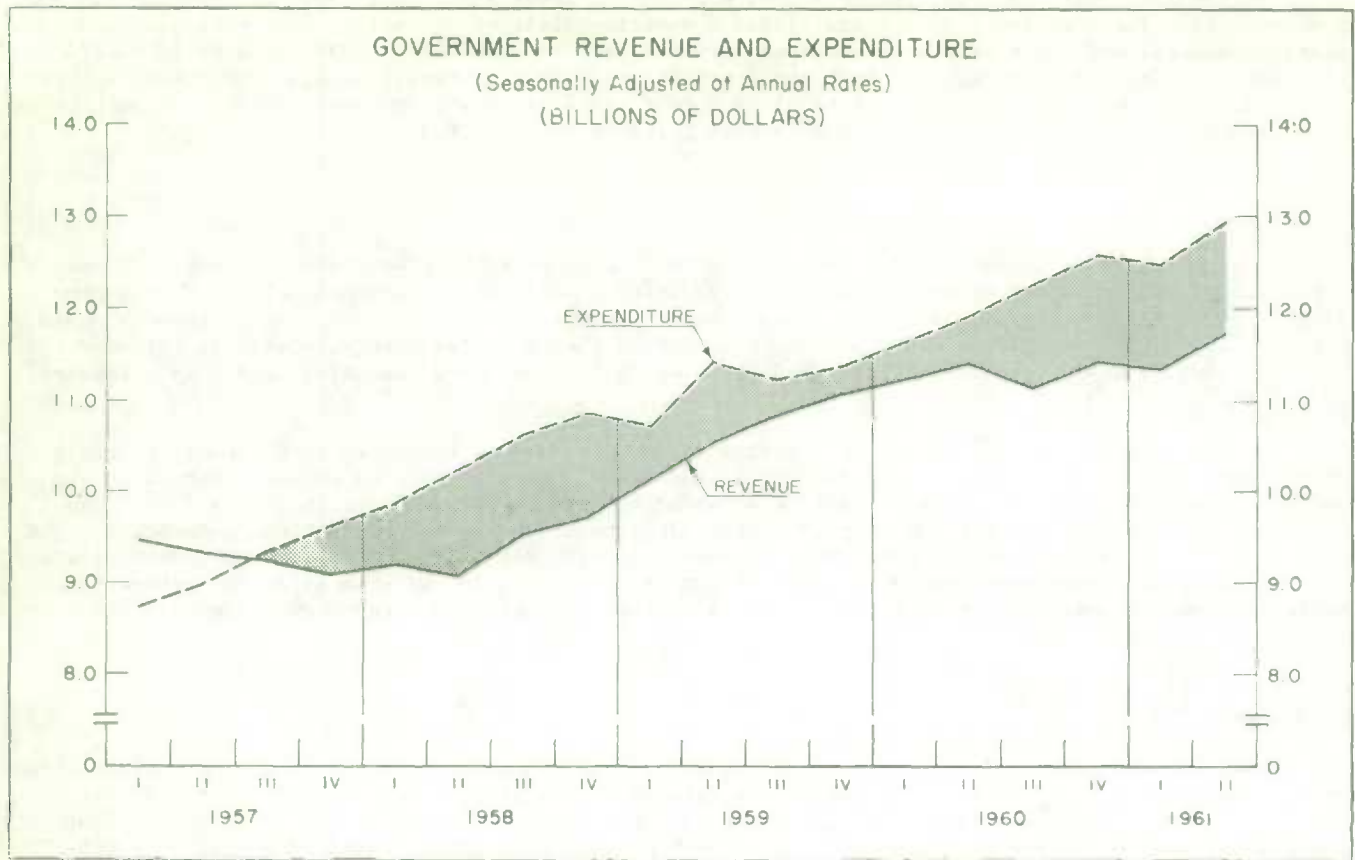
(1) Sharp increases in exports to other countries reflect recent sales of wheat to Communist China and the U.S.S.R.

The Government Sector

The total deficit on transactions with all governments widened in the second quarter (on the National Accounts basis), and was at a seasonally adjusted annual rate of \$1.2 billion. While the deficit on provincial-municipal transactions remained high in relation to previous experience, it narrowed slightly in the second quarter as the increase in receipts exceeded the rise in outlays. At the Federal level, the deficit was estimated to be running at an annual rate of about \$750 million in the second quarter, up from the first quarter level of \$568 million.

