

Gross National Product.—Gross national product, by totalling all costs arising in production, measures the market value of all final goods and services produced in the current period by Canadian factors of production. It is equal to national income plus net indirect taxes (indirect taxes less subsidies), plus capital consumption allowances and miscellaneous valuation adjustments.

Personal Income.—Personal income is the sum of current receipts of income whether or not these receipts represent earnings from production. It includes transfer payments from government (such as family allowances, unemployment insurance benefits and war service gratuities) in addition to wages and salaries, net income of unincorporated business, interest and dividends and net rental income of persons. It does not include undistributed profits of corporations and other elements of the national income not paid out to persons.

Gross National Expenditure.—Gross national expenditure measures the same aggregate as gross national product, namely, total production of final goods and services at market prices, by tracing the disposition of production through final sales to persons, to governments, to business on capital account (including changes in inventories) and to non-residents (exports). Imports of goods and services, including net payments of interest and dividends to non-residents, are deducted since the purpose is to measure only Canadian production.

Economic Activity in 1964

Gross national expenditure reached \$47,003,000,000 in 1964, compared with \$43,180,000,000 in 1963. This gain of 9 p.c. was the largest annual advance since 1956. Since prices were almost 2½ p.c. higher, the increase in terms of constant dollars was 6½ p.c. Western grain crops, although large, were considerably smaller than the exceptional harvest of 1963, with the result that the rate of increase in non-farm output exceeded that in output as a whole.

The pace of expansion was uneven throughout the year. An upsurge in the first quarter was associated with special circumstances—the Government's winter house-building incentive program, forward buying of certain capital goods in anticipation of the progressive imposition of the sales tax, and huge sales of wheat following the contract entered into with the Soviet Union in the latter part of 1963. With these special factors absent or not present in the same degree, the pace of expansion was more moderate during the remainder of the year.

The expansion in 1964 was broadly based, all components of final demand contributing to the gain. In addition, business stock accumulation was substantially higher than in 1963 but, with outlays for business capital goods up 18 p.c., the strongest forward impetus came from the investment sector; expenditures for plant and equipment made a major gain, reflecting larger programs in a wide range of industries, and housing reached new records. Consumer markets were buoyant; spending rose almost 7½ p.c., one of the largest gains in recent years. The demand for durables was unusually strong, although the rate of increase in car sales was not as high as in the two previous years.

The international climate favoured the expansion of trade despite a slowing down in the rate of growth in some overseas countries during the course of the year. In addition to a major increase in the already high level of wheat shipments, there were substantial gains in exports of many export products and exports of goods and services were up 15 p.c. The high and rising level of economic activity in Canada, particularly in the investment sector, contributed to a 13-p.c. rise in imports of goods and services. The further narrowing of the deficit on current international transactions due to the increased surplus on merchandise trade was one of the notable developments of the year.

Government purchases of goods and services were appreciably higher than in 1963, paced by an increase of over 9 p.c. at the provincial-municipal level. Federal purchases of goods and services, which amount to a little over half those of other levels of government, were 3½ p.c. higher. Other government expenditures which, although not directly a part