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ECONOMIC CONDITIONS IN CANADA
DURING THE FIRST TEN MONTHS OF 1946



OTTAWA
1946

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ECONOMIC CONDITIONS IN CANADA DURING THE FIRST TEN MONTHS OF
1946 COMPARED WITH THE SAME PERIOD OF THE PRECEDING YEAR

While productive operations were at a somewhat lower level in the first ten months of 1946 than in the preceding year, a number of economic factors of importance rose to a higher position. The advance in wholesale prices which has been in evidence since 1939 was quickened during the present year. The index on the base 1935-39 rose from 134 to 140. Despite reaction in September common stock prices averaged nearly 21 per cent higher than in the first ten months of last year. Trading on the stock exchanges was more active than at any time since 1937. The index of bond prices rose from 104.7 to 117.1, a gain of 11.8 per cent. The discontinuance of war production was the main influence in the reduction of productive operations. The index of the physical volume of business receded slightly more than 15 per cent. A minor increase was shown in the index of general employment. A marked advance was recorded in bank deposits from the outbreak of hostilities to the present time. Saving deposits have risen sharply from year to year reaching in 1946 a higher level than at any other time in our banking history. Money supply consisting of coin, notes and bank deposits was greater in 1946 than in any other year.

Mining and Manufacturing

Canada is endowed with widespread and diversified mineral wealth and the great unexplored areas of the northland are full of promise. Heavy post-war consumption and labour troubles in mining areas have reduced stock piles in a number of industrial countries so that prices have been advanced materially for the purpose of attracting larger imports. The production of lead was 40.5 per cent greater in the first ten months of the present year, while the output of other base metals and nickel receded to a lower position. Gold receipts at the Mint were 8.7 per cent greater and coal production showed an increase of nearly 11 per cent.

Notwithstanding the continued scarcity of a large number of finished commodities, the manufacturing industries of Canada have accomplished wonders in the fifteen months since the termination of hostilities. Shortages caused by idleness of plants in strategic industries have had an adverse effect and some delay was occasioned in getting production to capacity levels. During the present year manufacturers are putting forth every effort to get their plants reconverted to peacetime production and to turn out needed goods to overtake the demand created by wartime shortages. Working forces in manufacturing plants averaged about 11 per cent less in the first ten months of 1946 than in the same period of the present year.

The flour milling industry was more active, the output of wheat flour having been 22.5 million barrels compared with 20.6 million. A decline was shown in the operations of the meat packing industry especially in the hog division. The output of creamery butter and factory cheese, particularly the latter, was at a lower point. The tobacco industry was active, the release of cigarettes rising to 12,238 million compared with 11,675 million. The release of cigars was 6.4 per cent greater. Raw cotton consumption by the textile industry was only 1.3 per cent less than in the first ten months of 1945.

The forestry industry was particularly active in 1946. The increasing importance of Canada's forest reserves was reflected in the outstanding advance in the production of newsprint. The output of 3.4 million tons rose to a new maximum in the first ten months of the present year.

Railways

The role which the railways are playing in the work of readjustment is no less important or exacting than that so successfully achieved during the war. Carloadings during the first ten months at 3,047,761 were slightly greater than in the same period of 1945. The tons of revenue freight loaded, however, at 79.8 million was 8.4 per cent less than last year.

Expenditures

Expenditures of different descriptions assume importance as an active influence in sustaining prosperity in coming months. Productive activity is significantly dependent upon disbursements at home and abroad. The traditional forms of expenditure are for construction, durable goods and the export trade. Moreover, the distribution of commodities through retail outlets provides the main market for Canadian goods.

Construction

A favourable factor in 1946 was the large amount of new business obtained by the construction industry. The total contracts awarded as reported by an unofficial source was \$579 million, an increase of no less than 71 per cent over the preceding year. Building permits in 58 municipalities rose 105.6 per cent mainly indicating the activity in house building. The strenuous effort to meet the demand is hampered by the lack of building materials, but it is anticipated that 50,000 housing units will be made available in the twelve months ended March 1947.

The capital expenditure of Canadian business enterprises during the present year was estimated at about one billion, having been one-fifth greater than in 1945. The importance of capital formation on a physical basis as a feature of economic activity has long been recognized. While the investment money flow is normally far less than that arising from payment for consumption goods, the wider fluctuation in the former is of greater significance in promoting economic activity. Employment in construction projects showed an increase of 20 per cent over 1945, building construction accounting for an increase of nearly 48 per cent.

