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NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
THIRD QUARTER
1961

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DOMINION BUREAU OF STATISTICS
National Accounts Division

December, 1961
2201-513

Price \$2.00 per year

100-13

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.

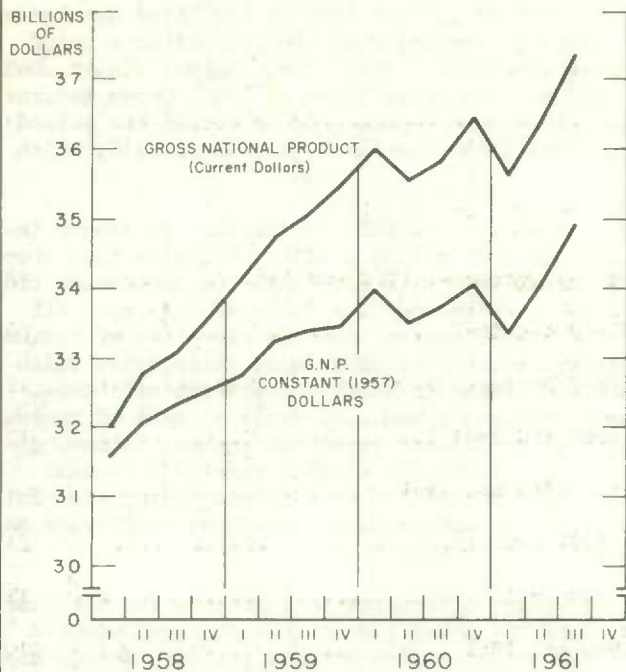
The historical record of the recently introduced series of Gross National Expenditure in Constant (1957) Dollars, both unadjusted and adjusted for seasonal variation, may be found in the publication:

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

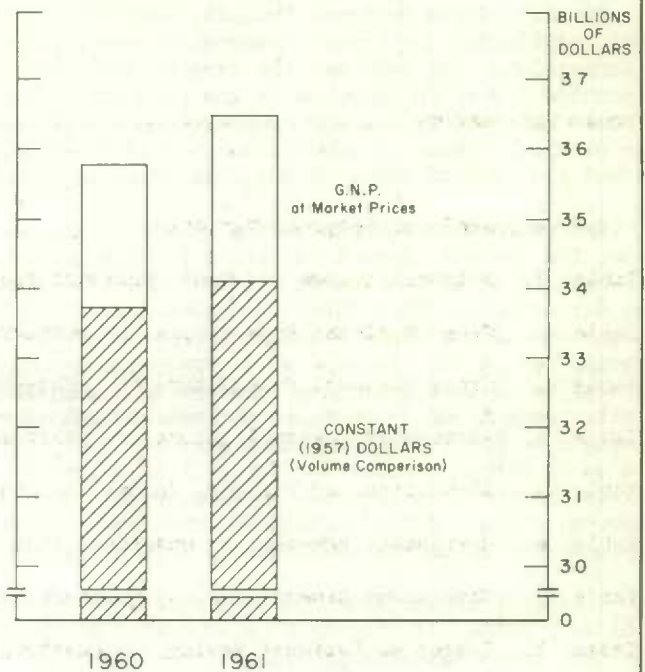
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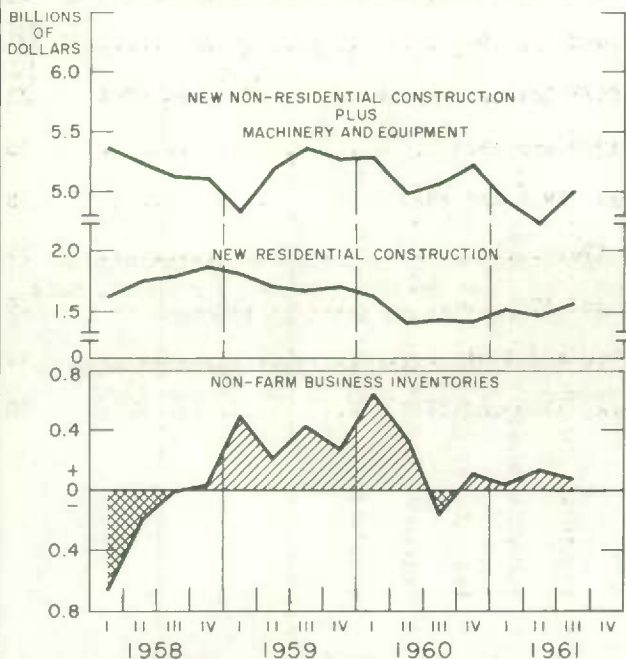
G.N.P. MADE A STRONG ADVANCE
IN THE THIRD QUARTER,
RISING BY 2.7 PER CENT



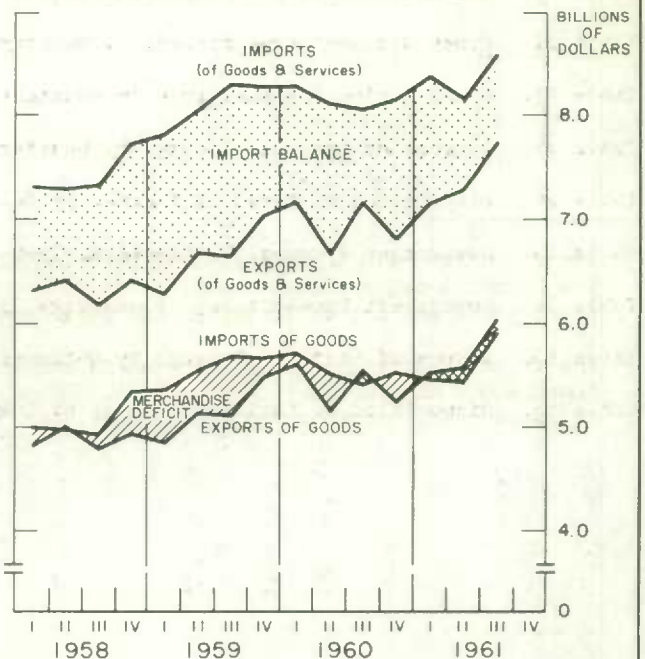
THE VALUE INCREASE IN THE FIRST NINE MONTHS
AMOUNTED TO 2 PER CENT OVER THE SAME
PERIOD OF 1960, WITH THE VOLUME OF
PRODUCTION UP BY ABOUT 1 PER CENT



BUSINESS OUTLAYS FOR PLANT AND EQUIPMENT
TURNED UPWARD IN THE THIRD QUARTER,
FOLLOWING A 2-QUARTER DECLINE. OUTLAYS
FOR NEW HOUSING WERE ALSO HIGHER. ADDITIONS
TO INVENTORY STOCKS CONTINUED TO BE
MADE, BUT AT A MODEST RATE.



THE TOTAL DEFICIT ON CURRENT ACCOUNT SHOWED
LITTLE CHANGE IN THE THIRD QUARTER.
THE SURPLUS ON MERCHANDISE ACCOUNT
CONTINUED AT THE SECOND QUARTER LEVEL



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

INTRODUCTORY REVIEW

Canada's Gross National Product, seasonally adjusted, rose by 2.7 per cent in the third quarter of 1961, continuing the upward trend which was resumed in the second quarter of the year after a brief interruption. The gain was the largest quarter-to-quarter advance for some time, and was almost wholly accounted for by an increase in the physical volume of output; the price index of total Gross National Product remained relatively unchanged in the quarter(1). This most recent gain in output has raised the physical volume of production to a level about 3 per cent above the first quarter of 1960, which marked the peak of the last business cycle expansion.

The production advance in the third quarter was supported by a substantial increase in labour income, the largest since 1959, and a further marked advance in corporation profits, bringing them above the peak level of the fourth quarter of 1959. National income rose by 4 per cent. On the demand side, the expansion in total final purchases was one of the largest on record (see Table of page 6). All components of the Gross National Expenditure were rising in the quarter, with the exception of business inventories, where the rate of accumulation was moderately lower, and agricultural inventories which were affected by a poor crop out-turn in Western Canada(2). In particular, the reversal of a two-quarter down-trend in business outlays for new plant and equipment added a sizeable element of renewed strength to total final demand in the quarter. Outlays for new housing were also higher, following the small second quarter decline. Transactions on current international account exerted a neutral effect, however, as the rise in exports of goods and services was matched by a corresponding rise in imports, and the deficit remained unchanged. Government and consumer outlays continued to provide an expansionary influence on the total flow of expenditures in the economy.

With nine months data now available, it is possible to suggest an order of magnitude for the year 1961 as a whole. In the first nine months of the year, Gross National Product has averaged about 2 per cent above the same period of 1960. The rise in final product prices between the two periods has amounted to about 1 per cent, so that in physical volume terms production was up over a year ago by about 1 per cent. The post-war average increase in the physical volume of output has amounted to approximately 4 per cent per year.

These nine months' comparisons, in terms of the value, volume and price change over the year, are shown in the lower part of the Table on page 7 (Column (1)); figures are also given for the main components of demand.

