

WEEKLY BULLETIN

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Department of Trade and Commerce

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Weekly Indexes

There are six indexes available on a weekly basis in Canada that reflect the general economic trend. These cover respectively:-
Business - Carloadings and wholesale prices,
Finance - bank clearings and capitalized bond yields,
Speculation - common stock prices and shares traded.
Notes on the indexes follow:-

The railway traffic movement recorded a slight gain in the western division during the first week of February. The cars loaded numbered 16,987 against 16,783 in the preceding week, the index moving up from 77.6 to 78.4. Owing to the recession in the eastern division, the general index of carloadings receded from 92.6 to 89.8, a decline of 3 p.c. The gain over the same week of last year, however, was 2.5 p.c.

Minor advance was recorded in wholesale prices during the first week of February, the index advancing from 84.8 in the preceding week to 85.0. Advances occurred in crop and animal products, while other main groups remained unchanged. The sensitive index of food products showed a minor gain, the advance having been from 70.2 to 70.3. The index of manufacturing materials remained unchanged at 66.4.

High-grade bond prices were slightly stronger in the week under review. The Bureau's daily index moved narrowly, rising from 100.7 to 100.8 at the beginning of the week, with a steady tendency during the remainder of the period. In the provincial section a more buoyant tone prevailed and changes, though moderate, were mostly upward. The adjusted index of bank clearings receded from 102.2 to 92.5, and a considerable decline was also shown from the same week of 1940. The decline in common stock prices was more than two points to 74.6. The decline from the same week of 1940 amounted to nearly 25 p.c. A further recession was shown in speculative trading.

The weekly index based on the six above-mentioned factors was 106.1 in the week of February 8 against 108.3 in the preceding week, a decline of 2.1 p.c. The standing one year ago was 109.0, a decline of 2.6 p.c. having been indicated.

A Weekly Index with Six Components on Basis 1926=100

Week Ending	Car load-ings	Whole-sale Prices	Capitalized Bond Yields 1	Bank Clear-ings 2	Prices of Common Stocks	Shares Traded	Weekly Index 3
Feb. 8, 1941:	89.8	85.0	144.3	92.5	74.6	25.6	106.1
Feb. 1, 1941:	92.6	84.8	143.9	102.2	76.8	37.0	108.3
Feb. 10, 1940.	87.6	82.2	136.4	117.3	99.3	52.1	109.0

1. Present value of a fixed net income in perpetuity from Dominion long-term bonds. 2. Bank clearings were smoothed by taking a three weeks moving average for the purpose of eliminating irregular fluctuations. Totals for Ottawa were eliminated for all weeks shown owing to incomparability introduced by the operations of the Bank of Canada. 3. The weighting of the six major factors is determined from the standard deviation from the long-term trend of each, based on data for the period from January 1919 to August, 1936. The weighting, therefore, represents not an attempt to give the relative importance of the factors but to place them on an equal footing by equating the tendency toward fluctuation. The long-term trend determined from the half-yearly data in the inter-war period was eliminated from the composite and the resulting index expressed as a percentage of the average during the year 1926.

Economic Conditions in Canada during 1940

The acceleration in economic operations in Canada during 1940 resulted in an increase in the national income from \$4,409 million in the preceding year to \$4,784 million. The indicated increase of 8.5 per cent reflects the impact of the war leading to greater activity in most sections of the Canadian economic system.

The commodity-producing activities, including the nine main branches of production, as listed in the survey of production, recorded an increase of 8.1 p.c. during 1940, the income produced having been \$2,252 million against \$2,083 million in 1939. The percentage increase in the commodity-handling industries, including transportation and trade, was of considerably greater proportions. The total was \$983 million in 1940 compared with \$843 million in the preceding year, a gain of 16.7 p.c. The facilitating activities embracing finance, government and service, contributed to the national income to the amount of \$1,549 million against \$1,484 million in the preceding year, a gain of 4.4 p.c.

Capital formation in the physical sense is one of the most prominent of the determinants of national income. Important expenditure under this heading adds greatly to the money flow. The secondary effect is of equal importance with the direct impetus. The production of construction material and the disposal of the income of the employees engaged on enterprises of this type contribute to economic expansion. Construction contracts awarded amounted to \$346 million against \$187.2 million in 1939, a gain of nearly 85 p.c. A portion of the war contracts is included in the compilation.

