

Corporation profits (before taxes and before dividends paid to non-residents) were \$5,200,000,000 in 1966, little changed from 1965. A quarter-to-quarter comparison through 1965 and 1966 indicates a rising level of profits in the second and third quarters of 1965 with little change in the first two quarters of 1966; following a decline in the third quarter, profits in the fourth quarter almost regained levels attained in the latter part of 1965. Profits in the manufacturing group fell by about 2 p.c.; the petroleum and coal industry showed a gain of 25 p.c. and the rubber, wood, printing, electrical apparatus, chemical, and miscellaneous categories recorded relatively smaller gains, but the textile and paper industries declined 24 p.c. and 23 p.c., respectively, and the metal and non-metallic mineral industries both declined about 7½ p.c. Wholesale trade profits advanced nearly 11 p.c., service trade profits nearly 16 p.c., and transportation, storage and communication 9 p.c., but retail trade profits declined 5 p.c., mining 5 p.c., and finance, insurance and real estate nearly 3 p.c.

Rent, interest and miscellaneous investment income rose 10 p.c. over 1965 compared with an increase of 9 p.c. in 1965 over 1964. Government investment income for all levels combined rose by \$172,000,000 in 1966—\$45,000,000 at the federal level and \$127,000,000 at the provincial-municipal level. Subsidies to the railways in 1966 were higher than in 1965.

Accrued net income of farm operators was \$2,204,000,000 in 1966, 34 p.c. higher than in 1965. All components showed increases, the largest occurring in grain production; the value of the record 1966 grain crop at \$1,564,000,000 was 20 p.c. above the 1965 level and 13 p.c. above the previous record of \$1,381,000,000 in 1963. Cash income from the sale of livestock increased by about 15 p.c. and the increase in income from other farm products was mainly accounted for by dairy products, partly reflecting much higher federal and provincial dairy subsidies, and by rapeseed and soybean crops. Because the increase in expenses was less than the increase in cash income, net income advanced by more than cash income. During 1966, net income of non-farm unincorporated business increased to \$2,949,000,000, a figure 2½ p.c. higher than the 1965 total. The service industries showed small increases but these were partially offset by declines in manufacturing and retail trade.

Economic Activity in the First Nine Months of 1967

In the first nine months of 1967, gross national product advanced 6½ p.c. over the same period of the previous year, a considerably lower rate of increase than the nearly 11-p.c. gain for the full year 1966. Because prices rose by 4½ p.c., the same rate of advance as for 1966, the gain in real terms was 2 p.c., reduced sharply from the 6 p.c. of the previous year.

Among categories of demand, only personal expenditure matched its 1966 rate of increase; all others showed substantially reduced rates of advance. The rate of increase in government expenditure at both the federal and provincial-municipal levels was about one third lower than that of 1966; the over-all increase was 10½ p.c. as against 16½ p.c. Exports and imports also increased at lower rates, 13 p.c. and 9 p.c., respectively, substantially narrowing the current account deficit. Business gross fixed capital formation showed the most pronounced change, advancing only fractionally after a 14½-p.c. increase in 1966; among its components, residential construction rose at a slightly higher rate but non-residential construction slumped from an advance of 19½ p.c. to a decline of 3 p.c., and machinery and equipment from a 16-p.c. increase to an increase of 1½ p.c.

Labour income increased 10 p.c. as compared with the exceptionally high advance of 12½ p.c. in 1966. Gross corporation profits increased 1 p.c. compared with a 3-p.c. rise in 1966. Rent and interest income and net income of non-farm unincorporated business rose at higher rates than in 1966.

Significantly affecting several components of both income and demand were Expo 67 and other centennial events. Perhaps the most dramatic influence was in the tourist and travel account, which shifted from a small deficit in the first nine months of 1966 to a surplus of about \$400,000,000 in the same period of 1967.