

National Income.—Net national income at factor cost measures the current earnings of Canadian factors of production (i.e., land, labour, capital) from productive activity. It includes wages and salaries, profits, interest, net rent and net income of farm and non-farm unincorporated business.

Gross National Product.—Gross national product, by totalling all costs arising in production, measures the market value of all final goods and services produced in the current period by Canadian factors of production. It is equal to national income plus net indirect taxes (indirect taxes less subsidies), plus depreciation allowances and similar business costs.

Personal Income.—Personal income is the sum of current receipts of income whether or not these receipts represent earnings from production. It includes transfer payments from government such as family allowances, unemployment insurance benefits and war service gratuities, in addition to wages and salaries, net income of unincorporated business, interest and dividends and net rental income of persons. It does not include undistributed profits of corporations and other elements of the national income not paid out to persons.

Gross National Expenditure.—Gross national expenditure measures the same aggregate as gross national product, namely, total production of final goods and services at market prices, by tracing the disposition of production through final sales to persons, to governments, to business on capital account (including changes in inventories) and to non-residents (exports). Imports of goods and services, including net payments of interest and dividends to non-residents, are deducted since the purpose is to measure only Canadian production.

Historical Perspective.—A brief commentary at p. 1168 of the 1955 Year Book covers economic trends since 1926 and is followed by a more detailed account of the impressive expansion in production and income during the postwar period to 1953.

Current Perspective.—*Gross National Product and National Income.*—The year 1954 was one of adjustment for the Canadian economy. In that year for the first time since 1946 Canada's gross national product declined. The drop of almost 2 p.c. from \$24,449,000,000 in 1953 to \$24,041,000,000 reflected a decline in the value of farm production; non-farm production showed a small increase of about 1 p.c., an increase completely accounted for by a slight rise in the domestic price level. This relative stability indicated by the year-over-year comparison obscures the fact that the contraction in industrial activity which began in the third quarter of 1953 was reversed by mid-1954 as gross national product moved upward in the last half of the year.

In the year-over-year comparison the experience of the various industrial groups in 1954 also varied considerably. The decline of about 4 p.c. in the manufacturing industries was offset by an increase in output of the primary industries (except agriculture), public utilities and service industries. Accompanying these developments on the production side, persons with jobs in the non-farm sector declined by about 1 p.c. in 1954. Despite this decline however labour income continued to rise throughout the year. Higher average hourly wage rates more than offset declines in total employment and average hours worked so that for the year as a whole wages, salaries and supplementary labour income, at \$11,989,000,000, were 2 p.c. above the level of 1953. This upward trend in wages and salaries throughout the year constituted an important stabilizing influence in the economy.

Investment income in 1954 declined about 2 p.c. from \$3,800,000,000 in 1953 to \$3,715,000,000 in 1954, caused mainly by an estimated decline of 6 p.c. in corporation profits which constitute a major component of investment income. Interest and net rental income of persons rose by about 10 p.c. in 1954.