-
- (1) Import prices rose sharply in the third quarter, reflecting the drop in the exchange rate on the Canadian dollar; however, since imports are excluded from the Gross National Product, this development was not reflected in the price component of total Gross National Product.
 - (2) The value of crop production in 1961 is estimated at just below \$600 million, compared with about \$1000 million for the year 1960. For the treatment of this item in the seasonally adjusted data, see Footnote 3, Table 11.

Quarter to Quarter Changes in Final Purchases

(Seasonally Adjusted at Annual Rates)

(\$ millions)

	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61
	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61
1. Personal Expenditure	280	284	480	320	156	300	332	-24	480	44	524	-88	324	380
2. Government Expenditure	264	104	-4	88	172	-208	60	88	132	212	92	64	200	188
3. Residential Construction	136	36	76	-68	-84	-32	36	-84	-244	48	-20	88	-32	88
4. Non-Residential Construction	-4	-76	-96	-220	124	16	32	-44	-132	108	16	-184	16	120
5. Machinery and Equipment	-116	-36	88	-84	256	148	-124	52	-156	-40	152	-132	-200	156
6. Exports	104	-248	248	-136	404	-24	372	128	-496	492	-356	336	152	452
7. Total Final Purchases	664	64	792	-100	1,028	200	708	116	-416	864	408	84	460	1,384
8. (Final Domestic Demand)	(560)	(312)	(544)	(36)	(624)	(224)	(336)	(-12)	(80)	(372)	(764)	(-252)	(308)	(932)

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	112	-68
10. Imports	-20	44	400	80	232	248	-12	4	-192	-48	96	236	-228	440
11. GNP (ex. farm)	748	384	452	552	684	232	624	216	-264	244	528	-484	736	892

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final Domestic Demand	0.8	0.8	0.9	-0.5	1.4	0.3	0.1	-0.3	-0.2	0.8	1.3	-1.0	0.8	2.1
13. Total Final Purchases	1.0	0.1	1.2	-0.8	2.2	0.1	1.0	0.1	-1.5	1.9	0.3	-	1.0	2.5
14. Gross National Expenditure	1.4	0.9	0.6	0.8	1.4	0.5	0.2	1.5	-1.5	0.8	0.9	-2.0	2.1	2.6

Percentage Changes in Components of Gross National Expenditure(1)

	9 Months 1960 to 9 Months 1961	4Q 1960 to 1Q 1961	1Q 1961 to 2Q 1961	2Q 1961 to 3Q 1961
	Col. (1)	Col. (2)	Col. (3)	Col. (4)
Personal Expenditure	4.2	- 0.4	1.4	1.6
Government Expenditure	8.1	0.9	2.9	2.6
Residential Construction	1.8	6.2	- 2.1	5.9
Non-Residential Construction	- 3.5	- 7.1	0.7	4.9
Machinery and Equipment	- 5.5	- 5.0	- 8.0	6.8
Exports	5.6	4.9	2.1	6.2
Total Final Demand	3.9	0.2	1.0	3.1
Inventories	(-\$0.9 b.)	(-\$0.5 b.)	-	(-\$0.2 b.)
(Business Only).....	(-\$0.2 b.)	(-\$0.1 b.)	(\$0.1 b.)	(-\$0.1 b.)
Imports	2.8	2.9	- 2.7	5.4
Gross National Expenditure (Value) (2) ..	1.9	- 2.1	2.0	2.7
Price Component	0.8	- 0.1	- 0.1	0.1
Volume Component	1.1	- 2.0	2.1	2.6

(1) Based on data seasonally adjusted at annual rates.

(2) Erratic movements in interest and dividend transactions with other countries affected the change in Gross National Product in the first and second quarters. For details, see Table on page 12.

While these annual comparisons provide a useful setting for viewing the year 1961 in perspective, they conceal to a considerable extent the evidence of developing strength which became markedly apparent toward the end of the year. The above Table also shows percentage changes in terms of the quarter-to-quarter movements of the seasonally adjusted figures through the first three quarters of this year. It is evident from Columns (2), (3), and (4) that, as the year progressed, greater strength was becoming apparent in the components of total final demand, and in the third quarter the advance in Gross National Product, both in value and in volume terms, was the largest quarter-to-quarter gain for several years. The third quarter figure of Gross National Product was running at a seasonally adjusted annual rate about \$1.0 billion higher than the nine-month average.

The flow of income to the personal, business and government sectors was also rising throughout the year, although the year-to-year changes, averaged out over the nine months, were in most cases of rather modest proportions. Corporation profits, for example, show little change on the year-to-year basis, but as the Table on the following page indicates, the increases in this component of income in the second and third quarter of 1961 were unusually sharp.

Percentage Changes in Major Income Components(1)

	9 Months 1960 to 9 Months 1961	4Q 1960 to 1Q 1961	1Q 1961 to 2Q 1961	2Q 1961 to 3Q 1961
	Col. (1)	Col. (2)	Col. (3)	Col. (4)
Wages, Salaries, and Supplementary Labour Income	3.5	0.2	1.5	2.2
Transfer Payments	9.1	-0.7	2.3	2.9
Personal Income	2.8	-1.1	1.2	2.9
Corporation Profits (Before Dividends)	-0.8	-7.8	12.6	10.4
Rents, Interest, and Miscellaneous Invest- ment Income	5.8	2.0	-1.5	7.0
Net Income of Non-Farm Unincorporated Business	0.5	-1.9	6.9	2.4
National Income	1.8	-3.1	3.1	3.7
Selected Government Revenues (All Levels of Government)				
Direct Personal Taxes	5.1	-0.2	6.2	-0.5
Corporation Tax Liabilities	0.5	-5.9	7.7	10.2
Indirect Taxes	3.1	1.1	0.1	2.8

(1) Based on data seasonally adjusted at annual rates.

DEVELOPMENTS IN THE THIRD QUARTER

Production by Industry

Indicators of the volume of output show an increase of about 2 1/2 per cent from the second to the third quarter of 1961, after allowing for seasonal factors. The quickening tempo of economic activity was apparent in almost all industry groups but was particularly evident in the goods-producing industries where the impact of the down-turn had been chiefly felt. Output in this group was up about 3 1/2 per cent, as opposed to an increase of less than 1 1/2 per cent in the service-producing industries. Non-farm output of goods and services is estimated to have risen in excess of 2 per cent.

Manufacturing production, seasonally adjusted, advanced by 3 1/2 per cent in the third quarter. This development brought the index of manufacturing output to a point more than 1 per cent above its previous peak in the first quarter of 1960, and 5 per cent above the level of the first quarter of 1961. While the major share of the advance in the third quarter came in the durable segment of manufacturing production (up 4.6 per cent), this index was still about 5 per cent below its record peak reached in the last quarter of 1956.

Most of the durable goods industries contributed to the large increase in the output of the durable goods group. The biggest gain occurred in the transportation equipment industry where production rose by 12 per cent, reflecting increased output in the automotive industry, and also in ship-building, which had been affected by strikes in the second quarter; activity in the aircraft industry was somewhat lower. Almost all component groups in the iron and steel industry, and especially the iron castings and primary iron and steel group, contributed to the 6 per cent rise in output in this industry during the quarter. Production in the wood products group and electrical apparatus and supplies group, was up by 3 and 5 per cent respectively in the quarter. On the other hand, production of non-ferrous metal products declined by 4 per cent and output of non-metallic mineral products was slightly lower.

The non-durable manufacturing industries also showed widespread strength in the quarter, rising by 2.3 per cent on a seasonally adjusted basis. The increase brought the index to a level some 3 1/2 per cent above the previous peak reached in the first quarter of 1960. The gains in production ranged from 1 per cent in chemicals and leather products to 8 per cent in clothing. Reduced oil refining activity caused the petroleum products industry group to decline by 3 per cent. Production of tobacco products was also down by 2 per cent.

In spite of substantial changes within the components of the mining industry, there was no change in the total level of output of this industry in the third quarter. Iron ore and uranium production were down sharply, but these declines were offset by gains in nickel, lead and zinc. Output of crude petroleum was up slightly from the high level of the second quarter.

The downward trend of output in the construction industry was reversed in the third quarter when construction put in place is estimated to have risen $4\frac{1}{2}$ per cent. Both housing construction and non-residential construction activity showed substantial gains.

Within the service industries, gains in output in the third quarter were all comparatively small, ranging between 1 or 2 per cent for most service industry groups.

Employment

Non-farm employment as estimated by the Labour Force Survey rose by about one-half of 1 per cent from the second to the third quarter, on a seasonally adjusted basis. In conjunction with a gain in real output in the non-farm sector estimated at more than 2 per cent, some increase in output per worker is suggested. The total labour force declined more than seasonally in the third quarter, and there was a decline in the unemployment rate -- from 7.5 per cent of the labour force in the second quarter, to 6.9 per cent in the third, on a seasonally adjusted basis. This is the second successive decline in quarterly rates of unemployment from the level prevailing at the beginning of the year.

