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ECONOMIC CONDITIONS IN CANADA
DURING THE FIRST QUARTER OF 1946



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

The average of six major factors indicating the trend of economic conditions was at a higher level in the first quarter than in any other period. A considerable advance was shown in speculative factors, the index of common stock prices averaging 121.5 against 91.8 in the same period of last year. The index of shares traded was also at a considerably higher position. The trend of bond prices was in an upward direction, an index constructed by taking the reciprocal of the index of bond yields rising from 103.6 in the first quarter of last year to 115.6.

The index of bank deposits with the chartered banks during the first two months of the year was 15.6 p.c. greater than in the same period of 1945. While productive operations were at a considerably higher level in March than in February, the index of the physical volume of business in the first quarter was lower than in the same period of last year.

Demand:

The prosperity of Canada depends in large measure upon commitments of different kinds. Expenditures by Canadians, or by people of other countries as in the case of exports, may be considered as generating influences.

An outstanding development during the first quarter was the high level of new business obtained by the construction industry. The total of contracts was about 167 p.c. greater than in the same period of last year. Building permits recorded an increase of even greater proportions. Although the index of employment in building construction rose 43 p.c., considerable delay in the filling of contracts is indicated. The lack of materials is regarded as the chief delaying factor. Building permits in 58 municipalities amounted to nearly \$48 million in the first quarter against \$17.7 million one year ago. The amount of contracts awarded rose from \$44 million to \$118 million. The marked advance in the new business obtained by the industry indicates a period of pronounced activity in construction operations during future months.

The primary iron and steel industry made an excellent showing in the first quarter of the present year despite the elimination of war demand. The production of steel ingots and castings was only 8.7 p.c. less than in the first quarter of 1945, while pig iron production showed a decline of 5.6 p.c. The index of employment in industries engaged in the production of durable goods, including munitions and producers' equipment, showed a decline of 25 p.c., the index on the base of 1926 having been 188 in the first quarter.

The upward trend of commodity distribution continued in the first two months of the year. Retail sales averaged 13 p.c. greater than in the same period of 1945. Wholesale sales in the first two months recorded an even greater percentage increase, the index rising from 180 to 214.

Uneven tendencies developed in the external trade of the Dominion. The export trade during the first quarter showed a decline of about 7 p.c. from the high level of 1945. The total was \$728 million against \$781 million in the same period of last year. Imports, on the other hand, showed an increase of 18.8 p.c., the total

in the present quarter having been \$445 million. The active balance of trade, excluding exports of non-monetary gold, consequently showed a considerable decline. The difference between the exports and imports was reduced to \$233 million against \$407 million in the same period of 1945, a decline of 30.5 p.c. The increase in the net exports of non-monetary gold was 5.5 p.c., the total in the first quarter having been \$28.8 million.

Increases were shown in the ordinary expenditures of the Dominion government as well as in the amount dispersed on the account of United Nations Mutual Aid during the first eleven months of the last fiscal year. Ordinary expenditures rose 71 p.c. to \$1,078 million, while Mutual Aid rose more than 11 p.c. to \$759 million. The decline in war expenditures was more than 43 p.c., the amount during the period having been \$1,667 million.

Purchasing Power:

The most important element in the receipt of purchasing power is the remuneration obtained by employees in the form of salaries and wages. The index of aggregate weekly payrolls receded 9.3 p.c. in the first quarter of 1946 against the same period of last year. The decline in the remuneration reflected recessions in the average earnings as well as in the number of employees at work. The average weekly earnings were \$31.53 against an average of \$31.72 in the first three reporting periods of 1945. The index of general employment on the base of 1926 receded from 179.2 to 167.3, a drop of 6.6 p.c. Increases were shown in six main industries including logging, communication, transportation, service, trade and finance. An important decline was shown in the levels of employment in manufacturing plants reflecting the cessation of war production.

A slight decline was recorded in the payment of dividends during the first quarter of 1946. According to an unofficial source, the decline was 2 p.c. to \$167.0 million. The interest payments of the Dominion Government in the first eleven months of the last fiscal year were \$343 million, an increase of 25.7 p.c. over the same period of the preceding year. The index of bond yields receded from 96.5 to 86.6, a decline of 10.3 p.c.