Producers' Durables

The iron and steel industry occupies a strategic position, being the main interest in supplying producers equipment and durable goods of many descriptions. The production of pig iron was 26.6 per cent less in the first ten months of 1946 than in the same period of the preceding year. The production was greatly retarded by the strikes of mid-summer. The supply of steel this year is far below the estimated 3 1/4 million tons needed to implement the production program.

Internal Trade

With more goods coming on the market every month Canadians are continuing to spend a greater sum of money than last year for consumer products. The expanded rate of consumer expenditure was due to the increased production of goods, upward price movements and the high level of consumer purchasing power. The personal expenditure

on consumer's goods and services recorded progressive increases year by year from 1938 to the present. The index of wholesale sales rose nearly 20 per cent in the first nine months over the same period of 1945. The level of retail sales was 14.5 per cent above the high position of last year.

Export Trade

The prosperity of Canada depends in large measure on the greatest possible volume of export trade at profitable prices. While considerable decline has been shown from the levels of 1945, the export trade of Canada during the first ten months was greater than in any other similar period of peace time. The total was \$1,890 million. The strong demand for consumer's goods on the Canadian markets has been stimulated by the fact that so much was exported on the basis of loans to other countries. The first ten months of 1946 was a period of unusual activity in world trade. Relief shipments of food and clothing to war-devastated areas replaced shipments of munitions, which were already down to nearly normal peace-time levels. In the second quarter, shipments of agricultural and industrial machinery, construction equipment, vehicles and manufactured consumer goods increased in importance as reconversion to civilian production gained headway.

Dominion Finance

While ordinary expenditures of the Dominion government rose 24 per cent in the first seven months of the present fiscal year, marked decline was shown in the grand total. Mutual aid to the United Nations was discontinued and a decline of 62 per cent was shown in the demobilization and reconversion expenditures.

Purchasing Power

The aggregate weekly pay rolls were more than 2 per cent less in the first ten months of 1946 than in the same period of last year. The index on the base of June 1st 1941 receded 3 points to 139.7. The average weekly earnings showed a slight increase to \$32.22. The decline in general employment was 2.7 per cent, the index on the base of 1926 having been 171 during the first 10 months of the present year. Decline was shown in labour forces engaged in the manufacturing industries, while advances were recorded in most of the other main groups. Appreciable increases were shown in communications, finance, trade and services. The gain in mining employment was 5.4 per cent and the logging index was 8.5 per cent greater.

The payment of dividends in the first ten months according to an unofficial source was \$245.5 million, a gain of 11.3 per cent. Interest payments by the Dominion government from April to October showed a gain of nearly 15 per cent over the same period of 1945.

Banking

Security holdings of the chartered banks rose 11.7 per cent to \$4,272 million. Current loans were 10.6 per cent greater at \$1,180 million. Cheques cashed in the first ten months were 6.3 per cent greater than in the same period of 1945.

Table 1. - Statistics Illustrating the Economic Situation of Canada for the First Ten Months of 1946, compared with the same period of last year.