Value, Volume and Price Comparisons

As has been noted, the price component of total Gross National Product showed very little change between the second and third quarters of 1961. However, as the following Table indicates, the price of imported goods and services was significantly higher in the third quarter, by about 3 per cent, reflecting the effects of the decline in the exchange rate on the Canadian dollar. This development on the import side has to some extent been reflected in the price component of total final demand, some categories of which have a substantial import content. For example, the import content of machinery and equipment is estimated at close to 50 per cent of the total value put in place, and this particular component of the Gross National Expenditure reflects the effect of increased import prices associated with the exchange rate decline. The price of consumer goods and services increased only fractionally in the quarter, and the rise in import prices does not as yet appear to have had any significant effect on the price of consumer goods sold at retail. The introduction of a 3 per cent retail sales tax by the Province of Ontario in September is reflected in the slight increase in prices at the consumer level.

The price component of exports of goods and services has shown a significant rise between the second and third quarters. Canadian wholesale price indexes for some major primary commodities that enter into international trade (and whose prices are set in world markets) rose sharply in the third quarter; prices of woodpulp, by $3\frac{1}{2}$ per cent, newsprint by 4 per cent, and grains by 10 per cent. These price increases are related, in part to the new exchange rate situation, and in part to changes in the world supply situation. It is possible that the effects of the decline in the exchange rate have not yet been fully reflected in export prices.

On balance, the rise in import prices has had little effect on the price component of total Gross National Product, since imported goods and services are excluded, by definition, from Canada's Gross National Product. The following Table shows the effect of price developments in these various categories in the third quarter of 1961.

Percent Changes, Value, Volume and Price(1)

	2nd Quarter 1961 to 3rd Quarter 1961			9 Months 1960 to 9 Months 1961		
	Value	Volume	Price(2)	Value	Volume	Price(2)
Personal Expenditure	1.6	1.3	0.3	4.2	3.2	1.0
Goods	2.0	1.9	0.2	3.5	3.1	0.4
Services	0.9	0.3	0.6	5.2	3.3	1.9
Government Expenditure	2.6	2.5	0.1	8.1	4.7	3.3
Gross Fixed Capital Formation	5.9	5.1	0.7	-3.1	-4.4	1.3
New Residential Construction	5.9	5.7	0.2	1.8	0.5	1.4
New Non-Residential Construction	4.9	5.1	-0.2	-3.5	-4.1	0.7
New Machinery and Equipment	6.8	4.7	2.0	-5.5	-7.4	2.0
Exports of Goods and Services	6.2	4.4	1.8	5.6	4.7	0.9
Total Final Demand	3.1	2.5	0.6	3.9	2.5	1.3
Imports of Goods and Services	5.4	2.3	3.1	2.8	-0.4	3.3
Gross National Expenditure	2.7	2.6	0.1	1.9	1.1	0.8

(1) Seasonally adjusted at annual rates.

(2) The price comparisons shown above are based on the implicit price deflators which can be derived by dividing the value series by the volume series.

Business Gross Fixed Capital Formation

Considerable strength developed in the capital sector in the third quarter, as investment outlays rose by 6 per cent above the second quarter level, on a seasonally adjusted basis. The rate of increase was about the same for all three components. The reversal of the downward movement in total capital outlays took place against a background of sharply rising profits and a higher level of industrial production. The expansion in demand for fixed capital goods brought about a 3 per cent rise in employment in the construction industry and an increase of over 5 per cent in domestic shipments of both capital goods and construction materials. Although commodity detail is not yet available for the full quarter, it is probable that part of the increase in demand for capital goods in the quarter was met out of the rise in imports.

Business outlays for plant and equipment in the third quarter were running at a seasonally adjusted annual rate of \$5.0 billion, with an increase over the second quarter of 7 per cent in the case of expenditures for machinery and equipment and 5 per cent for non-residential construction. There is some evidence of a shift of emphasis within the non-residential component toward engineering construction and away from building construction.

The relative slowness in non-residential construction in the spring months, in part, was the result of unfavourable weather conditions in Eastern Canada at the start of the construction season accentuated by a major work stoppage in June. In the third quarter construction conditions were much more favourable and the recovery in activity reflected a catching up on work delayed earlier in the year, as well as the reaction to more favourable economic conditions. In addition, a concentration of the pipeline construction work in this quarter contributed to the relative strength shown in engineering construction and added to the general recovery.

Outlays for new housing in the third quarter are estimated at a seasonally adjusted annual rate of \$1.6 billion, 6 per cent higher than the second quarter level. Much of this advance in expenditures came from completions, which were up more than 17 per cent, reflecting the high level of starts prevailing in the opening months of the year. However, starts in the third quarter were also up a little, by over 2 per cent, and thus made some contribution to the advance in outlays.

Investment in Inventories

The sharp expansion in activity in the third quarter was based entirely on the rise in final demand (see Table, p. 6), and did not involve any acceleration in the rate of inventory stock building. In fact, investment in business inventories amounted to only \$72 million in the third quarter (at seasonally adjusted annual rates), compared with a modest but somewhat larger buildup of \$140 million in the

preceding period, as is shown in the accompanying Table. All the increase in stocks took place in retail trade; manufacturing industries continued to draw down their stocks for the third quarter in succession, while wholesale trade and other industries shifted from accumulation to liquidation.

Among manufacturing industries the major part of the quarter's drawing down of stocks took place in the durable goods group. Liquidation was fairly general throughout this group except for iron and steel and non-metallic mineral products industries, both of which began to build up inventories in contrast to the situation in the two preceding quarters. Among the non-durables there was a fairly substantial build-up of stocks in the tobacco industry and a heavy drawing down in the petroleum industry.

At the end of the quarter, the ratio of stocks to sales in total manufacturing was virtually the same as existed one year earlier. However, the ratio for durables, where shipments increased sharply in the quarter, was substantially reduced, while the ratio for non-durables, where there was only a small increase in shipments, was somewhat higher. During the quarter, new orders in manufacturing industries rose by more than 5 per cent, with a slight increase in new orders for capital goods (excluding transportation equipment), and a 4 per cent increase in new orders for construction materials.

Change in Non-Farm Business Inventories
(Seasonally Adjusted at Annual Rates)
(Millions of Dollars)

	<u>1Q 1961</u>	<u>2Q 1961</u>	<u>3Q 1961</u>
Manufacturing	- 24	- 60	- 84
Durables	-180	4	- 52
Non-Durables	156	- 64	- 32
Retail Trade	- 64	20	204
Motor Vehicle Dealers	-124	44	20
Other	60	- 24	184
Wholesale Trade	68	16	- 4
Other Industries	48	164	- 44
Grand Total	28	140	72

There was a substantial accumulation of stocks in the hands of retail traders in the third quarter in contrast to only a modest accumulation in the second. The movement of stocks in the individual trades was mixed. Much of the accumulation in the durable groups is accounted for by stocks in the hands of farm implement dealers. Stocks of food largely account for a substantial build-up in the non-durable group.

In wholesale trade, stocks were drawn down slightly in the third quarter, in contrast to a small accumulation in the second quarter. This liquidation was the outcome of almost offsetting accumulation in stocks of durable goods and liquidation in stocks of non-durables.

Exports and Imports of Goods and Services

At a seasonally adjusted annual rate of \$7.8 billion, exports of goods and services in the third quarter were up more than 6 per cent from the second quarter level, following the much more moderate 2 per cent increase in the preceding period. At the same time, imports of goods and services rose to \$8.6 billion, an increase of 5 1/2 per cent, in contrast with the decline of 2 1/2 per cent in the preceding quarter. The deficit on current international account remained unchanged between the two quarters, at approximately \$0.8 billion, on the National Accounts basis. The merchandise account recorded a small surplus for the third quarter in succession, after having been in deficit for many years; the last full year in which a merchandise surplus was recorded was in 1954. Payments and receipts on service account showed little change in the third quarter, in contrast to the two preceding quarters, when sharp but erratic changes on interest and dividend account caused the deficit on services to widen suddenly in the early part of the year, and to narrow again in the second quarter.

Exports and Imports of Merchandise and Services
(Seasonally Adjusted at Annual Rates)

	4Q 1960	1Q 1961	2Q 1961	3Q 1961	% Change 2Q to 3Q
(millions of dollars)					
<u>Exports:</u>					
Merchandise	5,264	5,548	5,588	6,052	8.3
Services (including interest and dividend receipts)	1,548	1,600	1,712	1,700	- 0.7
Total	6,812	7,148	7,300	7,752	6.2
<u>Imports:</u>					
Merchandise	5,540	5,468	5,448	5,908	8.4
Services (including interest and dividend payments)	2,608	2,916	2,708	2,688	- 0.7
Total	8,148	8,384	8,156	8,596	5.4

Merchandise exports rose by more than 8 per cent in the third quarter and were particularly strong in the months of July and September. It is not yet possible to identify all of the items responsible for this large increase, but shipments of wheat were a very important factor; exports of copper and nickel were also higher in the quarter. The pick-up of exports to the United States was particularly important in raising the level of total exports in the third quarter. At the same time, merchandise imports rose more than 8 per cent. Full commodity detail is not yet available for imports but the upsurge comes at a time when investment in plant and equipment appears to be recovering, and consumer spending showing greater strength, particularly for durables.

