

The tables on pp. 1075-1080 cover the more important aspects of the national income analysis in annual terms. Definitions are as follows:—

National Income.—Net national income at factor cost measures the current earnings of Canadian factors of production (i.e., land, labour, capital) from productive activity. It includes wages and salaries, profits, interest, net rent and net income of farm and non-farm unincorporated business.

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 1965

The momentum that has carried the gross national product (GNP) to successive new high levels since 1961 continued through 1965, when a 9.7-p.c. increase raised the current dollar value to \$52,000,000,000. As the expansion continued and the economy moved close to a full utilization of resources, price increases were more evident than in the preceding years and a 3-p.c. rise in price levels reduced the gain to 6.6 p.c. in real terms. Excluding agricultural income from GNP, the increase in 1965 of 9.6 p.c. was somewhat less than the 10.2-p.c. increase between 1963 and 1964.

During the first quarter of the year the rate of increase was unusually rapid, as a surge in inventory accumulation, following the previous quarter's disruption of supplies caused by strikes in the automobile industry, was coupled with increased demands in all other sectors with the exception of housing. The rate of growth eased in the following quarters but throughout the year all areas of demand continued strong with the exception of new housing construction where most of the recorded increase in value reflected increased prices. In the final quarter GNP gained 2 p.c. to end the year at \$53,800,000,000.

During 1965 as a whole there were gains over a wide range of economic activity. The scene was perhaps dominated by the strength of investment in non-residential construction and machinery and equipment, which were 17 p.c. above 1964 levels, with particular emphasis in the manufacturing industry and electric power, gas and water utilities. The capacity of the construction industry was strained during the year, for, in addition to business construction, government outlays on new fixed capital rose steeply; the latter are included in over-all government expenditure on goods and services which rose by 11 p.c., the main impetus coming from the provincial and municipal governments. Personal consumption once again accounted for the major part of the gain in GNP, as the increase of 8 p.c., buoyed by rapidly rising labour income and expansion of credit purchasing, contributed \$2,400,000,000 toward the total increase in GNP of \$4,600,000,000. The