

sharp drop in inventory accumulation in the second quarter and a shift to liquidation in the third quarter reinforced the downward pressures inherent in the movements of some of the components of final demand.

The slackening in economic activity during 1960 was also reflected in changes in the direction and magnitude of income flows. The advance in labour income of about 4 p.c. during the year was little more than half as large as that achieved in 1959, and the earnings of non-farm unincorporated business enterprises declined. While total personal income was higher by 4 p.c., this compared with a gain of 6 p.c. in 1959. Earnings of corporations in 1960 fell below the 1959 level by about 6 p.c. compared with a very substantial increase in the preceding 12-month period. At the same time, the tax revenues of governments were adversely affected by the reduced flow of income to the business sector and by the smaller rate of advance in personal incomes, with the result that total government revenues rose by a narrower margin than in 1959.

Production, Employment and Prices.—Indicators of the physical volume of output in 1960 showed an advance of about 2 p.c. While both the goods-producing and service-producing industries shared in this gain, the major contribution came from the latter group. Output was up significantly in all the service components but movements in the goods-producing group diverged quite widely.

Among the primary industries, agricultural output was moderately higher in 1960, reflecting a substantially larger crop of grain of better quality, a decline in the production of livestock and poultry, and little change in the production of other farm products. While output in forestry recorded a gain of 11 p.c. over 1959 (which was a strike-affected year), it remained below the record achieved in 1956.

A 1-p.c. increase in mining output was the outcome of fairly small and largely offsetting movements in the four components of the industry. Output in metal mining was lower by 2 p.c., reflecting a pronounced drop in the production of uranium and a substantial decline in the output of iron ore, which were only partly offset by sharp expansion in the production of nickel, copper and lead. Output in quarrying, which is closely tied to the demands of the construction industry, was down by 5 p.c. All three components—coal, petroleum and natural gas—contributed to a 5-p.c. increase in output of the fuels group; the gain in coal and in petroleum was moderate but an increase of 17 p.c. occurred in output of natural gas. A 2-p.c. increase in the output of the non-metals group was accounted for by expanded output of asbestos.

For the third year in succession, the volume of output declined in the construction industry. The drop of nearly 5.5 p.c. in 1960 was associated with an estimated 17-p.c. fall in the volume of residential construction and a fractional decline in the volume of non-residential construction.

A 2.3-p.c. increase in the output of non-durable goods combined with a 1.7-p.c. decline in durables kept manufacturing production in 1960 fractionally higher than in 1959. Most of the non-durable goods industries recorded gains but they were small, with the important exception of chemicals for which output rose 12 p.c. A substantial decline in output occurred in rubber products and leather products and a moderate decline was recorded by the textile industry.

Only two of the durable goods industries showed expanded production in 1960. An 8-p.c. advance in the output of non-ferrous metal products reflected the buoyancy of overseas export demand and slightly higher production of transportation equipment reflected increased output of motor vehicles which more than offset lower production of other equipment. In the woods products industry (strike-affected in 1959), production was only slightly lower, despite weakness in the demand from the construction industry in both Canada and the United States. Production of electrical apparatus and supplies dropped 2 p.c. and both non-metallic minerals and iron and steel products dropped 6 p.c.