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ECONOMIC CONDITIONS IN CANADA
DURING THE FIRST TWO MONTHS OF 1946



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

The six economic factors averaged higher in the first two months of the present year than in any other period. The deposit liabilities of the banks reached a particularly high level in the early months of the present year. The total of the sum of four main classes was \$5.8 billion at the end of February compared with \$5.0 billion on the same date of last year. Advances were recorded in Dominion balances, notice and demand deposits in this comparison, while provincial balances were at a slightly lower position. Notice deposits were more than \$3 billion on February 28, while demand deposits were \$1,995 million.

The yield on Dominion bonds receded to a lower point than at any other time. The price of high-grade bonds consequently rose to an exceedingly high point, the rise being rapid during the early months of 1946. Speculative factors were markedly strong, the index of common stock prices on the pre-war base having been 122.7 against 91.1 in the first two months of last year. The index of shares traded rose 146 per cent over the early months of 1945. The rise in the index of wholesale prices was of relatively minor proportions, the index showing a gain of 1.4 per cent only. The index of the physical volume of business receded to a lower position in continuance of the downward trend since the early months of 1944. The index on the base of 1935-39 was 188.3 against 222.7 in the same period of last year, a decline of 15.4 per cent.

Considerable variation was shown in the first two months of the present year from the same period of 1945 in regard to different classes of expenditures, upon which the levels of employment and economic activity depend. The decline in the export trade and in government expenditures contrasts with the more active conditions in the construction industry and in commodity distribution through retail and wholesale outlets.

The placement of contracts with the construction industry and the issue of building permits rose to high levels in the early months of the year. A lag is shown between the value of projects contracted for and the actual operations of the industry. While the awards rose 145 per cent over the first two months of 1945 and building permits in 58 municipalities were 137 per cent greater, it is observed that employment in the construction industry was only 11.8 per cent above the levels of one year ago. Employment in building projects rose 42.5 per cent, but the gain was far less than in the new business obtained by the industry.

The operations of the iron and steel industry reflect the influence of the demand for munitions and producers of durable goods. Steel and pig iron production showed a moderate decline from the high levels of the first two months of 1945. The present standing suggests strong demand for iron and steel for purposes of re-conversion and industrial expansion. The cancellation of orders for munitions and war supplies has resulted in decline, but the demand for other purposes has tended to counterbalance the reaction. The index of employment in industries engaged on the production of durable goods showed a large decline. The index in the first two months of the present year averaged 187, a decline of 25.6 per cent. As the increase in retail prices has been of a moderate character during the last 12 months, the index of sales by retail and wholesale outlets are suggestive of the considerable increase in the volume of goods distributed to consumers. The index of retail sales rose from 143 to 160, a gain of 12 per cent, while wholesale sales in January were 19 per cent above the levels of the same month one year ago.

Despite the financial assistance granted to a number of countries, the export trade in the first two months of the year receded to a considerable lower level than in the same period of 1945. The reduction in the export of war supplies has not been counterbalanced by increases in goods for civilian consumption. The total in the first two months of 1946 was \$346 million, a decline of 27 per cent from the same period of last year. Minor change, on the other hand, was shown in imports leading to a considerable reduction in the active balance of trade. The net export of non-monetary gold recorded an increase from \$17.1 million to \$18.8 million.

The expenditures of the Dominion Government during the first 11 months of the fiscal year ended March 31, were \$3,515 million compared with \$4,270 million in the same period of the preceeding year. A marked reduction was shown in war expenditures which were \$1,667 million in the recent fiscal year, a decline of 43.4 per cent, while increases were recorded in ordinary expenditures and in the United Nations Mutual Aid. The marked decline in war expenditures led to a considerable reduction in the grand total. As government expenditures are now showing a downward trend, the burden of maintaining a high level of production falls upon other classes of expenditures including construction, the production of plant and equipment, as well as the expenditures of the people of other countries in the form of exports.

