

Corporation profits (before taxes and before dividends paid to non-residents) reached a record level in 1964 of \$4,580,000,000, an amount 14½ p.c. above 1963. Most industries showed substantial increases—transportation was up almost 40 p.c.; mining, quarrying and oil wells rose over 30 p.c.; primary metal industries, metal fabricators, and machinery each increased about 20 p.c.; and wholesale trade, finance and service each rose about 15 p.c. Profits in the transportation equipment industry fell sharply in the latter part of the year when strikes interrupted the production of automobiles; on an annual basis profits were down 10 p.c. Profits in the textile industry and in public utilities also declined.

Rent, interest and miscellaneous investment income rose by 6 p.c. to reach \$3,277,000,000 in 1964, mainly because of the rise in trading profits of government business enterprises and increased receipts from withholding taxes. Net income of non-farm unincorporated business increased to \$2,587,000,000, about 5 p.c. above 1963. The largest gain, over 13 p.c., was in the construction industry which contributed more than one third of the total increase. Marked advances were also registered in service and finance industries.

Accrued net income of farm operators from farm production in 1964 was \$1,472,000,000, close to 15 p.c. lower than the record attained in 1963 but nearly 18 p.c. higher than the 1954-63 average; the value of the grain crop, estimated at \$1,133,000,000 was \$248,000,000 less than in 1963. Farm cash income, the largest component of farm net income, reached an all-time high of \$3,456,000,000, 8½ p.c. above 1963. Major items contributing to the increase were wheat, flax, dairy products and potatoes but offsetting the increase was a decline in farm grain inventories. Gross income declined 3 p.c.

Farm operating expenses also reached a record high in 1964, although the increase of 4 p.c. over 1963 was somewhat lower than the previous ten-year average. Contributing to the increase in farm operating expenses were higher payments for fertilizers, interest on debts, operation of farm machinery including repair, livestock feed and farm labour.

### **Economic Activity in the First Half of 1965**

Economic activity continued to expand in 1965. In the first half of the year, gross national product was at a seasonally adjusted annual rate of \$50,494,000,000, about 7½ p.c. higher than in 1964; with prices higher, the gain in real terms was about 5½ p.c. Part of the advance reflected the forecast of an exceptionally large crop in the Prairie Provinces, which added significantly to the nation's production despite some deterioration in quality caused by poor weather in the harvest season.

Turning to the components of demand, the sharpest advance in the first half of 1965 relative to the year 1964 was in gross fixed capital formation which was up more than 13 p.c. At the same time, government expenditure on goods and services was higher by more than 7 p.c. and consumer spending by 5 p.c. The expansionary stimulus of the increase in final domestic demand was reinforced by a substantially higher rate of stock-building. A moderate gain in exports of goods and services was accompanied by a much larger advance in imports, with the result that the deficit on current international account rose to \$1,000,000,000 at seasonally adjusted annual rates, more than double that of the previous year.

As reflected in income, expansion in the first half of 1965 brought an 8-p.c. gain in labour income and a 7½-p.c. advance in corporate profits, at seasonally adjusted annual rates. Income at the disposal of consumers for spending rose appreciably more than national income, mainly because of the extraordinarily large payments made to farmers by the Canadian Wheat Board early in the year.

In the situation of growing demand outlined above, total employment and non-farm employment rose 3.1 p.c. and 3.8 p.c., respectively, and the rate of unemployment fell from 4.7 p.c. to 4.2 p.c. of the labour force when seasonal factors are taken into account.