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GROSS NATIONAL PRODUCT CLIMBS

Canada's gross national product continued upward in the third quarter of 1956 and was at a seasonally adjusted annual rate of \$30 billion. This constitutes a gain of close to 2 per cent over the second quarter, somewhat less than the increases of 3 per cent in the first two quarters of the year. Price factors have been somewhat more prominent in recent quarterly increases in the value of production, and related evidence suggests that about one-half of the gain in the third quarter is accounted for by higher prices, with the remainder representing an increase in the real volume of output.

On the income side, the major factor in the third quarter increase in gross national product has been a further advance in labour income, which rose by more than 3 per cent after allowance for seasonal variation. Employment and wage rates each showed further gains in the quarter. The recent sharp gains in income have been accompanied by a continued rise in personal expenditures on consumer goods and services; these showed a further increase of 2 per cent in the quarter. Business investment outlays for plant, machinery and equipment have been a major expansionary factor throughout the whole course of the year 1956, and in the third quarter they provided a continued impetus on the demand side, with a gain of about 7 per cent. These two factors together largely accounted for the increase in the nation's expenditure in the third quarter of 1956. Declines in residential construction and

in the rate of inventory accumulation were partly offset by gains in outlays by governments, and a small reduction in the deficit on current international account.

With the crop out-turn* now known and data covering three quarters of the year's activity in the non-farm sector available, it is now possible to suggest an order of magnitude for the year 1956 as a whole. On the basis of present evidence, it seems likely that the gross national product in 1956 will be about 11 per cent above last year's figure of \$26.8 billion. With final product prices higher in the first nine months of this year by 3 per cent or 4 per cent compared with a year ago, the gain in the physical volume of output will likely amount to about 7 per cent. A gain of this magnitude in the physical volume of output would be very close to the 9 per cent increase achieved in 1955, when the economy was recovering from the effects of the mild 1953-54 recession and increases in the labour force and in productive capacity had not been fully utilized. By any standard, this is an impressive performance, though it has been accompanied by some upward pressure on the general level of prices.

(Over)

* The value of crop production in 1956 is estimated to be \$150 million higher than in the year 1955.

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