Purchasing Power

The main item in the purchasing power of the Dominion is the sum of the salaries and wages received from participation in the productive process. An index of the aggregate weekly payrolls showed a decline of 10.5 per cent in the first two months of the present year from the same period of 1945. The average weekly earnings and the volume of employment also showed reduction during the 12-month period. The index of employment dropped 6.8 per cent, while the average earnings were only one-half per cent lower. The decline in employment was confined largely to the manufactures group. Advances were shown in logging, communication, transport, services, trade and finance. The increase in the communication group was 15.2 per cent and considerable gains were shown in the other lines.

Dividends declared in the first two months of the year rose 15.4 per cent, the total according to an unofficial source having been \$35.3 million. The interest paid on the outstanding debt of the Dominion Government from April to February amounted to \$343 million, an increase of 25.7 per cent. The index of bond yields an important consideration of investors dropped from 96.6 in 1945 to 87.9 in the first two months of the present year, a decline of 9 per cent.

Production

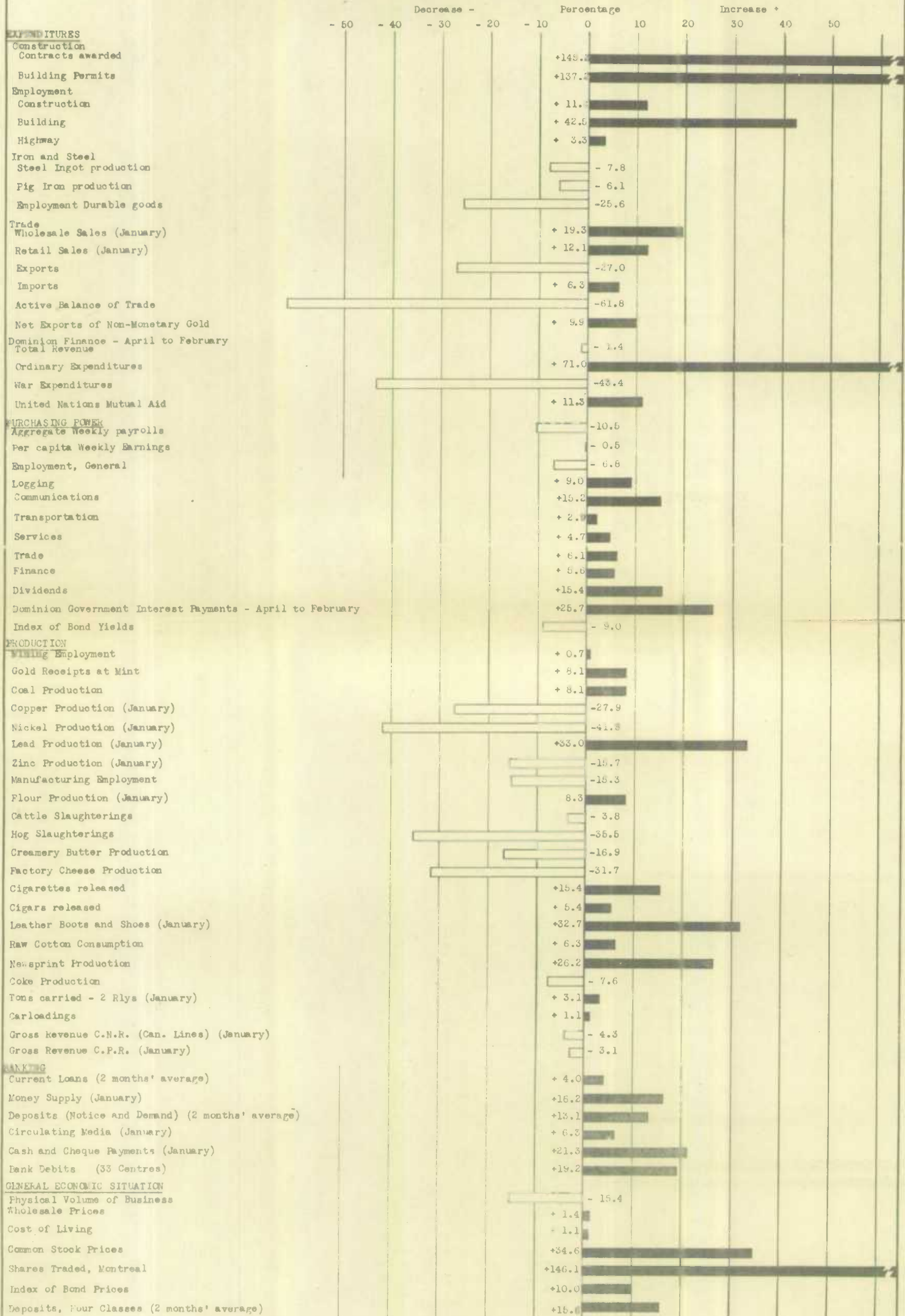
Mineral production was uneven in the early months of the year compared with the same period of 1945. The index of employment was slightly higher at 149.9 compared with 148.9. Gold receipts at the Mint during the first two months rose 8.1 per cent, the total this year having been 476,872 fine ounces. Coal production showed considerable revival, the tonnage rising more than 8 per cent. Declines of considerable proportions were shown in the production of copper, nickel, and zinc, while lead production was about one-third greater. The statistics for the base metals are available for the first month of the year only.

