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NATIONAL ACCOUNTS INCOME AND EXPENDITURE PRELIMINARY 1952

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INTRODUCTION

This publication presents preliminary estimates of National Income, Gross National Product and Expenditure, and Personal Income and Expenditure for the year 1952. In addition, the tables incorporate the latest revisions to the figures for 1950 and 1951. The 1949 figures are unchanged from those shown in the basic reference document "National Accounts Income and Expenditure 1926-1950" and the continuity of the latter document has been preserved. Appendix A of the present publication provides a provincial distribution of personal income for the year 1951, and brings up to date the figures for 1949 and 1950. Reconciliation statements for Public and Private Investment and Net Income of Farm Operators from Farming Operations are also given in the appendix.

Gross National Product and National Income

The Gross National Product which measures the value of current production of goods and services at prevailing prices, was \$22,984 million in 1952, a 7 per cent increase over the 1951 total of \$21,448 million. After having made allowances for price changes and the effects of the latter on inventory book values (see below) an increase in total real output of 6 per cent is indicated. Further comment is made below on the manner in which this increase in real output was absorbed by major groups such as consumers, governments, and businesses for investment purposes. The above increase in total output was accompanied by a gain of about 1 per cent in the employed labour force. While the number of persons with jobs in agriculture declined by about 6 per cent, non-agricultural employment was 2½ per cent higher. National Income, that is the nation's earnings from current production, is estimated at \$18,307 million, an increase of 6 per cent over the preceding year.

Wages, Salaries and Supplementary Labour Income

Wages, salaries and supplementary labour income, which is the largest component of National Income, amounted to \$10,855 million in 1952, a gain of nearly 12 per cent over 1951. The definition of this total is the same as that which appears in the regular monthly bulletin on labour income issued by the Bureau. Month-to-month increases during the year were quite steady in this sector and can be attributed to the continued high levels of employment and to the steadily increasing average earnings per worker. Military pay and allowances increased from \$201 million in 1951 to \$270 million in 1952.

Investment Income

Investment income, which consists of corporation profits, interest and net rental income received by persons, government investment income and a number of other items, showed an increase in 1952 of 2 per cent over 1951. Corporation profits before taxes changed little from the previous year, while net rental income and interest received by persons increased by 8 per cent. Government investment income increased by 14 per cent.

Net Income of Unincorporated Business

Preliminary estimates of accrued net income of farm operators from farm production were \$1,861 million in 1952, a decline of \$255 million, or 12 per cent from the record level established in 1951, despite the fact that cash income from the sale of farm products was approximately equal to a year ago. The decline in net income is attributable largely to a severe drop in livestock prices of between 20 and 25 per cent, and a 10 per cent rise in farm operating expenses. The outbreak of foot and mouth disease in Saskatchewan and the decline in livestock prices prior to, and following the United States embargo, resulted in greatly reduced receipts from sales of livestock and also in a lower valuation of additions to livestock inventories. The record wheat crop of 688 million bushels was of excellent grade and initial prices (Grade #1 Northern, Fort William - Port Arthur) remained unchanged; but these factors were not sufficient to offset the declines listed above.

Net income of non-farm unincorporated business which includes unincorporated retailers, unincorporated manufacturing establishments, professionals and unincorporated service establishments, remained substantially unchanged from 1951. Declines in unincorporated manufacturing, repair, transportation, and the primary industries were offset by increases in the trade, construction and service groups.

The Gross National Product includes, in addition to the above factor costs which comprise the National Income, indirect taxes less subsidies and depreciation allowances and similar business costs.

Indirect Taxes Less Subsidies

Indirect taxes less subsidies increased by \$243 million, or approximately 10 per cent over 1951. An increase of \$100 million in federal indirect taxes is accounted for mainly by a gain in excise tax collections (including sales tax) of \$70 million dollars, and an increase in customs and excise duties of \$14 million and \$12 million respectively. Although certain excise tax rates were reduced in the Budget of April 1952, the 10 per cent sales tax (of which 2 per cent is earmarked for old age security) was in effect over the full year in 1952, whereas in 1951 the tax was in force only from April 10. At the provincial and municipal level, a further gain of \$100 million in indirect tax collections was indicated, due chiefly to increases in municipal real and personal property taxes and in provincial gasoline and sales taxes.