Production:

The index of the physical volume of business was 191.4 in March compared with 181.2 in the preceding month, the standing in January having been 195.4. The average for the three months, consequently, was 189.7 against 223.6 in the first quarter of 1945.

The index of employment in the mining industry averaged nearly 1 p.c. greater in the first quarter of 1946. Gold receipts at the Mint rose 8.7 p.c. to 709,748 fine ounces, indicating a considerable recovery in the operations of the gold mining industry. The increase in coal production at slightly more than 5 million tons was about 8 p.c. Base metal operations were uneven during the first two months of the year, an increase having been shown in the output of lead which moved up from 50.2 million pounds to 64.5 million, a gain of 28.6 p.c. Declines were shown in the output of copper, nickel and zinc. Copper production was 60.3 million pounds against 84.3 million, while the reduction in the output of zinc was from 94 million pounds to 81.5 million.

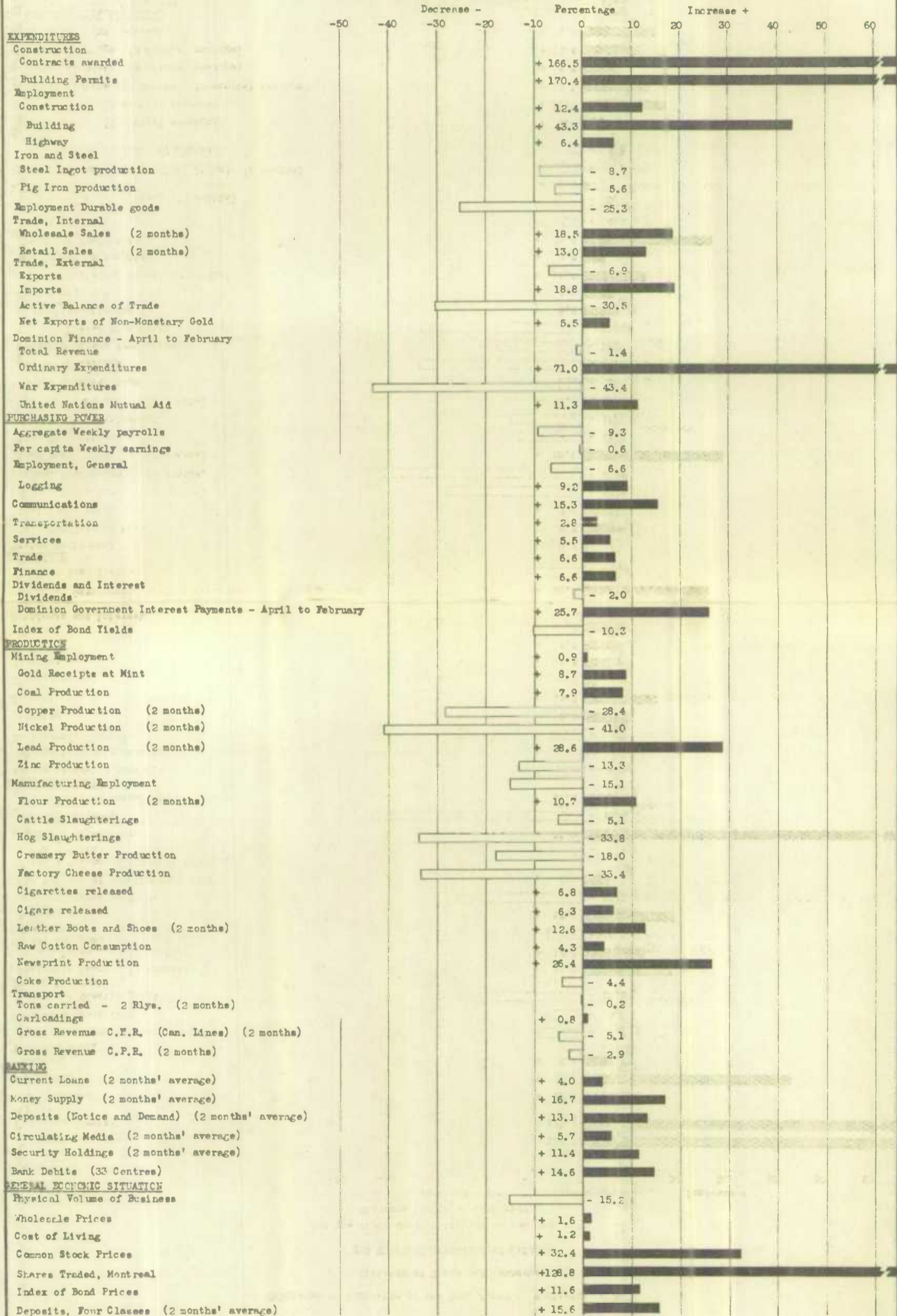
The lower level of the labour force engaged in manufacturing plants suggested a reduced level of output. The index of employment for the first three months of the year receded more than 15 p.c. to 181.7. An increase of 10.7 p.c. was shown in the output of flour during the first two months of the year, the