Canadian prosperity has always been dependent to a large extent on exports, in the broad sense. External trade is particularly vital to the economy of Canada. Abundant natural resources encourage the production of a considerable number of commodities far in excess of the normal requirements of the domestic market. There are conversely products, especially raw materials, difficult or impossible to produce in this country and necessary importation of these products encourages an exchange of goods in international markets. The export of merchandise, excluding gold, was \$1,193 million in 1940 against \$936 million in the preceding year, a gain of 27.5 p.c. As imports were \$1,082 million in the year under review, a considerable excess of exports over imports was shown.

The most constructive factor in economic conditions during the year under review was the spectacular advance in business operations. The index of the physical volume of business averaged 145.4 during the year against 122.4 in 1939, a gain of nearly 19 p.c. In the early months of 1940, the index rose to a level corresponding to the maximum reached in 1929, the culmination of the last prosperity period. The steady advance, after the first quarter, carried the index into new high territory in the industrial history of Canada. Commodity prices recovered sharply in the last four months of 1939 following the outbreak of hostilities, while a moderate advance was in evidence during the last half of 1940. The general level of commodity prices was characterized by relative steadiness throughout the year.

The index of mineral production, based upon nine factors, rose from 214 in 1939 to 237.6, a gain of nearly 11 p.c. An increase of nearly 12 p.c. was shown in coal production which amounted to 17.2 million tons. Gold receipts at the Mint recorded a gain of 2.3 p.c. over the high level of the preceding year, the total having been 4,966,000 fine ounces.

The index of manufacturing production rose 23.4 p.c. to 146.7. Advances were recorded in a large majority of the thirty factors used in the compilation. The gain in hog slaughterings, indicating conditions in the meat-packing industry, was 50 p.c., the total having been 5.5 million head. Raw cotton consumption, an important indicator of conditions in the textile industry, rose from 128 million pounds to 191 million, a gain of more than 49 p.c. Appreciable increases were recorded in the production of newsprint and the export of planks and boards. Steel ingot production rose 45 p.c. while the output of pig iron was 55 p.c. greater. The production of automobiles rose 44 p.c. to nearly 223,000 units. The imports of ~~crude~~ petroleum, indicating activity in the oil industry, recorded a gain of nearly 7 p.c., the total having been 1,484 million gallons.

The war accounts for the heavy deficit financing of the Dominion Government. The short term result is the enhancement of prosperous conditions and a rise in national

income. Dominion revenues, owing to increased taxation advanced to \$572.6 million in the first nine months of the present fiscal year, against \$398.8 million in the corresponding period one year ago. Total expenditures rose from \$414.4 million to \$795.6 million in the same comparison, war appropriations alone having been \$477 million against \$86.8 million in the corresponding nine-month period. It seems reasonable to conclude that the effect of the excess of government expenditure over revenues in stimulating increased total incomes has really only begun and will have a much greater influence during the present year.

The general index of employment was 124.2 in 1940 against 113.9, a gain of 9 p.c. Gains of 16.9 and 2.8 p.c. were shown in manufacturing and mining, respectively. Building construction rose 34 p.c. and the moderate gain of 4.6 p.c. was shown in trading activities.

Production of Butter and Cheese

The production of creamery butter in January totalled 11,672,247 pounds compared with 12,308,237 in December and 10,449,589 in January, 1940. Cheese output in January amounted to 1,134,724 pounds compared with 1,799,325 in the previous month and 1,806,159 in January, 1940.

Railway Revenues and Expenses in November

Gross revenues of Canadian railways in November amounted to \$38,868,890 compared with \$36,702,981 in November, 1939. Operating expenses were increased by \$1,817,291 or 7.2 per cent and the operating income declined from \$10,082,969 to \$10,024,223. Freight traffic was slightly lighter than in 1939 but the number of passengers carried increased by 29.5 per cent and the passenger miles by 57.1 per cent. Total pay roll was increased from \$16,000,971 to \$16,573,822 and the number of employees increased from 118,399 to 121,550.