Subsidies were \$43 million smaller in 1952 than in the previous year, reflecting the fact that in 1951 there was a \$65 million payment to farmers on account of the United Kingdom Wheat Agreement which was of a non-recurring nature. Offsetting this to some extent in 1952, there was a substantial trading loss sustained by the Agricultural Prices Support Board on beef and pork transactions.

Depreciation Allowances and Similar Business Costs

Depreciation allowances and similar business costs increased by 9 per cent over the 1951 base to reach a total of close to two billion dollars in 1952. The major components of this item include corporation capital cost allowances and depreciation and similar charges by government business enterprises and unincorporated businesses, and estimated depreciation on farm property and tenant and owner-occupied dwellings.

Gross National Expenditure

Gross National Expenditure indicates the manner in which the nation's output is absorbed. Major developments in 1952 included the resurgence of consumer spending after a hesitancy in the latter part of 1951 and the early part of 1952. Further noteworthy developments were the rapid growth of government defence expenditures, a sharp decline in inventory accumulation, and the re-emergence of a favourable balance on current account in the nation's external trade. This latter factor resulted from a combination of more favourable terms of trade and a more rapid climb in export volume than in import volume.

The increase in real output in 1952 was absorbed mainly by governments and consumers, in substantially similar amounts; gross domestic investment in durable physical assets took a smaller share of the increase. This was accompanied by the substantial decline in the rate of inventory accumulation referred to above. With the exception of certain cost factors entering new construction, machinery and equipment, and government expenditure, prices were generally level or declining throughout the year; however, the average for the year 1952 over the average for the previous year was higher. Value, price and quantity percentage changes are summarized in the accompanying table.

Value, Volume and Price Percentage Changes in Gross National Expenditure Components, From 1951 to 1952

	<u>Value</u>	<u>Volume</u>	<u>Price</u>
Personal Expenditure	+8	+6	+2
Government Expenditure	+32	+26	+5
New Residential Construction	+3	-1	+4
New Non-Residential Construction	+17	+10	+6
Machinery and Equipment	+5	+4	+1
Exports	+11	+11	0
Deduct:			
Imports	-2	+6	-8
GROSS NATIONAL EXPENDITURE*	+7	+6	+4

* Note that the product of volume and price indexes of 106 and 104 respectively, is not equal to the value index of G.N.E. of 107, because of the inventory valuation adjustment. The latter is explained in full on pages 28 and 127 of "National Accounts, Income and Expenditure, 1926-1950". It is the difference between book value change of business inventories and the value of their physical change. The book value figures are shown in Table 2.

Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services amounted to \$14,290 million in 1952, a gain of 8 per cent over 1951. Inasmuch as consumer prices rose only slightly in the year to year comparison, the volume increase was approximately 6 per cent. As noted above, the decline in consumer spending after mid-1951 continued until the end of that year and in many cases into early 1952; this was followed by a resurgence in spending. Sales of automobiles, appliances and furniture rose throughout the remainder of the year, so that on balance personal expenditure on durables in 1952 was 12 per cent higher in value and 10 per cent in volume, relative to 1951. Along with this development was the recovery towards the latter part of the year in clothing sales. Non-durable goods purchases as a whole were 6 per cent higher than in 1951, and as prices were almost stable, the volume gain was of approximately the same magnitude. Services showed a steady increase throughout the year, and were about 9 per cent higher than 1951 in value, but were relatively unchanged in volume.

Accompanying these developments were the decreases in some excise taxes on durable goods in the April, 1952 budget, the relaxation of consumer credit regulations which followed shortly thereafter and the subsequent rise in consumer instalment credit outstanding.

Government Expenditure on Goods and Services

Government expenditure on goods and services rose to \$4,211 million in 1952, a gain of 32 per cent over the previous year. Defence expenditures rose to \$1,832 million, accounting for two-thirds of the increase in total government expenditure over 1951. Federal non-defence expenditures increased by \$132 million, or 25 per cent, over 1951, mainly owing to a large net change in inventories of government commodity agencies from minus \$16 million in 1951 to plus \$77 million in 1952; salaries and wages also accounted for a considerable part of the increase (\$26 million). At the provincial and municipal levels, there were higher expenditures of \$195 million, or 13 per cent, accounted for by increases in highway maintenance, construction, public health and general administration.