Employment in manufacturing showed a reduction of 15.3 per cent from the early months of 1945. The industries showing advances in production included flour milling, tobacco, boots and shoes, textiles and newsprint. Declines on the other hand were shown in the meat-packing and dairy industries. The drop in coke production was 7.6 per cent. An important advance was recorded in newsprint production. The total rose from 504,000 tons to 637,000.

The operations of the railways were slightly greater in regard to the tonnage carried and the number of cars loaded. The gross revenue of the C.N.R. recorded a decline of 4.3 per cent in January, while the gross revenue of the C.P.R. was 3.1 per cent lower.

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THE ECONOMIC SITUATION IN CANADA
for the first two months of 1946 as compared with
the same period of last year



Dominion Bureau of Statistics

Twenty-three items recorded declines, while forty-three showed increases.

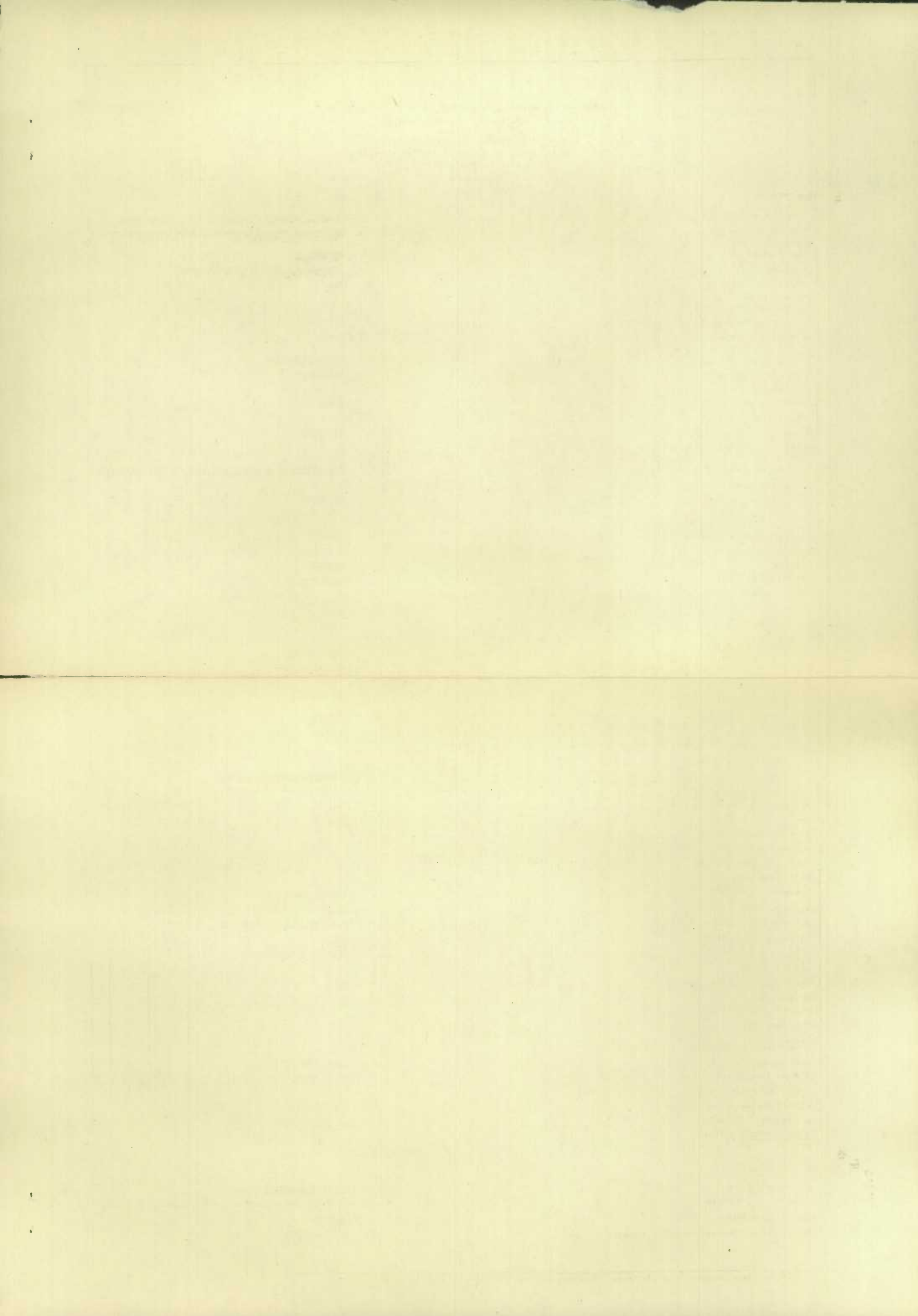


Table 1. - Statistics Illustrating the Economic Situation of Canada for the First Two Months of 1946, compared with same period of last year.

	Unit or Base Period	First Two Months		Per cent
		1946	1945	Increase + Decrease -
EXPENDITURES				
Construction -				
Contracts awarded	\$	60,487,445	24,654,400	+ 145.3
Building Permits (58 Municipalities)	\$	23,272,224	9,811,447	+ 137.2
Employment - (Unadjusted)	1926=100			
