

the trade balance to a record deficit of \$5.4 billion. The traditional deficit on service transactions worsened by \$1.0 billion, but the swing in merchandise trade from a surplus of \$1.7 billion in 1974 to a deficit of \$0.6 billion accounted for about 70% of the overall swing in the trade balance. The increase in exports was due to a very large increase in natural gas exports, together with substantial increases in iron ore, coal, newsprint paper, asbestos, aluminum, industrial machinery, and motor vehicles and parts, while the rise in imports was accounted for by strong increases in energy goods, most notably petroleum, and increases in machinery and equipment and motor vehicles and parts. On the service account, the deterioration resulted from higher interest and dividend payments and investment income paid abroad.

Incomes

21.1.5

Labour income rose by 15.3% in 1975, compared with an increase of 18.1% in 1974. A major factor in the lower rate of growth was the effect of larger lay-offs and more man-days lost in industrial disputes. There were only marginal increases in employment during 1975, and most of the increase in labour income reflected higher average earnings. Wages and salaries in the goods-producing industries increased by 11.4% compared with 16.3% in 1974, as the industries in this group were particularly affected by strikes and lay-offs. Wages and salaries in the service-producing industries rose by 16.8% after an 18.7% increase the year before, with a slower rate of employment growth the major reason for the deceleration.

Corporation profits before taxes fell by 1.1% in 1975, the first decline since 1970 and only the second in 15 years. It follows four years of substantial increases. Profits in both mining and manufacturing decreased, while profits in trade and finance increased.

Accrued net income of farm operators fell 0.7% over the year, with an 8% increase in gross income being offset by higher operating costs. The value of grain production rose over 10%, due mainly to larger crop production, but the value of livestock production declined marginally. Net income of non-farm unincorporated business was up 13.4% year over year, the largest increases occurring in the finance, insurance, real estate and community business, and personal service industries.

The shares of gross national product held by labour income and profits followed their normal cyclical patterns and reflected the marginal increase in real output in 1975, as labour's share rose to 57% from 55.1% the year before, and profits' share fell to 11.5% from 13.0%. Farm income's share of gross national product fell slightly, while that of non-farm unincorporated business was unchanged.

Some price deceleration was evident in 1975, as the gross national expenditure implicit price index increased by 10.8% compared to 14.3% in 1974, and the increase in the final domestic demand index fell to 11.8% from 12.5% the year before. The indexes for personal expenditure on services and non-durable goods, and gross fixed capital formation showed larger increases than the gross national expenditure index, partly because of a 13.7% increase in import prices. The implicit price indexes for personal expenditure on services and non-durable goods both increased at relatively high rates, growing by 11.2% and 12.2%, respectively, while durables and semi-durables rose at more moderate 9.2% and 6.1% rates. Overall, the implicit price index for personal expenditure increased 10.7%. The index for total fixed capital formation grew by 11.7%; the rate of change of prices declined in both the public and private sectors for every major class of construction.

The government sector

21.1.6

Total revenue of all levels of government (excluding intergovernment transfers) rose by 8.2% in 1975, the lowest rate of increase in several years. All major tax categories showed considerably lower rates of growth than in 1974, which reflected both lower tax rates and the slowdown in business activity. On the other