The rise in revenues at the Federal level (seasonally adjusted) reflected substantially higher direct tax collections from individuals in the second quarter, and also an increase in corporation profits tax accruals associated with the sharp second quarter increase in corporate earnings. Federal indirect taxes were lower in the quarter, associated with a decline in excise taxes (the latter decline was accompanied by lower shipments from manufacturers), and to a lesser degree with a small drop in revenues from customs import duties reflecting a lower level of merchandise imports. Receipts from various forms of investment income at the Federal level also declined in the quarter.

On the expenditure side, outlays for goods and services by the Federal government rose by about 3 per cent, reflecting for the most part an increase in Federal defence expenditures. Transfer payments (excluding inter-governmental transfers), were higher by 2 per cent, as increases in some forms of welfare benefits were partially offset by a decline in unemployment insurance payments. Transfer payments to other levels of government rose sharply in the quarter, by 17 per cent, associated with higher payments to provinces under the "Hospital Insurance and Diagnostic Services Act".



COMPONENTS OF INCOME

Personal Income and Saving

Total personal income, seasonally adjusted, advanced by close to 1 per cent in the second quarter as most components recorded gains with the major exception of farm income. The 1 per cent gain was not reflected in after-tax income, however, as personal direct tax collections rose sharply in the quarter. Disposable income showed only a fractional increase. With consumer spending higher by 1 1/2 per cent, personal saving fell from \$1.3 billion in the first quarter to \$1.1 billion in the second, or from 5.3 per cent of disposable income, to 4.3 per cent.(2)

Labour Income

Labour income in the second quarter was running at a seasonally adjusted annual rate of \$19.0 billion, 1 1/2 per cent higher than in the first quarter; most major industries recorded modest gains, with the significant exception of forestry and construction; in the latter industry, employment eased slightly in the second quarter, after seasonal factors are taken into account. Labour income was also lower in agriculture. A slight gain in employment, longer hours of work and higher average hourly earnings all contributed to the 2 per cent in labour income in the manufacturing industries. Increased employment was the major factor in the more than 2 1/2 per cent increase in labour income in mining.

- (2) The relatively low levels of personal saving (seasonally adjusted basis) in the first half of 1961 reflect the sharp decline in the National Accounts estimate of net income received by farm operators, attributable to the reduced levels of crop production in the Prairie Provinces.

In the first half of 1961, labour income was running about 3 per cent above the same period one year earlier. The experience of the individual industries differed markedly. In forestry, income was sharply reduced, and there were also declines in mining and construction. Labour income in manufacturing was only fractionally higher. Much the greatest percentage increases were in government service (+10 per cent), other services (+8 per cent), and in finance, insurance and real estate (+7 per cent). These groups were also those in which the largest gains in employment occurred.

Farm Income

Accrued net farm income of farm operators from farm production is estimated to have declined by 7 per cent in the second quarter, at seasonally adjusted annual rates. A small drop in cash income largely reflected lower receipts from a miscellaneous group of items, including dairy products, hogs, tobacco and cattle and calves. The value of inventories showed little change; operating expenses showed a further small increase, thereby contributing to the estimated reduction in net farm income in the quarter.

In the first half-year comparison, accrued net farm income is estimated to be lower by nearly 25 per cent as a result of the severe drought in the Prairie Provinces. The August estimate of the value of crop production indicates a decline of about 40 per cent from the estimate for 1960. The effect of the drought on the wheat crop is particularly marked; physical production is expected to be the lowest since 1937. However, preliminary returns suggest that the grain is of excellent quality. The drop in grain production has been offset to some extent by an increase in livestock production, reflecting both higher returns from the sale of livestock products and larger numbers of livestock on farms.

Corporation Profits

Corporate profits (before taxes and dividends paid to non-residents), rose by 13 per cent in the second quarter, to a seasonally adjusted annual rate of \$3.2 billion. This represents one of the largest quarterly rates of increase in recent years, and brings the level of the series to a point about 8 per cent below the previous peak in the fourth quarter of 1959. Dividend payments to non-residents, which had been unusually large in the first quarter of 1961, fell sharply in the second quarter, by about 30 per cent.

The second quarter increase in profits, seasonally adjusted, was widespread among individual industries. Profits in manufacturing rose by 18 per cent, with the largest gain in the iron and steel products industry. Other durable goods industries in manufacturing also recorded relatively large gains, including wood, non-ferrous metals, electrical apparatus and non-metallic minerals. The rise in profits in the non-durable industries was less marked, and declines occurred in some cases, notably textiles and foods and beverages.

