

## INTRODUCTION

### THE CANADIAN ECONOMY DURING 1957\*

The year 1957 was characterized by a marked levelling off in the rate of economic activity. This change in the upward trend in the major economic indicators in 1957 followed a period of sharp advances during the preceding two years. It will be recalled that in 1955 and 1956 demand was expanding very rapidly and large quarter-to-quarter increases were occurring in the value of the nation's total production, the gross national product. By 1957, however, this quarter-to-quarter advance in final expenditures had slackened appreciably and in the fourth quarter of the year a moderate decline in output was recorded. Gross national product, seasonally adjusted at annual rates, amounted to \$31,460,000,000 in the fourth quarter of the year compared with \$31,748,000,000 in the third quarter, and \$31,443,000,000 for the year 1957 as a whole.

The rapid expansion of investment outlays which was a notable feature of 1955 and 1956 moderated in 1957; investment in machinery and equipment declined in the last three-quarters of the year, and the rate of growth in outlays for non-residential construction slackened. On the other hand, residential construction began to move upward during the year, following a period of successive declines. Accompanying these developments, exports of goods and services, which had earlier provided one of the main stimulants to investment in resource industries, moved irregularly at a level barely in excess of the year 1956. At the same time, the upsurge in imports that occurred in 1956 subsided in 1957, and declines were recorded in the seasonally adjusted value of imports of goods and services throughout the course of the year. Business inventory accumulation, which reached its peak in the middle of 1956, declined steadily throughout 1957 and in the fourth quarter of the year shifted to a position of moderate net liquidation.

It may be noted that while neither final purchases nor inventories were creating new demands on production in the fourth quarter of 1957, a good deal of the effect of the curtailment on the flow of expenditures was mitigated by the decrease in the imports of goods and services which amounted to 4.5 p.c. between the third and fourth quarters of the year.

Associated with these developments on the expenditure side in 1957, national income rose by almost 3 p.c. above the level of the previous year, though it was moving downward in the fourth quarter. Corporation profits declined steadily throughout the year from the peak reached in 1956, and registered a drop of about 7 p.c. on the year-to-year comparison. Labour income continued to rise in 1957 until the fourth quarter of the year, when it moved downward slightly in association with declines in employment; however, on the full year's comparison, labour income was more than 7 p.c. above the level of the year 1956, this being the major factor behind the 5-p.c. rise in personal income. As has been noted, crop production fell sharply in 1957, and this was reflected in a decline of \$400,000,000 in accrued net income of farm operators from farm production. There was a very small gain in net income of unincorporated non-farm enterprises in 1957, in contrast with the fairly substantial gains that had occurred in the preceding two years.

These changes in the main statistical aggregates resulted in a gross national product in 1957 of about \$31,443,000,000, a gain of 4 p.c. over the level of the year 1956 in value terms, but basically unchanged from the preceding year in terms of the physical volume of output; thus, price factors were the major element in the higher value of production in 1957. The unchanged volume of output in 1957 compares with the unusually large gains of about 7 p.c. in 1956 over 1955 and 9 p.c. in 1955 over 1954. It should be noted in this connection that the production figures in 1957 include a sharp drop in crop output. The decline in grain production is estimated to have amounted to about 1 p.c. of the gross national product, so that the non-farm gross national product in 1957 was higher than in 1956 by about 1 p.c. in volume terms.

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