Construction		106.1	94.0	+ 11.8
Building		121.4	85.2	+ 42.5
Highway		106.2	102.8	+ 3.3
Iron and Steel				
Steel Ingot Production	Short Ton	478,516	519,186	- 7.8
Pig Iron Production	Short Ton	286,756	305,456	- 6.1
Employment Durable goods	1926=100	187.4	251.9	- 25.6
Trade				
Wholesale Sales (January)	1935-39=100	217.5	182.3	+ 19.3
Retail Sales (January)	1935-39=100	160.3	143.0	+ 12.1
Exports	\$ '000	346,078	474,221	- 27.0
Imports	\$ '000	257,306	242,058	+ 6.3
Active Balance of Trade	\$ '000	+ 88,772	+ 232,163	- 61.8
Net Exports of Non-Monetary Gold	\$ '000,000	18.8	17.1	+ 9.9
Dominion Finance, April to February				
Total Revenue	\$	2,290,844,049	2,323,007,701	- 1.4
Ordinary Expenditures	\$	1,078,420,904	630,496,216	+ 71.0
War Expenditures	\$	1,667,385,213	2,948,325,371	- 43.4
United Nations Mutual Aid	\$	759,241,969	682,135,058	+ 11.3
PURCHASING POWER				
Aggregate Weekly Payrolls				
June 1, 1941=100 (Nine Groups)		126.7	141.6	- 10.5
Average Weekly Earnings				
(Nine Groups)	\$	31.02	31.18	- 0.5
Employment General	1926=100	167.4	179.6	- 6.8
Logging		340.7	312.6	+ 9.0
Communication		127.2	110.4	+ 15.2
Transportation		123.7	120.2	+ 2.9
Services		208.9	199.5	+ 4.7
Trade		185.7	175.1	+ 6.1
Finance		135.7	128.5	+ 5.6
Dividends	\$	35,313,503	30,587,729	+ 15.4
Dominion Government Interest				
Payments (April to February)	\$	343,306,150	273,059,941	+ 25.7
Index of Bond Yields	1935-39=100	87.9	96.6	- 9.0