Among the other industries, profits in mining were up by 22 per cent over the first quarter, wholesale and retail trade by more than 20 per cent, and services by 30 per cent. In transportation, communication and storage, where profits had been falling for more than a year, profits rose by 14 per cent.

Despite the improvement in economic activity in the second quarter, corporate profits in the first half of 1961 were some 6 per cent lower than in the same period of 1960. The sharpest declines in this comparison were in retail and wholesale trade, but profits in transportation, communication and storage and in manufacturing industries were also appreciably lower. The only major industrial group in which there was some increase in profits was in public utility operations.

TABLE 1. National Income and Gross National Product, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Wages, Salaries, and Supplementary Labour Income	4,397	4,622	4,792	4,703	18,514	4,507	4,786
2. Military Pay and Allowances	119	129	127	134	509	129	140
3. Corporation Profits before Taxes and before Dividends Paid to Non-Residents(1)	724	875	823	778	3,200	600	901
4. Deduct: Dividends Paid to Non-Residents(2)	-107	-106	-120	-132	-465	-164	-120
5. Rent, Interest, and Miscellaneous Investment Income ..	573	582	590	617	2,362	599	589
6. Accrued Net Income of Farm Operators from Farm Production(3)	5	112	988	102	1,207	51	128
7. Net Income of Non-Farm Unincorporated Business(4)	460	550	513	582	2,105	442	547
8. Inventory Valuation Adjustment(5)	-34	-26	-16	19	-57	12	-17
9. NET NATIONAL INCOME AT FACTOR COST	6,137	6,738	7,697	6,803	27,375	6,176	6,954
10. Indirect Taxes less Subsidies	1,066	1,116	1,095	1,112	4,389	1,093	1,138
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,008	1,091	1,080	1,112	4,291	999	1,069
12. Residual Error of Estimate	-86	-199	88	101	-96	-80	-152
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,125	8,746	9,960	9,128	35,959	8,188	9,009
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(8,120)	(8,634)	(8,972)	(9,026)	(34,752)	(8,137)	(8,881)

- (1) In reports prior to 1961 this item was shown after deduction of dividends paid to non-residents, it is now however inclusive of such dividends. In order to derive series consistent with past published figures, lines 3 and 4 must be combined.
- (2) Includes the withholding tax applicable to this item. Also includes some net profits of non-Canadian non-financial corporations. Since the withholding tax is also part of National Product, it is included again in Rent, Interest and Miscellaneous Investment Income.
- (3) Includes change in farm inventories as shown in line 11, Table 5. 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.
- (4) Includes net income of independent professional practitioners.
- (5) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer Goods and Services ..	5,377	5,858	5,755	6,419	23,409	5,581	6,079
2. Government Expenditure on Goods and Services(1)(2) ...	1,491	1,533	1,953	1,739	6,716	1,603	1,654
3. Business Gross Fixed Capital Formation(3)	1,411	1,740	1,788	1,673	6,612	1,302	1,643
4. New Residential Construction	317	365	399	395	1,476	291	366
5. New Non-Residential Construction	478	620	787	682	2,567	441	599
6. New Machinery and Equipment	616	755	602	596	2,569	570	678
7. Value of Physical Change in Inventories(4)	68	-112	670	-310	316	-52	-214
8. Non-Farm Business Inventories	353	-35	-114	25	229	208	-58
9. Farm Inventories and Grain in Commercial Channels ..	-285	-77	784	-335	87	-260	-156
10. Exports of Goods and Services	1,582	1,692	1,918	1,765	6,957	1,574	1,856
11. Deduct: Imports of Goods and Services	-1,890	-2,164	-2,037	-2,057	-8,148	-1,900	-2,161
12. Residual Error of Estimate	86	199	-87	-101	97	80	152
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,125	8,746	9,960	9,128	35,959	8,188	9,009

- (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) For details of defence expenditures see Tables 7 and 16.
- (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 book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1960 and 1961,

Unadjusted for Seasonality(1)