The changes in the service account were for the most part small and, as is mentioned above, virtually offsetting. However, receipts from interest and dividends dropped sharply from the irregularly high second quarter level, and there was a considerable expansion in receipts from freight and shipping.

Personal Expenditure on Consumer Goods and Services

Consumer spending in the third quarter is estimated to have been \$24.6 billion (seasonally adjusted at annual rates), about 1 1/2 per cent higher than in the second quarter. This is about the same rate of increase as in the preceding period, and considerably below the 3 per cent rise in disposable income.

Much of the strength in consumer spending in the third quarter came from purchases of durable goods which were up 6 1/2 per cent from the previous quarter. There were increased purchases of all the categories of durables but the major increase was in purchases of new and used cars which were up by 9 per cent. Purchases of British and European cars increased sharply, reversing the downward movement evident in the two preceding quarters; the level of expenditure here, however, was below that registered in any quarter of the previous year. Among other durables, sales of radios and appliances were up 8 per cent in the quarter and of home furnishings and furniture 5 and 3 per cent respectively.

Expenditure on non-durables increased by 1 per cent in the quarter, with moderate increases in most categories. Spending on services was higher by 1 per cent.

The Government Sector

The deficit on consolidated government account (on the National Accounts basis) remained virtually unchanged between the second and third quarters of 1961, at a seasonally adjusted rate of \$1.2 billion. However, there was a marked narrowing of the deficit at the Federal level, from \$0.8 billion to \$0.6 billion; the deficit at the provincial-municipal levels of government showed an increase of \$0.2 billion.

Total government revenues were rising in the third quarter in response to the general expansion in economic activity and the higher levels of incomes, shipments, sales, and imports. The increase amounted to \$0.4 billion (or over 3 per cent), three-fourths of which represented a gain at the Federal level; the balance represented additional revenues of the provincial-municipal governments.

On the expenditure side, Federal outlays increased by about \$140 million (2 per cent), a major part of which was accounted for by a sharp rise in subsidy payments attributable to interim subsidies paid to the railways pending the complete report of the Royal Commission on Railway Problems; a smaller rise in non-defence purchases for goods and services also contributed to the increase at the Federal level. Provincial and municipal outlays rose by about double the amount of the increase at the Federal level (\$240 million), more than half of which was accounted for by higher payments for goods and services, and the balance by an increase in transfer payments to persons.

Personal Income and Savings

The flow of income to the personal sector was strongly upward in the third quarter of 1961 on a seasonally adjusted basis. All major components of total personal income were rising in the quarter, with substantial gains occurring in labour income, transfer payments, net income of unincorporated businesses, and revenues from investment income. With personal direct taxes showing little change from the high second quarter level, the after-tax income of persons rose by 3.2 per cent between the second and the third quarters. This rate of increase was approximately twice as great as the advance in personal expenditure for consumer goods and services, with the result that the level of personal saving rose very sharply in the quarter. As a percentage of disposable income, personal saving was 6.3 per cent in the third quarter of 1961, compared with 4.8 per cent in the preceding quarter.

Labour Income

Labour income continued to rise in the third quarter, to a seasonally adjusted annual rate of \$19.5 billion, more than 2 per cent above the level of the second quarter. This is the strongest advance in labour income since the latter part of 1959. All major industries except mining and agriculture shared in the advance with the largest gains being in personal and community services and financial services. Associated with these gains in labour income, employment in all industrial groups covered in the establishment survey of employment and earnings recorded advances in the quarter, after seasonal factors are taken into account, with gains of 0.5 per cent in transportation, 3 per cent in the construction industry and nearly 7 per cent in forestry. In manufacturing, the gain of 2 per cent in labour income closely matched the rise in employment.

Corporate Profits

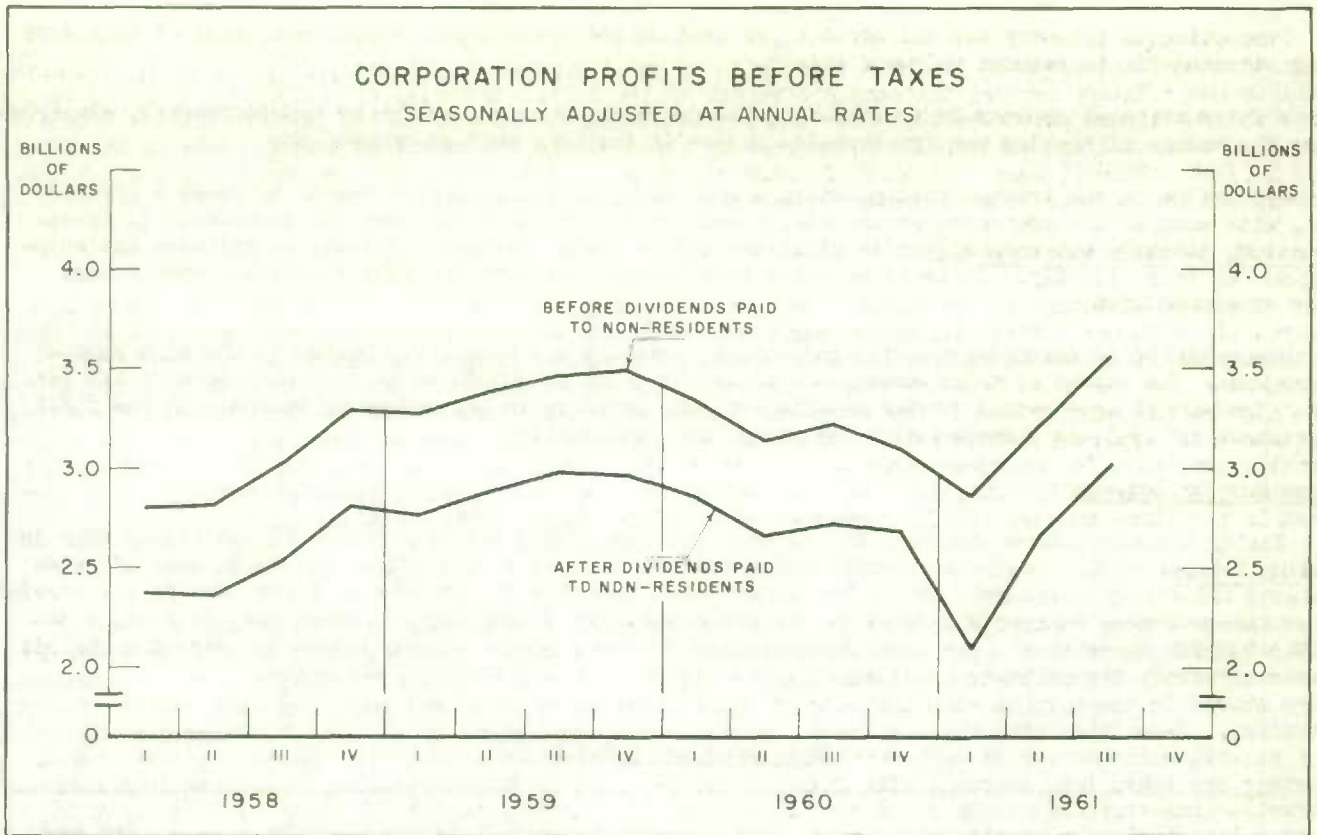
Corporate profits before taxes and before dividends paid abroad rose to \$3.6 billion in the third quarter, or by 10 per cent above the level of the second quarter on a seasonally adjusted basis. Among the factors tending to raise corporate profits in the quarter was the decline in the exchange rate on the Canadian dollar, which has pushed up profit margins in a number of commodity-producing industries whose prices are set in world markets. In addition, as noted earlier, total final demand was rising strongly in the quarter, and production in most industries showed a marked advance.

Higher profits was an experience common to all industries except the service group in the third quarter (see detail, Table on page 18). A 9 per cent rise in profits in mining, quarrying and oil wells (seasonally adjusted) is largely associated with a sharp increase in exports of nickel, coupled with a 10 per cent rise in the price as quoted in American dollars.

Manufacturing industries as a group recorded an increase in profits of 10 per cent, on a seasonally adjusted basis, in the third quarter. Almost all manufacturing industries shared in this advance, the notable gains being in foods and beverages, and paper products (both up 9 per cent), petroleum and coal products (up 29 per cent), iron and steel products (up 4 per cent), and electric apparatus and supplies (up 55 per cent). The level of profits in non-ferrous metal products was unchanged.

An 18 per cent increase in profits in transportation between the second and third quarters is largely attributable to the interim subsidies received by the railways pending the complete report of the Royal Commission on Railway Problems.

There were also higher profits in distribution, profits in retail trade being up 25 per cent and in wholesale trade up 8 per cent. In finance, insurance and real estate, profits were higher by nearly 12 per cent.



