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National Accounts: Gross national product in the third quarter rose to a level of \$61.9 billion, seasonally adjusted at annual rates, increasing by one half of one per cent from the previous quarter; with prices rising by somewhat less than one per cent, this represented a slight decrease in real terms. Excluding accrued net income of farm operators, the advance in gross national product in current dollars was nearly one per cent. (page 2)

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External Trade: Canadian commodity exports decreased to \$823,530,000 in September from \$888,565,000 in the 1966 month and cumulative period exports rose to \$8,128,351,000 this year from \$7,338,952,000. Exports during the comparable 1965 periods were \$701,008,000 in September and \$6,058,203,000 during the January-September period. (page 7)

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Balance of Payments: There were offsetting changes in major components of Canada's international receipts and payments in the third quarter. Characterized by seasonal strength, the surplus on transactions in goods and services in this period was estimated at \$201 million, as compared with roughly \$30 to \$40 million in the preceding two years and \$208 million in the third quarter of 1964. (page 7)

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Prices: The general wholesale index (1935-39=100) moved down slightly in November to 264.9 from the October index of 265.1, and was 1.8% higher than the November index of 260.3. One major group index was lower, while six advanced. (page 13)

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Merchandising: Department store sales during the week ended December 9 rose 5.9% from the 1966 week. Canadian wholesale trade during October was estimated at \$1,170,040,000, a rise of 6.3% over last year's corresponding total of \$1,101,073,000. (page 13)

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Transportation: The 6 air carriers that usually account for 90% of the total operating revenue of all Canadian carriers reported increases of 16.9% in operating revenues and 21.2% in operating expenses in June compared with June 1966. (page 14)

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Agriculture and Food: Cigarettes entered for consumption in November totalled 4,167,685,260 down from 4,208,294,085 entered for consumption in the 1966 month. Production of milk in November is estimated at 1,238,000,000 pounds, a 0.4% rise over the 1966 month production. Canadian egg production in November rose 10.5% to 38,126,000 dozen from 34,514,000 dozen in the 1966 month. (page 16)

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Business: Value of cheques cashed in fifty-one clearing centres during October totalled \$50,960,325,000 against \$45,385,028,000 in the 1966 month. (page 17)

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Tuberculosis: New reported tuberculosis cases during October numbered 519 with new active accounting for 432 and reactivated accounting for 87. (page 17)

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3. Gross National Product in the 3rd Quarter 1967 Gross National Product in the third quarter rose to a level of \$61.9 billion, seasonally adjusted at annual rates, increasing by one half of one per cent from the previous quarter; with prices rising by somewhat less than 1 per cent, this represented a slight decrease in real terms. Excluding accrued net income of farm operators, the advance in Gross National Product in current dollars was nearly 1 per cent.

With the data now available, it is possible to suggest orders of magnitude for the entire year. If, for instance, there were no increase in the fourth quarter after allowance for seasonal variations, the gain from 1966 would be 6.4 per cent. Assuming a 1 per cent rise in the fourth quarter, the advance for the year would be 6.6 per cent.

The weakening forces of expansion, evident in the small volume growth of GNP in the two previous quarters, have given way to a pause in the third quarter. While increases in demand by persons and in residential construction continued strong and the trend of diminishing rates of accumulation in business inventories gave way to a substantially higher rate of accumulation, sizeable declines occurred in investment in plant and equipment, government expenditures on goods and services and exports. With imports declining less than exports the current account deficit widened.

On the income side there were a second successive 2 per cent increase in labour income, a small gain in net corporate profits and a significant decline in accrued net income of farm operators. More than half of the relatively small increase in labour income came from higher average earnings as employment rose only slightly overall. The employment trend of the preceding two quarters continued, with the bulk of the gain occurring in service industries; employment in goods-producing industries showed little change.

In absolute terms, the largest increase in demand, \$800 million seasonally adjusted at annual rates, came from consumer expenditure. Of this increase only about one third represented a real gain as prices rose 1.4 per cent. Considerably influencing the total movement were those series measuring spending connected with Expo. Investment in business inventories rose from the previous quarter by \$700 million. About one third of this increase related to automobiles, possibly in anticipation of strikes against the major U.S. producers and resultant shut-downs in Canada. The expansion in residential construction continued, adding \$216 million to demand. This gain resulted from work on previous starts, as new starts declined from an annual rate of 198,000 in the second quarter to 178,000.

Investment in plant and equipment registered a second successive decline. The 8 per cent reduction, larger than the rate of decrease in the previous quarter, consisted of drops of \$200 million in plant and \$600 million in machinery and equipment; however, in real terms, the decrease in the latter item was less pronounced as the value series declined in part because of the removal of the sales tax on production machinery last quarter. The rate of government expenditure on goods and services showed a decline of \$600 million at annual rates, with about two-thirds occurring at the federal level.

More severe, in terms of its impact on total demand, was a \$920 million reduction in the level of exports; this was concentrated in merchandise, as services actually increased by \$120 million. Although merchandise imports also showed a

decline, partly the result of reduced machinery and equipment investment, the merchandise balance shifted from a surplus of \$344 million to a deficit of \$424 million; the overall current account deficit widened by \$220 million, as a \$548 million improvement in non-merchandise transactions was insufficient to offset the swing in the merchandise account.

Price Movements

In the third quarter, prices rose by less than 1 per cent, a lower rate of increase than in the last several quarters. The main price rise in the quarter occurred in consumer expenditure, which advanced by 1.4 per cent, slightly higher than in the second quarter; price changes in most of the other categories were lower than in recent quarters with construction showing a significantly lower rate of advance.

Within consumer expenditure durable goods and services showed less increase than the second quarter. The surge in non-durable prices is largely due to the rise in seasonally adjusted food prices, while in services price rise was more broadly spread.

