

back in the third quarter and remained stable in the latter part of the year. The reductions were largely a result of lower travel expenditures, a reduced rate of payments of dividends, and a decline in miscellaneous expenditures.

### The Government Sector

At \$7,721,000,000, expenditures on goods and services of all levels of government combined, excluding inter-governmental transfers, were 7 p.c. higher in 1962, with divergent movements concealed in the total figure. Purchases by provincial and municipal governments rose by over 11 p.c., reflecting the increased building of vocational schools under the federal-provincial cost-sharing plan; this increase is in contrast to the small gain at the federal level, where a 4-p.c. expansion of defence outlays was almost offset by a fall in non-defence expenditures. Within 1962, total government purchases rose sharply from the first to the second quarter but declined gradually thereafter, reflecting the contraction in spending by the Federal Government.

Transfer payments to persons from all governments advanced by more than 7 p.c. At the federal level, primarily because of the increase in monthly payments from \$55 to \$65 in February 1962, the payments from the Old Age Security Fund rose by nearly 20 p.c. This increase was offset largely by a decline of more than 17 p.c. in unemployment insurance benefits, reflecting the improved employment situation. Provincial transfers to hospitals under the Hospital Insurance and Diagnostic Services Act were higher by almost 10 p.c. Subsidies paid by the Federal Government showed an increase of nearly 18 p.c., principally because of the loss incurred by the Agricultural Commodities Stabilization Board.

At the combined level, all revenue components showed increases in 1962 over the previous year. Federal indirect tax revenue was up almost 10 p.c., reflecting in part the imposition of the temporary surcharges announced in June 1962 and the rise in the value of imports between the two years. There was an increase in indirect taxes of more than 13 p.c. at the provincial-municipal level, including increases in receipts from provincial sales tax of over 60 p.c. (mainly because of the introduction of a sales tax in Ontario in September 1961), from provincial gasoline taxes of over 7 p.c., and from municipal real property taxes of about 8 p.c.

Where there was a considerable rise in total expenditures of all governments combined, the increase in revenues was even larger, with the result that the deficit on a national accounts basis declined significantly from \$905,000,000 in 1961 to \$770,000,000 in 1962.

### Income Flows

In 1962, labour income reached an estimated total of \$20,359,000,000, nearly 7 p.c. higher than in the previous year, reflecting an expansion in employment and a further rise in wage rates. Labour income rose most rapidly in the early part of the year. As in the recent past, the largest gains in labour income among the major industries occurred in the non-government service group (close to 11 p.c.). The next highest rate of change was in construction (more than 8 p.c.).

In 1962, more than 42 p.c. of wages and salaries originated in goods-producing industries and the remainder in service-producing industries, in contrast to the beginning of the post-war period when the contribution of the two segments to the total was about equal. This changed relationship reflects the tendency for wages and salaries to rise more rapidly in the service-producing than in the goods-producing industries.

Estimated at \$3,254,000,000, corporation profits (before taxes and before dividends paid to non-residents) continued to remain at record levels in 1962. During the first three quarters of the year, profits tended to level off at the peak attained in 1961, but showed a gain in the fourth quarter; for the year as a whole, they increased by 10.5 p.c. All industries