

GROSS NATIONAL PRODUCT

Canada's gross national product in the second quarter showed no change from the seasonally adjusted first quarter rate of \$30.7 billion, according to preliminary estimates released by the Dominion Bureau of Statistics. This stability in the value figures was accompanied by a further advance in final product prices, which rose during the period by almost 1 per cent. The levelling-off in output which was noted in the first quarter, has thus been continued into the second quarter and is in contrast to the strong upward trend which has characterized the figures since mid-1954. The recent levelling-off in output was not reflected in aggregative employment measures, which continued to move upward.

At \$30.7 billion, the gross national product in the first half of this year has averaged about 3 per cent above the annual figure for the year 1956 as a whole. This comparison includes an estimate of the value of crop production in Canada for the year 1957, which is substantially below the year 1956. Most recent data suggest that grain output may drop by about \$350 million this year, mainly due to extremely dry weather conditions in the Prairie Provinces. Such a decline would represent about 1 per cent of the total value of the gross national product. Non-farm gross national product, seasonally adjusted, has averaged about 4 per cent over last year's annual total in the first half of 1957.

The relative stability in the value of total production between the first and second quarters of this year was accompanied by mixed and offsetting tendencies in important categories of income, expenditure, and output. Labour income rose further as employment and earnings continued to advance. Investment income was off slightly, reflecting a continuation of the downward trend in profits, and a rise in dividends paid abroad. Other categories of national income showed small declines; farm net income from the sale of livestock products was lower, while unincorporated non-farm income was affected by a decline in retail sales.

On the expenditure side, offsetting tendencies were again present, with gains in non-residential construction and in government expenditures counter-balanced by declines in other demand categories. Personal expenditure on consumer goods and services was virtually the same as a drop in durable goods purchases was almost offset by gains in outlays for non-durables and for services. It may be noted that the advances in the latter two categories in the second quarter were somewhat smaller than in recent quarters. Although housing starts have risen sharply since the Spring, housing outlays showed a further decline in the second quarter, reflecting the fact that

completions were lower. The strong upward movement in outlays for new machinery and equipment came to an end in the first quarter, and in the second quarter gave way to a minor decline. At the same time, imports of goods and services fell slightly, in response to a smaller inflow of iron and its products, marking the first break in a long period of successive quarter-to-quarter gains.

Exports of goods and services, which were level throughout most of 1956, were adversely affected in the second quarter by a further decline in exports of agricultural products, notably grains. These widespread, though individually quite small, declines in the above-noted categories of final demand were accompanied by a fall-off in the rate of inventory accumulation, as both the trade groups and manufacturers added less to their holdings of inventories. The net effect of these divergent movements was to leave total gross national expenditure approximately unchanged at the level of the first quarter of 1957.

REAL OUTPUT

Related indicators suggest varied trends in output in the main industrial groups. Seasonal factors apart, major gains in output continued to occur in the primary industries, forestry, and mining, quarrying and oil wells; output in the construction industry also rose. Output in manufacturing was off 3 per cent, with the major part of that loss concentrated in durable goods industries, which were down 4 per cent in contrast to a 1 per cent decline in non-durables. Losses were for the most part small and fairly widely dispersed among the various manufacturing industries. A sharp fall in output occurred in two industries, non-ferrous metals and transportation equipment; in the first-named the sharpness of the drop is partly attributable to a prolonged work stoppage in a large aluminum plant; in transportation equipment, the decline in output is mainly accounted for by the lower level of production in the automotive industry.

In addition to manufacturing, losses occurred in some other industries; output in transportation was lower, reflecting the drop in rail freight traffic. Likewise output in trade reflected the reduced volume of retail sales.

In spite of declines in output in a number of industries in the second quarter, the level of production in almost all industrial groups in the first half of 1957 was above that of the corresponding period of 1956. The sharpest gains were in mining (10 per cent), electric power and gas utilities (8 per cent) and construction (5 per cent). The increase in manufacturing output (1 per cent) was the lowest of any major industry.