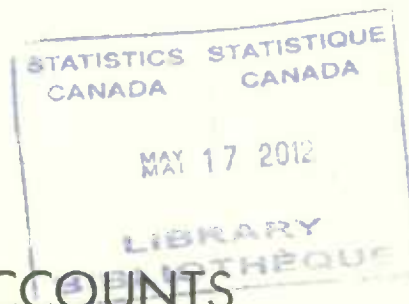


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CANADA

Dominion Bureau of Statistics
DEPARTMENT OF TRADE AND COMMERCE



NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
PRELIMINARY
1950

Published by Authority of the Rt. Hon. C. D. Howe
Minister of Trade and Commerce

Prepared by The Research and Development
Division, Dominion Bureau of Statistics.

INTRODUCTION

This publication presents preliminary estimates of Gross National Product, National Income and Expenditure, and Personal Income and Expenditure for the year 1950. Revised estimates for 1949 and previously published figures for 1948 are also given. It should be noted that the Province of Newfoundland which entered Confederation in 1949, is included in the estimates for the years 1949 and 1950.

Gross National Product and National Income

The Gross National Product, which measures the value of current production of goods and services at prevailing prices, reached a record total of \$17.7 billion in 1950, compared with \$16.4 billion in 1949. This represents a gain of \$1.3 billion, or 8 per cent. A substantial part of this rise is due to price increases, but nearly one-half of the gain represents an increase in the volume of goods and services produced. The increase in real production is greater than that which occurred between 1948 and 1949, when real output of goods and services rose by approximately 2 per cent.

The National Income, that is, the nation's earnings from current production, increased by 8 per cent, from \$13,167 million in 1949 to \$14,164 million in 1950. The largest percentage increase was shown in investment income. In 1949, investment income was \$2,365 million, while in 1950 it was \$2,852 million, a rise of 21 per cent. This increase is attributable mainly to corporation profits and to Canadian Wheat Board trading profits. Net rents received by individuals and trading profits of government enterprises also rose substantially.

Salaries, wages and supplementary labour income showed a gain of 6 per cent, rising from \$7,800 million in 1949 to \$8,300 million in 1950. High levels of employment combined with an increase in average hourly earnings, are mainly responsible for the rise in labour income. Most of the major industrial groups shared in this increase with the exception of agriculture. This industry experienced a decline in the number of farm workers.

Net income of farm operators from farm production was somewhat lower in 1950 than in 1949. Farm cash income was substantially lower, mainly as a result of a lower initial payment price for wheat, and lower equalization and participation payments from the Canadian Wheat Board. At the same time, operating expenses were higher in 1950 than in 1949. However, there occurred a substantial accumulation of inventories held on farms. The net effect of these factors was that net farm income declined by 6 per cent, from \$1,513 million to \$1,424 million. On the other hand, net income of other unincorporated businesses, including professional income, rose by nearly 6 per cent, from \$1,374 million in 1949 to \$1,451 million in 1950.

The Gross National Product includes, in addition to the factor costs which comprise the National Income, indirect taxes less subsidies and depreciation allowances and similar business costs. Indirect tax collections rose appreciably in 1950 as a result of rising prices, a greater volume of purchases, and higher indirect tax rates approved in the September Budget of the federal government. At the same time, government subsidies declined slightly. Thus, indirect taxes less subsidies increased from \$1,829 million in 1949 to \$2,001 million in 1950, a gain of over 9 per cent.

Depreciation allowances and similar business costs rose by 11 per cent, from \$1,321 million in 1949 to \$1,471 million in 1950. This increase is largely the result

of depreciation allowances on the large volume of new capital investment which was completed in 1950.

Gross National Expenditure

The Gross National Expenditure indicates the manner in which the national output is absorbed. The year 1950 was characterized by rising expenditures on the part of persons, governments and business. Personal expenditure on consumer goods and services, the largest component of Gross National Expenditure, increased by nearly 7 per cent, from \$11,086 million in 1949 to \$11,810 million in 1950. Much of this increase was taken up by higher prices, but a gain of approximately 3 per cent in the volume of consumer purchases is indicated.