Food prices which had declined for three quarters turned sharply upwards this quarter, increasing a full 2.5 per cent on a seasonally adjusted basis. This was due mainly to increases in beef, dairy products, fresh fruits and vegetables and was somewhat offset by declining prices for eggs, poultry, and pork. Within the rest of non-durable goods, clothing and footwear advanced by 1.3 and 1.7 per cent while hardware and cosmetics fell. Drug prices fell after the removal of the sales tax in September.

The price index of household appliances, radios and televisions rose by 1.6 per cent and was the strongest factor in the price rise of durables. Car prices rose by half of one per cent on a seasonally adjusted basis.

Most service components showed considerable price increase. Education, miscellaneous services, medical care, and rents all rose by more than one per cent. Purchased transportation rose only moderately while the price of recreation increased by more than 3 per cent.

The price of business gross fixed capital formation declined 0.3 per cent almost the same as in the previous quarter. This resulted from a decline in the price of machinery and equipment caused by removal of the federal sales tax on June 1st. If the effect of the tax removal were excluded, prices of machinery and equipment would have shown about a 0.4 per cent increase instead of the decline of 1.5 per cent. In construction, the rate of advance in prices has been considerably moderated largely by lower wage increases.

Within merchandise exports, the category food, feed, beverages and tobacco registered a significant decline in price of over 3 per cent mainly because of a sharp drop in the price of wheat. Most of the categories increased by about one half of one per cent resulting in a slight increase in the overall price for merchandise exports.

A. National Income and Gross National Product, by Quarters, 1966 and 1967 Seasonally Adjusted at Annual Rates
(millions of dollars)

page	1966					1967				
	I	II	III	IV	Year	I	II	III	IV	Year
4										
	1.	Wages, salaries, and supplementary labour income	28,332	28,960	29,592	30,412	29,324	31,244	31,860	32,464
	2.	Military pay and allowances .	684	568	588	644	621	748	676	692
	3.	Corporation profits before taxes	5,292	5,272	4,896	5,288	5,187	4,656	4,912	5,024
	4.	Deduct: Dividends paid to non-residents (1).....	-728	-768	-776	-916	-797	-640	-812	-860
	5.	Rent, interest and miscellaneous investment income ...	3,772	3,932	3,828	4,080	3,903	4,016	4,424	4,488
	6.	Accrued net income of farm operators from farm production (2).....	2,184	2,244	2,252	2,136	2,204	1,948	1,928	1,696
	7.	Net income of non-farm unincorporated business (3).	2,936	2,852	3,000	3,008	2,949	2,960	3,136	3,312
	8.	Inventory valuation adjustment	-488	-232	-340	-212	-318	-308	-268	-216
	9.	NET NATIONAL INCOME AT FACTOR COST	41,984	42,828	43,040	44,440	43,073	44,624	45,856	46,600
	10.	Indirect taxes less subsidies	7,772	7,844	7,976	7,608	7,800	8,584	8,400	8,280
	11.	Capital consumption allowances and miscellaneous valuation adjustments	6,428	6,644	6,536	6,756	6,591	6,936	7,048	6,924
	12.	Residual error of estimate .	240	240	296	320	274	164	288	68
	13.	GROSS NATIONAL PRODUCT AT MARKET PRICES	56,424	57,556	57,848	59,124	57,738	60,308	61,592	61,872
	14.	(Gross national product at market prices excluding accrued net income of farm operators)	(54,240)	(55,312)	(55,596)	(56,988)	(55,534)	(58,360)	(59,664)	(60,176)

(1) Includes the withholding tax applicable to this item.

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

(3) Includes net income of independent professional practitioners.

NATIONAL ACCOUNTS (continued)

B. Gross National Expenditure, by Quarters, 1966 and 1967 Seasonally Adjusted at Annual Rates
(millions of dollars)

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NATIONAL ACCOUNT (continued)

	1966					1967				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal expenditure on consumer goods and services	32,956	34,112	35,304	35,988	34,840	36,488	37,464	38,256		
2. Government expenditure on goods and services (1).....	10,592	10,872	11,648	11,564	11,169	11,816	12,788	12,180		
3. Business gross fixed capital formation (2).....	12,016	12,324	12,000	12,516	12,214	12,612	12,376	11,780		
4. New residential construction	2,220	2,336	2,036	2,060	2,178	1,928	2,360	2,576		
5. New non-residential construction	4,788	4,832	4,628	4,996	4,811	5,008	4,668	4,464		
6. New machinery and equipment	5,008	5,156	5,276	5,460	5,225	5,676	5,348	4,740		
7. Value of physical change in inventories	988	1,668	588	736	995	92	72	768		
8. Non-farm business inventories	792	1,392	564	580	832	176	132	712		
9. Farm inventories and grain in commercial channels (3)	196	276	24	156	163	-84	-60	56		
10. Exports of goods and services	12,660	12,820	13,276	13,536	13,073	14,508	15,064	14,140		
11. Deduct: Imports of goods and services	-13,548	-13,996	-14,676	-14,900	-14,280	-15,044	-15,888	-15,184		
12. Residual error of estimate .	-240	-244	-292	-316	-273	-164	-284	-68		
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	56,424	57,556	57,848	59,124	57,738	60,308	61,592	61,872		
Detail of Farm Inventories and GICC:										
Value of grain crop production	1,564	1,564	1,564	1,564	1,564	1,240	1,244	1,244		
Depletions of farm stocks of grain	-1,224	-1,372	-1,612	-1,404	-1,403	-1,324	-1,484	-1,468		
Change in livestock inventories	-100	36	48	-32	-12	-36	48	-44		
Grain in commercial channels	-44	48	24	28	14	36	132	324		

- (1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Includes net purchases of government commodity agencies, and also defence expenditures.
- (2) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.
- (3) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole. All other items in the farm inventories series are seasonally adjusted by standard techniques.

