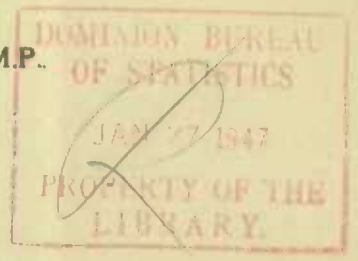


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**CANADA**  
**DEPARTMENT OF TRADE AND COMMERCE**  
**DOMINION BUREAU OF STATISTICS**  
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**ECONOMIC CONDITIONS IN CANADA**  
**DURING THE FIRST ELEVEN MONTHS OF 1946**



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RESEARCH REPORT

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

Stimulated by civilian demand of unprecedented intensity a considerable measure of prosperity was in evidence during the first eleven months of the year recently ended. The termination of war production during the later part of 1945 resulted in a decline in general productive operations from the high levels of the preceding year. The index of the physical volume of business averaged 14.5 per cent below the first eleven months of 1945. The recession in general employment was of considerably lesser proportions.

The advance in wholesale prices was somewhat accelerated in 1946. The low point in interwar history was reached in the first quarter of 1933 and an upward trend has been in evidence since that time. During the first eleven months of the present year the index on the base of 1935-39 averaged 140.5, representing an increase of 4 1/2 per cent over the same period of the preceding year. Common stock prices, reflecting prospects of profitable business operations, rose to a higher level in 1946 than at any other time since 1937. While the index on the base of 1935-39 averaged 18.4 per cent greater than in 1945, a reaction occurred in September which considerably reduced the standing during the last four months. Speculative trading was more active than for some years.

Bond prices and bank deposits rose to high levels in the period under review. An index of bond prices, based on a theoretical Dominion bond, averaged 11.7 per cent higher than in 1945. The four main classes of deposits with the chartered banks were greater than in any other year in banking history. The aggregate at about \$6.2 billion was 11.4 per cent greater on October 30, than on the same date of 1945.

Production

Canadian industry, after the termination of hostilities, was in a position to produce a larger volume of peace-time goods than at any other time in history. Industrial plants, built for war production, were transformed without important dislocation for the more permanent function of producing civilian goods. The main influence contributing to the continuance of economic prosperity was the unbalanced condition between the demand and production of goods and services, the former being at extremely high levels.

Employment in the mining industry recorded an increase of nearly 6 per cent over the first eleven months of 1945. The value of mineral production reached a new high position for peace-time during 1946. Although hampered by a shortage of skilled labour and a lack of essential equipment, the mining industry continued at a high level of operation, the output during the year being greater than in any other peace-time year and only 10 per cent below the record reached in 1942.

Gold production rose 19 per cent in quantity. The output of coal, amounting to 17.7 million tons, showed an increase of 7 per cent. Expansion was recorded in lead production, while zinc was at a lower position. Nickel requirements were partially met from inventories and the production of copper was also at a considerably lower point.

Employment in manufacturing plants showed a decline of nearly 10 per cent, the termination of war contracts being the main influence in the reduction. A considerable number of commodities, especially of non-durable goods, were manufactured in greater volume during 1946.

Flour production in the first eleven months was nearly 25 million barrels, a gain of about 9.4 per cent. The release of cigarettes and cigars for consumption rose to high levels in the year under review. The cigarettes made available in the eleven months were 13,646 million, a gain of 4.2 per cent, while the increase in the release of cigars was 6.5 per cent. The boot and shoe industry was particularly active in the year under review. The total output in the first ten months was more than 29 million pairs, an increase of 18.7 per cent over the preceding year.

Strong demand in external markets led to a heavy production of newsprint. The total in the eleven months was 3,801 million tons compared with slightly less than three million tons in the same period of 1945. The outstanding gain in the output of newsprint reflected the increasing importance of Canada's forest resources.

During the year manufacturers were putting forth every effort to get their plants reconverted to peace-time production and turn out needed goods to overtake the demand created by wartime shortages. Abundant production presently fostered by the magnitude and diversification of manufacturing plants and equipment, is the key to future prosperity.

Despite the shift from war goods and the transition to peace-time economy, railway traffic, as measured by the number of cars loaded, showed a slight increase in 1946 over the preceding year. Loadings for the fifty-two weeks at 3,681,699 cars were greater than for any of the war years and were 67,294 cars or 1.8 per cent above the standing for 1945. The showing in tons of freight carried and gross revenues of the two main railways were not so favourable.