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer							
Goods and Services	5,140	5,578	5,471	6,084	22,273	5,265	5,740
Non-Durable Goods	2,572	2,750	2,827	3,267	11,416	2,639	2,848
Durable Goods	560	737	596	726	2,619	550	738
Services	2,008	2,091	2,048	2,091	8,238	2,076	2,154
5. Government Expenditure on Goods and Services	1,358	1,381	1,788	1,545	6,072	1,414	1,438
6. Business Gross Fixed Capital Formation	1,318	1,616	1,660	1,552	6,146	1,196	1,508
7. New Residential Construction	295	334	362	359	1,350	265	331
8. New Non-Residential Construction	446	579	735	637	2,397	407	553
9. New Machinery and Equipment	577	703	563	556	2,399	524	624
10. Change in Inventories	69	-124	655	-288	312	-31	-225
11. Non-Farm Business Inventories	340	-27	-112	19	220	204	-52
12. Farm Inventories and Grain in Commercial Channels	-271	-97	767	-307	92	-235	-173
13. Exports of Goods and Services	1,571	1,657	1,879	1,740	6,847	1,552	1,823
14. Deduct: Imports of Goods and Services	-1,861	-2,102	-1,975	-1,996	-7,934	-1,811	-2,060
15. Residual Error of Estimate	81	186	-82	-94	91	75	142
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,676	8,192	9,396	8,543	33,807	7,660	8,356

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, which can be derived by dividing the value figures in Table 2 by the constant dollar figures in Table 3, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLE 4. Sources of Personal Income, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Wages, Salaries, and Supplementary Labour Income	4,397	4,622	4,792	4,703	18,514	4,507	4,786
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-187	-176	-188	-188	-739	-188	-184
3. Military Pay and Allowances	119	129	127	134	509	129	140
4. Net Income Received by Farm Operators from Farm Production(1)	22	117	979	83	1,201	74	103
5. Net Income of Non-Farm Unincorporated Business	460	550	513	582	2,105	442	547
6. Interest, Dividends, and Net Rental Income of Persons(2)	647	668	658	723	2,696	658	675
Transfer Payments to Persons:							
7. From Government (Excluding Interest)	901	754	712	749	3,116	1,000	826
8. Charitable Contributions by Corporations	10	10	10	10	40	9	10
9. PERSONAL INCOME	6,369	6,674	7,603	6,796	27,442	6,631	6,903

(1) This item differs from line 6 of Table 1 by excluding 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 5. Disposition of Personal Income, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Direct Taxes	557	639	578	584	2,358	574	671
2. Income Taxes	428	548	501	500	1,977	454	584
3. Succession Duties	49	39	32	38	158	37	34
4. Miscellaneous	80	52	45	46	223	83	53
5. Personal Expenditure on Consumer Goods and Services ..	5,377	5,858	5,755	6,419	23,409	5,581	6,079
6. Non-Durable Goods	2,636	2,831	2,922	3,394	11,783	2,740	2,955
7. Durable Goods	586	763	602	736	2,687	560	749
8. Services(1)	2,155	2,264	2,231	2,289	8,939	2,281	2,375
9. Personal Net Saving	435	177	1,270	-207	1,675	476	153
10. Personal Saving Excluding Change in Farm Inventories	665	281	568	144	1,658	714	256
11. Value of Physical Change in Farm Inventories	-230	-104	702	-351	17	-238	-103
12. PERSONAL INCOME	6,369	6,674	7,603	6,796	27,442	6,631	6,903
13. (Personal Disposable Income)(2)	(5,812)	(6,035)	(7,025)	(6,212)	(25,084)	(6,057)	(6,232)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 6. Government Revenue and Expenditure, by Quarters, 1960 and 1961

(millions of dollars)

REVENUE

	1960					1961	
	I	II	III	IV	Year	I	II
1. Direct Taxes - Persons	557	639	578	584	2,358	574	671
2. Federal	447	556	506	507	2,016	461	582
3. Provincial and Municipal	110	83	72	77	342	113	89
4. Direct Taxes - Corporations	328	396	373	352	1,449	287	397
5. Federal	263	317	298	282	1,160	230	318
6. (Federal Tax Collections)	(307)	(406)	(364)	(306)	(1,383)	(302)	(365)
7. Provincial	65	79	75	70	289	57	79
Withholding Taxes:							
8. Federal	23	19	18	17	77	34	26
9. Indirect Taxes	1,120	1,174	1,155	1,174	4,623	1,143	1,196
10. Federal	501	570	541	569	2,181	496	553
11. Provincial and Municipal	619	604	614	605	2,442	647	643
12. Investment Income	233	253	243	331	1,060	234	241
13. Federal	67	86	72	129	354	64	72
14. Provincial and Municipal	166	167	171	202	706	170	169
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds	187	176	188	188	739	188	184
16. Federal	127	115	125	125	492	125	118
17. Provincial and Municipal	60	61	63	63	247	63	66
Transfers from Federal:							
18. Provincial and Municipal	249	247	241	254	991	256	297
19. Total Revenue	2,697	2,904	2,796	2,900	11,297	2,716	3,012
20. Federal	1,428	1,663	1,560	1,629	6,280	1,410	1,669
21. Provincial and Municipal	1,269	1,241	1,236	1,271	5,017	1,306	1,343

