

The tables on pp. 1064-1069 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 1966

The Canadian economy in 1966 registered still another strong advance as continued high levels of demand in the domestic sector together with buoyant conditions abroad pushed the gross national product (GNP) to a level of \$57,700,000,000, a figure 10.8 p.c. above that for 1965. With the economy operating at high levels of employment, the resulting pressures on prices and costs were evident in a 4.6 p.c. advance in prices which reduced the 10.8-p.c. GNP gain to one of 5.9 p.c. in real terms. This compared with an increase of 9.9 p.c. in GNP in 1965 which was reduced to a volume gain of 6.8 p.c. after accounting for price advances of 2.9 p.c. Much of the 1966 gain occurred in the first quarter of the year when GNP increased $4\frac{1}{2}$ p.c. (partly reflecting the estimated value of the 1966 record grain crop of \$1,564,000,000 which was \$263,000,000 higher than the value of the 1965 crop), the strongest quarterly advance in the current expansion. Although increases in demand in that quarter were broadly based, certain special factors contributed both to a marked rise in exports and to a fractional gain in imports, thus substantially reducing the import balance. The quarter-to-quarter gains in GNP for the remainder of the year were more moderate—about 2 p.c. in the second quarter, less than 1 p.c. in the third quarter when strikes were a major factor, and 2 p.c. in the fourth quarter.

For 1966 as a whole, there were gains in a wide range of final expenditure categories. For the third successive year, business spending on plant and equipment was a dominant factor, investment in these categories increasing by nearly 18 p.c. compared with an advance of 20 p.c. in each of the two preceding years. At the provincial and municipal levels, government capital spending reinforced demands by the business sector so that total public and private outlays on plant and equipment rose by more than 18 p.c. For the second successive year, outlays on new housing showed only fractional gains. A sharp decline in mortgage loan approvals by conventional lenders contributed to the marked drop in the number of apartment units started; single family units started showed a slight decrease. Investment in business inventories was maintained at a rate only slightly lower than that of 1965.