

ing industries there were higher wages and salaries in trade and in finance, insurance and real estate, in line with significant increases in employment.

The rise of 35.7% in the preliminary estimate of corporation profits represented a sharp acceleration after very large gains of 12.9% in 1971 and 21.1% in 1972. Since 1971 this component has been rising faster than total income generated and now represents 12.0% of GNP, the largest proportion since 1952. Although nearly all industries showed profit increases, especially strong growth was recorded in manufacturing and mining. Within manufacturing, particularly large gains were recorded in textiles, wood, paper and allied industries, primary metals, metal fabricating, non-metallic minerals and refined petroleum products. All mining groups, base metals, oil and gas and other mining increased substantially.

As in the previous year a significant part of the rise in corporation profits and in non-farm unincorporated business income was due to inventory gains resulting from the turnover of goods at rising prices. The inventory valuation adjustment, intended to remove profits that do not reflect current production from income, rose by almost \$1.5 billion in 1973.

21.1.7 Price movements

Strong inflationary tendencies in 1973 translated into a 7.6% rise in the implicit price index for GNP. This index, however, reflects changes both in prices and in the composition of expenditure. Available base-weighted price measures also displayed extraordinarily large increases. The consumer price index also rose by 7.6% while the index of industry selling prices increased by 11.9%.

Although the implicit price indexes of most components of expenditure rose at accelerated rates, price movements in the external sector were dominant factors behind the over-all price change of 7.6%. The explosion in world prices for food, raw materials and metals was reflected in a 14.4% increase in the implicit price index for exports of goods and services. Prices for crude vegetable products rose by 93%, for wheat by almost 55%, for lumber and copper by about 40%, for crude petroleum by 26% and for zinc by about 30%. The export price rise for manufactured goods, on the other hand, rose by a moderate 2.0%, as a slight rise in motor vehicle prices served to dampen the price rise in this group. The implicit price index for imports rose by 8.9% compared with a 2.7% rise in 1972. The 4.3% price increase of manufactured goods largely resulted from a 4.7% rise in the prices of motor vehicles and a 7.3% rise in prices of machinery and equipment.

The movement in the implicit price index for personal expenditure was mainly influenced by the near-doubling of the rate of increase in the index for non-durable goods, from 5.2% in 1972 to 10.1% in 1973. Within non-durables, food prices rose by 15%; there were also sizable increases in the prices of electricity, heating fuel and gasoline. Prices of semi-durable goods accelerated with particularly strong advances in prices of footwear and jewellery. Prices of durable goods, on the other hand, rose by a moderate 1.3%. In the services category, which showed a price acceleration from 5.4% in 1972 to 6.2% in 1973, notable increases were recorded in the prices of insurance and restaurant meals.

Prices associated with business gross fixed capital formation rose 6.7%; the rate of price increase in 1972 had been 4.9%. Construction and machinery and equipment prices both accelerated but the price increases in the construction sector were the strongest. Residential construction prices rose by 9.4% and non-residential construction prices by 7.9%, while machinery and equipment prices advanced a more moderate 4.2%. Rapidly advancing material prices contributed most to the construction price boost. While nearly all materials components rose strongly, the advance was led by the exceptional upward thrust of the prices of lumber and related wood products.

21.1.8 The government sector

Total revenues of all levels of government combined (excluding inter-governmental transfers) rose by over 14% in 1973; this was the largest rate of increase in several years and reflected the continued strong growth in the economy. All revenue categories registered gains. There were sharp increases in returns from both personal direct taxes and corporate direct taxes with much of the gain taking place at the federal government level. A large part of the higher returns from indirect taxes occurred in federal and provincial sales taxes.

The rate of increase in total expenditures, 12.5%, was somewhat lower than in recent years. Over half of the rise was in purchases of goods and services where higher wage and sal-