THE FIRST NINE MONTHS OF 1961

Production by Industry

As noted earlier, in a comparison of the first nine months of 1961 with the same period one year ago, the total volume of production has risen by about 1 per cent. This estimate takes account of a sharp drop in agricultural output in 1961 attributable to the effects on the grain crop of a severe drought in the Prairie Provinces. Crop production in 1961 was lower than in 1960 by about 40 per cent. In value terms, this represents a \$400 million loss relative to the year 1960, or about 1 per cent on the total Gross National Product.

Output in the non-agricultural industries accounted for all of the rise in the physical volume of production between the two periods, most of this increase being attributable to the service-producing industries, which rose by 2.5 per cent; output in the goods-producing industries (apart from the farm sector) averaged over the nine months' span was fractionally higher than for the same period of 1960.

In this comparison, manufacturing production was only a shade higher (0.5 per cent) than a year earlier, with losses in durables almost offsetting gains in non-durables. Widespread increases occurred in the non-durable groups, making for a 2.8 per cent rise in the total; industrial gains ranged from 1 per cent in chemical products to 8 to 10 per cent in textiles, tobacco, miscellaneous manufactures and leather products; output of clothing was little changed while rubber products output was off moderately.

Within durables, declines in production on the nine months' basis were general. All components of transportation equipment except aircraft recorded lower output, making for a 6 per cent decline for this group as a whole. Production in the electrical apparatus and supplies industry was also off considerably. Smaller declines occurred in non-ferrous metal products, wood products and iron and steel.

Activity in mining was higher by about 1 per cent, with substantial gains in output of fuels and non-metals largely offset by a drop in the output of metals. While most metals contributed to this trend, the drop in output of uranium and iron ore was particularly large. The gain in fuels is attributable to crude petroleum and natural gas.

Production in forestry was off about 6 per cent in the year-to-year comparison, most of this drop being attributable to reduced pulpwood output.

A 2 1/2 per cent decline in construction put in place is accounted for by non-residential construction; the volume of housing was fractionally higher in the nine months' comparison.

Production in the transportation, storage and communication group was higher by about 3 1/2 per cent, with each of the component groups making some contribution to the over-all increase. In transportation, activity was much higher in pipelines and in civil aviation; activity in railways and shipping was up only slightly. It is to be noted that freight car loadings show reductions over a wide range of commodities.

Among the other service-producing industries, activity was moderately higher in the nine months' comparison. The volume of total retail and wholesale trade is estimated to have been up by 1 1/2 per cent. Dealers in most retail trades experienced some increase in the volume of business in the first nine months of 1961, as compared with the period one year earlier.

Employment by Industry

Taking the first three quarters of the year together, total employment in 1961 was higher than in 1960 by 1.4 per cent. Female employment continued to make very strong gains, but employment of males remained relatively unchanged. As in the recent past, the rate of increase of 3 per cent in the service industries was much sharper than that in the goods-producing industries, — there was, in fact, a decline of about one-half of 1 per cent in employment in the goods-producing industries over the period. These nine-month comparisons of the employment figures are shown in the Table below.

Employment by Industry

	First Nine Months Averages (Estimated in Thousands)		Per Cent Change
	1960	1961	
Total Employed	5,933	6,014	1.4
Males	4,360	4,354	- 0.1
Females	1,573	1,660	5.5
Goods-Producing Industries	2,770	2,756	- 0.5
Agriculture	683	683	-
Other Primary Industries	203	174	-14.3
Manufacturing	1,470	1,501	2.1
Construction	414	398	- 3.9
Service-Producing Industries	3,164	3,258	3.0
Transportation and Other Utilities	518	511	- 1.4
Trade	970	976	0.6
Finance, Insurance and Real Estate	227	239	5.3
Service	1,449	1,532	5.7

Business Gross Fixed Capital Formation

In spite of the signs of recovery in the third quarter, capital outlays for the first nine months of the year were running 5 per cent below expectations as set out in the mid-year review of investment intentions, 3 per cent below the like period of the previous year, and 13 per cent below the level obtained in the peak year 1957.

Comparing the first three quarters of this year with the like period of 1960, expenditures for plant and equipment are down 5 per cent, with the construction component off 4 per cent and the machinery and equipment off 6 per cent. It might be noted that, compared with the full year 1957, the rate of expenditures on plant and equipment thus far in 1961 are lower by 18 per cent.

Housing

Conditions of mortgage credit had eased in the course of 1960 and lending terms under the National Housing Act had been liberalized around the turn of the year. In this situation there was an upsurge in housing starts in the latter part of 1960 and they were at a relatively high level in the opening months of 1961 -- although below the peak reached in 1958. Thereafter starts fell sharply and in the third quarter were fairly stable a little above the second quarter rate. The result of the pattern of housing starts over time was a gain of nearly 28 per cent in a first nine months' comparison with the same period of 1960, a decline of nearly 11 per cent in completions, with total expenditures for housing running about 3 per cent higher than in the previous year.

Exports and Imports of Goods and Services

The improvement on the external side is apparent in a longer term perspective when the nine months of 1961 are compared with the same period of the previous year. Between the two periods, exports of goods and services were up about 5 1/2 per cent, and imports about 3 per cent.

Domestic Exports

	Jan. - Aug. 1960	Jan. - Aug. 1961	Per Cent Change
(Thousands of Dollars)			
<u>Leading Commodities</u>			
Newsprint paper	494,639	492,561	- 0.4
Wheat	241,602	404,134	67.3
Lumber and timber	237,059	235,181	- 0.8
Woodpulp	218,938	226,993	3.7
Nickel	176,453	209,253	18.6
Aluminum and products	177,976	152,358	-14.4
Copper and products	153,304	135,248	-11.8
Uranium ores and concentrates	181,512	134,706	-25.8
Petroleum, crude	65,025	85,518	31.5
Fish and fishery products	84,843	84,971	0.2
Asbestos and products	73,379	80,048	9.1
Iron ore	107,667	76,901	-28.6
Farm machinery and implements	69,608	63,367	- 9.0
<u>Leading Countries</u>			
United States	1,987,285	1,931,236	- 2.8
United Kingdom	598,063	582,244	- 2.6
European Common Market	250,599	295,513	17.9
Japan	108,856	151,901	39.5
Other	501,288	667,693	33.2
Total Domestic Exports	3,446,091	3,628,587	5.3

Commodity and country detail, set out in the accompanying Table, is available for only eight months of the year. Comparing 1961 with 1960 on this basis, exports in total were up more than 5 per cent (by \$182 million), with large and partly offsetting changes. Among the leading commodities, there was an increase of about \$160 million in sales of wheat and an increase of about \$33 million in sales of nickel, partially offset by decreases of about \$4.7 million in sales of uranium and concentrates, about \$25 million in sales of aluminum, and a considerable reduction in sales of copper and products, and of farm machinery.

The comparison of export sales by leading countries continues to exhibit major changes in the area distribution of trade. In the eight months' comparison sales to the United States and the United Kingdom were each down by close to 3 per cent, while sales to the countries of the European Common Market were up by 18 per cent, sales to Japan up by 40 per cent, while sales to all other countries were up by

33 per cent. In the latter increase of nearly \$170 million, \$66 million is accounted for by sales of wheat to Communist China under a government-negotiated contract.

Personal Expenditure on Consumer Goods and Services

In the first three quarters of this year, consumer spending was higher than in the same period of 1960 by 4 per cent. The largest element in this increase was in services, where expenditure was up 5 per cent, reflecting the continuing growth of outlays for shelter, medical care and household operation. It is interesting to note that between 1960 and 1961 (9 month comparison) the year-to-year percentage change in total consumer spending and in its main components was virtually the same as for the 1959-1960 comparison.

Consumer Expenditure

Per Cent Change

	Year 1959 to Year 1960	3 Quarters 1960 to 3 Quarters 1961
Food	3.0	1.9
Clothing	2.2	2.9
Other	6.5	7.3
Total Non-Durable Goods	4.1	4.0
Appliances and Radios	- 4.1	2.9
Home Furniture and Furnishings	- 2.9	2.0
Autos (New and Used)	3.5	- 1.0
Other	0.7	- 1.2
Total Durable Goods	0.3	0.3
Total All Goods	3.4	3.3
Total Services	5.3	5.0
Total Personal Expenditure	4.1	4.0
(Goods and Services)		

However, within the total of the durable goods component, some shifts in composition have occurred. Whereas in the 1959-1960 period, appliances and radios and home furnishings and furniture were lower, in the 1960-1961 comparison some increases have occurred. In the earlier comparison, housing outlays were off by 15 per cent whereas in 1960-1961 housing outlays were somewhat stronger. There was a distinct drop in the share of the market taken by British and European cars in 1961 compared with one year earlier; purchases of these cars fell by 15 per cent on the nine months basis.

Spending for non-durables was higher by 4 per cent in the nine months' comparison, with increases of 2 per cent for food and 3 per cent for clothing.

Government Sector

Over the course of the first nine months of 1961, the total deficit on consolidated government account has averaged out to a rate well above that for the same period of 1960 -- \$1184 million, compared with \$688 million in the earlier period. The deficit at the Federal level in the first nine months of this year was running at a rate of \$635 million (on the National Accounts' basis), compared with \$336 million in the preceding period.