C. Gross National Expenditure in Constant (1957) Dollars, by Quarters 1966 and 1967(1)
Seasonally Adjusted at Annual Rates

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NATIONAL ACCOUNTS (concluded)

	1966					1967				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal expenditure on consumer goods and services ..	29,484	29,292	30,240	30,552	29,892	30,808	31,260	31,500		
2. Non-durable goods	14,256	14,508	14,772	15,052	14,647	15,268	15,712	15,840		
3. Durable goods	4,308	3,820	4,332	4,232	4,173	4,124	4,356	4,456		
4. Services	10,920	10,964	11,136	11,268	11,072	11,416	11,192	11,204		
5. Government expenditure on goods and services	7,924	8,148	8,600	8,328	8,250	8,264	8,844	8,320		
6. Business gross fixed capital formation	9,416	9,560	9,248	9,496	9,430	9,472	9,304	8,848		
7. New residential construction	1,664	1,736	1,540	1,480	1,605	1,376	1,648	1,784		
8. New non-residential construction	3,684	3,664	3,472	3,692	3,628	3,668	3,372	3,208		
9. New machinery and equipment	4,068	4,160	4,236	4,324	4,197	4,428	4,284	3,856		
10. Change in inventories	1,004	1,564	528	672	942	28	28	620		
11. Non-farm business inventories	788	1,280	496	544	777	160	116	600		
12. Farm inventories and grain in commercial channels ..	216	284	32	128	165	-132	-88	20		
13. Exports of goods and services	11,152	11,212	11,380	11,636	11,345	12,464	12,876	12,004		
(of which merchandise).....	(9,048)	(9,088)	(9,300)	(9,540)	(9,244)	(10,308)	(10,376)	(9,432)		
14. Deduct: Imports of goods and services	-11,708	-12,044	-12,568	-12,640	-12,240	-12,804	-13,500	-12,856		
(of which merchandise).....	(8,556)	(8,848)	(9,188)	(9,252)	(8,961)	(9,576)	(10,016)	(9,688)		
15. Residual error of estimate ..	-200	-200	-236	-256	-223	-132	-224	-52		
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS.	47,072	47,532	47,192	47,788	47,396	48,100	48,588	48,384		

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in current dollars by the constant dollar figures, 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.

2. Commodity Exports Canadian commodity exports decreased to \$823,530,000 in September from \$888,565,000 in the 1966 month and cumulative period exports rose to \$8,128,351,000 this year from \$7,338,952,000. Exports during the comparable 1965 periods were \$701,008,000 in September and \$6,058,203,000 during the January-September period.

	September		January-September	
	1966	1967	1966	1967
	thousands of dollars			
By Country				
United States	500,485	549,000	4,338,870	5,097,251
United Kingdom	94,919	86,182	847,681	861,502
Japan	36,448	39,440	293,191	429,458
Federal Republic of Germany	13,626	15,720	129,587	119,555
Netherlands	12,535	13,810	100,340	122,356
Italy	13,051	13,310	88,590	105,903
Australia	8,768	10,396	83,536	115,356
Norway	12,646	6,055	82,889	65,436
France	12,546	6,048	62,734	57,557
Belgium and Luxembourg	11,260	11,247	83,986	73,551
By Commodity				
Newsprint paper	79,687	73,834	711,290	710,821
Passenger automobiles and chassis	37,398	51,407	249,966	612,294
Lumber, softwood	29,361	46,820	354,489	363,220
Wood pulp and similar pulp	39,219	42,980	388,959	407,352
Wheat	119,050	38,264	781,914	617,909
Crude petroleum	28,589	36,962	236,079	290,446
Motor vehicle parts, except engines ..	27,678	33,755	167,332	256,962
Iron ore and concentrates	47,042	30,941	255,967	263,209
Aluminum, including alloys	26,603	29,322	278,867	292,088
Copper and alloys	27,140	25,694	202,848	236,041

BALANCE OF PAYMENTS

3. Quarterly Estimates of the Canadian Balance of International Payments
Third Quarter 1967

There were offsetting changes in major components of Canada's international receipts and payments in the third quarter. Characterized by seasonal strength, the surplus on transactions in goods and services in this period was estimated at \$201 million, as compared with roughly \$30 to \$40 million in the preceding two years and \$208 million in the third quarter of 1964. Against a substantial contribution of the Expo-generated travel receipts to the amelioration of the balance on non-merchandise transactions was a less favourable trade balance due, among other commodity changes, to a decline in wheat shipments.

Capital inflows in long-term forms rose in the third quarter to about the magnitude of the first quarter. The movement of short-term capital, which has been outward since the beginning of 1967, increased sharply in the third quarter to exceed by over \$100 million the recent high level in the same quarter of 1966. Net capital movements were outward to the amount of \$145 million, as contrasted with an inflow of \$206 million in the preceding quarter and an outflow of \$126 million

in the third quarter of 1966. Changes in bank balances abroad and in the non-resident holdings of Canadian finance company paper and obligations were mainly responsible for the development. Following reductions in six consecutive quarters, Canada's official monetary assets rose \$56 million.

	Summary Statement							
	1965	1966	1966		1967			
			IIIQ	IVQ	IQ	IIQ	IIIQ	
			millions of dollars					
Merchandise exports	8,745	10,326	2,695	2,806	2,609	3,018	2,708	
Merchandise imports	8,627	10,102	2,472	2,766	2,513	3,014	2,623	
Merchandise trade balance	+ 118	+ 224	+223	+ 40	+ 96	+ 4	+ 85	
Deficit on non-merchandise transactions	-1,248	-1,361	-182	-447	-413	-265	+116	
Current account balance	-1,130	-1,137	+ 41	-407	-317	-261	+201	
Capital movements (1)	+1,287	+ 778	-126	+388	+304	+206	-145	
Long-term forms	+ 864	+1,024	+219	+119	+313	+258	+309	
Short-term forms	+423	- 246	-345	+269	- 9	- 52	-454	
Change in official holdings of gold, foreign exchange, and net balance with I.M.F.	+ 157	- 359	- 85	- 19	- 13	- 55	+ 56	

(1) Excluding change in official exchange holdings.

Current Transactions Canada's deficit on current international transactions at \$377 million for the first 9 months of 1967 stood at about half of the level of \$730 million for the same period of 1966. This favourable development is indicated in spite of a widening tendency in the current account deficit, after allowance for seasonal variation, in the most recent 6-month period.

