



CANADA

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INCOME AND EXPENDITURE
PRELIMINARY 1953**

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IMPORTANT NOTE

At the present time, data relating to the fourth quarter of 1953 are not complete; further, in certain cases the preliminary annual estimates included in this report are computed independently of the quarterly figures published for the first three quarters of 1953. Consequently, the fourth quarter of 1953 cannot be derived by deducting the sum of the first three quarters of the year from the presently published annual. To do so would be to include in the residual fourth quarter any later information with respect to the first three quarters which is implicit in the annual figure, as well as any discrepancies or omissions in the annual total resulting from incomplete year-end data.

The quarterly series will be released when the fourth quarter data are complete, and will include revisions in the first three quarters. This will facilitate the study of trends during the year; the present review is confined to totals for the year 1953 as a whole.

INTRODUCTION

High levels of demand in the year 1953 as a whole again supported an expansion in the value and volume of the Nation's output of goods and services. The major expansionary influence in the economy in 1953 was the continued growth of consumers' expenditures, which showed a value and volume gain of 5 per cent and absorbed the largest share of the production increment. This development reflected in part the rise in "real" incomes which occurred in 1953, continuing the trend of the preceding year, and was accompanied by a further rise in personal saving. Gross domestic investment in durable physical assets showed impressive gains over the year 1952, both by value and by volume, with the sharpest relative advance in the housing component. Additions to inventories were also quite substantial. On the other hand, defence expenditure, which in the preceding two years had been one of the key factors in the total expansion of output, rose only moderately in 1953. While exports showed a small decline, imports advanced sharply in a wide variety of products, partly reflecting the gains in consumer purchasing and capital investment. The deficit on current account in the Nation's external trade appears at this time to have amounted to between \$400 million and \$500 million. The resources represented by this excess of imports over exports of goods and services augmented the nationally produced output available for domestic use.

Gross National Product and National Income

The market value of the Nation's total production, as measured by Gross National Product, was \$24,242 million in 1953 compared with \$23,110 million in 1952. This represents an increase in the value of the national product of almost 5 per cent. Inasmuch as prices were relatively steady throughout the year, the total volume increase was about 4 per cent. Although the 1953 grain crop was one of the highest on record, it was considerably below the 1952 level, so that a decline in production occurred in the agricultural sector of the economy. On the other hand, the volume of non-farm output increased by more than the average of approximately 4 per cent noted above; available evidence indicates an increase of about 5 per cent.

This increase of 5 per cent in real output in the non-farm sector was accompanied by a rise of about 2 per cent in non-agricultural employment. Thus the figures indicate a gain in overall output per working person in the non-farm sector.

National Income, that is, the value of the Nation's total earnings from current production, is estimated at \$18,977 million in 1953, an increase of 5 per cent over the preceding year. The share of the National Income going to wages and salaries showed a substantial advance, but the share accounted for by accrued net income of farm operators from farm production declined. There was little change in the share absorbed by investment income and by net income of non-farm unincorporated business.

Wages, Salaries and Supplementary Labour Income

Wages, salaries and supplementary labour income, which is the largest component of National Income, amounted to \$11,655 million in 1953, a gain of about 8 per cent over 1952. With consumers' prices remaining relatively

unchanged between the two years, the above increase represented a "real" income gain for wage and salary earners. The advance was widespread throughout the major industrial groups and only in the primary industry component was a small decline recorded; the latter reflected a lower level of activity in the logging industry. The largest increase, amounting to about 12 per cent, occurred in construction, attributable mainly to the higher level of activity in residential building. The advances in the other groups were close to the average overall gain. Higher average weekly earnings and increased employment both contributed to the rise in labour income in 1953, with the former factor accounting for the major share (approximately 80 per cent) of the increase.

Military pay and allowances increased from \$270 million in 1952 to \$309 million in 1953, or by about 14 per cent.

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 a small increase of 2 per cent over 1952. The largest single item, corporation profits before taxes, declined moderately.

Interest and net rental income received by persons increased by approximately 10 per cent, with higher rental income accounting for the greater part of the gain. A rise in government investment income was accounted for chiefly by a gain in the profits of government business enterprises at the federal and provincial levels.

Net Income of Unincorporated Business

Accrued net income of farm operators from farm production was \$1,667 million in 1953, a decline of \$267 million or 14 per cent from the high level of \$1,934 million in 1952. The most important factor in this decline was the lower level of crop production in 1953; outturns of wheat, oats and barley were smaller by 11 per cent, 13 per cent and 10 per cent, respectively. At the same time, hog production was somewhat lower than in the previous year. Lower prices for potatoes were also a factor in the drop in accrued net income of farm operators in 1953.

