

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 1959.—In 1958 the Canadian economy began to recover from a mild recession. Recovery continued in 1959, lifting the economy to new high levels in the first half of the year. Expansion was checked in the third quarter, largely as a result of industrial disputes in Canada and in the United States, but was resumed in the fourth. For the year as a whole the gross national product was \$34,593,000,000, about 6 p.c. higher than in 1958. With final product prices higher by about 2 p.c. the physical volume of output was estimated to be about 4 p.c. above that of the preceding year, compared with no change in the two preceding years and a postwar average increase of 4 p.c. per year.

Renewed stock-building and a reversal in the downward trend in outlays for plant and equipment provided much of the stimulus to the increase in activity. After heavy liquidation in 1958, business inventories moved to a position of modest accumulation in 1959. The shift amounted to about \$700,000, additional demand for current production. While business investment in plant and equipment was unchanged for the year as a whole, some quickening in activity in this sector became apparent during the course of the year in contrast to a moderating tendency in 1958. On the other hand, outlays for new housing, which had risen sharply in 1958, receded in the first three quarters of 1959 but recovering a little in the fourth when new mortgage money made available by the Federal Government was taken up; for the year as a whole investment in housing was slightly lower than in 1958.

The personal and the government sectors continued to contribute to the advance in output. Consumer expenditure rose nearly 6 p.c., a somewhat greater rate of increase than in the previous year. Since prices in the consumer sector rose more moderately, the gain in real consumption was more pronounced than in 1958. The increase in government expenditure on goods and services was 5 p.c. compared with one of 7 p.c. in 1958.

Recovery in Canada caused a widening of the gap on external transactions, despite an improvement in international markets for Canada's export products. After having remained unchanged for two years, exports of goods and services rose by 5 p.c. in 1959, most of the gain being concentrated in the second half of the year. Imports of goods and services, which had fallen very sharply during the recession, began to rise in the latter part of 1958 and for 1959 as a whole were 9 p.c. higher than in the preceding year. The deficit on current international account, surpassing its previous peak in 1957, rose to \$1,400,000,000 from \$1,000,000,000 in 1958.

The progress of recovery was reflected in the flow of income to the personal, business and government sectors and in the composition of important income aggregates. Personal income rose about 6 p.c., paralleling the rise in national income and matching the gain