TABLE 7. Government Revenue and Expenditure, by Quarters, 1960 and 1961

(millions of dollars)

EXPENDITURE

	1960					1961	
	I	II	III	IV	Year	I	II
1. Goods and Services	1,491	1,533	1,953	1,739	6,716	1,603	1,654
2. Federal	669	647	732	691	2,739	704	726
3. (Defence)	(434)	(349)	(388)	(390)	(1,561)	(438)	(368)
4. Provincial and Municipal	822	886	1,221	1,048	3,977	899	928
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	901	754	712	749	3,116	1,000	826
6. Federal	581	494	437	471	1,983	602	521
7. Provincial and Municipal	320	260	275	278	1,133	398	305
8. Interest on the Public Debt	230	254	232	333	1,049	224	255
9. Federal	168	169	177	242	756	160	162
10. Provincial and Municipal	62	85	55	91	293	64	93
11. Subsidies	54	58	60	62	234	50	58
12. Federal	52	56	57	57	222	48	56
13. Provincial	2	2	3	5	12	2	2
Transfers to Provincial and Municipal:							
14. Federal	249	247	241	254	991	256	297
15. Total Expenditure	2,925	2,846	3,198	3,137	12,106	3,133	3,090
16. Federal	1,719	1,613	1,644	1,715	6,691	1,770	1,762
17. Provincial and Municipal	1,206	1,233	1,554	1,422	5,415	1,363	1,328
18. Deficit (-) or Surplus (+)	-228	58	-402	-237	-809	-417	-78
19. Federal	-291	50	-84	-86	-411	-360	-93
20. Provincial and Municipal	63	8	-318	-151	-398	-57	15
21. Total Expenditure Minus Deficit or Plus Surplus	2,697	2,904	2,796	2,900	11,297	2,716	3,012
22. Federal	1,428	1,663	1,560	1,629	6,280	1,410	1,669
23. Provincial and Municipal	1,269	1,241	1,236	1,271	5,017	1,306	1,343

TABLE 8. National Saving Account, by Quarters, 1960 and 1961

(millions of dollars)

SOURCE

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Net Saving	435	177	1,270	-207	1,675	476	153
2. Business Gross Saving	1,170	1,345	1,312	1,294	5,121	1,013	1,370
3. Undistributed Corporation Profits	179	259	223	163	824	37	276
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,008	1,091	1,080	1,112	4,291	999	1,069
5. Adjustment on Grain Transactions(1)	-17	-5	9	19	6	-23	25
6. Inventory Valuation Adjustment	-34	-26	-16	19	-57	12	-17
7. Government Surplus (+) or Deficit (-)	-228	58	-402	-237	-809	-417	-78
8. Residual Error of Estimate	-86	-199	88	101	-96	-80	-152
9. Totals	1,257	1,355	2,252	970	5,834	1,004	1,276

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 4.

TABLE 9. National Saving Account, by Quarters, 1960 and 1961

(millions of dollars)

DISPOSITION

	1960					1961	
	I	II	III	IV	Year	I	II
1. Business Gross Fixed Capital Formation	1,411	1,740	1,788	1,673	6,612	1,302	1,643
2. New Residential Construction	317	365	399	395	1,476	291	366
3. New Non-Residential Construction	478	620	787	682	2,567	441	599
4. New Machinery and Equipment	616	755	602	596	2,569	570	678
5. Value of Physical Change in Inventories	68	-112	670	-310	316	-52	-214
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-308	-472	-119	-292	-1,191	-326	-305
7. Residual Error of Estimate	86	199	-87	-101	97	80	152
8. Totals	1,257	1,355	2,252	970	5,834	1,004	1,276