Expenditures on goods and services by federal, provincial, and municipal governments, rose approximately 10 per cent, from \$2,128 million in 1949 to \$2,333 million in 1950. At the federal level, the considerable increase in defence expenditure was offset to the extent of \$50 million due to the fact that government commodity agencies liquidated some inventories in 1950 in contrast with the inventory accumulation of \$32 million in 1949. The rise in expenditure at the provincial and municipal levels was mainly due to higher operating costs, increases in capital expenditures, and flood relief in Manitoba. Despite these increases, however, government expenditure on goods and services absorbed slightly over 13 per cent of the nation's output in 1950, approximately the same as in 1949.

Expenditures on construction and equipment for general government purposes are included in the figures of government expenditures on goods and services referred to above. The remainder of the nation's outlay for capital investment in housing, plant, equipment, and inventories, made by private and government-operated businesses and by individuals is analyzed below.

The value of new residential construction was \$748 million in 1950, practically unchanged from the figure of \$741 million in 1949. Investment in plant and equipment increased from \$2,220 million in 1949 to \$2,375 million in 1950, a gain of 7 per cent. At the same time, investment in inventories showed a large increase in both value and volume terms. In 1950 the change in inventories amounted to \$785 million, compared with \$108 million in 1949. Both farm and non-farm inventories shared in the rise in inventory accumulation. Taken together, total investment in housing, plant, equipment, and inventories by private and government businesses and by individuals, apparently absorbed a larger percentage of the Gross National Product in 1950 than in 1949.

The value of imports of goods and services in 1950 was approximately \$4,500 million compared with \$3,837 million in 1949, a rise of 17 per cent. The upsurge of demand related to expanding defence programs, rising levels of income, the progressive removal of import restrictions, and the relaxation of exchange controls in 1950, led to a marked upswing in the value of merchandise imports from the United States. At the same time, a gradual recovery of production in Europe and the improved bargaining position of the European seller in Canadian markets resulting from the realignment of currencies in September, 1949, made possible an increase in merchandise imports from the non-dollar countries.

On the other hand, the value of total exports of goods and services increased moderately in 1950, from \$4,004 million to \$4,200 million, or by 5 per cent. Although merchandise exports to the United States showed a large rise of approximately 35 per cent over 1949, this increase was offset to a considerable extent by a decline of 33 per cent in the value of merchandise exports to the United Kingdom.

In volume terms, total exports of goods and services showed very little change, while imports increased by approximately 9 per cent.

Personal Income and Expenditure

Personal income is the sum of all current receipts of income, whether in cash or in kind. It differs from National Income in that it excludes all current earnings not paid out to persons, such as undistributed profits, and includes receipts which have not been earned in the course of production, that is, transfer payments such as family allowances and unemployment insurance benefits. In 1950, Personal Income was \$13,320 million, a gain of 5 per cent over 1949. The increase is mainly attributable to salaries, wages and supplementary labour income, but government transfer payments and interest, dividends, and net rental income of persons also increased considerably.

Despite higher personal incomes in 1950, total direct personal tax collections declined by 6 per cent. This decline is mainly due to the fact that a substantial part of the personal income tax is paid in the calendar year succeeding the tax year. Thus, a considerable part of the taxes collected in 1949 included taxes levied on income earned in 1948 when the tax rate was relatively high. As a result, total direct personal tax collections were lower in 1950 than in 1949, despite some increase in succession duties and miscellaneous direct taxes.

As indicated above, personal expenditure on goods and services increased by 7 per cent from 1949 to 1950, but there was considerable variation as between components of personal expenditure. Major gains were recorded for purchases of most durable goods, particularly automobiles, which rose by approximately 60 per cent over 1949. On the other hand, a number of components in the semi-durable goods group, such as clothing, showed a decline. The increase in expenditure on food was almost entirely accounted for by price increases. Of the services, user-operated transportation, and household utilities including rents, showed the highest increases.

The substantial rise in expenditure on personal durable goods was accompanied by a notable increase in the value of credit and instalment sales. This increase in consumer borrowing is in line with a decline of 4 per cent in personal saving (including changes in farm inventories), from \$802 million in 1949 to \$769 million in 1950. However, if changes in farm inventories are deducted from the saving figures, a much greater decline in the rate of saving is indicated. Thus, personal saving, exclusive of changes in farm inventories, was \$604 million in 1950, compared with \$875 million in 1949; this represents 5 per cent of personal income in 1950 compared with 7 per cent in 1949.