Labour Income

In the comparison of the first nine months of 1961 with the same period of 1960, labour income rose by 3 1/2 per cent. Forestry, mining and construction, where employment had declined over the period, both recorded lower levels of labour income between the two periods. As has been characteristic of

developments in this area over the recent past, the largest gains were recorded in government, and personal and community services, where they amounted to about 9 per cent in each case. Financial services, with a gain of about 7 per cent, was also relatively high. In manufacturing, which had felt much of the impact of the 1960 downturn and where employment had not turned up until about mid-1961, labour income was nevertheless higher by nearly 2 per cent in the nine months' comparison. In most other industries, the gains were in the neighbourhood of 3 to 4 per cent.

Profits

Comparing the first nine months of 1961 with the same period of 1960, corporate profits remained virtually unchanged, reflecting the sharply reduced levels which prevailed at the beginning of the year. By industry, profits were lower in the distributive trades, both wholesale and retail, and in the services group. Profits in manufacturing declined by 3.0 per cent, although the experience of individual manufacturing industries diverged widely; iron and steel, electrical apparatus and supplies were among the industries recording a reduction in profits, while higher profits were realized in textiles, paper products, non-ferrous metals and non-metallic mineral products.

Changes in Corporation Profits - Selected Industries (Seasonally Adjusted)

	2nd Quarter 1961 to 3rd Quarter 1961	9 Months 1960 to 9 Months 1961
	%	%
Mining, Quarrying and Oil Wells	9.0	7.4
Manufacturing	10.3	- 2.7
Foods and Beverages	8.5	2.8
Paper Products	9.4	7.2
Iron and Steel Products	4.3	-17.2
Electrical Apparatus and Supplies	54.5	-28.3
Petroleum and Coal Products	29.2	-
Textile Products	7.7	16.7
Non-Ferrous Metal Products	-	22.7
Non-Metallic Mineral Products	7.1	10.8
Chemical Products	7.1	- 2.4
Transportation, Communication and Storage	18.4	- 3.8
Public Utility Operations	-	9.1
Wholesale Trade	8.0	- 5.8
Retail Trade	25.0	- 6.9
Finance, Insurance and Real Estate	11.7	5.2
Service	-11.8	-11.8
Other Non-Manufacturing Industries	4.5	- 2.2
Total All Industries	10.4	- 0.8

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	III
1. Wages, Salaries, and Supplementary Labour Income	4,397	4,622	4,792	4,703	18,514	4,507	4,788	5,007
2. Military Pay and Allowances	119	129	127	134	509	129	140	137
3. Corporation Profits before Taxes and before Dividends Paid to Non-Residents(1)	724	875	823	778	3,200	600	901	914
4. Deduct: Dividends Paid to Non-Residents(2) ...	-107	-106	-120	-132	-465	-164	-120	-130
5. Rent, Interest, and Miscellaneous Investment Income	573	582	590	617	2,362	599	589	647
6. Accrued Net Income of Farm Operators from Farm Production(3)	5	112	988	102	1,207	51	126	689
7. Net Income of Non-Farm Unincorporated Business(4)	460	550	513	582	2,105	442	550	552
8. Inventory Valuation Adjustment(5)	-34	-26	-16	19	-57	12	-16	-31
9. NET NATIONAL INCOME AT FACTOR COST	6,137	6,738	7,697	6,803	27,375	6,176	6,958	7,785
10. Indirect Taxes less Subsidies	1,066	1,116	1,095	1,112	4,389	1,093	1,138	1,136
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,008	1,091	1,080	1,112	4,291	999	1,069	1,103
12. Residual Error of Estimate	-86	-199	88	101	-96	-80	-145	81
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,125	8,746	9,960	9,128	35,959	8,188	9,020	10,105
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)	(8,894)	(9,416)

- (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	III
1. Personal Expenditure on Consumer Goods and Services	5,377	5,858	5,755	6,419	23,409	5,581	6,079	6,005
2. Government Expenditure on Goods and Services(1) (2)	1,491	1,533	1,953	1,739	6,716	1,603	1,654	2,109
3. Business Gross Fixed Capital Formation(3)	1,411	1,740	1,788	1,673	6,612	1,302	1,657	1,809
4. New Residential Construction	317	365	399	395	1,476	291	377	432
5. New Non-Residential Construction	478	620	787	682	2,567	441	599	782
6. New Machinery and Equipment	616	755	602	596	2,569	570	681	595
7. Value of Physical Change in Inventories(4)	68	-112	670	-310	316	-52	-213	323
8. Non-Farm Business Inventories	353	-35	-114	25	229	208	-57	-50
9. Farm Inventories and Grain in Commercial Channels	-285	-77	784	-335	87	-260	-156	373
10. Exports of Goods and Services	1,582	1,692	1,918	1,765	6,957	1,574	1,856	2,101
11. Deduct: Imports of Goods and Services	-1,890	-2,164	-2,037	-2,057	-8,148	-1,900	-2,157	-2,160
12. Residual Error of Estimate	86	199	-87	-101	97	80	144	-82
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES ...	8,125	8,746	9,960	9,128	35,959	8,188	9,020	10,105

- (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	III
1. Personal Expenditure on Consumer Goods and Services	5,140	5,578	5,471	6,084	22,273	5,265	5,740	5,654
2. Non-Durable Goods	2,572	2,750	2,827	3,267	11,416	2,639	2,848	2,901
3. Durable Goods	560	737	596	726	2,619	550	738	656
4. Services	2,008	2,091	2,048	2,091	8,238	2,076	2,154	2,097
5. Government Expenditure on Goods and Services	1,358	1,381	1,788	1,545	6,072	1,414	1,442	1,890
6. Business Gross Fixed Capital Formation	1,318	1,616	1,660	1,552	6,146	1,196	1,523	1,659
7. New Residential Construction	295	334	362	359	1,350	265	341	390
8. New Non-Residential Construction	446	579	735	637	2,397	407	556	728
9. New Machinery and Equipment	577	703	563	556	2,399	524	626	541
10. Change in Inventories	69	-124	655	-288	312	-31	-224	292
11. Non-Farm Business Inventories	340	-27	-112	19	220	204	-51	-52
12. Farm Inventories and Grain in Commercial Channels	-271	-97	767	-307	92	-235	-173	344
13. Exports of Goods and Services	1,571	1,657	1,879	1,740	6,847	1,552	1,816	2,022
14. Deduct: Imports of Goods and Services	-1,861	-2,102	-1,975	-1,996	-7,934	-1,811	-2,052	-2,009
15. Residual Error of Estimate	81	186	-82	-94	91	75	134	-77
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,676	8,192	9,396	8,543	33,807	7,660	8,379	9,431

(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	III
1. Wages, Salaries, and Supplementary Labour Income	4,397	4,622	4,792	4,703	18,514	4,507	4,788	5,007
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-187	-176	-188	-188	-739	-188	-184	-193
3. Military Pay and Allowances	119	129	127	134	509	129	140	137
4. Net Income Received by Farm Operators from Farm Production(1)	22	117	979	83	1,201	74	101	679
5. Net Income of Non-Farm Unincorporated Business ..	460	550	513	582	2,105	442	550	552
6. Interest, Dividends, and Net Rental Income of Persons(2)	647	668	658	723	2,696	658	676	678
Transfer Payments to Persons:								
7. From Government (Excluding Interest)	901	754	712	749	3,116	1,000	826	754
8. Charitable Contributions by Corporations	10	10	10	10	40	9	10	10
9. PERSONAL INCOME	6,369	6,674	7,603	6,796	27,442	6,631	6,907	7,624

(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	III
1. Personal Direct Taxes	557	639	578	584	2,358	574	671	625
2. Income Taxes	428	548	501	500	1,977	454	584	542
3. Succession Duties	49	39	32	38	158	37	34	35
4. Miscellaneous	80	52	45	46	223	83	53	48
5. Personal Expenditure on Consumer Goods and Services	5,377	5,858	5,755	6,419	23,409	5,581	6,079	6,005
6. Non-Durable Goods	2,636	2,831	2,922	3,394	11,783	2,740	2,955	3,030
7. Durable Goods	586	763	602	736	2,687	560	749	648
8. Services(1)	2,155	2,264	2,231	2,289	8,939	2,281	2,375	2,327
9. Personal Net Saving	435	177	1,270	-207	1,675	476	157	994
10. Personal Saving Excluding Change in Farm Inventories	665	281	568	144	1,658	714	260	633
11. Value of Physical Change in Farm Inventories	-230	-104	702	-351	17	-238	-103	361
12. PERSONAL INCOME	6,369	6,674	7,603	6,796	27,442	6,631	6,907	7,624
13. (Personal Disposable Income) (2)	(5,812)	(6,035)	(7,025)	(6,212)	(25,084)	(6,057)	(6,236)	(6,999)