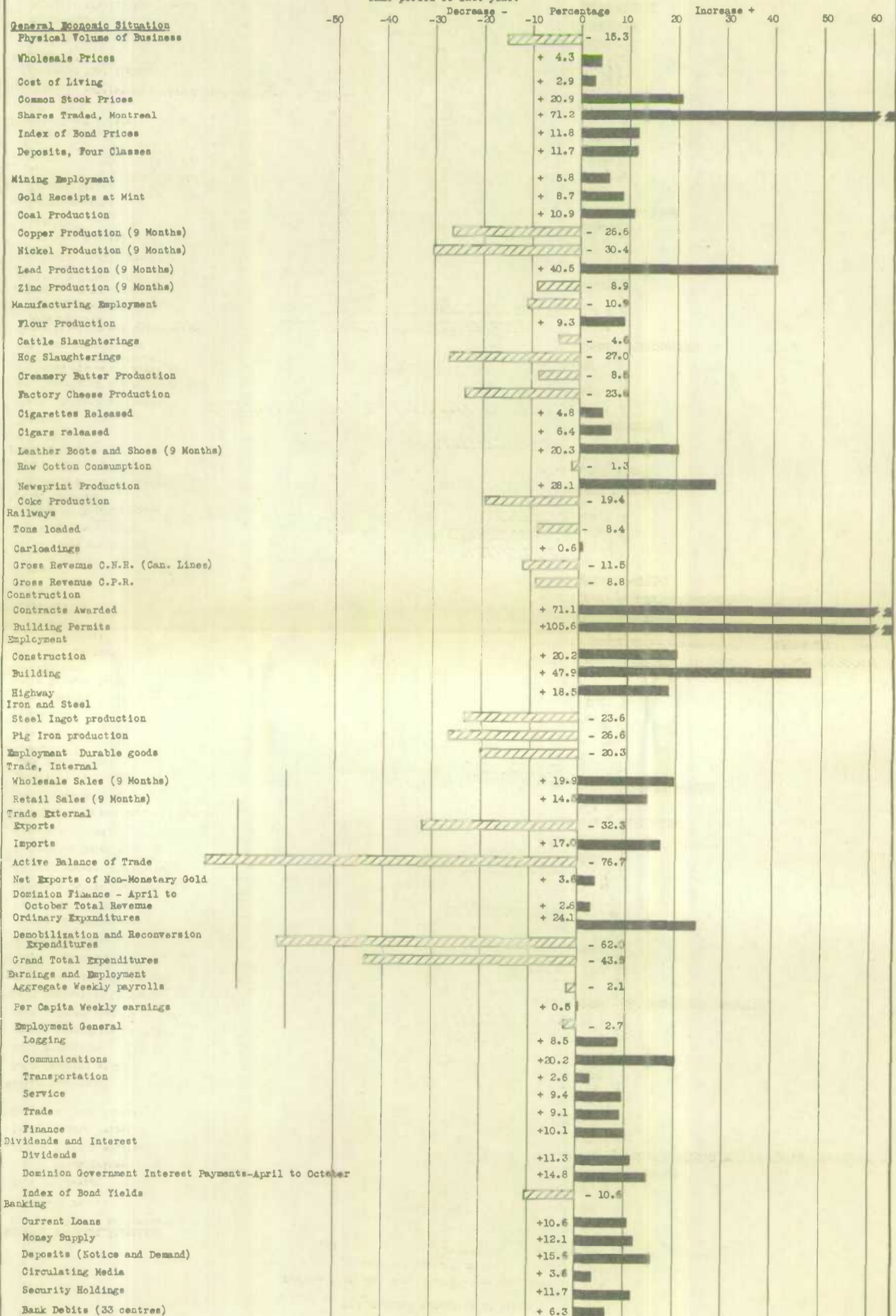
	Unit or Base Period	First Ten Months 1946	1945	Per Cent Increase + Decrease -
GENERAL ECONOMIC SITUATION.				
Index of physical Volume of				
Business	1935-39=100	183.5	216.7	- 15.3
Wholesale Prices	1935-39=100	140.1	134.3	+ 4.3
Cost of Living	1935-39=100	122.0	119.4	+ 2.9
Index of Common Stock Prices	1935-39=100	118.0	97.8	+ 20.9
Index of Shares Traded, Montreal.	1935-39=100	187.1	108.3	+ 71.2
Index of Bond Prices	1935-39=100	117.1	104.7	+ 11.8
Deposits, Four Classes (Dom.,				
Prov., Demand and Notice)	\$ '000	5,889,480	5,271,431	+ 11.7
Mining Employment				
Mining Employment	1926=100	154.5	146.7	+ 5.4
Gold Receipts at Mint	Fine ozs.	2,274,491	2,093,251	+ 8.7
Coal Production	Tons	14,597,253	13,161,144	+ 10.9
Copper Production (9 mos.)	'000 lbs.	275,631	375,608	- 26.6
Nickel Production (9 mos.)	'000 lbs.	137,991	198,191	- 30.4
Lead Production (9 mos.)	'000 lbs.	278,471	247,084	+ 40.5
Zinc Production (9 mos.)	'000 lbs.	363,515	399,184	- 8.9
Manufacturing Employment				
Manufacturing Employment	1926=100	184.8	207.3	- 10.9
Flour Production	Bbls.	22,506,644	20,590,141	+ 9.3
Cattle Slaughtering	No.	1,985,538	2,080,923	- 4.6
Hog Slaughtering	No.	3,426,407	4,696,526	- 27.0
Creamery Butter Production	Lbs.	245,994,027	268,751,911	- 8.5
Factory Cheese Production	Lbs.	133,262,743	174,390,648	- 23.6
Cigarettes Released	No.	12,238,002,022	11,675,107,715	+ 4.8
Cigars Released	No.	183,116,992	172,025,047	+ 6.4
Leather Boots and Shoes (9 mos.)	Pairs	26,117,653	21,716,789	+ 20.3
Raw Cotton Consumption	Lbs.	129,502,911	131,196,303	- 1.3
Newsprint Production	Tons	3,437,137	2,683,119	+ 28.1
Coke Production	Short Ton	2,633,420	3,266,226	- 19.4
Railways				
Tons Loaded	'000 Tons	79,835	87,164	- 8.4
Carloadings	No.	3,047,761	3,030,996	+ 0.6
Gross Revenue C.N.R. (Can. Lines)	\$	288,215,500	325,663,000	- 11.5
Gross Revenue C.P.R.	\$	242,883,371	266,371,782	- 8.8
Construction				
Contracts awarded	\$	578,816,500	338,248,400	+ 71.2
Building Permits (58 Municipalities)	\$	230,133,321	111,953,746	+106.6
Employment - (Unadjusted)				
Employment - (Unadjusted)	1926=100			
Construction		125.8	104.7	+ 20.2
Building		104.5	95.0	+ 47.9
Highway		149.2	125.9	+ 18.5
Iron and Steel				
Steel Ingot Production	Short Ton	1,874,687	2,454,061	- 23.6
Pig Iron Production	Short Ton	1,107,025	1,508,082	- 26.6
Employment Durable Goods	1926=100	190.9	239.6	- 20.3