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Wages, Salaries, and Supplementary Labour Income	18,340	18,396	18,600	18,720	18,514	18,764	19,036
2. Military Pay and Allowances	496	500	504	536	509	540	544
3. Corporation Profits before Taxes and before Dividends paid to Non-Residents(1)	3,344	3,144	3,216	3,096	3,200	2,856	3,216
4. Deduct: Dividends Paid to Non-Residents(2)	-492	-476	-488	-404	-465	-764	-552
5. Rent, Interest, and Miscellaneous Investment Income.	2,376	2,304	2,364	2,404	2,362	2,452	2,416
6. Accrued Net Income of Farm Operators from Farm Production(3)	1,308	1,124	1,164	1,232	1,207	948	880
7. Net Income of Non-Farm Unincorporated Business(4) ..	2,140	2,160	2,060	2,060	2,105	2,020	2,132
8. Inventory Valuation Adjustment	-136	-104	-64	76	-57	48	-68
9. NET NATIONAL INCOME AT FACTOR COST	27,376	27,048	27,356	27,720	27,375	26,864	27,604
10. Indirect Taxes less Subsidies	4,408	4,420	4,320	4,408	4,389	4,496	4,480
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	4,288	4,260	4,268	4,348	4,291	4,260	4,196
12. Residual Error of Estimate	-68	-172	-104	-40	-96	48	-
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	36,004	35,556	35,840	36,436	35,959	35,668	36,280
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(34,696)	(34,432)	(34,676)	(35,204)	(34,752)	(34,720)	(35,400)

- (1) In reports prior to 1961 this item was shown after deduction of dividends paid to non-residents, it is now however inclusive of such dividends. In order to derive series consistent with past published figures, lines 3 and 4 must be combined.
- (2) Includes the withholding tax applicable to this item. Also includes some net profits of non-Canadian non-financial corporations. Since the withholding tax is also part of National Product, it is included again in Rent, Interest and Miscellaneous Investment Income.
- (3) 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.
- (4) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer Goods and Services ...	22,896	23,376	23,420	23,944	23,409	23,856	24,180
2. Government Expenditure on Goods and Services(1)	6,488	6,620	6,832	6,924	6,716	6,988	7,188
3. Business Gross Fixed Capital Formation(2)	6,916	6,384	6,500	6,648	6,612	6,420	6,128
4. New Residential Construction	1,640	1,396	1,444	1,424	1,476	1,512	1,436
5. New Non-Residential Construction	2,608	2,476	2,584	2,600	2,567	2,416	2,416
6. New Machinery and Equipment	2,668	2,512	2,472	2,624	2,569	2,492	2,276
7. Value of Physical Change in Inventories	752	424	-132	220	316	-316	-384
8. Non-Farm Business Inventories	648	336	-176	108	229	28	148
9. Farm Inventories and Grain in Commercial Channels(3)	104	88	44	112	87	-344	-532
10. Exports of Goods and Services	7,172	6,676	7,168	6,812	6,957	7,148	7,252
11. Deduct: Imports of Goods and Services	-8,292	-8,100	-8,052	-8,148	-8,148	-8,384	-8,084
12. Residual Error of Estimate	72	176	104	36	97	-44	-
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	36,004	35,556	35,840	36,436	35,959	35,668	36,280

(1) See footnote 1, Table 2.

(2) See footnote 3, Table 2.

(3) Detail of Farm Inventories and GICC:

Value of grain crop production	1,016	1,016	1,016	1,020	1,017	568	568
Depletions of farm stocks of grain	-908	-1,016	-1,168	-964	-1,014	-1,028	-1,060
Change in livestock inventories	92	-92	16	40	14	80	96
Grain in Commercial Channels	-96	180	180	16	70	36	-136

	1960					1961	
	I	II	III	IV	Year	I	II
Value of grain crop production	1,016	1,016	1,016	1,020	1,017	568	568
Depletions of farm stocks of grain	-908	-1,016	-1,168	-964	-1,014	-1,028	-1,060
Change in livestock inventories	92	-92	16	40	14	80	96
Grain in Commercial Channels	-96	180	180	16	70	36	-136

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 3, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1960 and 1961(1)
Seasonally Adjusted at Annual Rates

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer Goods and Services	21,880	22,288	22,292	22,632	22,273	22,528	22,876
2. Non-Durable Goods	11,192	11,488	11,516	11,468	11,416	11,528	11,764
3. Durable Goods	2,580	2,572	2,500	2,824	2,619	2,580	2,628
4. Services	8,108	8,228	8,276	8,340	8,238	8,420	8,484
5. Government Expenditure on Goods and Services	5,936	6,000	6,188	6,164	6,072	6,184	6,304
6. Business Gross Fixed Capital Formation	6,468	5,932	6,020	6,164	6,146	5,908	5,628
7. New Residential Construction	1,520	1,276	1,316	1,288	1,350	1,368	1,304
8. New Non-Residential Construction	2,440	2,316	2,404	2,428	2,397	2,236	2,232
9. New Machinery and Equipment	2,508	2,340	2,300	2,448	2,399	2,304	2,092
10. Change in Inventories	740	428	-136	216	312	-228	-320
11. Non-Farm Business Inventories	640	332	-192	100	220	60	160
12. Farm Inventories and Grain in Commercial Channels	100	96	56	116	92	-288	-480
13. Exports of Goods and Services	7,100	6,548	7,036	6,704	6,847	7,036	7,132
14. Deduct: Imports of Goods and Services	-8,212	-7,888	-7,760	-7,876	-7,934	-8,040	-7,728
15. Residual Error of Estimate	68	168	96	32	91	-40	-
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	33,980	33,476	33,736	34,036	33,807	33,348	33,892