(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	III
1. Direct Taxes - Persons	557	639	578	584	2,358	574	671	625
2. Federal	447	556	506	507	2,016	461	582	543
3. Provincial and Municipal	110	83	72	77	342	113	89	82
4. Direct Taxes - Corporations	328	396	373	352	1,449	287	397	423
5. Federal	263	317	298	282	1,160	230	318	338
6. (Federal Tax Collections)	(307)	(406)	(364)	(306)	(1,383)	(302)	(365)	(319)
7. Provincial	65	79	75	70	289	57	79	85
Withholding Taxes:								
8. Federal	23	19	18	17	77	34	26	26
9. Indirect Taxes	1,120	1,174	1,155	1,174	4,623	1,143	1,196	1,226
10. Federal	501	570	541	569	2,181	496	553	555
11. Provincial and Municipal	619	604	614	605	2,442	647	643	671
12. Investment Income	233	253	243	331	1,060	234	241	274
13. Federal	67	86	72	129	354	64	72	101
14. Provincial and Municipal	166	167	171	202	706	170	169	173
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds	187	176	188	188	739	188	184	193
16. Federal	127	115	125	125	492	125	118	127
17. Provincial and Municipal	60	61	63	63	247	63	66	66
Transfers from Federal:								
18. Provincial and Municipal	249	247	241	254	991	256	297	284
19. Total Revenue	2,697	2,904	2,796	2,900	11,297	2,716	3,012	3,051
20. Federal	1,428	1,663	1,560	1,629	6,280	1,410	1,669	1,690
21. Provincial and Municipal	1,269	1,241	1,236	1,271	5,017	1,306	1,343	1,361

TABLE 7. Government Revenue and Expenditure, by Quarters, 1960 and 1961
(millions of dollars)

EXPENDITURE								
	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Goods and Services	1,491	1,533	1,953	1,739	6,716	1,603	1,654	2,109
2. Federal	669	647	732	691	2,739	704	726	807
3. (Defence)	(434)	(349)	(388)	(390)	(1,561)	(438)	(368)	(391)
4. Provincial and Municipal	822	886	1,221	1,048	3,977	899	928	1,302
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	901	754	712	749	3,116	1,000	826	754
6. Federal	581	494	437	471	1,983	602	521	427
7. Provincial and Municipal	320	260	275	278	1,133	398	305	327
8. Interest on the Public Debt	230	254	232	333	1,049	224	255	230
9. Federal	168	169	177	242	756	160	162	168
10. Provincial and Municipal	62	85	55	91	293	64	93	62
11. Subsidies	54	58	60	62	234	50	58	90
12. Federal	52	56	57	57	222	48	56	86
13. Provincial	2	2	3	5	12	2	2	4
Transfers to Provincial and Municipal:								
14. Federal	249	247	241	254	991	256	297	284
15. Total Expenditure	2,925	2,846	3,198	3,137	12,106	3,133	3,090	3,467
16. Federal	1,719	1,613	1,644	1,715	6,691	1,770	1,762	1,772
17. Provincial and Municipal	1,206	1,233	1,554	1,422	5,415	1,363	1,328	1,695
18. Deficit (-) or Surplus (+)	-228	58	-402	-237	-809	-417	-78	-416
19. Federal	-291	50	-84	-86	-411	-360	-93	-82
20. Provincial and Municipal	63	8	-318	-151	-398	-57	15	-334
21. Total Expenditure Minus Deficit or Plus Surplus	2,697	2,904	2,796	2,900	11,297	2,716	3,012	3,051
22. Federal	1,428	1,663	1,560	1,629	6,280	1,410	1,669	1,690
23. Provincial and Municipal	1,269	1,241	1,236	1,271	5,017	1,306	1,343	1,361

TABLE 8. National Saving Account, by Quarters, 1960 and 1961
(millions of dollars)

	SOURCE							
	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Personal Net Saving	435	177	1,270	-207	1,675	476	157	994
2. Business Gross Saving	1,170	1,345	1,312	1,294	5,121	1,013	1,369	1,363
3. Undistributed Corporation Profits	179	259	223	163	824	37	275	250
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,008	1,091	1,080	1,112	4,291	999	1,069	1,103
5. Adjustment on Grain Transactions(1)	-17	-5	9	19	6	-23	25	10
6. Inventory Valuation Adjustment	-34	-26	-16	19	-57	12	-16	-31
7. Government Surplus (+) or Deficit (-)	-228	58	-402	-237	-809	-417	-78	-416
8. Residual Error of Estimate	-86	-199	88	101	-96	-80	-145	81
9. Totals	1,257	1,355	2,252	970	5,834	1,004	1,287	1,991

(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	III
1. Business Gross Fixed Capital Formation	1,411	1,740	1,788	1,673	6,612	1,302	1,657	1,809
2. New Residential Construction	317	365	399	395	1,476	291	377	432
3. New Non-Residential Construction	478	620	787	682	2,567	441	599	782
4. New Machinery and Equipment	616	755	602	596	2,569	570	681	595
5. Value of Physical Change in Inventories	68	-112	670	-310	316	-52	-213	323
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-308	-472	-119	-292	-1,191	-326	-301	-59
7. Residual Error of Estimate	86	199	-87	-101	97	80	144	-82
8. Totals	1,257	1,355	2,252	970	5,834	1,004	1,287	1,991

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	III
1. Wages, Salaries, and Supplementary Labour Income	18,340	18,396	18,600	18,720	18,514	18,764	19,044	19,468
2. Military Pay and Allowances	496	500	504	536	509	540	544	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	3,552
4. Deduct: Dividends Paid to Non-Residents(2)	-492	-476	-488	-404	-465	-764	-552	-536
5. Rent, Interest, and Miscellaneous Investment Income	2,376	2,304	2,364	2,404	2,362	2,452	2,416	2,584
6. Accrued Net Income of Farm Operators from Farm Production(3)	1,308	1,124	1,164	1,232	1,207	948	940	1,016
7. Net Income of Non-Farm Unincorporated Business(4)	2,140	2,160	2,060	2,060	2,105	2,020	2,160	2,212
8. Inventory Valuation Adjustment	-136	-104	-64	76	-57	48	-64	-124
9. NET NATIONAL INCOME AT FACTOR COST	27,376	27,048	27,356	27,720	27,375	26,864	27,704	28,716
10. Indirect Taxes less Subsidies	4,408	4,420	4,320	4,408	4,389	4,496	4,480	4,488
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments ...	4,288	4,260	4,268	4,348	4,291	4,260	4,196	4,336
12. Residual Error of Estimate	-68	-172	-104	-40	-96	48	16	-176
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	36,004	35,556	35,840	36,436	35,959	35,668	36,396	37,364
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)	(35,456)	(36,348)

(1) See footnote 1, Table 1.

(2) See footnote 2, Table 1.

(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	III
1. Personal Expenditure on Consumer Goods and Services	22,896	23,376	23,420	23,944	23,409	23,856	24,180	24,560
2. Government Expenditure on Goods and Services(1)	6,488	6,620	6,832	6,924	6,716	6,988	7,188	7,376
3. Business Gross Fixed Capital Formation(2)	6,916	6,384	6,500	6,648	6,612	6,420	6,204	6,568
4. New Residential Construction	1,640	1,396	1,444	1,424	1,476	1,512	1,480	1,568
5. New Non-Residential Construction	2,608	2,476	2,584	2,600	2,567	2,416	2,432	2,552
6. New Machinery and Equipment	2,668	2,512	2,472	2,624	2,569	2,492	2,292	2,448
7. Value of Physical Change in Inventories	752	424	-132	220	316	-316	-300	-476
8. Non-Farm Business Inventories	648	336	-176	108	229	28	140	72
9. Farm Inventories and Grain in Commercial Channels(3)	104	88	44	112	87	-344	-440	-548
10. Exports of Goods and Services	7,172	6,676	7,168	6,812	6,957	7,148	7,300	7,752
11. Deduct: Imports of Goods and Services	-8,292	-8,100	-8,052	-8,148	-8,148	-8,384	-8,156	-8,596
12. Residual Error of Estimate	72	176	104	36	97	-44	-20	180
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	36,004	35,556	35,840	36,436	35,959	35,668	36,396	37,364

(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	572
Depletions of farm stocks of grain	-908	-1,016	-1,168	-964	-1,014	-1,028	-976	-980
Change in livestock inventories	92	-92	16	40	14	80	104	4
Grain in Commercial Channels	-96	180	180	16	70	36	-136	-144