Government Expenditure on Goods and Services 1949 - 1952

(millions of dollars)

	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
1. Federal Defence	361	493	1,149	1,832
2. Federal Non-Defence (ex Inventories)	487	506	550	589
3. Federal Non-Defence, Inventory Change	32	-19	-16	77
4. FEDERAL TOTAL EXPENDITURES (1+2+3)	880	980	1,683	2,498
5. Provincial and Municipal Expenditures	1,248	1,346	1,518	1,713
6. GOVERNMENT EXPENDITURE ON GOODS AND SERVICES (4+5)	<u>2,128</u>	<u>2,326</u>	<u>3,201</u>	<u>4,211</u>

Gross Domestic Investment (Excluding Inventory Change)

New residential construction showed a 3 per cent gain in value over the year 1951, despite a reduced level of activity in the early part of 1952. A substantial increase in activity in the closing months of the year appears to have more than offset the slack in the earlier period. A small decline in the volume of housing put in place is indicated since construction costs rose somewhat more than the estimated value.

New non-residential construction was 17 per cent higher than in 1951. After allowance for higher unit costs the increase in volume appears to have been about 10 per cent. Investment in new machinery and equipment, on the other hand, increased only by 5 per cent in value and about 4 per cent in volume in the same period.

Change in Inventories

Investment in inventories in 1952 totalled \$176 million, in striking contrast to the 1951 figure of \$1,620 million. It should be noted, however, that business inventories are recorded in the National Accounts at their book values and if adjustments are made for the decline in wholesale and other prices between 1951 and 1952, the volume of inventories shows an increase in the latter year, though to a much smaller extent than in 1951.

Book value of business inventories declined by \$159 million in 1952 compared with 1951; this was more than accounted for by a decline in manufacturing inventories of \$204 million. Retail and wholesale inventories showed small changes.

Holdings of grain in commercial channels computed at value of physical change rose by \$92 million, wheat accounting for slightly less than half of this increase. Farm inventories also valued on the same basis were higher by \$243 million.

Net Foreign Investment

A rise in total value of exports of goods and services of about 11 per cent as compared with 1951, coupled with a moderate decline in value of imports of goods and services in the same period, combined to yield a net surplus on international account during 1952, following substantial deficits incurred during 1950 and 1951. The surplus is estimated tentatively at some \$150 million in 1952. Chief contributing factors here were a substantial increase in merchandise exports, and an appreciable decline in merchandise imports as compared with 1951. At the same time, the terms of trade became more favourable in 1952, with export prices remaining fairly stable, while import prices fell by about 8 per cent. These developments yielded an increase in total export volume of approximately 11 per cent, while total import volume rose by about 6 per cent.¹ (These percentage changes apply to the total of goods and services combined.)

1. The current account of the balance of payments takes account of the time lag between prepayment for defence equipment imports and the actual importation of this equipment. In other words, payments for defence purchases abroad have been substituted for the actual physical imports as shown by recorded commodity trade statistics. This is in keeping with the treatment of government expenditures in the National Accounts, which also show the payment at the time it takes place. While this and other adjustments to recorded commodity imports are not large as a per cent of total imports the commodity trade surplus itself was increased substantially by these adjustments in 1952.

Personal Income and Personal Saving

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.

Personal Income amounted to \$17,146 million in 1952, an increase of 8 per cent over the previous year. Wages, salaries and supplementary labour income rose by 12 per cent, or somewhat more than the average. Interest, dividends and net rental income of persons increased by 6 per cent, while net income of unincorporated business (including net income of farm operators) fell by 8 per cent. Transfer payments (excluding government interest) rose substantially by \$336 million or 33 per cent, owing in the main to the new federal old age security program.

Direct personal taxes rose by \$291 million or 28 per cent over 1951. This increase was almost wholly due to the rise in personal income tax collections by the federal government.

Personal disposable income, that is personal income less personal direct taxes, rose by \$1,003 million or 7 per cent over 1951. Personal expenditure rose by \$1,056 million in the same comparison and the residual item of personal saving remained relatively unchanged at \$1,538 million, compared with \$1,591 million in 1951. It should be noted that personal saving includes changes in farm inventories, so that exclusive of these changes, other personal saving rose slightly from \$1,237 million in 1951 to \$1,295 million in 1952.