In the comparison of the first 3 quarters of 1966 and 1967, the narrowing in the current deficit was almost completely derived from a reduction of \$352 million in net payments on non-merchandise transactions. More than the entire amount of this change was attributable to a swing of \$415 million from a small deficit on travel account in the first 9 months of 1966 to a substantial surplus in the same period of 1967, which resulted from Expo 67 and other centennial celebrations. In view of the importance of travel transactions with the United States, over 95% of the contraction in Canada's current account deficit occurred with that country.

Trade Balance Merchandise exports advanced nearly 11% from \$7,520 million to \$8,335 million, and merchandise imports increased 11% from \$7,336 million to \$8,150 million. In consequence the merchandise trade surplus of \$185 million in the 9 months of 1967 was practically unchanged from the same period one year before.

Well over 70% of the \$815 million advance in merchandise exports was attributed to automotive products. Exports of aircraft and parts rose about \$70 million and of crude petroleum more than \$50 million between the 9 months of 1966 and 1967. Copper shipments abroad increased about \$40 million; and other commodities recording smaller but still important gains included canned fish, barley, tobacco, sulphur, aluminum, wood pulp, fertilizers, communication and office equipment and firearms. On the other hand, the value of wheat clearances overseas dropped about \$175 million; and exports of live animals declined more than \$25 million. Smaller losses occurred in shipments of meat, flaxseed, uranium and asbestos.

More than 60% of the increase of \$814 million in merchandise imports was attributable to automotive products. On the basis of incomplete detailed information, higher imports in the 9 months of 1967 were indicated for crude petroleum, fuel oil, machinery, computers, communication and measuring equipment, machine tools, hardware, aircraft engines and parts, photographic goods, personal and household products. Imports of metallic materials declined, notably nickel, from an unusually high level in 1966. Small decreases were recorded in imports of a number of other commodities.

Non-Merchandise Deficit The narrowing by 39% in the non-merchandise deficit from \$914 million to \$562 million in the 9 months of 1967 was due to travel transactions, augmented by smaller favourable changes in the balances for freight, shipping and migrants' funds. On the other hand, official contributions and net payments of interest and dividends increased, while the value of gold production available for export declined. Canada's travel receipts rose about 55% from \$713 million in the January-September period of 1966 to \$1,108 million in the 9 months of 1967. As Canadians remained in their country to savour the attractions of the Centennial Year, travel expenditures abroad declined \$20 million to \$725 million in the three quarters of 1967. The receipts from United States visitors rose roughly 58% from \$623 million to \$983 million, while travel expenditures by Canadians in the United States recorded a \$13 million reduction to \$512 million. The travel surplus expanded almost five-fold from \$98 million to \$471 million. The overseas travel deficit contracted by about a third from \$130 million to \$88 million, as the receipts increased \$35 million to \$125 million, while the payments declined \$7 million to \$213 million in the January-September period of 1967.

With a larger gain in freight and shipping receipts from \$550 million to \$591 million than in the payments from \$606 million to \$632 million, the deficit on this account narrowed \$15 million to \$41 million. Primarily as a result of a gain in excess of 20% to some 174,600 in the number of immigrants with higher per capita funds, the surplus on account of inheritances and migrants' funds expanded \$51 million to \$112 million.

Net interest and dividend payments in the first 9 months of 1967 rose by \$76 million or almost 15% to \$596 million, compared with \$520 million in the corresponding period of 1966. Most of this increase was attributable to a \$47 million expansion of interest and dividend payments to \$774 million. Large United States purchases of new provincial bonds in the first quarter of 1967 and of new provincial and corporate issues in 1966 were the main factors contributing to a \$34 million rise in interest payments, while a sharp increase during the third quarter in the profits of unincorporated branches of foreign corporations more than accounted for a \$13 million increase in dividend payments. Receipts of interest and dividends at \$178 million were \$29 million lower than the 1966 level. Interest receipts were moderately lower at \$58 million. Receipts of dividends at \$120 million were substantially reduced, reflecting mainly a sharp decrease in the second quarter.

The 9-month total of Canada's grant aid was estimated at \$148 million in 1967, as compared with \$129 million in the preceding year. The deficit on miscellaneous current transactions widened \$25 million, or nearly 8%, to \$356 million. Contributing to this increase were personal and institutional remittances (arising from the Middle East war in the mid-year) and business service payments, which were in part offset by the expenditures for preparation and operation by foreign participants at Expo 67. The value of gold production available for export declined from \$93 million to \$84 million in the 9 months of 1967.

In transactions with the United States, total receipts for goods and services expanded 19% from \$6,043 million in the first 9 months of 1966 to \$7,188 million in the same period of 1967. Total payments in the meantime rose 11% from \$7,434 million to \$8,238 million. The current account deficit accordingly contracted \$341 million, or 25%, from \$1,391 million to \$1,050 million. Only a sixth of the improvement was attributable to merchandise trade, the import balance narrowing from \$762 million to \$705 million in the first 3 quarters of 1967. Five-sixths of the improvement in the current account balance originated from non-merchandise transactions, the net payments having declined \$284 million from \$629 million to \$345 million. Travel transactions alone accounted for well over the whole amount of this change, with the principal partial offset being provided by a fairly large increase in payments together with a small decline in receipts of interest and dividends. Net capital movements between Canada and the United States in the third quarter produced an outflow of \$230 million as an influx of \$333 million of long-term capital was more than offset by an outflow on short-term account of \$563 million. In sum, the above transactions (excluding the value of gold production available for export) gave rise to net payments by Canada of \$222 million in the third quarter of 1967 and \$934 million in the first nine months of the year.