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	III
1. Personal Expenditure on Consumer Goods and Services	21,880	22,288	22,292	22,632	22,273	22,528	22,876	23,168
2. Non-Durable Goods	11,192	11,488	11,516	11,468	11,416	11,528	11,764	11,840
3. Durable Goods	2,580	2,572	2,500	2,824	2,619	2,580	2,628	2,820
4. Services	8,108	8,228	8,276	8,340	8,238	8,420	8,484	8,508
5. Government Expenditure on Goods and Services ..	5,936	6,000	6,188	6,164	6,072	6,184	6,316	6,476
6. Business Gross Fixed Capital Formation	6,468	5,932	6,020	6,164	6,146	5,908	5,708	6,000
7. New Residential Construction	1,520	1,276	1,316	1,288	1,350	1,368	1,344	1,420
8. New Non-Residential Construction	2,440	2,316	2,404	2,428	2,397	2,236	2,256	2,372
9. New Machinery and Equipment	2,508	2,340	2,300	2,448	2,399	2,304	2,108	2,208
10. Change in Inventories	740	428	-136	216	312	-228	-224	-404
11. Non-Farm Business Inventories	640	332	-192	100	220	60	140	64
12. Farm Inventories and Grain in Commercial Channels	100	96	56	116	92	-288	-364	-468
13. Exports of Goods and Services	7,100	6,548	7,036	6,704	6,847	7,036	7,156	7,468
14. Deduct: Imports of Goods and Services	-8,212	-7,888	-7,760	-7,876	-7,934	-8,040	-7,776	-7,952
15. Residual Error of Estimate	68	168	96	32	91	-40	-20	168
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	33,980	33,476	33,736	34,036	33,807	33,348	34,036	34,924

(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	III
1. Wages, Salaries and Supplementary Labour Income	18,340	18,396	18,600	18,720	18,514	18,764	19,044	19,468
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-728	-732	-748	-748	-739	-736	-764	-768
3. Military Pay and Allowances	496	500	504	536	509	540	544	544
4. Net Income Received by Farm Operators from Farm Production(1)	1,296	1,100	1,180	1,228	1,201	956	824	1,016
5. Net Income of Non-Farm Unincorporated Business	2,140	2,160	2,060	2,060	2,105	2,020	2,160	2,212
6. Interest, Dividends, and Net Rental Income of Persons(2)	2,692	2,644	2,680	2,768	2,696	2,728	2,728	2,780
Transfer Payments to Persons:								
7. From Government (excluding interest)	2,920	3,056	3,208	3,280	3,116	3,256	3,332	3,428
8. Charitable Contributions by Corporations	40	40	40	40	40	36	40	40
9. PERSONAL INCOME	27,196	27,164	27,524	27,884	27,442	27,564	27,908	28,720

- (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	III
1. Personal Direct Taxes	2,240	2,476	2,336	2,380	2,358	2,376	2,524	2,512
2. Income Taxes	1,820	2,104	1,992	1,992	1,977	1,996	2,172	2,144
3. Succession Duties	196	156	128	152	158	148	136	140
4. Miscellaneous	224	216	216	236	223	232	216	228
5. Personal Expenditure on Consumer Goods and Services	22,896	23,376	23,420	23,944	23,409	23,856	24,180	24,560
6. Non-Durable Goods	11,516	11,824	11,848	11,944	11,783	12,008	12,188	12,308
7. Durable Goods	2,664	2,652	2,564	2,868	2,687	2,592	2,652	2,828
8. Services(1)	8,716	8,900	9,008	9,132	8,939	9,256	9,340	9,424
9. Personal Net Saving	2,060	1,312	1,768	1,560	1,675	1,332	1,204	1,648
10. PERSONAL INCOME	27,196	27,164	27,524	27,884	27,442	27,564	27,908	28,720
11. (Personal Disposable Income)(2)	(24,956)	(24,688)	(25,188)	(25,504)	(25,084)	(25,188)	(25,384)	(26,208)

- (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	III
1. Direct Taxes - Persons	2,240	2,476	2,336	2,380	2,358	2,376	2,524	2,512
2. Federal	1,892	2,132	2,016	2,024	2,016	2,020	2,160	2,152
3. Provincial and Municipal	348	344	320	356	342	356	364	360
4. Direct Taxes - Corporations	1,524	1,436	1,408	1,428	1,449	1,344	1,448	1,596
5. Federal	1,232	1,148	1,124	1,136	1,160	1,084	1,156	1,276
6. (Federal Tax Collections)	(1,276)	(1,520)	(1,424)	(1,312)	(1,383)	(1,260)	(1,280)	(1,276)
7. Provincial	292	288	284	292	289	260	292	320
Withholding Taxes:								
8. Federal	76	80	76	76	77	112	112	108
9. Indirect Taxes	4,628	4,644	4,564	4,656	4,623	4,708	4,712	4,844
10. Federal	2,192	2,204	2,132	2,196	2,181	2,168	2,132	2,192
11. Provincial and Municipal(1)	2,436	2,440	2,432	2,460	2,442	2,540	2,580	2,652
12. Investment Income	1,072	1,040	1,040	1,068	1,060	1,060	1,016	1,160
13. Federal	368	348	332	368	354	348	308	448
14. Provincial and Municipal	704	692	708	720	706	712	708	712
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds	728	732	748	748	739	736	764	768
16. Federal	488	488	496	496	492	484	500	504
17. Provincial and Municipal	240	244	252	252	247	252	264	264
Transfers from Federal:								
18. Provincial and Municipal	960	996	972	1,036	991	996	1,168	1,160
19. Total Revenue	11,228	11,404	11,144	11,412	11,297	11,332	11,744	12,148
20. Federal	6,248	6,400	6,176	6,296	6,280	6,216	6,368	6,680
21. Provincial and Municipal	4,980	5,004	4,968	5,116	5,017	5,116	5,376	5,468

(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	III
1. Goods and Services	6,488	6,620	6,832	6,924	6,716	6,988	7,188	7,376
2. Federal	2,700	2,676	2,800	2,780	2,739	2,888	2,988	3,032
3. (Defence)	(1,528)	(1,548)	(1,592)	(1,576)	(1,561)	(1,564)	(1,632)	(1,596)
4. Provincial and Municipal	3,788	3,944	4,032	4,144	3,977	4,100	4,200	4,344
5. Transfer Payments to Persons (excluding Interest on the Public Debt)	2,920	3,056	3,208	3,280	3,116	3,256	3,332	3,428
6. Federal	1,896	1,896	2,060	2,080	1,983	1,976	2,024	2,028
7. Provincial and Municipal	1,024	1,160	1,148	1,200	1,133	1,280	1,308	1,400
8. Interest on the Public Debt	1,064	1,032	1,004	1,096	1,049	1,032	1,032	1,020
9. Federal	764	752	708	800	756	724	720	700
10. Provincial and Municipal	300	280	296	296	293	308	312	320
11. Subsidies	220	224	244	248	234	212	232	356
12. Federal	208	212	232	236	222	200	220	344
13. Provincial	12	12	12	12	12	12	12	12
Transfers to Other Levels of Government:								
14. Federal	960	996	972	1,036	991	996	1,168	1,160
15. Total Expenditure	11,652	11,928	12,260	12,584	12,106	12,484	12,952	13,340
16. Federal	6,528	6,532	6,772	6,932	6,691	6,784	7,120	7,264
17. Provincial and Municipal	5,124	5,396	5,488	5,652	5,415	5,700	5,832	6,076
18. Deficit (-) or Surplus (+)	-424	-524	-1,116	-1,172	-809	-1,152	-1,208	-1,192
19. Federal	-280	-132	-596	-636	-411	-568	-752	-584
20. Provincial and Municipal	-144	-392	-520	-536	-398	-584	-456	-608
21. Total Expenditure Minus Deficit or Plus Surplus	11,228	11,404	11,144	11,412	11,297	11,332	11,744	12,148
22. Federal	6,248	6,400	6,176	6,296	6,280	6,216	6,368	6,680
23. Provincial and Municipal	4,980	5,004	4,968	5,116	5,017	5,116	5,376	5,468

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

SOURCE

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Personal Net Saving	2,060	1,312	1,768	1,560	1,675	1,332	1,204	1,648
2. Business Gross Saving	5,188	5,048	5,104	5,144	5,121	4,548	5,080	5,272
3. Undistributed Corporation Profits	888	764	852	792	824	296	768	936
4. Capital Consumption Allowances, etc.	4,288	4,260	4,268	4,348	4,291	4,260	4,196	4,336
5. Adjustment on Grain Transactions(1)	12	24	-16	4	6	-8	116	-
6. Inventory Valuation Adjustment	-136	-104	-64	76	-57	48	-64	-124
7. Government Surplus (+) or Deficit (-)	-424	-524	-1,116	-1,172	-809	-1,152	-1,208	-1,192
8. Residual Error of Estimate	-68	-172	-104	-40	-96	48	16	-176
9. Totals	6,620	5,560	5,588	5,568	5,834	4,824	5,028	5,428

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

DISPOSITION

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Business Gross Fixed Capital Formation	6,916	6,384	6,500	6,648	6,612	6,420	6,204	6,568
2. New Residential Construction	1,640	1,396	1,444	1,424	1,476	1,512	1,480	1,568
3. New Non-Residential Construction	2,608	2,476	2,584	2,600	2,567	2,416	2,432	2,552
4. New Machinery and Equipment	2,668	2,512	2,472	2,624	2,569	2,492	2,292	2,448
5. Value of Physical Change in Inventories	752	424	-132	220	316	-316	-300	-476
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-1,120	-1,424	-884	-1,336	-1,191	-1,236	-856	-844
7. Residual Error of Estimate	72	176	104	36	97	-44	-20	180
8. Totals	6,620	5,560	5,588	5,568	5,834	4,824	5,028	5,428

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