Ottawa
February 7, 1953

TABLE 1

NATIONAL INCOME AND GROSS NATIONAL PRODUCT, 1949-1952 ¹
(millions of dollars)

	1949	1950	1951	1952
Wages, Salaries and Supplementary Labour Income..	7,761	8,324	9,732	10,855
Military Pay and Allowances.....	115	137	201	270
Investment Income.....	2,445	3,148	3,667	3,746
Net Income of Unincorporated Business				
Accrued Net Income of Farm Operators from Farm Production ²	1,504	1,507	2,116	1,861
Net Income of Other Unincorporated Business ³ .	1,369	1,493	1,568	1,575
NET NATIONAL INCOME AT FACTOR COST.....	13,194	14,609	17,284	18,307
Indirect Taxes less Subsidies.....	1,830	2,018	2,461	2,704
Depreciation Allowances and Similar Business Costs.....	1,437	1,619	1,820	1,991
Residual Error of Estimate.....	1	-29	-117	-18
GROSS NATIONAL PRODUCT AT MARKET PRICES.....	16,462	18,217	21,448	22,984

1. Includes Newfoundland, throughout this publication.

2. This item includes the undistributed earnings of the Canadian Wheat Board and an inventory valuation adjustment for grain in Wheat Board channels, on a calendar year basis.

3. Includes net income of independent professional practitioners.

TABLE 2

GROSS NATIONAL EXPENDITURE, 1949-1952
(millions of dollars)

	1949	1950	1951	1952
Personal Expenditure on Consumer Goods and Services.....	10,963	11,994	13,234	14,290
Government Expenditure on Goods and Services ^{1,2} .	2,128	2,326	3,201	4,211
Gross Domestic Investment ³				
New Residential Construction.....	742	801	781	803
New Non-Residential Construction.....	903	1,026	1,260	1,476
New Machinery and Equipment.....	1,323	1,389	1,769	1,859
Change in Inventories.....	231	980	1,620	176
Exports of Goods and Services.....	4,011	4,185	5,099	5,650
Deduct: Imports of Goods and Services.....	-3,837	-4,514	-5,633	-5,500
Residual Error of Estimate.....	-2	+30	+117	+19
GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	16,462	18,217	21,448	22,984

1. Includes defence expenditure as follows:

(millions of dollars)

<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
361	493	1,149	1,832

2. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies and of the Defence Production Revolving Fund. Excludes shipments, under N.A.T.O., of previously produced military equipment but includes replacements of new equipment.
3. Includes capital expenditures by private and government business enterprises, private non-commercial institutions and outlays on new residential construction by individuals and business investors.

TABLE 3

PERSONAL INCOME AND EXPENDITURE ACCOUNT, 1949-1952
(millions of dollars)

	1949	1950	1951	1952
INCOME				
Wages, Salaries and Supplementary Labour Income.....	7,761	8,324	9,732	10,855
Deduct Employer and Employee Contributions to Social Insurance and Government Pension Funds....	-239	-256	-302	-328
Military Pay and Allowances.....	115	137	201	270
Net Income of Unincorporated Business ¹	2,969	2,899	3,742	3,452
Interest, Dividends and Net Rental Income of Persons ²	1,157	1,299	1,403	1,484
Transfer Payments (excluding interest) - Total.....	994	1,080	1,076	1,413
From Governments.....	950	1,032	1,022	1,358
Charitable Contributions from Corporations.....	23	25	29	30
Net Bad Debt Losses of Corporations.....	21	23	25	25
Total (Personal Income)	12,757	13,483	15,852	17,146

1. This item excludes undistributed earnings of the Canadian Wheat Board and an inventory valuation adjustment for grain in Wheat Board channels, on a calendar year basis.

2. Includes all government debt interest paid to persons.

TABLE 4

PERSONAL INCOME AND EXPENDITURE ACCOUNT, 1949-1952
(millions of dollars)

	1949	1950	1951	1952
EXPENDITURE				
Personal Direct Taxes - Total	789	740	1,027	1,318
Income Taxes.....	677	612	891	1,177
Succession Duties.....	55	66	69	69
Miscellaneous Taxes.....	57	62	67	72
Personal Expenditure on Consumer Goods and Services - Total	10,963	11,994	13,234	14,290
Durable Goods.....	1,084	1,347	1,399	1,567
Non-Durable Goods.....	6,799	7,207	7,904	8,397
Services ²	3,080	3,440	3,931	4,326
Personal Saving - Total.....	1,005	749	1,591	1,538
Change in Farm Inventories.....	-72	131	354	243
Personal Saving Excluding Farm Inventories...	1,077	618	1,237	1,295
Total ¹	12,757	13,483	15,852	17,146

1. Personal Disposable Income (i.e. Personal Income less Personal Direct Taxes) is as follows: 1949, \$11,968 million; 1950, \$12,743 million; 1951, \$14,825 million; 1952, \$15,828 million.

