

GROSS NATIONAL PRODUCT

Canada's gross national product - the sum of the value of all goods and services - showed an advance of 2.5 per cent in 1958 over 1957, amounting to \$32.2 billion compared to \$31.4 billion, according to preliminary estimates contained in the Dominion Bureau of Statistic's quarterly report for the fourth quarter of the year. The larger part of this increase represented higher prices. In volume terms, gross national product in 1958 is estimated to have risen by less than 1 per cent.

Despite the improvement in a number of the main statistical aggregates during 1958, gross national product for the year as a whole, the report states, was affected in a major way by the heavy inventory liquidation of the first half, and by the continued downward drift in business spending for new plant and equipment. The slight volume gain was attributable to higher production in the farm sector; the physical volume of non-farm production remaining unchanged from the previous year. This relative stability in the physical volume of total output compares with a gain of 9 per cent in 1955, 7 per cent in 1956, no change in 1957, and a postwar average for the years 1947 to 1958 of 4 per cent per year.

During 1958 there was a gradual resumption of the upward trend in Canada's gross national product, which had been interrupted in 1957 as recessionary influences began to bear adversely upon the level of economic activity. By the second quarter, the gross national product was showing a firmer trend, and by the final quarter was responding to a sharp rise in consumer expenditures, a strong advance in exports of goods and services, and a cessation in the rate of business inventory liquidation which had previously been operating to hold production in check, as final demand was met out of current inventory stocks. The year thus ended on a stronger note, although business outlays for new plant and equipment were still tending downward at year-end.

Gross national product in the fourth quarter was at a seasonally adjusted annual rate of \$32.7 billion, with output in the non-farm sector showing a rise of close to 2 per cent over the preceding quarter. The advance in total final purchases of goods and services in the fourth quarter was much the largest since early in 1956. However, Canadian production did not reflect the full effects of this renewed strength, since close to half of the increase in final demand in the fourth quarter was met by a pronounced rise in imports of goods and services. Related information suggests that the advances in output in the fourth quarter were quite widespread by industry. Manufacturing production advanced by more than 2 per cent, following the weakness of the preceding quarter; both durable and non-durable production advanced by about the same amount. All the service-producing in-

dustries also showed strong advances in the fourth quarter, the gains in retail and wholesale trade, and transportation, storage and communication being especially marked.

Personal expenditure on consumer goods and services, seasonally adjusted, rose by 3 per cent in the fourth quarter, one of the largest quarterly increases in recent years. A major advance occurred in expenditures on durables which were up by 8 per cent largely as a result of a 15 per cent increase in expenditure on passenger cars. Outlays on non-durables and services rose by about 2 per cent and 3 per cent, respectively.

Exports of goods and services, seasonally adjusted, rose by 5 per cent in the fourth quarter, both the commodity and service items showing roughly parallel movements. Gains were widespread among the commodity groups, but especially pronounced in agricultural and animal products and wood and wood products; exports of non-ferrous metals declined.

Business gross fixed capital formation remained practically unchanged in total in the fourth quarter, seasonally adjusted, but the components showed sharply divergent trends. A further advance in outlays for housing was not sufficient to offset the continued drop in expenditures on non-residential construction, but expenditures on machinery and equipment were moderately higher.

Business inventories made only a small contribution to the level of activity between the third and fourth quarters, though their position was sharply changed from the heavy liquidation of the first half of the year. Stocks of manufacturing inventories showed some decline in the fourth quarter, but this was more than offset by an accumulation of stocks in trade. The latter build-up was most apparent in the durable trade groups, largely reflecting the flow of new model automobiles to dealers.

As above noted, the rise in final demand in the fourth quarter was met in part by a large increase in imports of goods and services, amounting to 6 per cent. The advance was entirely attributable to an increase in commodity imports, which showed widespread gains; however, imports of iron and its products accounted for over half of the total increase, in addition to showing the sharpest percentage gain.

The major development on the income side in the fourth quarter was an estimated 8 per cent rise in corporate profits, following a smaller increase in the third quarter; the rise thus appears to have been fairly sharp in spite of the adverse effect of industrial disputes during the quarter. The rate of advance in labour income was also moderately higher than in the preceding quarter.

...It was apparent that a major downward pressure during 1958 was coming from the busi-