

Stabilization Board. At the same time, outlays by provincial and municipal governments were higher by about 7 p.c. Higher wages and salaries were an important element in the increment at all levels of government.

Transfer payments to persons increased by about 7 p.c. Transfers paid by the Federal Government were only slightly higher; higher payments were made under social security schemes, but this was offset by the fact that the 1960 figures included payments under the Western Grain Producers' Acreage Payment Plan. The major rate of increase—17 p.c.—was at the provincial level. The magnitude of this increase is largely accounted for by the rapidly expanding costs of the hospital insurance schemes and the introduction of the provincial government hospital insurance in Quebec at the beginning of the year. An 11-p.c. increase in municipal transfer payments is mainly attributable to direct relief. These changes in expenditure, together with some increase in interest on the public debt and in subsidies, brought total government outlays, excluding inter-governmental transfers, up 7 p.c. At the same time, government revenues rose, reflecting the improvement in economic conditions during the course of the year and some revisions in tax rates. However, the increase was not as large as in expenditure, so that the gap between revenue and expenditure left a deficit (on a National Accounts basis) of over \$890,000,000 in 1961 compared with one of about \$650,000,000 in 1960.

Income Flows.—Labour income continued to rise in 1961 and, at an estimated \$18,900,000,000, was a little more than 4 p.c. above 1960, an advance somewhat greater than that in the preceding year. The gain reflected the strengthening of the employment situation, which made for increased numbers of paid workers as well as a somewhat longer work week in some industries. Higher average earnings also played a part.

Most industrial divisions shared in the advance in labour income; forestry, mining and construction were the three exceptions. As in the past several years, the major gains were in the service-producing group; labour income in non-government service was up 10 p.c., in government service close to 9 p.c., and in finance, insurance and real estate more than 7 p.c. The advance in the important manufacturing segment, where employment began to pick up during the course of the year, was slightly more than 3 p.c.

Accrued net income of farm operators was at a level of \$937,000,000 in 1961, about 22 p.c. lower than in 1960. All of the decline was attributable to the reduction in grain production resulting from drought conditions in the Prairie Provinces. This factor, along with the greatly increased export demand for wheat, led to a marked drawing down of farm-held grain inventories in 1961. At year-end, the carry-over of grain on farms and in commercial channels was the lowest since 1950. Cash income from the sale of farm products reached an all-time high level in 1961. Major items contributing to the increase were greater returns from the sale of wheat, cattle, calves, poultry, hogs, tobacco and dairy products. The sharp increases in Canadian Wheat Board participation payments and in the undistributed profits of the Wheat Board were a reflection of the higher wheat export sales during the year.

After declining in the first quarter, corporate profits (before taxes and before dividends paid abroad) rose substantially in each of the three succeeding quarters in response to the quickening in economic activity. By the fourth quarter they were at a seasonally adjusted annual rate of \$3,800,000,000, 30 p.c. above the annual rate of \$3,000,000,000 in the first quarter and 4 p.c. above the previous peak attained in the fourth quarter of 1959. For the year as a whole, the increase amounted to about 5 p.c. Among the factors tending to raise corporate profits was the decline in the exchange rate on the Canadian dollar which has pushed up profit margins in a number of commodity-producing industries whose prices are set in world markets.