#### Expenditure

Expenditures of different descriptions assumed importance as an active influence in sustaining prosperity during 1946. Productive activity is significantly dependent upon disbursements at home and abroad. In the current period private sectors are depended upon to counterbalance the decline in government purchases of goods and services. Traditional forms of such expenditure are for construction, durable goods and the export trade, and internal distribution of commodities through retail outlets provides the main market for Canadian goods.

New contracts placed for construction, as unofficially reported, reached a maximum during the year. Contracts amounted to \$663 million, about 62 per cent greater than in 1945 and more than 15 per cent in excess of the previous maximum of \$577 million reached in 1929. Records were made for volume and percentage of residential construction, while business, industrial and engineering building was below some previous years. Residential construction awards were valued at \$213 million compared with the previous maximum of \$139 million reached in 1938. Building permits in 58 municipalities were nearly doubled in the first eleven months over the same period of 1945. Employment in building construction rose 45.2 per cent, the shortage of building materials preventing an increase in productive activity commensurate with the amount of new business placed.

The strike of midsummer caused a curtailment in the output of the primary iron and steel industry, which is normally an excellent indicator of the production of durable goods. The production of steel ingots and castings dropped 21.2 per cent in the first eleven months compared with the same period of 1945. A somewhat greater percentage decline was shown in the output of pig iron.

The increase of sales at retail reflects both the advancing supply of goods which are available and a number of factors which have helped maintain the level of income payments to individuals. The payments of war service gratuities, clothing allowances, family allowances and payment of unemployment benefits have all contributed to this result. Gradual expansion of employment in recent months assisted

in the support of a high level of income payments and thus a strong demand at the retail level. The index of wholesale sales on the base of the first ten months showed an increase of 19.5 per cent, while retail sales were more than 14 per cent greater.

Canada's export trade during the first eleven months was about 30 per cent below the aggregate value for the corresponding period of 1945, when war and relief shipments were heavy, but far above the annual average of \$885 million for the five prewar years, 1935-1939.

The strong demand for consumers goods on the Canadian market was stimulated by the fact that so much was exported to other countries. Canada's primary and manufactured goods are entering into the markets of the world at a higher level than in any year prior to 1942.

The total expenditures of the Dominion Government from April to November 1946 showed a decline of nearly 43 per cent, while the revenue on the other hand recorded an increase of 4.8 per cent, the amount during the period having been \$1,798 million. The maintenance of a high income level in coming years will require large increases in consumer expenditures and private investment to replace the lower level of government expenditures.

#### Purchasing Power

Owing in part to an advance in employee rates, the amount paid in salaries and wages was practically maintained in 1946 as compared with the preceding year. The index of aggregate weekly payrolls recorded a recession of only one per cent, a slight advance having been shown in the average weekly earnings. Employment showed a decline in manufacturing but advanced in other main groups. An increase in employment was shown in mining, logging, transportation, services, trade and finance.

The increase in the payment of dividends was about 11 per cent, the total, according to an unofficial source, having risen from \$226 million to \$251 million. The interest payments of the Dominion Government from April to November showed a gain of 11.5 per cent over the same period of 1945.