2. Includes net expenditure abroad by persons.

APPENDIX A
(Tables 5, 6, and 7)

TABLE 5

PERSONAL INCOME, GEOGRAPHICAL DISTRIBUTION, 1949 - 1951

	1949	1950	1951
Newfoundland ¹	163	179	208
Prince Edward Island.....	51	52	62
Nova Scotia	449	478	528
New Brunswick	315	340	381
Quebec	3,106	3,337	3,793
Ontario	4,953	5,313	6,182
Manitoba	736	760	878
Saskatchewan.....	832	750	1,097
Alberta	896	923	1,176
British Columbia ²	1,227	1,320	1,507
Foreign Countries ³	8	8	15
Personal Bad Debts (not distributed by .. Province)	21	23	25
CANADA.....	12,757	13,483	15,852

1 These estimates must be regarded as provisional, since the statistical coverage of Newfoundland is not yet as complete as for other provinces.

2 Includes Yukon and North West Territories.

3 Includes receipts of income of Canadians temporarily abroad, including pay and allowances of Canadian armed forces abroad.

TABLE 6

ACCRUED NET INCOME OF FARM OPERATORS FROM FARM PRODUCTION, 1949-1952

RECONCILIATION STATEMENT
(millions of dollars)

	1949	1950	1951	1952
Net Income of Farm Operators from Farming Operations ¹	1,652	1,456	2,225	
Deduct: Amounts Included in Investment Income ² ..	-34	-36	-41	
Deduct: Transfer Payments under Prairie Farm Assistance Act ³	-18	-14	-10	Not Available
Equals: Net Income Received by Farm Operators from Farm Production.....	1,600	1,406	2,174	
Adjustment on Grain Transactions ⁴	-96	101	-58	
Accrued Net Income of Farm Operators from Farm Production ⁵	1,504	1,507	2,116	1,861

1. These figures are as published by the Agriculture Division, Dominion Bureau of Statistics, with the exception that provisional estimates for Newfoundland are included, and that for the year 1949, an adjusted figure of \$1,640 million (excluding Newfoundland) has been issued.
2. This item includes corporation profits in agriculture and imputed net rent of owner-occupied houses.
3. These items are deducted since transfer payments are excluded from "Net National Income at Factor Cost".
4. Since the National Income purports to measure earnings out of current production rather than receipts of income, it is appropriate to include in Table 1 income accruing to farm operators from farm production rather than income received. Accordingly, an adjustment, consisting of two parts, is made. The first part takes account of the undistributed earnings of the Canadian Wheat Board. The second part of the adjustment allows for the fact that current earnings of this agency are calculated on the basis of the change in book values of inventories, whereas the required valuation of inventories for the National Accounts is the value of the physical change. All the figures are transformed to a calendar year basis.
5. See also Table 1.



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TABLE 7

GROSS DOMESTIC INVESTMENT (EXCLUDING INVENTORIES), 1949-1952

RECONCILIATION STATEMENT
(millions of dollars)

	1949	1950	1951	1952
Total Private and Public Investment in Canada ¹	3,502	3,815	4,577	5,122
Deduct: Government Housing ²	-27	-44	-40	-47
Deduct: Other Government Investment ³	-500	-555	-727	-937
Deduct: Other Adjustments ⁴	-7	-	-	-
Total Gross Domestic Investment (Excluding Inventories)	2,968	3,216	3,810	4,138
New Residential Construction ⁵	742	801	781	803
New Non-Residential Construction ⁵	903	1,026	1,260	1,476
New Machinery and Equipment ⁵	1,323	1,389	1,769	1,859

1. As defined in the publications "Private and Public Investment in Canada, 1926-1951" (Department of Trade and Commerce) and "Investment Outlook, 1953", (Dominion Bureau of Statistics).
2. Excluding residential construction under Veterans' Land Act and construction of veterans' rental housing by Central Mortgage and Housing Corporation, which is included under lines 5 and 6.
3. Included in "Government Expenditure on Goods and Services".
4. Statistical discrepancy.
5. See also Table 2.