

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 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 1960.—The recovery in economic activity in Canada, which had begun in 1958 and continued throughout 1959, was interrupted in the course of 1960. Signs of weakness were particularly evident in the second quarter but by the fourth quarter expansionary forces were gaining ground. These conflicting movements combined to yield a gross national product total of \$35,959,000,000 for the year, about 3 p.c. higher than the 1959 total. Part of the increase was attributable to higher prices, leaving a gain in volume of about 2 p.c., which compares with a postwar average of 4 p.c. per annum.

The pattern of developments within the year was one of slackening in final demand in the first quarter and a decline in both final demand and the value of production in the second quarter; the third quarter brought some recovery in final purchases but this was not fully transmitted to production since the bulk of these new requirements were met by drawing down stocks; both final demand and the building up of stocks contributed elements of strength in the fourth quarter but a decline in demand for Canadian export products was a partially offsetting influence.

The principal support to the level of economic activity in 1960 came from further expansion in government outlays for goods and services, from rising consumer purchases of non-durable goods and services, and from vigorous growth in the demand for Canadian export products on the part of industrialized overseas countries in Europe and elsewhere, which more than counteracted an easing in demand on the part of the United States. The weakness in end-product demand was centred in business expenditures for plant and equipment, in outlays for housing and in consumer purchases of durables other than automobiles. Business investment in plant and equipment failed to match the expectations expressed in the survey of intentions and for the year as a whole were slightly lower than in 1959. Outlays for housing were apparently affected by changes in basic demand factors as well as by the virtual withdrawal of the chartered banks from lending activity under the National Housing Act and the sharp contraction in direct lending by the Central Mortgage and Housing Corporation. Thus, outlays for new residential construction were lower by about 15 p.c. A drop in consumer purchases of household appliances, furniture and home furnishings probably was associated in part with the decline in housing. A