The declines in agricultural production in 1953 were reflected in smaller additions to inventories and reduced levels of farm cash income.

Net income of non-farm unincorporated business which includes such groups as unincorporated retailers, unincorporated manufacturing establishments, professional practitioners and unincorporated service establishments, showed an increase of about 6 per cent over 1952. The largest single gain was recorded in construction, reflecting the boom in house building.

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

Indirect Taxes Less Subsidies

Indirect taxes less subsidies increased by approximately 7 per cent over 1952. All of this gain is attributable to indirect taxes; subsidies remained virtually unchanged. The largest advances were recorded in customs import duties, associated with the large increase in the level of imports, and in excise taxes, reflecting mainly higher levels of consumer expenditures. At the provincial level there was a substantial increase in gasoline taxes while at the municipal level a large gain occurred in real and personal property taxes.

Depreciation Allowances and Similar Business Costs

Depreciation allowances and similar business costs increased by 9 per cent in 1953 to reach a total of \$2,266 million. The major components of this item include corporation capital cost allowances, 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

As previously indicated, major developments on the demand side in 1953 included a further large gain in personal expenditure on consumer goods and services, a levelling out in defence expenditure, a substantial advance in investment in durable capital assets (especially housing), and the re-appearance of a large deficit on current account. Additions to inventories in 1953 were also quite substantial. Value, price and quantity percentage changes are summarized in the accompanying table.

Value, Volume and Price Percentage Changes in Gross
National Expenditure Components, from 1952 to 1953*

	<u>Value</u>	<u>Volume</u>	<u>Price</u>
Personal Expenditure on Consumer Goods and Services.....	+5	+5	-
Government Expenditure.....	+5	+2	+3
New Residential Construction.....	+35	+33	+2
New Non-Residential Construction.....	+10	+6	+4
Machinery and Equipment.....	-	-1	+1
Exports of Goods and Services.....	-2	-1	-1
Deduct: Imports of Goods and Services.	+9	+9	-
	<hr/>	<hr/>	<hr/>
Gross National Expenditure	+5	+4	+1

* Rounded figures.

Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services amounted to \$15,035 million in 1953, a gain of 5 per cent over 1952. Inasmuch as consumer prices were substantially unchanged from the average of the previous year, the volume increase was also about 5 per cent. The increase in expenditure on goods in value terms was about 4 per cent, while that for services was 6 per cent.

In the goods category, durable goods showed the largest percentage increase, amounting to over 15 per cent. Increased sales of new cars and television sets accounted for the greater part of the gain.

Non-durable goods purchases increased by nearly 3 per cent in 1953, reflecting largely a gain in retail sales of food. Expenditure for "clothing and furnishings" and "tobacco and alcoholic beverages", the two other major components of the non-durable goods group, showed very little change from the previous year. In the services group, most categories have shown increases.

Accompanying these increases in expenditures on goods, consumer credit outstanding rose by 16 per cent in the first nine months of 1953, reaching a total of \$1,772 million at September 30, 1953.

Government Expenditure on Goods and Services

Government expenditure on goods and services rose to \$4,450 million in 1953, a gain of 5 per cent over the previous year. Defence expenditures rose to \$1,909 million, an increase of 6 per cent over the \$1,800 million level of 1952; this compares with a gain of 135 per cent in 1951 and 56 per cent in 1952. Non-defence expenditures (federal, provincial and municipal) increased by 5 per cent in 1953. However, there was some liquidation of inventories held by government commodity agencies in 1953 in contrast to heavy additions in 1952; with the influence of inventory changes removed, the gain in non-defence expenditure was about 8 per cent.

	<u>1952</u> (millions of dollars)	<u>1953</u>	<u>Change</u>
Defence	1,800	1,909	109
Non-Defence (excluding inventories)	2,354	2,550	196
Non-Defence Inventory Change	77	-9	-86
Total Federal, Provincial and Municipal	4,231	4,450	219

Gross Domestic Investment (excluding Inventory Change)

Gross domestic investment (excluding investment in inventories) increased from \$4,265 million in 1952 to \$4,701 million in 1953, an advance

of 10 per cent. The entire increase is accounted for by a gain in the value of new construction put in place; investment in new machinery and equipment showed little change.

In the construction component, investment in new housing showed the most striking gain, rising from \$786 million in 1952 to \$1,062 million in 1953, or by 35 per cent. This represented almost two-thirds of the total increase in investment in durable assets in 1953. New non-residential construction rose by 10 per cent in 1953, from \$1,561 million in 1952 to \$1,719 million.