(1) See also footnote 1, Table 3.

TABLE 13. Sources of Personal Income, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Wages, Salaries, and Supplementary Labour Income ..	18,340	18,396	18,600	18,720	18,514	18,764	19,036
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds ...	-728	-732	-748	-748	-739	-736	-764
3. Military Pay and Allowances	496	500	504	536	509	540	544
4. Net Income Received by Farm Operators from Farm Production(1)	1,296	1,100	1,180	1,228	1,201	956	756
5. Net Income of Non-Farm Unincorporated Business	2,140	2,160	2,060	2,060	2,105	2,020	2,132
6. Interest, Dividends, and Net Rental Income of Persons(2)	2,692	2,644	2,680	2,768	2,696	2,728	2,724
Transfer Payments to Persons:							
7. From Government (excluding interest)	2,920	3,056	3,208	3,280	3,116	3,256	3,332
8. Charitable Contributions by Corporations	40	40	40	40	40	36	40
9. PERSONAL INCOME	27,196	27,164	27,524	27,884	27,442	27,564	27,800

(1) This item differs from line 6, Table 10 by excluding 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 14. Disposition of Personal Income, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Direct Taxes	2,240	2,476	2,336	2,380	2,358	2,376	2,524
2. Income Taxes	1,820	2,104	1,992	1,992	1,977	1,996	2,172
3. Succession Duties	196	156	128	152	158	148	136
4. Miscellaneous	224	216	216	236	223	232	216
5. Personal Expenditure on Consumer Goods and Services	22,896	23,376	23,420	23,944	23,409	23,856	24,180
6. Non-Durable Goods	11,516	11,824	11,848	11,944	11,783	12,008	12,188
7. Durable Goods	2,664	2,652	2,564	2,868	2,687	2,592	2,652
8. Services(1)	8,716	8,900	9,008	9,132	8,939	9,256	9,340
9. Personal Net Saving	2,060	1,312	1,768	1,560	1,675	1,332	1,096
10. PERSONAL INCOME	27,196	27,164	27,524	27,884	27,442	27,564	27,800
11. (Personal Disposable Income)(2)	(24,956)	(24,688)	(25,188)	(25,504)	(25,084)	(25,188)	(25,276)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 15. Government Revenue and Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

		REVENUE						
		1960					1961	
		I	II	III	IV	Year	I	II
1.	Direct Taxes - Persons	2,240	2,476	2,336	2,380	2,358	2,376	2,524
2.	Federal	1,892	2,132	2,016	2,024	2,016	2,020	2,160
3.	Provincial and Municipal	348	344	320	356	342	356	364
4.	Direct Taxes - Corporations	1,524	1,436	1,408	1,428	1,449	1,344	1,448
5.	Federal	1,232	1,148	1,124	1,138	1,160	1,084	1,156
6.	(Federal Tax Collections)	(1,276)	(1,520)	(1,424)	(1,312)	(1,383)	(1,260)	(1,292)
7.	Provincial	292	288	284	292	289	260	292
Withholding Taxes:								
8.	Federal	76	80	76	76	77	112	112
9.	Indirect Taxes	4,628	4,644	4,564	4,656	4,623	4,708	4,712
10.	Federal	2,192	2,204	2,132	2,196	2,181	2,168	2,132
11.	Provincial and Municipal(1)	2,436	2,440	2,432	2,460	2,442	2,540	2,580
12.	Investment Income	1,072	1,040	1,040	1,088	1,060	1,060	1,016
13.	Federal	368	348	332	368	354	348	308
14.	Provincial and Municipal	704	692	708	720	706	712	708
Employer and Employee Contributions to Social Insurance and Government Pension Funds		728	732	748	748	739	736	764
16.	Federal	488	488	496	496	492	484	500
17.	Provincial and Municipal	240	244	252	252	247	252	264
Transfers from Federal:								
18.	Provincial and Municipal	960	996	972	1,036	991	996	1,168
19.	Total Revenue	11,228	11,404	11,144	11,412	11,297	11,332	11,744
20.	Federal	6,248	6,400	6,176	6,296	6,280	6,216	6,368
21.	Provincial and Municipal	4,980	5,004	4,968	5,116	5,017	5,116	5,376

