

# CHAPTER XVI.—SURVEY OF PRODUCTION\*

## CONSPECTUS

	PAGE		PAGE
SECTION 1. DESCRIPTION OF THE COMMODITY PRODUCTION SERIES.....	739	SECTION 2. TRENDS IN COMMODITY PRODUCTION.....	740

NOTE.—The interpretation of the symbols used in the tables throughout the Year Book will be found on p. 1 of this volume.

### Section 1.—Description of the Commodity Production Series

The scope of the Survey of Production is limited to industries engaged chiefly in the production of commodities, the term "production" applying to such processes as the growing of crops, the mining of metals and other minerals, the catching of fish, the conversion of falling water into electric energy, the construction of buildings and the manufacturing and processing of goods. The activities of the transportation, communications, trade, finance and service industries are excluded, except as certain of their costs are indirectly reflected in the value of output of commodity-producing industries. This is in contrast to the scope of the widely used Gross National Product series (see Chapter XXIII) which encompasses all industries.

The "net" value of production, or "value added", is generally considered the most significant measure of production, since in assessing the contribution of each industry to the total it is essential that inter-industry duplication be eliminated. Value added is computed by deducting from the total value of output (excluding indirect taxes) for each industry, the cost of materials, fuels, purchased electricity and process supplies consumed in the production process.

The measurement of value added is similar to although not strictly comparable with the concept involved in the contribution of each industry to the gross domestic product at factor cost (net income originating plus depreciation). The main difference is that value added, as computed for each commodity-producing industry, includes the cost of such services as insurance, advertising, communications, etc., which originate in the non-commodity-producing industries. In national income accounting, the contribution of these services to gross national product is classified with the non-commodity-producing group. For instance, the cost of insurance incurred by manufacturers is included in the net value of the manufacturing industry in the Survey of Production series but is not included in the contribution of manufacturing to the gross national product. Thus the measurement of the value of output based on value added contains a certain amount of duplication and the figures for the industrial groups are always higher than those given in the National Accounts series.

One of the major advantages of the commodity-production series is that the statistics may be classified by provinces. With the exception of personal income and its major components, the geographical distribution of gross national product is not available mainly because profits cannot be allocated according to the provinces in which they are generated by productive activity. A more detailed explanation of the series and the conceptual and classification differences as compared with the Gross National Income series is given in DBS Bulletin *Survey of Production 1926-1956* (Catalogue No. 61-202).

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