The price component of investment in durable capital assets was only moderately higher than in 1952, averaging about 2 per cent above 1952 in the case of housing, 4 per cent in the case of non-residential construction, and 1 per cent in the case of machinery and equipment. Thus, the value gains indicated for residential and non-residential construction reflect to a very considerable extent increases in the real volume of investment; the volume of housing is estimated to be about 33 per cent above 1952, and that of non-residential construction about 6 per cent.

Change in Inventories

The value of investment in inventories in 1953 amounted to \$583 million, compared with \$278 million in 1952. When allowance is made for price factors, the volume changes in these two years are seen to be in much the same relationship.

	<u>Value</u> (Current \$)		<u>Volume</u> (Constant 1949 \$)	
	<u>1952</u>	<u>1953</u>	<u>1952</u>	<u>1953</u>
Change in Business Inventories ¹	-51	375	-12	332
Change in Farm Inventories ²	238	64	288	82
Change in Grain in Commercial Channels ²	91	144	115	206
Change in Total Inventories	278	583	391	620

Additions to business inventories in 1953 amounted to \$375 million in value terms, compared with a net liquidation in 1952 of \$51 million. These additions to stocks of business inventories in 1953 represented about 5 per cent of total book value holdings of business inventories by all groups, and were in proportion to increases in non-farm output. The increments in 1953 were concentrated mainly in the manufacturing and retail trade groups. Smaller additions were made to farm inventories in 1953 (\$64 million) compared with the previous year (\$238 million), reflecting mainly the smaller grain crop and a decline in the number of hogs held on farms. Investment in grain in commercial channels was higher in 1953, amounting to \$144 million compared with \$91 million in the preceding year.

1. Value change is in terms of book values.

2. Value change is in terms of the value of physical change.

Transactions with Non-Residents

A current account deficit of between \$400 million and \$500 million was incurred in 1953 from international transactions on goods and services. This is in contrast with a small surplus in 1952. The major factors underlying the change in the current account balance were a substantial increase in merchandise imports and a small decline in merchandise exports. The gain in imports, which amounted to 9 per cent both by value and by volume, was a reflection of the higher levels of consumer purchasing and capital investment in Canada. There was also a general improvement in world supplies of goods at competitive prices. The moderate decline in exports amounted to 2 per cent by value and 1 per cent by volume.

Export prices for goods and services fell slightly in 1953, while import prices remained substantially unchanged.

Personal Income, Personal Direct Taxes 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 \$18,013 million in 1953, an increase of 6 per cent over the previous year. This compares with a gain of 9 per cent in 1952. Wages, salaries and supplementary labour income rose by 8 per cent in 1953, or somewhat more than the increase in the total. Interest, dividends and net rental income of persons increased by 8 per cent, while the combined total of farm and non-farm net income of unincorporated business fell by 5 per cent. Government transfer payments (excluding government interest) rose by 7 per cent, from \$1,370 million in 1952 to \$1,466 million in 1953; an increase in unemployment insurance benefits, old age security payments and family allowances accounted for the greater part of the gain.

Direct personal taxes rose by \$112 million or by 8 per cent over 1952. The increase was almost entirely attributable to the rise in personal income tax collections by the Federal government. The major factor in this increase was the advance in personal income, which yielded higher tax collections despite a reduction in the overall tax rate which became effective at mid-year. As a percentage of Personal Income, personal direct taxes were 7.7 per cent in 1952 and 7.9 per cent in 1953.

Personal disposable income, that is, Personal Income less personal direct taxes, rose by \$828 million, or 5 per cent over 1952. Personal expenditure rose by \$701 million in the same comparison so that personal saving was higher in 1953 at \$1,546 million compared with \$1,419 million in 1952.

It should be noted that personal saving as computed in the National Accounts is a residual item, being the difference between personal disposable income and personal expenditure on consumer goods and services. It includes changes in bank deposits of individuals, personal purchases of bonds, the savings portion of life insurance premiums, repayment of debt (including residential mortgages), and many other items. A considerable portion of the saving figure is also represented by that part of the net income of individual enterprisers (such as farmers, doctors and small retailers) which takes the form of net new investment in durable assets or in additions to inventories.

With the item of additions to farm inventories excluded, personal saving was \$1,181 million in 1952 and \$1,482 million in 1953. These figures constitute 7.6 per cent and 9.0 per cent respectively, of personal disposable income (excluding change in farm inventories) in these two years.