TABLE 1

NATIONAL INCOME AND GROSS NATIONAL PRODUCT, 1948 - 1950
(millions of dollars)

	1948	1949 ¹	1950 ¹
Salaries, Wages and Supplementary Labour Income	7,139	7,800	8,300
Military Pay and Allowances	82	115	137
Investment Income	2,379	2,365	2,852
Net Income of Agriculture and Other Unincorporated Business			
Farm Operators from Farm Production ²	1,567	1,513	1,424
Other Unincorporated Business	1,307	1,374	1,451
NET NATIONAL INCOME AT FACTOR COST	12,474	13,167	14,164
Indirect Taxes less Subsidies	1,768	1,829	2,001
Depreciation Allowances and Similar Business Costs	1,126	1,321	1,471
Residual Error of Estimate	135	66	57
GROSS NATIONAL PRODUCT AT MARKET PRICES	15,503	16,383	17,693

1 Includes Newfoundland for the years 1949 and 1950. Estimates for Newfoundland for the whole calendar year 1949 rather than the last nine months have been included in this publication to facilitate comparison between the years 1949 and 1950. On the basis of the scanty data available for Newfoundland its Gross National Product for 1948 is estimated to be in the neighbourhood of \$175 million.

2 These figures differ somewhat from the estimates published by the Agriculture Division, Dominion Bureau of Statistics, because adjustments have been made to achieve consistency within the National Accounts.

TABLE 1
GROSS NATIONAL EXPENDITURE, 1948 - 1950
(millions of dollars)

	1948	1949 ¹	1950 ¹
Personal Expenditure on Consumer Goods and Services	10,151	11,086	11,810
Government Expenditure on Goods and Services	1,797	2,128	2,333
Gross Home Investment			
Housing ²	647	741	748
Plant and Equipment	2,016	2,220	2,375
Change in Inventories	609	108	785
Exports of Goods and Services ³	4,054	4,004	4,200
Deduct: Imports of Goods and Services ³	-3,636	-3,837	-4,500
Residual Error of Estimate	-135	-67	-58
GROSS NATIONAL EXPENDITURE AT MARKET PRICES	15,503	16,383	17,693

1 See footnote 1, page 4.

2 Excludes government housing expenditure of \$35 million in 1948; \$27 million in 1949 and \$32 million in 1950 which is included in "Government Expenditure on Goods and Services."

3 These figures differ from those shown in the Dominion Bureau of Statistics publication, "Canadian Balance of International Payments" because adjustments have been made to the figures of receipts and payments to achieve consistency within the National Accounts.

TABLE 2

PERSONAL INCOME AND EXPENDITURE ACCOUNT, 1948 - 1950
(millions of dollars)

	1948	1949 ¹	1950 ¹
INCOME			
Salaries, Wages and Supplementary Labour Income	7,139	7,800	8,300
Deduct Employer and Employee Contributions to Social Insurance and Government Pension Funds	-223	-243	-268
Military Pay and Allowances	82	115	137
Net Income of Agriculture and Other Unincorporated Business ..	2,874	2,887	2,875
Interest, Dividends and Net Rental Income of Persons	1,086	1,170	1,235
Transfer Payments ² (excluding interest)			
From Governments	863	922	1,016
Charitable Contributions from Corporations	21	23	25
Total	11,842	12,674	13,320

1 Includes Newfoundland for the calendar years 1949 and 1950.

2 Interest on government debt is included under "Interest, Dividends and Net Rental Income of Persons."

TABLE 2

PERSONAL INCOME AND EXPENDITURE ACCOUNT, 1948 - 1950
(millions of dollars)

	1948	1949 ¹	1950 ¹
EXPENDITURE			
Personal Direct Taxes			
Income Taxes	717	674	612
Succession Duties	58	55	64
Miscellaneous Taxes	47	57	65
Purchase of Goods and Services	10,151	11,086	11,810
Personal Saving ²	869	802	769
Total	11,842	12,674	13,320

¹ See footnote 1, page 6.

² Includes net change in farm inventories of -\$ 65 million in 1948; -\$ 73 million in 1949, and \$ 165 million in 1950.

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