Cost of Living in 1940

Living costs in Canada advanced 4 per cent during 1940, according to the index compiled by the Dominion Bureau of Statistics on the base 1935-1939=100. The index of 108.0 for December 1940 compared with 103.8 for December, 1939, and 100.8 for August, 1939. While all constituent groups contributed to the 1940 increase, the greatest advance was noted for the clothing group which rose 9.9 per cent to an index level of 113.4; home furnishings mounted 6.3 per cent to 110.7. Since August 1939, indexes for these two series have advanced 13.4 per cent and 9.7 per cent, respectively.

The retail food price index rose 4.2 per cent in 1940 compared with a 9.9 per cent increase since August, 1939, while residential rentals advanced 3.2 per cent and 3.8 per cent in these same intervals. The December 1940 fuel and lighting index was 9.6 per cent above the August 1939 level, of which 2.9 per cent was added in 1940. Showing the smallest net advance, by December 1940 an index of miscellaneous items had moved up only 1.5 per cent over pre-war levels, with about one-half of this amount added since December, 1939.

Foreign Exchange

In terms of the Canadian dollar, both sterling and United States funds held unchanged throughout 1940 at buying and selling rates of \$4.43-\$4.47 and \$1.10-\$1.11, respectively. These rates which were set by the Canadian Foreign Exchange Control Board have been maintained since the middle of September, 1939.

At New York there were sharp fluctuations for both sterling free market rates and the Canadian dollar. Following comparative steadiness at approximately \$3.95 during January and February, sterling free market rates dropped sharply in the ensuing two and one-half months to a 1940 low of \$3.16 on May 10. Weakness in Canadian dollar rates during this same period lowered quotations from a final 1939 figure of 88 5-8 cents to 78 cents on the 21st of May. Subsequently both rates stiffened gradually from these levels until by the close of the year sterling was quoted at \$4.04 and Canadian funds at 86 1-8 cents.

Movements of these units have been of little significance in the latter half of 1940 due to their restricted use.

Canada's Domestic Exports in January

Canada's domestic exports in January, excluding gold, were valued at \$86,921,468 compared with \$90,100,133 in January, 1940. Foreign exports were valued at \$2,031,191 compared with \$743,704 a year ago.

Principal items of export in January were as follows, with 1940 figures in brackets: newsprint \$9,762,872(9,781,083); automobiles and parts \$7,299,094(\$2,687,218); wood pulp \$6,256,236(\$4,320,939); planks and boards \$4,787,945(\$4,179,467); meats \$4,309,321(\$6,995,316); wheat \$3,973,441(\$9,249,937); fish \$3,445,394(\$3,024,452); furs \$2,461,272(\$2,150,529); wheat flour \$1,243,404(\$2,612,385).

January Exports of Wheat and Wheat Flour

Canada's domestic exports of wheat in January amounted to 4,880,080 bushels valued at \$3,973,441 compared with 10,357,605 at \$9,249,937 in January, 1940. The average export price per bushel was 81.4 cents compared with 89.3. Wheat flour exports in January totalled 354,818 barrels valued at \$1,243,404 compared with 725,316 valued at \$2,612,385 in January, 1940. The average export price per barrel was \$3.50 compared with \$3.60.

Wheat Stocks in Store

Canadian wheat in store on February 7 totalled 492,071,201 bushels compared with 493,552,592 on February 1 and 332,204,607 on February 9, 1940. The stocks in elevators in Canada on the latest date totalled 444,127,957 compared with 445,152,801 a week ago and 299,823,179 last year. The amount of Canadian wheat in the United States was 47,943,244 bushels compared with 48,399,791 on February 1 and 32,381,428 in 1940.

Overseas Export Clearances of Wheat

During the week ending February 7 the export clearances overseas of Canadian wheat amounted to 4,397,707 bushels compared with 2,468,909 in the corresponding week last year. The total during the 27 weeks ending February 7 was 55,059,591 bushels compared with 74,215,133 in the corresponding period of the previous crop year.

Primary Movement of Wheat

Wheat receipts in the Prairie Provinces during the week ending February 7 totalled 4,601,809 bushels compared with 3,142,604 in the previous week and 1,190,500 in the corresponding week last year. Receipts for the latest week follow, with 1940 totals in brackets: Manitoba 558,007(50,502) bushels; Saskatchewan, 2,088,714(537,742); Alberta, 1,955,088(614,595).