TABLE 1

NATIONAL INCOME AND GROSS NATIONAL PRODUCT, 1950-1953
(millions of dollars)

	1950	1951	1952	1953
Wages, Salaries and Supplementary Labour Income...	8,311	9,676	10,743	11,655
Military Pay and Allowances.....	137	201	270	309
Investment Income.....	3,155	3,642	3,666	3,737
Net Income of Unincorporated Business:				
Accrued Net Income of Farm Operators from Farm Production ¹	1,503	2,106	1,934	1,667
Net Income of Non-Farm Unincorporated Business ²	1,444	1,503	1,522	1,609
NET NATIONAL INCOME AT FACTOR COST.....	14,550	17,128	18,135	18,977
Indirect Taxes Less Subsidies.....	2,018	2,468	2,744	2,923
Depreciation Allowances and Similar Business Costs	1,636	1,889	2,070	2,266
Residual Error of Estimate	-1	-19	+161	+76
GROSS NATIONAL PRODUCT AT MARKET PRICES.....	18,203	21,466	23,110	24,242

1. 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.

2. Includes net income of independent professional practitioners.

TABLE 2

GROSS NATIONAL EXPENDITURE, 1950-1953
(millions of dollars)

	1950	1951	1952	1953
Personal Expenditure on Consumer Goods and Services.....	12,029	13,297	14,334	15,035
Government Expenditure on Goods and Services ¹ ...	2,326	3,243	4,231	4,450
Gross Domestic Investment ²				
New Residential Construction.....	801	781	786	1,062
New Non-Residential Construction.....	1,026	1,260	1,561	1,719
New Machinery and Equipment.....	1,389	1,769	1,918	1,920
Change in Inventories.....	960	1,620	278	583
(Business Inventories Only) ³	(769)	(1,267)	(-51)	(375)
Exports of Goods and Services ⁴	4,183	5,089	5,581	5,450
Deduct: Imports of Goods and Services.....	-4,513	-5,613	-5,417	-5,900
Residual Error of Estimate.....	+2	+20	-162	-77
GROSS NATIONAL EXPENDITURE AT MARKET PRICES	18,203	21,466	23,110	24,242

1. Includes defence expenditures as follows: 1950, \$493 million; 1951, \$1,157 million; 1952, \$1,800 million; 1953, \$1,909 million. 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 the Defence Production Revolving Fund. Excludes shipments of previously produced military equipment to N.A.T.O. countries but includes replacements of new equipment.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays by individuals on new residential construction.
3. Excludes change in farm inventories and grain in commercial channels.
4. Excludes shipments of previously produced military equipment to N.A.T.O. countries under the Defence Appropriation Act.

TABLE 3

PERSONAL INCOME AND EXPENDITURE ACCOUNT, 1950-1953
(millions of dollars)

	1950	1951	1952	1953
INCOME				
Wages, Salaries and Supplementary Labour Income...	8,311	9,676	10,743	11,655
Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-256	-313	-336	-382
Military Pay and Allowances.....	137	201	270	309
Net Income Received by Farm Operators from Farm Production ¹	1,402	2,142	1,909	1,642
Net Income of Non-Farm Unincorporated Business....	1,444	1,503	1,522	1,609
Interest, Dividends and Net Rental Income of Persons ²	1,295	1,420	1,540	1,656
Transfer Payments to Persons:				
From Government (excluding interest).....	1,033	1,030	1,370	1,466
Charitable Contributions by Corporations.....	25	27	30	30
Net Bad Debt Losses of Corporations.....	23	25	25	28
PERSONAL INCOME.....	13,414	15,711	17,073	18,013

1. This item excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4

PERSONAL INCOME AND EXPENDITURE ACCOUNT, 1950-1953
(millions of dollars)

	1950	1951	1952	1953
EXPENDITURE				
Personal Direct Taxes:				
Income Taxes.....	612	891	1,177	1,287
Succession Duties.....	66	69	71	73
Miscellaneous Taxes.....	62	68	72	72
TOTAL PERSONAL DIRECT TAXES.....	740	1,028	1,320	1,432
Personal Expenditure on Consumer Goods and Services:				
Non-Durable Goods.....	7,241	8,016	8,470	8,693
Durable Goods.....	1,343	1,382	1,532	1,755
Services ¹	3,445	3,899	4,332	4,587
TOTAL PERSONAL EXPENDITURE ON CONSUMER GOODS AND SERVICES.....	12,029	13,297	14,334	15,035
Personal Saving.....	645	1,386	1,419	1,546
Farm Inventory Change.....	131	354	238	64
Personal Saving Excluding Farm Inventory Change....	514	1,032	1,181	1,482
PERSONAL INCOME ²	13,414	15,711	17,073	18,013

1. Includes net expenditure abroad by persons.

2. Personal Disposable Income (i.e. Personal Income less Personal Direct Taxes) is as follows: 1950, \$12,674 million; 1951, \$14,683 million; 1952, \$15,753 million; 1953, \$16,581 million.

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