

**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 capital consumption allowances and miscellaneous valuation adjustments.

**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.

**Economic Activity in 1957 and 1958.**—The year 1957 was characterized by a levelling-out in economic activity, in strong contrast to the vigorous expansion of the two previous years. Gross national product rose to \$31,773,000,000, slightly more than 4 p.c. higher than in 1956, but almost all of this increase was accounted for by higher prices. In real terms, therefore, the gross national product in 1957 remained at virtually the level of the preceding year after having risen by 9 p.c. in 1955 and 7 p.c. in 1956. The unchanged aggregate reflected a sharp reduction in the grain crop, amounting to about 1 p.c. of the gross national product, and a corresponding expansion in non-farm output.

Three factors acted to impede the expansion of economic activity in 1957. Business fixed capital formation continued its upward trend by increasing 9 p.c. in value terms, but the rate of growth was well below the exceptionally high rate of the previous year. The strength in the investment sector was almost entirely concentrated in non-residential construction; expenditures for machinery and equipment were only about 3 p.c. higher; the declining trend in housing was reversed in the course of the year, but expenditures for residential construction for the year as a whole were considerably lower than in 1956. At the same time, the accumulation of business inventories, which had been a powerful stimulus to economic activity in 1956, came to a halt and during the last quarter of 1957 final demand was being met in part out of stocks, to the detriment of current production. Unlike 1956, no expansionary influence came from exports of goods and services; in 1957 they did little more than maintain the level of the preceding year.

In 1958 a gradual resumption of the upward trend in the gross national product was evident and by the final quarter of the year there was a sharp rise in consumer expenditure, a strong advance in exports of goods and services and a cessation in the rate of business inventory liquidation. However, the year as a whole was affected by the previous year's heavy inventory liquidation and by the decrease in business spending for new plant and equipment so that the gross national product advanced only 2.3 p.c. over 1957 and again the increase was mainly accounted for by higher prices. The physical volume of non-farm production remained unchanged but farm production was slightly higher; the increase in volume terms for 1958 was therefore less than 1 p.c.

Personal expenditure and government expenditure rose in 1957 at rates not substantially lower than in the previous year in terms of current dollars. At the same time, the impact of the easing pressure of demand fell to a large extent on external rather than domestic sources of supply; imports of goods and services were only a little higher, in contrast to the sharply rising trend of the two preceding years. In 1958 the rates of increase in personal and government expenditure, in terms of current dollars, moved slightly upward.