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

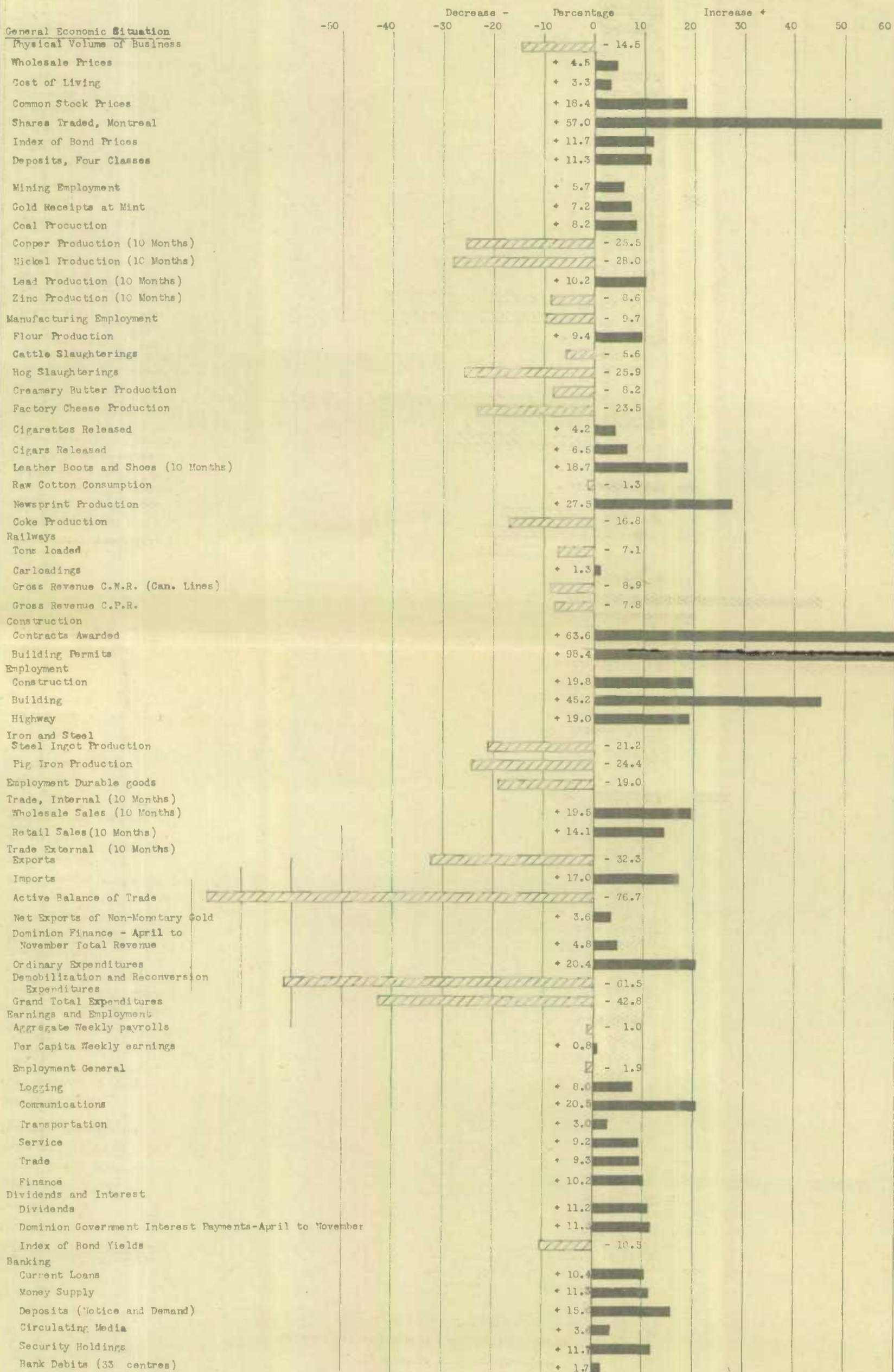
	Unit or Base Period	First Eleven Months		Per Cent Increase + Decrease -
		1946	1945	
<b>GENERAL ECONOMIC SITUATION</b>				
Index of physical Volume of				
Business .....	1935-39=100	183.3	214.3	- 14.5
Wholesale Prices .....	1935-39=100	140.5	134.4	+ 4.5
Cost of Living .....	1935-39=100	123.3	119.4	+ 3.3
Index of Common Stock Prices .....	1935-39=100	116.5	98.4	+ 18.4
Index of Shares Traded, Montreal .....	1935-39=100	183.1	116.6	+ 57.0
Index of Bond Prices .....	1935-39=100	117.2	104.9	+ 11.7
Deposits, Four Classes (Dom., Prov., Demand and Notice) .....	\$ '000	5,941,480	5,338,867	+ 11.3
Mining Employment .....	1926=100	154.8	146.5	+ 5.7
Gold Receipts at Mint .....	Fine oz.	2,463,096	2,298,226	+ 7.2
Coal Production .....	Tons	16,171,347	14,951,648	+ 8.2
Copper Production (10 mo.) .....	'000 lb.	305,864	410,780	- 25.5
Nickel Production (10 mo.) .....	'000 lb.	155,210	215,436	- 28.0
Lead Production (10 mo.) .....	'000 lb.	308,217	279,693	+ 10.2
Zinc Production (10 mo.) .....	'000 lb.	400,346	438,044	- 8.6
Manufacturing Employment .....	1926=100	185.4	205.4	- 9.7
Flour Production .....	Bbl.	25,025,199	22,875,458	+ 9.4
Cattle Slaughtering .....	No.	2,257,084	2,391,205	- 5.6
Hog Slaughtering .....	No.	3,868,654	5,224,329	- 25.9
Creamery Butter Production .....	Lb.	259,857,448	283,036,793	- 8.2
Factory Cheese Production .....	Lb.	138,782,377	181,524,865	- 23.5
Cigarettes Released .....	No.	13,645,692,254	13,098,353,322	+ 4.2
Cigars Released .....	No.	202,820,712	190,451,642	+ 6.5
Leather Boots and Shoes (10 mo.) .....	Pairs	29,062,894	24,477,473	+ 18.7
Raw Cotton Consumption .....	Lb.	142,815,615	144,722,365	- 1.3
Newsprint Production .....	Tons	3,801,441	2,982,277	+ 27.5
Coke Production .....	Short Tons	2,953,603	3,550,430	- 16.8
Railways				
Tons Loaded .....	'000 Tons	89,383	96,263	- 7.1
Carloadings .....	No.	3,396,903	3,352,618	+ 1.3
Gross Revenue C.N.R. (Can. Lines) .....	\$	320,710,900	351,940,800	- 8.9
Gross Revenue C.P.R. .....	\$	269,384,441	292,326,341	- 7.8
Construction				
Contracts awarded .....	\$	626,820,500	383,245,900	+ 63.6
Building Permits (58 Municipalities) .....	\$	248,709,449	125,329,344	+ 98.4
Employment - (Unadjusted) 1926=100				
Construction .....		128.2	107.0	+ 19.8
Building .....		143.2	98.6	+ 45.2
Highway .....		133.7	129.2	+ 19.0
Iron and Steel				
Steel Ingot Production .....	Short Tons	3,093,351	2,552,042	+ 21.2
Pig Iron Production .....	Short Tons	1,242,294	1,642,733	- 24.4
Employment Durable Goods .....	1926=100	190.7	235.4	- 19.0