The current account surplus with the United Kingdom widened 8% from \$314 million to \$339 million between the first 3 quarters of 1966 and 1967, following a rise of approximately 3% in the receipts for goods and services from \$1,134 million to \$1,172 million, offset in part by a smaller increase of \$13 million to \$833 million in total payments. The increase in the current account balance was distributed between merchandise trade and service transactions. A small decline of \$13 million occurred in Canada's current surplus with other countries from \$347 million to \$334 million. This change resulted from a decline of \$71 million to \$511 million in the export surplus, which was offset in part by a \$58 million contraction from \$235 million to \$177 million in the non-merchandise deficit. Total current and capital account transactions with the United Kingdom and other overseas countries led again to net receipts by Canada, which at \$253 million in the third quarter brought net receipts for the first three quarters of the year to \$838 million.

Capital Movements Following three successive quarterly net capital inflows into Canada (apart from official monetary movements shown separately) a not unusual net outflow of \$145 million was recorded in the third quarter of 1967. The total net capital inflow for the first nine months of the year was therefore reduced to \$365 million. In 1966 there was a net outflow of \$126 million in the third quarter and a net inflow of \$390 million in the first three quarters of the year.

	Capital Movements						
	1965	1966	1966		1967		
			IIIQ	IVQ	IQ	IIQ	IIIQ
millions of dollars							
Foreign direct investment in							
Canada	+535	+710	+147	+223	+125	+140	+130
Canadian direct investment							
abroad	-125	-20	+76	-35	-30	-10	-5
Net sales of Canadian							
securities	+631	+721	+141	+10	+215	+129	+238
Net purchases of foreign							
securities	-85	-418	-126	-89	-54	-48	-121
Bank balances and other							
short-term funds abroad							
(excluding official reserves)	+138	-601	-317	-97	+332	+36	-260
Finance company short-term							
paper	-162	-4	-55	+29	+7	-25	-54
All other capital movements .	+355	+390	+8	+347	-291	-16	-73
Net capital movements	+1,287	+778	-126	+388	+304	+206	-145

Capital movements in short-term forms resulted in net outflows of \$454 million in the quarter and \$515 million in the first nine months of 1967. Transactions in foreign currencies by and through the Canadian banking system contributed significantly to these movements while reductions in non-resident holdings of Canadian short term finance company obligations and other money market instruments were also prominent in the third quarter. Capital inflows in long-term forms increased 20% to \$309 million in the third quarter, and totalled \$880 million in the nine months. Sales of new issues of Canadian securities again accounted for a considerable proportion of the long-term capital inflow.

The net capital inflow for direct investment in foreign-controlled enterprises in the third quarter fell to \$130 million from \$140 million in the second quarter. Mining and manufacturing received around 80% of this inflow, and about the same proportion of the total inflow came from the United States. The net outflow during the third quarter for Canadian direct investment abroad at \$5 million was about half the outflow for the preceding quarter.

Transactions in portfolio securities between Canada and other countries during the third quarter of 1967 resulted in a net capital inflow of \$117 million, greater by two fifths than in the previous quarter. The net sales balance arising from transactions in Canadian securities during the quarter rose from \$129 million to \$238 million, while net purchases of foreign issues of \$121 million compared with a \$48 million net outflow for the second quarter. During the first nine months of 1967 there was a net capital inflow of \$359 million from Canada's international transactions in portfolio securities compared with \$382 million for the corresponding period of 1966.

The proceeds of new Canadian issues sold abroad declined 10% during the third quarter to \$276 million. Sales of new provincial direct and guaranteed issues dropped by more than one half from the second quarter of 1967 while those of municipalities, railways, and corporations each rose considerably. Transactions in outstanding Canadian securities during the quarter resulted in a net inflow of \$21 million, the first quarterly sales balance since the third quarter of 1965. Net

sales of Canadian equities, which were concentrated largely in September, totalled \$30 million, the first such quarterly increase in foreign holdings of outstanding Canadian equities since the second quarter of 1961. Retirements of Canadian securities during the quarter fell some sixty per cent to \$59 million, due almost entirely to a \$59 million drop in the retirements of Government of Canada direct issues from the second quarter when official repatriation was prominent.

The net capital outflow of \$121 million due to transactions in foreign securities during the third quarter rose to about two and one half times that of the second quarter. This \$73 million rise was in good part explained by a \$49 million jump in the net outflow due to trade with residents of the United States in outstanding United States stocks.

Disbursements by the Government of Canada under the development loan program totalled \$8 million in the third quarter of 1967, following smaller amounts in the preceding quarters. Transactions during the quarter arising from the medium and long-term financing of exports directly or indirectly at the risk of the Government of Canada led to a net inflow of \$18 million due almost entirely to net repayments received in respect of exports of wheat to Sino-Soviet countries. All other transactions in long-term forms in the third quarter led to a net inflow of \$57 million, representing predominantly long-term borrowings by Canadian enterprises from foreign banks.

Non-resident holdings of Canadian dollar deposits and treasury bills fell by \$13 million in the third quarter compared to a \$58 million reduction recorded during the previous quarter, largely as a result of a swing in holdings of Canadian dollar deposits by non-residents from a decline of \$59 million in the second quarter to a rise of \$6 million in the third quarter. Net repurchases of Canadian treasury bills at \$17 million during the third quarter reduced non-resident holdings to the lowest level since the fourth quarter of 1966.

In the third quarter, Canadian holdings of foreign currency bank balances and other short-term funds abroad (excluding official reserves) showed their first quarterly rise in 1967 with a net outflow of \$260 million. The net outflow from transactions in short-term Canadian paper, mainly that of finance companies, more than doubled in the period under review to \$55 million; and was accompanied by a \$31 million net outflow arising from transactions with non-residents in other finance company obligations of a short-term nature. All other transactions led to a net outflow of \$95 million. Repayments by Canadians of short-term loans from foreign banks formed a significant part of this movement.

*4. Industry Selling Price Indexes In 26 manufacturing industries, industry selling price indexes (1956=100) were higher in November, 7 more than the 19 increases recorded in the September-October period. Industry indexes which moved down numbered 21 in November, 2 less than the 23 decreases recorded in October. Of the 102 industries 55 were unchanged in November, a decrease of 5 from October when 60 remained the same.