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward, this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 16. Government Revenue and Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

		EXPENDITURE						
		1960					1961	
		I	II	III	IV	Year	I	II
1.	Goods and Services	6,488	6,620	6,832	6,924	6,716	6,988	7,188
2.	Federal	2,700	2,676	2,800	2,780	2,739	2,888	2,988
3.	(Defence)	(1,528)	(1,548)	(1,592)	(1,576)	(1,561)	(1,564)	(1,632)
4.	Provincial and Municipal	3,788	3,944	4,032	4,144	3,977	4,100	4,200
Transfer Payments to Persons (excluding Interest on the Public Debt)		2,920	3,056	3,208	3,280	3,116	3,256	3,332
6.	Federal	1,896	1,896	2,060	2,080	1,983	1,976	2,024
7.	Provincial and Municipal	1,024	1,160	1,148	1,200	1,133	1,280	1,308
8.	Interest on the Public Debt	1,064	1,032	1,004	1,096	1,049	1,032	1,032
9.	Federal	764	752	708	800	756	724	720
10.	Provincial and Municipal	300	280	296	296	293	308	312
11.	Subsidies	220	224	244	248	234	212	232
12.	Federal	208	212	232	236	222	200	220
13.	Provincial	12	12	12	12	12	12	12
Transfers to Other Levels of Government:								
14.	Federal	960	996	972	1,036	991	996	1,168
15.	Total Expenditure	11,652	11,928	12,260	12,584	12,106	12,484	12,952
16.	Federal	6,528	6,532	6,772	6,932	6,691	6,784	7,120
17.	Provincial and Municipal	5,124	5,396	5,488	5,652	5,415	5,700	5,832
18.	Deficit (-) or Surplus (+)	-424	-524	-1,116	-1,172	-809	-1,152	-1,208
19.	Federal	-280	-132	-596	-636	-411	-568	-752
20.	Provincial and Municipal	-144	-392	-520	-536	-398	-584	-456
21.	Total Expenditure Minus Deficit or Plus Surplus	11,228	11,404	11,144	11,412	11,297	11,332	11,744
22.	Federal	6,248	6,400	6,176	6,296	6,280	6,216	6,368
23.	Provincial and Municipal	4,980	5,004	4,968	5,116	5,017	5,116	5,376

TABLE 17. National Saving Account, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	SOURCE					1961	
	I	II	III	IV	Year	I	II
1. Personal Net Saving	2,060	1,312	1,768	1,560	1,675	1,332	1,096
2. Business Gross Saving	5,188	5,048	5,104	5,144	5,121	4,548	5,092
3. Undistributed Corporation Profits	888	764	852	792	824	296	772
4. Capital Consumption Allowances, etc.	4,288	4,260	4,268	4,348	4,291	4,260	4,196
5. Adjustment on Grain Transactions(1)	12	24	-16	4	6	-8	124
6. Inventory Valuation Adjustment	-136	-104	-64	76	-57	48	-68
7. Government Surplus (+) or Deficit (-)	-424	-524	-1,116	-1,172	-809	-1,152	-1,208
8. Residual Error of Estimate	-68	-172	-104	-40	-96	48	-
9. Totals	6,620	5,560	5,588	5,568	5,834	4,824	4,912

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 6.

TABLE 18. National Saving Account, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	DISPOSITION					1961	
	I	II	III	IV	Year	I	II
1. Business Gross Fixed Capital Formation	6,916	6,384	6,500	6,648	6,612	6,420	6,128
2. New Residential Construction	1,640	1,396	1,444	1,424	1,476	1,512	1,436
3. New Non-Residential Construction	2,608	2,476	2,584	2,600	2,567	2,416	2,416
4. New Machinery and Equipment	2,668	2,512	2,472	2,624	2,569	2,492	2,276
5. Value of Physical Change in Inventories	752	424	-132	220	316	-316	-384
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-1,120	-1,424	-884	-1,336	-1,191	-1,236	-832
7. Residual Error of Estimate	72	176	104	36	97	-44	-
8. Totals	6,620	5,560	5,588	5,568	5,834	4,824	4,912

