

ary payments were the major factor. The increase in transfer payments to persons was much lower in 1973 than in the previous two years when major legislative changes went into effect. Most of the increase in 1973 was at the federal level and reflected changes in the Old Age Security pension rates and higher Family Allowance rates as well as higher Unemployment Insurance benefit payments.

With revenues rising more sharply than expenditures the government sector moved from a deficit, on a national accounts basis, of \$278 million in 1972 to a surplus of \$612 million in 1973. The federal government recorded a surplus of \$43 million in 1973 compared with a deficit of \$702 million in 1972; deficits at the provincial level narrowed from \$608 million to \$170 million. Partially offsetting these movements was a widening in local government deficits from \$448 million to \$720 million. The surplus in the Canada and Quebec Pension plans rose slightly.

## 21.2 Domestic product by industry

### 21.2.1 Indexes of real domestic product

Since the early 1960s Statistics Canada has published a set of production data pertaining to the entire spectrum of Canadian industries in its full industry detail (including the index of industrial production). These data, in the form of production indexes, are measures of value added for each industry revalued in the dollars of the base year. Technically, they are termed "indexes of real domestic product (RDP) at factor cost originating by industry". In constructing the index for total RDP, where the gross output of one industry flows to another industry (intermediate input) and/or to final demand (non-industrial sales), the portion double-counted has been eliminated. This is accomplished by subtracting the intermediate inputs (materials, fuels, advertising, etc.) valued in terms of the dollars of a common base year from the constant dollar value of the gross output to yield a constant dollar value added aggregate.

RDP indexes are published on an annual, a quarterly and a monthly basis. The monthly and quarterly data are published both seasonally adjusted and without seasonal adjustment. The seasonally adjusted data are considered to be preferable for the analysis of emerging trends as the strong seasonal fluctuations to which sub-annual data are frequently subject have been removed through the seasonal adjustment process, thus revealing the underlying trend as well as the cyclical and irregular factors affecting the data. In general, the annual indexes are suitable for studies of production trends, growth rates and inter-industry comparisons, whereas monthly indexes provide a much better tool for the study of the cyclical behaviour of industries and short-term changes in production.

Spurred on by strong domestic and foreign demand for the goods and services produced by Canadian industries, total real output in the 1961-73 period achieved an average annual rate of gain of 5.7% in contrast to the average rate of growth of 4.7% in the 1946-61 period. Domestic demand has been influenced by demographic factors operating since World War II; younger age groups are displaying both their purchasing power and changing tastes. Buoyant foreign demand for Canadian commodities has been a dominant force since 1961, with sales of wheat and motor vehicles and parts having recorded the most dramatic gains over the past 12 years. Within this period a generally healthy investment climate has prevailed. Both residential and non-residential construction made good gains. In the case of non-residential construction the rapid pace of activity peaked in 1966 and various inhibiting factors contributed to weakness in the industry into the early 1970s. Since 1971, however, the pace has again increased, particularly in 1973. The durable manufacturing sector was dynamic in response to both domestic and external demands.

The influx of the postwar generation is also reflected in the rapid increase in the labour force. Over most of the period the expanding economy generated sufficient employment opportunities to adequately absorb the increases in the labour force. In the latter part of the 1960s, this influx combined with slackness in the over-all economy to produce a lower rate of growth in labour force employment than in the labour force itself. However, by 1972, the trend had climaxed and by 1973 unemployment rates began to fall.

The rate of growth of the economy decelerated in 1970 but picked up in 1971; the momentum was reasonably sustained in 1972. Real domestic product increased by 5.2% in 1972 following a rise of 5.9% in 1971. Further growth occurred in 1973 when real domestic product rose by 6.9% (Table 21.10).