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THE ECONOMIC SITUATION IN CANADA

For the first eleven Months of 1946 as compared with the same period of 1945.



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

Dominion Bureau of Statistics

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

	Unit or Base Period	First Eleven Months		Per Cent Increase + Decrease -
		1946	1945	
<b>Trade (10 mo.)</b>				
Wholesale Sales .....	1935-39=100	244.6	204.7	+ 19.5
Retail Sales .....	1935-39=100	202.8	177.7	+ 14.1
Exports .....	\$ '000	1,889,704	2,789,762	- 32.3
Imports .....	\$ '000	1,547,203	1,322,174	+ 17.0
Active Balance of Trade .....	\$ '000	+ 342,501	+ 1,467,588	- 76.7
Net Exports of Non-Monetary Gold .	\$ '000,000	82.9	80.0	+ 3.6
<b>Dominion Finance, April to</b>				
November. Total Revenue .....	\$	1,797,699,218	1,715,547,822	+ 4.8
Ordinary Expenditures .....	\$	758,329,182	629,641,647	+ 20.4
<b>Demobilization and Reconversion</b>				
Expenditures .....	\$	836,908,305	2,172,784,326	- 61.5
United Nations Mutual Aid .....	\$	-	787,423,881	-
Grand Total Expenditures .....	\$	1,606,232,129	2,808,600,119	- 42.8
<b>Aggregate Weekly Payrolls</b>				
June 1, 1941=100 (Nine Groups) ..		141.0	142.4	- 1.0
<b>Average Weekly Earnings</b>				
(Nine Groups) .....	\$	32.33	32.07	+ 0.8
Employment General .....	1926=100	172.0	175.3	- 1.9
Logging .....		259.4	240.1	+ 8.0
Communication .....		140.7	116.8	+ 20.5
Transportation .....		127.9	124.2	+ 3.0
Services .....		224.1	205.2	+ 9.2
Trade .....		189.3	173.2	+ 9.3
Finance .....		143.3	130.0	+ 10.2
Dividends .....	\$	251,413,362	226,072,264	+ 11.2
<b>Dominion Government Interest</b>				
Payments (April to November) ....	\$	292,658,621	262,562,246	+ 11.5
Index of Bond Yields .....	1935-39=100	85.4	95.4	- 10.5
<b>Banking</b>				
Current Loans .....	\$ '000	1,202,496	1,088,987	+ 10.4
Money Supply .....	\$ '000,000	7,183	6,452	+ 11.3
Deposits (Notice and Demand) ....	\$ '000	5,457,119	4,718,996	+ 15.6
Circulating Media .....	\$ '000,000	1,065.5	1,028.3	+ 3.6
Security Holdings .....	\$ '000	4,292,023	3,841,121	+ 11.7
Bank Debits (33 Centres) .....	\$ '000	63,332,429	63,300,062	+ 1.7

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

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