

automobiles and aircraft. Reductions were more numerous and often small, although the drop in petroleum products, tractors and agricultural implements was comparatively large. Imports of other kinds of equipment remained high.

Payments for services continued to rise in 1960 and were about 2 p.c. higher than in the previous year. Most of the increase was in two items of the account—tourist expenditures and miscellaneous services. Payments of interest and dividends, in total, remained about the same. The large net sales of provincial, municipal and corporation bonds in 1959 and the first half of 1960 raised significantly the level of interest payments. On the other hand, dividend payments declined. This decline, which was concentrated in the closing quarter of the year, reflected smaller remittances by a number of large Canadian companies to their non-resident parents.

The remaining component of demand—government expenditure on goods and services—estimated at \$6,700,000,000 in 1960, was 5 p.c. higher than in 1959. All of this increase was attributable to provincial and municipal governments; Federal Government expenditures were moderately lower. The major part of the 13-p.c. advance in provincial government expenditures represented higher outlays on highways, although a variety of other provincial activities in the fields of public works, development, health and education also contributed. The gain in municipal outlays was estimated at 10 p.c., attributable to increased wages and salaries and higher capital expenditures.

While federal defence expenditures were almost unchanged, outlays for other purposes were substantially lower. This decrease reflected, among other things, a lower level of capital investment, a liquidation of stocks held by the Agricultural Stabilization Board and lower out-payments from the Colombo Plan Fund.

Transfer payments from governments to persons in 1960 were higher than in 1959 by 13 p.c. A large part of the 11-p.c. advance in federal transfer payments was accounted for by higher unemployment insurance payments (+\$75,000,000), reflecting not only an increase in unemployment but also amendments to the Unemployment Insurance Act introduced in the course of 1959, which extended the duration of benefits and increased rates of benefit for some classes of insured persons. There was also a considerable increase in payments to western grain producers (+\$38,000,000) and to universities (+\$29,000,000). Old age security payments and family allowances continued to rise by amounts of about \$15,000,000 each. At the provincial level, transfer payments advanced 18 p.c. over the previous year. Among the contributing factors were higher payments for direct relief, increases in payments to disabled persons and old age and blind pensioners, and higher grants to hospitals, universities and charitable organizations.

These changes on the expenditure side of the government accounts, together with higher interest payments on the public debt and increased subsidies, brought about an increase in total net government outlays of about 8 p.c. At the same time, government revenues rose by 5 p.c., reflecting increases in personal direct taxes (associated with higher rates effective for the whole year), and increases in indirect taxes from higher excise taxes at the federal level and from increased real property taxes at the municipal level. Investment income and employer and employee contributions to social insurance and government pension funds also increased substantially. However, a substantial drop occurred in corporation taxes and there was a small decline in customs import duties. With total government revenues higher by 5 p.c. and expenditures higher by 8 p.c., the over-all deficit on government transactions (on the national accounts basis) widened to \$800,000,000. In the final quarter of the year, it is estimated that the deficit for all governments combined was running at a seasonally adjusted annual rate in excess of \$1,000,000,000.

Components of Gross National Product.—Labour income continued to rise in 1960, but at a significantly lower rate than in the preceding year. The gain of 4 p.c. contrasted with one of almost 8 p.c. in 1959. Associated with this advance in income in 1960 was a nearly 2.5-p.c. increase in the number of employed paid workers and higher average hourly earnings in many industries. Most of the major industries shared in the