Marketings in the three Prairie Provinces during the 27 weeks ending February 7 aggregated 309,949,166 bushels compared with 368,914,266 in the corresponding period of the previous crop year. Totals follow by provinces: Manitoba 41,529,367(49,605,639) bushels; Saskatchewan, 164,570,425(206,103,789); Alberta 103,849,374(113,204,838).

Production of Leather Footwear

The production of leather footwear for the calendar year 1940 amounted to 26,261,088 pairs, the largest output ever recorded by the industry. When compared with the 1939 production, the 1940 output shows an increase of 822,457 pairs, or three per cent. The December production totalled 2,044,725 pairs compared with 2,230,387 in November and 2,208,374 in December, 1939.

Factory Sales of Electric Storage Batteries

Reports from manufacturers, accounting for over 99 per cent of the Canadian production of electric storage batteries, show their sales for the fourth quarter of 1940 had a factory selling value of \$1,667,443 compared with \$1,352,036 in the previous quarter and \$1,287,660 in the final three months of 1939.

For the calendar year 1940, Canadian sales by these establishments were valued at \$5,249,831 compared with \$4,006,020 in 1939. Sales in 1940 included 865,645 batteries

at \$3,747,095 for the starting or ignition of internal combustion engines, 30,961 cells at \$179,314 for farm lighting plants, 4,750 cells at \$92,138 for railway service, parts and supplies at \$649,649 and batteries unclassified as to purpose, \$581,635.

Toilet Preparations

The total production of toilet preparations in Canada in 1939 amounted to \$8,194,442 at factory prices compared with \$7,847,535 in 1938. Imports of these items were valued at \$533,689 in 1939 compared with \$440,390. Approximately 58 per cent of the imports came from the United States, 27 per cent from the United Kingdom and 15 per cent from other countries.

Leading items produced in Canada were as follows: tooth paste and tooth powders \$1,667,635, creams \$1,095,724, toilet waters and lotions \$922,463, face powders \$773,644 talcum powders \$479,415, manicure preparations \$428,994, perfumes \$399,822, lipsticks \$282,141, compacts \$253,049, shampoo powders and liquids \$230,285, deodorants \$212,456 bath salts \$119,847 and brilliantine \$116,184.

Bridge Building and Structural Steel Work

The value of work done by concerns in the bridge building and structural steel work industry amounted to \$15,840,592 in 1939 compared with \$14,817,901 in 1938. Value of work in process at the end of 1939 was \$2,065,763, the comparative figure for 1938 being reported at \$2,654,118.

Reports Issued During the Week

- 1- The Bridge Building and Structural Steel Work Industry, 1939 (25 cents).
 - 2- The Inks Industry, 1939 (15 cents).
 - 3- Monthly Review of Business Statistics, January 1941 (10 cents).
 - 4- Monthly Bulletin of Agricultural Statistics, December 1940 (10 cents).
 - 5- The Toilet Preparations Industry, 1939 (25 cents).
 - 6- Car Loadings (10 cents).
 - 7- Factory Sales of Electric Storage Batteries, Fourth-Quarter, 1940 (25 cents).
 - 8- Weekly Index Numbers of Wholesale Prices (10 cents).
 - 9- Production of Leather Footwear, December (10 cents).
 - 10- Price Movements, 1940 (10 cents).
 - 11- Canadian Grain Statistics (10 cents).
 - 12- Fertility of the Population of Canada (35 cents).
 - 13- Security Prices and Foreign Exchange.
 - 14- Operating Revenues, Expenses and Statistics of Railways, November (10 cents).
 - 15- Monthly Review of Dairy Production, January (10 cents).
 - 16- Economic Conditions, 1940 (10 cents).
 - 17- Stocks of Fruit and Vegetables, February 1 (10 cents).
 - 18- Cold Storage Holdings of Meat and Lard, February 1 (10 cents).
 - 19- Cold Storage Holdings of Fish, February 1 (10 cents).
 - 20- Stocks of Dairy and Poultry Products, February 1 (10 cents).
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