The average level of the 102 industry indexes in November was 115.6, up slightly from the October average of 115.4. The median also advanced to 115.0 just above the October median of 114.9.

*5. General Wholesale Index The general wholesale index (1935-39=100) moved down slightly in November to 264.9 from the October index of 265.1, and was 1.8% higher than the November 1966 index of 260.3. One major group index was lower, while six advanced. The remaining one, the iron products group index was unchanged at 274.3. The animal products group index declined 1.7% in November to 290.4 from the October index of 295.4 on lower prices for livestock, fresh and cured meats, fishery products, eggs, and animal oils and fats.

The textile products group index rose 0.8% in November to 255.6 from the October index of 253.5 reflecting price increases for raw cotton and cotton fabric. The vegetable products group index moved up 0.4% to 229.0 from 228.2 on higher prices for sugar and its products, vegetable oils and their products, livestock and poultry feeds, and tea, coffee and cocoa. An advance of 0.4% to 246.7 from 245.6 occurred in the non-ferrous metals products group index in response to increases for silver and tin. Increases of 0.2% or less occurred in the following major group indexes: Non-metallic mineral products to 200.7 from 200.2, wood products to 350.2 from 349.7, and chemical products to 214.2 from 213.9.

M E R C H A N D I S I N G

6. Department Store Sales Department store sales by regions during the month of November rose 11.9% with regional increases as follows: Atlantic Provinces, 8.5%; Quebec, 14.7%; Ontario, 13.8%; Manitoba, 3.1%; Saskatchewan, 0.7%; Alberta, 17.2%; and British Columbia, 10.7%.

7. Wholesale Trade Canadian wholesale trade during October was estimated at \$1,170,040,000, a rise of 6.3% over last year's corresponding total of \$1,101,073,000. Increases, greater in 12 of 18 specified trades, ranged from 0.1% in other construction materials and supplies, including lumber, to 13.0% in tobacco, confectionery and soft drinks. In the January-October period sales were up 4.1% to \$11,223,998,000 this year from \$10,786,496,000.

8. Department Store Sales Department store sales during the week ending December 9 rose 5.9% from the same week last year with regional increases as follows: Atlantic Provinces, +1.7%; Quebec, +0.5%; Ontario, +8.0%; Manitoba, +2.8%; Saskatchewan, +6.7%; Alberta, +9.2%; British Columbia, +8.5%.

*9. Civil Aviation The six carriers that usually account for 90% of the total operating revenue of all Canadian carriers reported increases of 16.9% in operating revenues and 21.2% in operating expenses in June 1967 compared with June 1966. For the month, their net income after taxes was \$3,033,148, compared with \$4,020,002 in June 1966.

Statistical Summary - Canadian Scheduled Air Carriers - June

		June		January-June	
		1967	1966	1967	1966
<u>Revenue Traffic</u>					
Departures	No.	27,204	24,993	144,314	130,755
Hours flown	"	39,385	34,012	201,170	174,301
Miles flown	'000	10,906	9,096	56,472	47,090
Passengers carried	"	745	610	3,712	3,194
Goods carried	tons	10,365	10,227	61,983	58,504
<u>Passenger-miles (Unit Toll)</u>					
Domestic	millions	364	287	1,627	1,360
International	"	270	220	1,417	1,178
<u>Passenger-miles (Bulk)</u>					
Domestic	"	4	5	37	17
International	"	28	37	46	140
<u>Goods ton-miles (Unit Toll)</u>					
Domestic	'000	6,950	6,492	39,609	36,922
International	"	5,113	5,030	30,633	36,140
<u>Goods ton-miles (Bulk)</u>					
Domestic	"	482	311	3,128	2,059
International	"	-	-	-	4
<u>Revenues and Expenses</u>					
Operating revenues	\$'000	43,634	37,320	213,009	184,986
Operating expenses	"	39,267	32,407	216,106	179,732
Operating income (loss)	"	4,367	4,913	(3,097)	5,254
Net income (deficit)	"	3,033	4,020	(9,121)	579

The number of passengers flown into and out of Canada in June showed an increase of 50.8% over the same month last year. Weight of cargo carried was down 10.2%, while mail carried was 18.0% higher compared with June 1966. Canadian carriers transported 212,560 passengers, 2,369 tons of cargo and excess baggage and 269 tons of mail, while reporting foreign carriers transported 282,982 passengers, 2,623 tons of cargo and excess baggage and 259 tons of mail.

Revenue Air Traffic Leaving and Entering Canada

	Passengers ('000)		Cargo and excess baggage (tons)		Mail (tons)	
	June		June		June	
	1967	1966	1967	1966	1967	1966
<u>Leaving Canada for:</u>						
The United States	176.3	106.1	571.2	561.4	113.6	89.3
Europe	52.7	43.5	674.5	672.9	84.3	73.6
All other countries	7.8	8.6	154.8	162.4	23.8	16.9
Total	236.8	158.2	1,400.5	1,396.7	221.7	179.8
<u>Entering Canada from:</u>						
The United States	188.1	112.3	1,896.5	1,864.4	157.2	156.9
Europe	60.4	50.2	1,532.8	2,186.4	116.0	93.8
All other countries	10.1	8.9	161.9	128.3	33.5	18.2
Total	258.6	171.4	3,591.2	4,179.1	306.7	268.9

*10. Railway Operating Statistics Twenty-three common carrier railways in Canada reported operating revenues of \$129,141,777 for September, up 8.7 per cent from the previous year, according to an advance release of data that will be contained in the September issue of the D.B.S. report "Railway Operating Statistics". Railway operating expenses rose 10.7 per cent to \$120,575,643, resulting in a net profit of \$8,566,134 compared to one of \$9,906,499 in September 1966. Figures for the 1966 month were affected by the last two days of a nation-wide strike which began in August, and by the commencement of a new strike on September 26, involving the Pacific Great Eastern Railway.

