

GROSS NATIONAL PRODUCT

Value of Canada's total output of goods and services, after seasonal adjustment, showed a modest gain between the first and second quarters of 1958, following the weakness which had developed earlier according to the Dominion Bureau of Statistics. In value terms, production of goods and services in the non-farm sector rose by about 1 per cent. However, it is estimated that the greater part of this value increase reflects a further rise in final product prices, so that the volume of output showed little change.

As in the first quarter, major elements of strength in the second quarter of 1958 were rising outlays by governments for goods and services, and higher expenditures for new housing construction (both series seasonally adjusted). Personal expenditure on consumer goods and services, which was a strong supporting element in the first quarter, was virtually unchanged in the second quarter. However, exports of goods and services, which eased a little in the fourth quarter of 1957 and declined the first quarter of this year, advanced moderately, mainly reflecting higher sales of grain, uranium, and aircraft. The rate of business inventory liquidation moderated slightly in the second quarter, in contrast to the earlier declining trend, while imports of goods and services were further reduced.

The flow of income to the personal sector continued upward in the second quarter, after allowing for seasonal variation. Labour income showed a gain of 2 per cent, reflecting for the most part increases in average weekly earnings; this is the first significant advance in this component since the third quarter of 1957. At the same time, net income of farm operators was higher in the quarter, mainly reflecting higher production of livestock. Personal income also continued to reflect the rising trend of transfer payments from government (which were more than 30 per cent above a year ago in the first half of this year), and disposable income was further bolstered by a decline in direct personal tax collections. With disposable income continuing to move strongly upward, accompanied by little change in the level of personal expenditures, the rate of personal saving rose sharply, from \$1.7 billion in the first quarter to \$2.5 billion. Other elements on the income side were less buoyant in the second quarter, but corporation profits (before deduction of dividends paid abroad), which had shown a declining trend since the end of 1956, held steady.

At \$32.0 billion, the annual rate of gross national product in the first half of 1958 has averaged about 2 per cent above the average for the first half of the year 1957. This comparison includes an estimate of the value of crop production in Canada for the year

1958, which is estimated to be approximately the same as that of a year ago. With final product prices also higher than last year, by about 2 per cent, the volume of total Canadian farm and non-farm production in the first half of this year has been little changed from the same period a year ago.

Outlays for plant and equipment have shown substantial declines, and these have been accompanied by a shift in business inventories from accumulation a year ago to liquidation in the current year, the turn-around being the equivalent of about \$0.8 billion in terms of new production. However, imports of goods and services have borne a substantial part of the impact of easing demand, and were 9 per cent below 1957 levels in the first half of this year.

Although, personal expenditure on consumer goods and services has been an important sustaining force in the economy during the recent levelling off in economic activity, the over-the-year increase in this component has been considerably less than the increase in personal disposable income. The rate of personal saving has thus shown a very sharp advance over the course of the period under review. At the same time, the increases in national income and personal income have shown a marked divergence, reflecting the very striking rise in transfer payments from government flowing to the personal sector, as well as the fact that the national income has been adversely affected by a decline in corporation profits at a time when dividend payments to persons were being well maintained.

While the total volume of output has shown little change compared with the first half of last year, there have been some notable shifts in its composition by industry of origin. Production in manufacturing was running 5 per cent below a year ago in the first half of this year, though the trend for this group has been upward since April. Durable goods output was down by 8 per cent, with non-durable production off by 3 per cent; however, both of these components of the index of manufacturing production have been rising in recent months, on a seasonally adjusted basis. Production in the forestry industry is estimated to be down from last year by close to 20 per cent, while output in transportation, storage and communication was off by 4 per cent. On the other hand, construction and some of the services industries showed significant gains of 2 per cent or 3 per cent over a year ago in the first half of 1958. Output of mining, quarrying and oil wells was also higher, but to a lesser extent.

Accompanying these developments on the production side, the total number of persons with jobs in the first half of 1958 has averaged slightly below the same period one year ago.