

Total revenues of all governments combined (excluding inter-governmental transfers) increased by over 12½ p.c. over 1963 to \$14,595,000,000. Total expenditures increased less sharply, by 7½ p.c., resulting in a significant narrowing of the combined deficit (on a national accounts basis) from \$632,000,000 in 1963 to \$20,000,000 in 1964. The improvement in the deficit position came at the federal level where an increase in revenues more than double that of expenditures changed a deficit of \$292,000,000 in 1963 to a surplus of \$328,000,000 in 1964, the first annual surplus recorded since 1957. At the provincial-municipal level, the deficit changed little as revenues and expenditures increased by similar amounts.

The expansion of activity in the economy in 1964 was reflected in the advances of all components of total government revenues. Indirect tax revenue rose by 13 p.c. with the federal and the provincial-municipal governments sharing almost equally in the absolute increase. Most of the gain at the federal level was in excise taxes, resulting in part from increases in the sales tax rate on production machinery and building materials; provincial revenues from gasoline and sales taxes rose by almost 20 p.c., an increase associated with a higher volume of sales and some upward revision in tax rates; increased property taxes accounted for most of the rise at the municipal level but it was tempered somewhat by reduced returns from retail sales taxes attributable to the withdrawal in April 1964 of Quebec municipalities from the sales tax field in favour of the province.

Total corporate and personal direct taxes amounted to \$5,396,000,000, an increase of 14 p.c. over 1963. Reflecting improvement in employment and rising incomes, total revenue from federal and provincial personal income taxes was up 17 p.c. Accentuating the rise in federal personal income tax revenues was an increase from 3 p.c. to 4 p.c. (to a maximum of \$120 per taxpayer) in the levy on personal income on behalf of the Old Age Security Fund. There was an increase from 17 p.c. to 18 p.c., effective Jan. 1, 1964, in the abatement of the income tax in favour of the provinces under the terms of the federal-provincial fiscal arrangements.

Investment income accruing to government rose by almost 10½ p.c., the largest increase occurring in trading profits of government enterprises. At the federal level, investment income increased by 9 p.c. Larger trading profits of power commissions and utilities accounted for more than half of the increase at the provincial-municipal level.

Total expenditures of all levels of government (excluding transfers between different levels of government) advanced by 7½ p.c. or by \$1,022,000,000 from 1963 to 1964, more than two thirds of the gain occurring at the provincial-municipal level. Provincial-municipal expenditures on goods and services rose by over 9 p.c. and federal outlays on goods and services by only 3½ p.c.; the latter was accounted for by an increase of \$127,000,000 in non-defence outlays and a decline of \$24,000,000 in defence goods and services.

Income Flows.—Labour income for 1964, estimated at \$23,416,000,000 and up nearly 9 p.c. over 1963, recorded the largest year-to-year gain since 1956. Wages and salaries in the goods-producing and in the service-producing industries rose at approximately the same rate—9 p.c. In the former group, although construction showed the largest increase of about 11½ p.c., substantial gains of almost 9 p.c. were made in manufacturing industries. In the service-producing industries, finance and service recorded a gain of over 11 p.c. and trade advanced close to 9 p.c. Wages and salaries in government non-military employment and in the transportation, communication and other utilities industries rose by 6 p.c. These gains in labour income were associated with a rise in the number of employed paid workers of nearly 4½ p.c.