Railway Operating Revenues, Expenses and Net Income

	<u>September, 1967</u>		
	Total 23 Railways	C.N.R.	C.P.R.
	\$	\$	\$
Operating Revenues	129,141,777	66,346,134	47,921,828
Freight(1)	102,313,020	48,861,161	39,721,535
Passenger	7,267,673	5,402,827	1,658,329
Operating Expenses	120,575,643	65,563,948	43,840,922
Road and equipment			
maintenance	48,508,183	27,353,000	16,647,934
Net Income	8,566,134	782,186	4,080,906
Operating Ratio	93.37	98.82	91.48

(1) Includes payments related to the National Transportation Act.

A total of 23.4 million tons of revenue freight was handled by railways in Canada during September, up 10.6 per cent from the 1966 month, while ton-miles declined 4.1 per cent to 7,781 million. Average miles of road operated (first main track) fell slightly to 43,905 from 43,967.

Expo's 7,057,338 visitors contributed to increased passenger traffic during September. Trains carried 2,355 thousand persons during the month, an increase of 24.9 per cent over the previous year and 7.4 per cent above August's total. Commuter and non-commuter movements registered increases of 13.8 per cent and 48.2 per cent respectively and employment in the industry at 132,584 was up 1.8 per cent from September 1966.

11. Urban Transit Initial passenger fares, excluding transfers, collected by urban transit systems during October fell to 74,357,063, down 16.0% from the 88,478,307 reported in the 1966 month. Total operating revenues fell to \$14,213,250, down 3.2% from the \$14,687,838 reported in October last year. The decrease in revenue passenger fares, vehicle miles run, revenue and fuel consumed was primarily due to the Montreal Transportation Commission strike which lasted from September 21 to October 21.

12. Carloadings Revenue freight carloadings during the first seven days of December declined 2.7% from the previous year period to 71,817, and during the cumulative period dropped 5.9% to 3,581,268. Piggyback loadings were down 15.8% to 3,075 in the current period and 6.4% to 166,710 cars in the year-to-date. Receipts from Canadian and United States rail connection declined 0.8% to 25,252 during the seven days under review and fell 1.3% to 1,160,663 in the cumulative period.

*13. Fish Landings for Newfoundland - November 1967

Major species	Quantity '000 lb.	Value \$'000
<u>Groundfish</u>		
Cod	10,373	441
Lingcod	-	-
Haddock	91	4
Greenland Halibut (Turbot) ...	1,585	48
Pollock	23	--
Hake	16	--
Redfish	9,456	226
Halibut	11	2
Flounders and Soles	8,437	261
Other unspecified	246	7
Total	30,238	989
<u>Pelagic & Estuarial</u>		
Herring	15,521	158
Mackerel	1	--
Salmon.....	18	10
Swordfish		
Other unspecified	93	3
Total	15,633	171
<u>Molluscs & Crustaceans</u>		
Crabs		
Lobster		
Oysters		
Scallops		
Other unspecified	2,744	51
Total	2,744	51
Total - All species	48,615	1,211

-- Amount too small to be expressed

*14. Tobacco Entered For Consumption Cigarettes entered for consumption in November totalled 4,167,685,260 down from 4,208,294,085

entered for consumption in the 1966 month. Cigars entered for consumption increased to 43,374,758 up from last year's 41,483,170. Other tobacco products entered for consumption were as follows: cut tobacco, 1,364,037 pounds (1,545,891 in the 1966 month); plug tobacco, 73,410 pounds (83,689); snuff, 83,720 pounds (51,218); Canadian raw leaf tobacco, 54,130 pounds (58,440). Cigarettes released for export during the month numbered 23,703,600 and those released for ships' stores numbered 15,173,400.

15. Dairy Review Production of milk in November is estimated at 1,238,000,000 pounds, 0.4% above production in the corresponding month last year. This brings the total estimated production for the 11-month period to 17,003,000,000 pounds or 0.9% below that for the January-November period. October milk production totalled 1,545,784,000 pounds against 1,515,048,000 in the 1966 month.

16. Egg Production Canadian egg production in November rose 10.5% to 38,126,000 dozen from 34,514,000 dozen in the 1966 month. The number of layers increased 6.0% to 28,818,000 in the current month from 27,182,000 in November 1966 and the farm price of eggs sold for market was down 29.2% to 33.1 cents per dozen from 46.6 cents.

*17. Pack of Fruit and Vegetables as Reported up to the End of November

Commodity	Canada	
	Canned	Frozen
	cases	pounds
Apples, solid pack	347,899	1,182,053
Apple juice, plain	x	-
Apple juice, vitaminized	2,480,922	-
Apple sauce	411,945	-
Apricots	95,959*	112,607*
Cherries, sweet	321,457*	230,233*
Cherries, sour	219,014*	10,828,533*
Peaches	599,117*	607,022*
Pears, bartlett	577,885	-
Pears, kieffer, etc.	291,160	-
Plums	327,631*	749,389*
Raspberries	203,817*	12,791,608*
Strawberries	122,890*	16,825,218*
Asparagus	387,012*	894,295*
Beans, green	1,734,906*	13,861,133*
Beans, wax	2,327,888*	2,260,715*
Beets	484,572	-
Corn (all types)	4,917,509*	24,625,786*
Peas	3,736,114*	53,148,461*
Tomatoes	2,583,595*	-
Tomato juice	7,042,328*	-

(1) Small amount included with "Ontario".

x Figures deleted to ensure anonymity.

* Pack completed.

B U S I N E S S

18. Cheques Value of cheques cashed in fifty-one clearing centres during October totalled \$50,960,325,000 against \$45,385,028,000 in the 1966 month. Cheques cleared in the Atlantic Provinces increased 21.2%; Ontario, 17.0%; British Columbia, 16.7%; Prairie Provinces, 10.6%; and Quebec, 4.8%. During the ten-month period cheques cleared were valued at \$481,832,633,000, up 9.9% over 1966's \$438,352,100,000 total.

*19. Retail Gasoline Statistics by Metropolitan Area Retail sales of gasoline in Canada's major metropolitan areas, for the third quarter of 1967 were 334.2 million gallons. This amount was dispensed through 6,486 outlets.

