

Government legislation designed to stimulate winter building of houses came into effect. Consumer demand registered a higher than average year-to-year increase and was particularly strong in the second half of the year, accounting for more than half of the increase in GNP. This pattern was partly the result of general increases in non-durable goods in the third quarter and the notably buoyant demand for automobiles in the fourth quarter.

The year-to-year increase of under 5 p.c. in government expenditure on goods and services was smaller than the increase in GNP and less than that experienced in both 1961 and 1962. The net result of total revenue and expenditure of all levels of government was a decline in the deficit from that of 1962; the deficit declined progressively after the second quarter of the year and in the final quarter was the lowest since early 1960. Increases in demand were paralleled by a 7-p.c. rise to \$32,553,000,000 in national income, in which both profits and labour income registered similar relative gains. Accrued net farm income rose more sharply owing to the record wheat crop which was over one quarter greater than in 1962 and more than one and a half times the size of the 1961 crop. Personal income rose somewhat less than national income.

Despite the almost three years of continuous expansion in the economy, evidence of unutilized labour resources persisted during 1963. The unemployment rate (seasonally adjusted) in the fourth quarter stood at just over 5 p.c. of the labour force, compared with close to 6 p.c. at the end of 1962. This decline was less than would be suggested by the increase in employment of more than 4 p.c. over the same period because of the 3-p.c. growth in the total labour force (about 200,000 persons) between the fourth quarters of 1962 and of 1963.

Prices rose by nearly 2 p.c. during the year, about the same amount as in 1962; these increases were moderate compared with those experienced in the 1954-57 and 1949-52 business expansions. The rise in prices of certain foodstuffs, notably sugar and to a lesser extent citrus fruits, affected the indexes for personal expenditure and for imports.

The Components of Demand.—Consumer markets were strong in 1963, particularly in the second half of the year. Consumer purchasing rose to \$27,230,000,000, almost 6 p.c. higher than in the previous year and the largest increase since 1959. Prices were 1½ p.c. higher, partly because of the already noted rise in certain foodstuffs, so that the increase in real terms was about 4½ p.c., slightly more than in 1962.

Durable goods made a notable contribution to the over-all increase in personal expenditure; the 9½-p.c. increase, following the 8-p.c. rise in 1962, was the largest since 1955 and contrasted particularly with 1960 and 1961 when purchases of such goods showed little change. Automobile sales, particularly in the last quarter, were an extremely important expansionary element; net purchases of new and used automobiles rose more than 14 p.c. over the previous year and accounted for three quarters of the increase in durables. Home furnishings increased by almost 8 p.c. and each of the remaining items increased about 3 p.c.

Expenditures on services rose by more than 6½ p.c., making the largest contribution to the increase in personal spending. This increase was somewhat higher than in the three preceding years and was a reflection, mainly, of higher shelter expenses. Again in 1963 the movement in services was dampened by changes in net expenditure abroad,* as the balance on tourist and travel account with the external sector moved to a surplus for the first time in more than a decade.

The 4-p.c. increase in non-durables was more moderate, reflecting in part lower than usual growth in alcoholic beverages and tobacco products, each of which increased by about 3 p.c. Expenditures on food and clothing were 4 p.c. higher and expenditures on fuel (including gas) were up only 2 p.c., probably reflecting the mild weather during the autumn of 1963.

Private capital spending totalled \$7,495,000,000 in 1963, an amount nearly 8 p.c. higher than in 1962; outlays on residential construction and machinery and equipment were

* Includes the expenditures abroad of Canadian tourists and excludes foreign tourist expenditures in Canada.