

## Gross national product

Gross national product, seasonally adjusted at an annual rate, increased 3.3 per cent in the second quarter of 1978 to a level of \$230.1 billion; measured in real terms, GNP rose 1.1 per cent. The advance in real GNP was the result of a strong resurgence in gross fixed capital formation, moderate growth in personal and government expenditure on goods and services, and a resumption of inventory accumulation; the major source of weakness in the second quarter was a substantial decline in the merchandise trade surplus.

The strength of final domestic demand, in particular the increase in gross fixed capital formation and a return to a more normal pattern of export demand by the United States in the second quarter, explains in large part the decline in the trade surplus. The increase in investment demand was particularly marked for business machinery and equipment, a component with a high import content. Gross fixed capital formation, after recording considerable weakness over the last four quarters, grew 5.1 per cent in the second quarter; however, the level of fixed investment remained only 1.8 percent above the level of a year ago. Most of the second quarter increase originated in the business sector, which was up 5.3 per cent; government gross fixed capital formation provided some additional stimulus.

A sudden resumption of real growth in machinery and equipment was reflected in sharp, widespread rises in imports of these goods, supplemented by higher domestic shipments and motor vehicle sales. These movements resulted in a 5.4 percent increase in the level of real business investment in plant and equipment over the final quarter level.

The second quarter deterioration in the balance of trade in goods and services amounted to \$3.6 billion; in real terms, the swing was \$1.7 billion. The widening of the trade deficit in constant dollars was confined to the merchandise trade account as imports of goods grew 9.4 per cent, while export growth slowed to 1.3 per cent.

## Exports

Large declines in coal, nickel, copper, and iron ore appear to have been the result of reduced American stockpiling for some of

these goods, the end of the coal strike in the U.S., and strikes in the iron ore industry in Canada. Additional weakness in exports occurred in newsprint, woodpulp, and crude petroleum. The 2.3 percent increase in exports was concentrated in rising exports of wheat, aluminum, machinery, passenger cars and motor vehicle parts. Import and export price increases slowed noticeably this quarter to 1.3 per cent and 0.9 per cent respectively. The moderation in the growth of both these price indices was, however, more the product of changes in the mixture of goods traded than a slowing in the underlying prices *per se*.

## Personal spending

Personal expenditure on goods and services expanded by 3.0 per cent. After accounting for price changes, real personal expenditure rose 0.9 per cent, which represents a continuation of the gradual expansion of consumer demand after a weak performance through most of 1977. Expenditures on semi-durable goods registered the largest improvement, rising 4.3 per cent in volume on the strength of purchases of clothing, footwear, and household furnishings. Spending on durable goods slowed to a 1.9 percent rate of real growth. Consumption of non-durable goods fell 0.8 per cent in constant dollars as a result of widespread declines. Purchases of food and non-alcoholic beverages, household fuels, alcohol, and gasoline all fell. Real personal expenditure on services advanced 0.5 per cent, as a decline in net travel expenditure abroad was partly compensated for by increased expenditures on air transportation, rents, and communications.

## Wages, profits

Wages, salaries, and supplementary labour income increased 2.5 per cent. This represents an acceleration from the two previous quarters. The strongest increases in labour income, on an industry basis, were in the goods-producing sector where labour income grew 2.9 per cent. Part of the improvement can be attributed to an increase in hours worked, which was depressed in the first quarter by severe weather conditions. Labour income in the service-producing industries advanced 2.2 per cent.

Corporation profits before taxes rose 3.0 per cent in the second quarter, and are now 15.9 percent above the level of a year ago. Manufacturing profits were

weak in the quarter, but increased profits in services, mining, and transportation contributed to the rise in total profits. Interest and miscellaneous investment income rose 13.7 per cent largely because of increased profits for government-owned business enterprises.

Personal income rose 3.1 per cent, but with only a slight increase in personal direct taxes, personal disposable income rose 3.3 per cent. As personal expenditure on goods and services rose 3.0 per cent, the personal saving rate increased marginally, from 11.5 per cent to 11.7 per cent in the second quarter.

## Government revenue

Total revenue of all levels of government combined (excluding intergovernmental transfers) rose by 3.2 per cent in the second quarter, following a 2.0 percent increase in the first quarter. The strongest growth occurred in investment income which increased at all levels of government, with a particularly high increase at the federal level. Indirect taxes declined marginally with a 9.2 percent growth at the federal level being offset by an 8.8 percent decrease at the provincial level, reflecting lower sales tax rates in most provinces. Total expenditure of all levels of government increased 2.4 per cent, which is much weaker than the 4.4 percent increase in the first quarter of 1978. With the increase in total revenue exceeding that of total expenditure, the deficit of the government sector, on a national accounts basis, narrowed somewhat from \$10.2 billion in the first quarter to \$9.7 billion in the second quarter.

## Job training in Alberta

A three-year industrial training agreement towards improving and increasing the skills of workers in Alberta's labour force has been signed by Minister of Employment and Immigration Bud Cullen, Alberta Minister of Advanced Education and Manpower Dr. A.E. Hohol, and Alberta Minister of Federal and Intergovernmental Affairs L.D. Hyndman.

Under the agreement, the Canada Manpower Industrial Training Program will provide \$4.5 million during the 1978-79 fiscal year to assist Alberta employers to train, retrain, or upgrade workers. Training funds for the remaining two years of the agreement will be determined prior to each fiscal year.