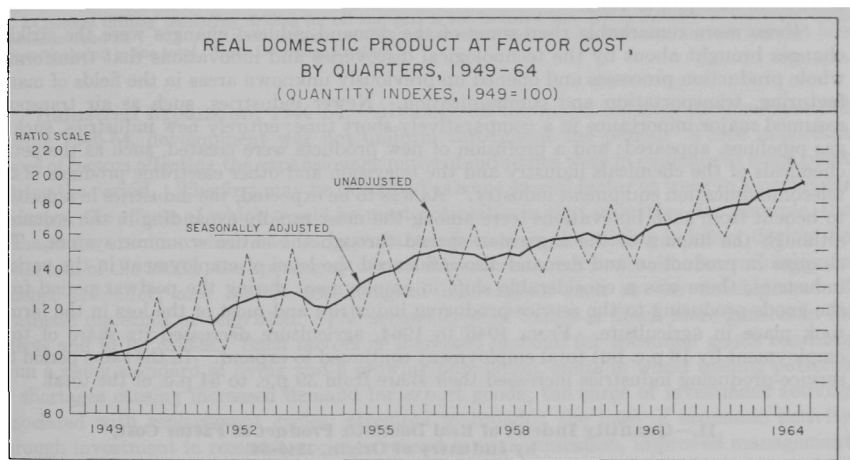


by dividing the constant dollar aggregate of the current period by the dollar aggregate for the base period and multiplying by 100. In constructing a quantity index for a combination of industries where the output of one industry becomes the input of another, the portion double-counted must be eliminated. This is accomplished by revaluing both intermediate input (materials, fuel, etc.) and total output in terms of the dollars of a common base year and subtracting the constant dollar value of the former from the latter to yield a constant dollar value added aggregate.* This aggregate is the quantity or volume measure represented by the indexes presented herein.

The annual indexes are well suited for studies of production trends, growth rates and inter-industry comparisons, but the quarterly indexes provide a much better tool for the study of the cyclical behaviour of industries, short-term changes in production and, in fact, for most types of current analysis. Statistics computed for less than annual intervals, however, are frequently subject to strong seasonal influences, and variations in the number of working days during a quarter may cause differences in the levels of output between two quarters which otherwise would not exist. Accordingly, the quarterly real output indexes have been adjusted for both seasonal and calendar variation. The effects of the seasonal adjustment are shown on the quarterly chart for the period 1949-64.



Factors Underlying Industrial Output Trends, 1946-64.—The early postwar period was marked by several major expansions. The first was based on satisfying the backlog of war-deferred investment and consumer demand and on supplying the needs of the war-devastated countries, especially for various materials. This was followed by some slowing down in production but the requirements of defence-supporting industries after the outbreak of the Korean hostilities and stock-piling requirements at home and abroad introduced a second expansionary period. The third was the investment boom of the mid-1950's during which output reached a new high level. These strong demand influences combined to make most of this period one of fairly rapid and sustained growth. During the late 1950's the rate of increase diminished, as external sources of supply for many commodities multiplied and as competition intensified. At the same time, there was an absence of strong stimulants to domestic demand, such as the deferred demand and the population growth of the preceding period. During the 1960's, however, the first waves of the postwar generation exercised a growing influence on the demand for goods and services and this proved to be one of the major stimuli to the current expansion which began early in 1961 and continued into 1965. Other notable features of the expansion were the

* See footnote *, p. 1022.