

of the gross national product, contribute indirectly to final demand by supporting expenditure by other sectors, rose by 8 p.c. Government revenues advanced more sharply than expenditures and the government sector as a whole came into virtual balance, the federal deficit shifting to a surplus for the first time since 1957 and the provincial-municipal deficit remaining unchanged.

The salient developments on the income side were a nearly 9-p.c. rise in labour income, the largest since 1956, and an increase in corporation profits of nearly 15 p.c. Farm income reflected the drop in crop production from the exceptionally high level of the previous year.

The changes in expenditure and income described above were associated with an expansion in employment of 3.6 p.c. in 1964 and a drop in the average rate of unemployment from 5.5 p.c. to 4.7 p.c. of the labour force; the growth in non-agricultural employment was 4.3 p.c. By the end of the year, the rate of unemployment had fallen to 4.0 p.c. from 4.9 p.c. a year earlier.

With over-all prices increasing by nearly 2½ p.c., approximately three fourths of the 9-p.c. increase in the gross national product from 1963 to 1964 represented a gain in real terms. Prices increased slightly more in 1964 than in 1963; prices of consumer goods and services advanced by 1½ p.c. in both years and prices of investment goods, affected by the progressive implementation of the federal sales tax on production machinery and building materials, increased by about 3½ p.c. compared with just over 2½ p.c. in 1963. The price component of exports of goods and services advanced by a little over 2 p.c. in 1964 and prices of imported goods and services by less than 2 p.c. Within the consumer goods and services sector, prices of durable goods declined 1 p.c. as a result of a decrease of about 2½ p.c. in the prices of new cars; non-durable goods prices advanced by almost 2 p.c., with clothing and food prices increasing by 3 p.c. and 1½ p.c., respectively; prices of the service component rose about 2 p.c., with rather widespread advances in all the main components other than rents, which advanced only slightly.

Components of Demand.—Personal expenditure in 1964 was almost 7½ p.c. higher than in 1963, showing one of the largest gains in recent years. Since prices were higher by 1½ p.c. on consumer purchases, the real growth was 6 p.c.

All components shared in the strong demand for durables, particularly furniture, appliances and radios and home furnishings which reflected, in part, the activity in housing. The 11½ p.c. increase in the net purchases of new and used cars was below the 14 p.c. recorded during the previous two years, possibly because of the interruption in supplies caused by work stoppages. Purchases of new cars contributed more than half of the growth in durables and it is noteworthy that purchases of cars of overseas manufacture increased sharply, reversing the trend evident for the previous few years. Purchases of non-durable goods increased more than 6 p.c. over 1963; increases in food and clothing provided the main impetus and moderate increases were registered in sales of alcoholic beverages and tobacco. Purchases of fuel and gas declined fractionally.

The growth of almost 8 p.c. in expenditure on services accounted for roughly 40 p.c. of the increase in total consumer spending. Increases of about 8 p.c. were registered in personal services and personal care and of 7 p.c. in recreation. Shelter expenses were up almost 6 p.c. compared with an 8-p.c. increase in the previous year. Part of the growing demand for services was attributable to higher outlays in 1964 by Canadians travelling abroad.

Spending on business fixed capital in 1964 totalled \$8,968,000,000, up 18 p.c. from 1963; based on 1957 prices, the compound rate of growth was some 13 p.c., the highest since 1956. The upsurge, spread throughout the year, resulted in an annual rate 4½ p.c. above the yearly average. Residential capital formation, at \$2,021,000,000, was more than 18 p.c. higher than in 1963. The 165,700 building starts surpassed the previous record of 164,600 made in 1958; completions numbered about 151,000 units, 18 p.c. more than in 1963; and dwellings under construction at the end of the year numbered 107,700