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

	Unit or Base Period	First Two Months		Per Cent Increase + Decrease -
		1946	1945	
PRODUCTION				
Mining Employment	1926=100	149.9	148.9	+ 0.7
Gold Receipts at Mint	Fine ozs.	476,872	441,017	+ 8.1
Coal Production	Tons	3,454,973	3,195,825	+ 8.1
Copper Production (January)	000 lbs.	32,021	44,381	- 27.9
Nickel Production (January)	000 lbs.	13,823	23,770	- 41.8
Lead Production (January)	000 lbs.	34,069	25,624	+ 33.0
Zinc Production (January)	000 lbs.	41,734	49,506	- 15.7
Manufacturing Employment	1926=100	181.1	213.8	- 15.3
Flour Production (January)	Bbls.	2,240,242	2,068,232	+ 8.3
Cattle Slaughtering	No.	341,748	355,403	- 3.8
Hog Slaughtering	No.	851,273	1,319,164	- 35.5
Creamery Butter Production	Lbs.	18,271,275	21,980,885	- 16.9
Factory Cheese Production	Lbs.	3,139,355	4,594,051	- 31.7
Cigarettes Released	No.	2,596,264,940	2,249,747,721	+ 15.4
Cigars Released	No.	36,579,880	34,713,306	+ 5.4
Leather Boots and Shoes (January)	Pairs	3,198,573	2,410,060	+ 32.7
Raw Cotton Consumption	Lbs.	28,364,458	26,671,679	+ 6.3
Newsprint Production	Tons	636,796	504,427	+ 26.2
Coke Production	Short Ton	614,822	665,075	- 7.6
Tons Carried 2 Rlys. (January)	000 Tons	9,379	9,097	+ 3.1
Carloadings	No.	550,546	544,723	+ 1.1
Gross Revenue C.N.R. (Can. Lines) (January)	\$	27,317,700	28,546,400	- 4.3
Gross Revenue C.P.R. (January)	\$	23,471,804	24,234,515	- 3.1
BANKING				
Current Loans (2 Months average)	\$ 000	1,162,487	1,117,430	+ 4.0
Money Supply (January)	\$ 000,000	7,059	6,075	+ 16.2
Deposits (Notice and Demand) (2 Months' average)	\$ 000	4,992,359	4,415,050	+ 13.1
Circulating Media (January)	\$ 000,000	1,027.3	966.8	+ 6.3
Cash and Cheque Payments (January)	\$ 000,000	8,591	7,085	+ 21.3
Bank Debits (33 Centres)	\$ 000	11,326,575	9,503,505	+ 19.2
GENERAL ECONOMIC SITUATION				
Index of Physical Volume of				
Business	1935-39=100	188.3	222.7	- 15.4
Wholesale Prices	1935-39=100	135.3	133.4	+ 1.4
Cost of Living	1935-39=100	119.9	118.6	+ 1.1
Index of Common Stock Prices	1935-39=100	122.7	91.1	+ 34.6
Index of Shares Traded, Montreal	1935-39=100	245.6	99.8	+ 146.1
Index of Bond Prices	1935-39=100	113.7	103.4	+ 10.0
Deposits Four Classes (2 Months' average)				
(Dom. Prov. Demand and Notice)	\$000	5,820,195	5,035,129	+ 15.6
Twenty three items recorded declines, while forty three showed increases.				

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