

fishery products and uranium ores and concentrates. The expansion in sales to the United Kingdom and to the countries of the European Common Market was especially large, amounting to 21 p.c. and 28 p.c., respectively; sales to the United States showed only a modest increase.

Imports of goods and services in the first half of 1960 were running at a seasonally adjusted annual rate of \$8,202,000,000, about 4 p.c. higher than in the same period of 1959. The continued growth of payments in service transactions accounted for part of this increase. Commodity imports were higher by 3 p.c.; changes in the main commodity groups were for the most part small and largely offsetting. The slight increase in imports occurred in the first quarter.

The differing rates of increase in exports and imports of goods and services in the first half of 1960 substantially narrowed the deficit on current international account; payments exceeded receipts by \$1,250,000,000 (at a seasonally adjusted annual rate) compared with \$1,386,000,000 in the first half of 1959; the deficit on the merchandise items was \$222,000,000, only half as large as a year earlier.

Going into the second half of the year, merchandise exports showed increased strength and in the eight-month comparison between 1960 and 1959, recording a gain of 9.5 p.c. Merchandise imports also rose in the same comparison but at a much lower rate. Exports exceeded imports in the months of July and August and in the eight-month comparison the import balance was substantially reduced.

INCOME FLOWS

The changes in demand outlined above were reflected in the composition and direction of income flows. National income in the first half of 1960 was only about 2.5 p.c. higher than in the first half of 1959, compared with a gain of 7.5 p.c. in the preceding year-over-year comparison. The flow of income to the business sector was adversely affected, particularly in the second quarter, by the slight easing in industrial production. Thus corporate profits in the first half of the year were moderately lower than a year earlier. Income of unincorporated business (non-farm) was also lower, largely as a result of the drop in activity in the construction industry. The 11-p.c. decline in corporate profits (seasonally adjusted) in the second quarter was one of the sharpest on record and the first set-back in this area since the recovery began in 1958, following two years of steady decline.

Labour income in the first half of 1960 was higher than a year earlier by 4 p.c., with gains in almost all major industries; construction was a significant exception. The largest gain was in forestry, reflecting the distinct improvement in employment in the industry. The service industries continued to record relatively large gains and in trade the rise was also above average. In manufacturing and mining the rise in labour income was comparatively small; employment in mining was off moderately and hours of work in manufacturing were a little below the level of a year earlier.

Personal income in the first half of the year was higher by about 3 p.c. However, direct personal tax collections also rose, leaving income at the disposal of consumers higher by less than 2 p.c. Both personal income and disposable income fell slightly, on a seasonally adjusted basis, in the second quarter, and second quarter disposable income was at virtually the same level as a year earlier.

Despite some unfavourable developments in the flow of income to the business and personal sectors, government revenues were buoyant. Taxes collected by and accruing to government in the first half of 1960 were 10 p.c. higher than in the same period of 1959. At the same time, government expenditures rose much less, so that a large part of the increase in revenue was available to reduce the deficit, which fell from a seasonally adjusted annual rate of about \$800,000,000 in the first half of 1959 to one of about \$440,000,000 in the first half of 1960.