20. Tuberculosis New reported tuberculosis cases during October numbered 519 with new active accounting for 432 and reactivated accounting for 87. In the year to date new reported tuberculosis cases numbered 3,965 (3,877 in 1966). Of these 3,373 were new active (3,307 in the 1966 period) and 592 reactivated (570).

*21. Industry & Production Notes, 1966 The following summarized statistics for the petroleum refining manufacturers industry will appear later in detail in a regular publication of the Manufacturing and Primary Industries Division. Concepts and definitions employed together with an account of recent changes will also be included in the report.

Petroleum Refining Manufacturers (Cat. 45-205): Factory shipments from the petroleum refining manufacturers increased in 1966 to \$1,444,821,000 from \$1,383,649,000 in 1965. Cost of materials, fuel and electricity rose in the year to \$1,207,879,000 from \$1,141,705,000 in the preceding year and value added by manufacturing activity (value of production less value of materials, fuel and electricity) to \$253,291,000 from \$244,107,000. Industry value added (manufacturing plus non-manufacturing activity) advanced from \$249,233,000 to \$260,439,000.

Forty establishments (40 in 1965) reported 8,996 employees (8,976), including 6,219 directly employed in manufacturing operations (6,282). Salaries and wages for all employees aggregated \$69,580,000 (\$63,273,000) with manufacturing employees accounting for \$45,531,000 (\$40,617,000). Paid man-hours in manufacturing operations numbered 13,646,000 versus 13,335,000 the previous year.

22. Gold Production October gold production, calculated at the average price paid by the Royal Canadian Mint, was valued at \$9,244,336. Production dropped to 245,860 troy ounces during the month from 260,421 in October 1966 and during the cumulative period was down to 2,480,187 troy ounces this year from 2,750,653.

*23. Steel Ingots Steel ingot production during the week ending December 23 totalled 185,265 tons, down 1.4% from the preceding week's total of 187,856 tons. Output during the comparable week of 1966 was 119,441 tons. This low was due to a strike at Algoma Steel. The index of production, based on the average weekly output during 1957-1959 of 96,108 equalling 100, was 193 in the current week, 195 a week earlier and 124 a year ago.

24. Products Made From Canadian Clays Producers' sales of products made from domestic clays were valued at \$4,586,005 in October, up from the 1966 month total of \$4,296,834. During the cumulative period producers' sales totalled \$36,660,106 compared with 1966's ten-month period sales of \$35,755,345.

RELEASED THIS WEEK

Catalogue numbers and prices are shown following the titles. Starred items are releases for which no corresponding publications are issued today.

- *1. Gross National Product, Third Quarter, 1967
- 2. Trade of Canada: Summary of Exports, September 1967, (65-002), 20¢/\$2.00
- 3. Quarterly Estimates of the Canadian Balance of International Payments, Third Quarter, 1967, (67-001), 50¢/\$2.00
- *4. Industry Selling Price Indexes, November 1967
- *5. General Wholesale Index, November 1967
- 6. Department Store Sales by Regions, November 1967, (63-004), \$1.00 a year
- 7. Wholesale Trade, October 1967, (63-008), \$1.00 a year
- 8. Department Store Sales, December 9, 1967, (63-003), \$2.00 a year

- *9. Civil Aviation, June 1967
- *10. Railway Operating Statistics, September 1967
- 11. Urban Transit, October 1967, (53-003), 10¢/\$1.00
- 12. Carloadings, December 7, 1967 (52-001), \$3.00 a year
- *13. Fish Landings for Newfoundland, November 1967
- *14. Tobacco Consumption, November 1967
- 15. The Dairy Review, November 1967, (23-001), 20¢/\$2.00
- 16. Production of Eggs, November 1967, (23-003), 10¢/\$1.00
- *17. Pack of Fruit and Vegetables, November 30, 1967
- 18. Cheques Cashed in Clearing Centres, October 1967, (61-001), 20¢/\$2.00
- *19. Retail Gasoline Statistics by Metropolitan Area, Third Quarter 1967
- 20. Incidence of Tuberculosis, October 1967, (82-001), 10¢/\$1.00
- *21. Industry & Production Notes: Petroleum Refining
- 22. Gold Production, October 1967, (26-004), 10¢/\$1.00
- *23. Steel Ingots, December 23, 1967
- 24. Products Made From Canadian Clays, October 1967, (44-005), 10¢/\$1.00
- Canadian Statistical Review, December 1967, (11-003), 50¢/\$5.00
- Service Bulletin: Energy Statistics, December 21, 1967, (IND-SB(2)- Vol. 2-33)
\$5.00 a year
- Trade of Canada: Imports by Commodities, August 1967, (65-007), 75¢/\$7.50
- Man-Hours and Hourly Earnings, September 1967, (72-003), 30¢/\$3.00
- Employment and Average Weekly Wages and Salaries, September 1967, (72-002),
30¢/\$3.00
- Electric Power Statistics, October 1967, (57-001), 10¢/\$1.00
- Service Bulletin: Food and Beverage Processing, December 26, 1967, (IND-SB-
1(70) \$5.00 a year
- Silver, Lead and Zinc Production, October 1967, (26-008), 10¢/\$1.00
- Copper and Nickel Production, October 1967, (26-003), 10¢/\$1.00
- Slaughtering and Meat Processors, 1965, (32-221), 75¢
- Estimates of Labour Income, September 1967, (72-005), 20¢/\$2.00
- Production, Shipments and Stocks on Hand of Sawmills in British Columbia,
October 1967, (35-003), 20¢/\$2.00
- Fish Freezings and Stocks, October 1967, (24-001), 20¢/\$2.00
- Footwear Statistics, October 1967, (33-002), 20¢/\$2.00
- Specified Domestic Electrical Appliances, October 1967, (43-003), 10¢/\$1.00
- Tobacco and Tobacco Products Statistics Quarterly, September 1967, (32-014),
50¢/\$2.00

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