

NATIONAL PRODUCT

The gross national product, seasonally adjusted, declined by about 1.5 per cent during the first and second quarters of 1960, down to an annual rate of \$35,048 million.

The decline, mainly a physical one with prices substantially unchanged, is the first interruption in the upward course of the economy since the first quarter of 1957.

The main causes of the reversal were the decline in exports of goods and services (down a seasonally-adjusted 8 per cent) and reduced domestic demand, caused by lower spending on new housing, industrial plant and equipment and \$300 million contraction of business inventories. These declines were only partially offset by a substantial recovery of consumer spending following the weak first quarter.

There are signs, however, of some moderating influences on this downward trend. Merchandise exports recovered strongly in July and non-residential building permits in the second quarter reversed the first-quarter fall-off.

In the broader perspective, the value of the GNP for the first half of 1960 was 3.2 per cent higher than the same period in 1959, but, with prices up 1.8 per cent, this reflects a physical volume increase of only 1.4 per cent. Second-quarter comparisons for 1959 and 1960 show value up 0.7 per cent and volume down 1.0 per cent. The first quarter comparisons were 6.0 per cent and 4.1 per cent, respectively.

Second-quarter returns also show associated changes in the national-income picture. After a fractional advance in the first quarter, it went into a 1.5 per cent seasonally-adjusted decline in the second quarter, reflecting a sharp and wide-spread drop in corporation profits and lower returns from other forms of investment and unincorporated business operations. Labour income remained steady, with advances in the services sector offsetting declines in the major goods-producing industries, but personal income showed a fractional reduction of 0.5 per cent following contractions in other forms of personal income.

Disposable personal income showed a larger decline of 1.5 per cent, reacting, in part, to an increase in personal-tax collections, and bringing it down to approximately the same level as the second quarter, 1959. With consumer buying higher, the rate of personal saving fell sharply to 3.9 per cent of disposable income, from 6.8 per cent in the first quarter. Recent trends in consumer spending (it has risen only moderately this year) may reflect in part the slackening of rate of growth in both personal and disposable income over the past year.

Despite reduced business and personal incomes, the flow of revenues to the government sector continued upward in the second quarter. The 10 per cent increase in personal-tax collections partly reflected payment in April of

tax arrears on 1959 income; gains in federal excise taxes showed up in increased indirect taxes but corporation taxes (on an accrual basis) were affected downward by the sharp drop in corporation profits.

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CROP CONDITIONS

The harvesting of cereal crops is nearing completion or completed over the greater part of the Prairie Provinces. The principal exceptions are northeastern Alberta, some districts in northern Saskatchewan and the inter-lake area in Manitoba. Heavy rains continue to delay operations in some of these regions. Harvesting of other crops is proceeding satisfactorily. Wheat is grading well and with few exceptions is being threshed dry. A preliminary report issued by the Board of Grain Commissioners' Laboratory at Winnipeg indicates that the 1960 Prairie wheat crop, at an average of 14.5 per cent protein, will have the third highest protein level since the commencement of such surveys in 1927.

Recent rains in Ontario brought to an end the prolonged drought in the counties along the St. Lawrence, but in most of old Ontario conditions remain extremely dry. Heavy rains are needed to revive pastures, to provide sufficient soil moisture for the seeding and germination of winter wheat and for the developments of this year's seedings of hay and clover crops. No killing frosts have yet occurred and this has favoured harvesting of a record crop of flue-cured tobacco which is now practically completed. Warm weather will be needed during the next two weeks for soybeans and corn for grain. Harvesting of dry beans is well advanced but yields are somewhat disappointing. Sugar beet harvest will start about October 10, and the yields of around 13 tons an acre are anticipated with sugar content some 2 per cent higher than a year ago. Harvesting of tomatoes for processing is continuing, with yield and quality both good. Because of recent dry weather potato yields with not be as high as expected earlier, but will still be above normal.

Good rains during the last few weeks in Quebec have put an end to the long period of drought that had persisted since the beginning of August in nearly all parts of the province. Harvesting is drawing to a close but frequent rains are retarding completion of grain threshing. Yields compare favourably to normal both in volume and quality. Picking of potatoes is in progress, with yields a little below average. Ensiling of fodder corn is in full swing in several regions, with a good harvest reported. Market garden crops are yielding satisfactorily. In the counties south of Montreal corn canning is still under way. Meadows and pastures are again becoming green following the recent rains. Nevertheless, milk production remains below the level for this

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