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THE ECONOMIC SITUATION IN CANADA

For the first ten Months of 1946 as compared with the same period of last year.



Dominion Bureau of Statistics

Twenty-four items recorded declines, while forty-two showed increases.

Table 1. - Statistics Illustrating the Economic Situation of Canada for the First Ten Months of 1946, compared with the same period of last year. Concluded

	Unit or Base Period	1946	1945	Per Cent Increase + Decrease -
Trade				
Wholesale Sales (9 mos.)	1935-39=100	241.1	201.1	+ 19.9
Retail Sales (9 mos.)	1935-39=100	200.1	174.8	+ 14.5
Exports	\$ '000	1,889,704	2,789,762	- 32.3
Imports	\$ '000	1,547,000	1,322,000	+ 17.0
Active Balance of Trade	\$ '000 +	342,494 +	1,467,588	- 76.7
Net Exports of Non-Monetary Gold	\$ '000,000	82.9	80.0	+ 3.6
Dominion Finance, April to				
October Total Revenue	\$	1,581,397,002	1,541,026,367	+ 2.6
Ordinary Expenditures	\$	644,310,384	519,040,418	+ 24.1
Demobilization and Reconversion				
Expenditures	\$	748,575,376	1,970,024,332	- 62.0
United Nations Mutual Aid	\$	-	740,913,013	-
Grand Total Expenditures	\$	1,401,927,959	2,494,382,188	- 43.8
Aggregate Weekly Payrolls				
June 1, 1941=100 (Nine Groups)		139.7	142.7	- 2.1
Average Weekly Earnings				
(Nine Groups)	\$	32.22	32.07	+ 0.5
Employment General 1926=100				
Logging		256.6	236.4	+ 8.5
Communication		139.4	116.0	+ 20.2
Transportation		127.1	123.9	+ 2.6
Services		223.9	204.7	+ 9.4
Trade		188.1	172.4	+ 9.1
Finance		142.7	129.6	+ 10.1
Dividends	\$	245,534,541	220,569,242	+ 11.3
Dominion Government Interest				
Payments (April to October)	\$	234,457,652	204,305,801	+ 14.8
Index of Bond Yields	1935-39=100	85.4	95.5	- 10.6
Banking				
Current Loans	\$ '000,000	1,179,691	1,066,454	+ 10.6
Money Supply	\$ '000,000	7,141	6,371	+ 12.1
Deposits (Notice and Demand)	\$ '000	5,438,634	4,704,638	+ 15.6
Circulating Media	\$ '000,000	1,061.4	1,024.9	+ 3.6
Security Holdings	\$ '000	4,271,668	3,823,691	+ 11.7
Bank Debits (33 Centres)	\$ '000	57,120,933	53,719,373	+ 6.3

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