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THE ECONOMIC SITUATION IN CANADA

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



Dominion Bureau of Statistics

Twenty-five items recorded declines, while forty-one showed increases.

No.	Name	Age
1	John Smith	25
2	Mary Jones	30
3	James Brown	18
4	Sarah White	22
5	Robert Black	35
6	Elizabeth Green	28
7	William Grey	40
8	Ann Hill	15
9	Thomas Lee	20
10	Jane King	27
11	George King	32
12	Patricia King	12
13	Richard King	10
14	Elizabeth King	8
15	John King	6
16	Mary King	4
17	James King	2
18	Sarah King	1
19	Robert King	0
20	Elizabeth King	0

production being 4,386,000 barrels against 3,961,000. Cattle and especially hog slaughterings were at lower levels than in the first quarter of 1945, indicating a lower level of activity in the meat packing industry. The decline in the production of creamery butter and factory cheese was 18.0 p.c. and 33.4 p.c., respectively.

The operations of the tobacco industry recorded further advance as measured by the release of cigarettes and cigars. The cigarettes made available for consumption numbered 3,564 million against 3,338 million. The increase in the release of cigarettes and cigars was 6.8 p.c. and 6.3 p.c., respectively.

The boot and shoe industry was particularly active during the first two months of the present year, the output showing a gain of 12.6 p.c. over the same period of 1945. Moderate betterment was shown in the operations of the cotton textile industry, the consumption of raw cotton having risen 4.3 p.c. The operating levels of the newsprint industry were greatly expanded during the first quarter of the present year. The output at 971,000 tons was 26 p.c. greater than in the same period of 1945.

The movement of freight was not greatly changed in the first quarter of the present year. Carloadings recorded an increase of 0.8 p.c., while the tons carried on two railways during the first two months showed a recession of 0.2 p.c. The gross revenue of the Canadian National Railway on Canadian lines during the first two months receded 5.1 p.c., while the gross revenue of the Canadian Pacific Railway was 2.9 p.c. less.

Banking:

The money supply, including deposits subject to cheque, notes and coin in the hands of the public, rose 16.7 p.c. in the early months of the year over the same period of 1945. The total was \$7,092 million against \$6,079 million. The increase in notice and demand deposits over the first two months of 1945 was 13 p.c. Notes and coin in the hands of the public, amounting to \$1,033 million, were nearly 6 p.c. greater than one year ago. The security holdings of the banks were \$4,110 million against \$3,688 million. Cheques cashed in 33 centres averaged 14.6 p.c. greater than in the first quarter of 1945.

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

	Unit or Base Period	First Quarter		Per cent Increase + Decrease -
		1946	1945	
EXPENDITURES				
Construction -				
Contracts awarded	\$	118,085,545	44,305,800	+ 166.5
Building Permits (58 Municipalities)	\$	47,929,047	17,725,381	+ 170.4
Employment - (Unadjusted) 1926=100				
Construction		103.9	92.4	+ 12.4
Building		120.4	84.0	+ 43.3
Highway		102.8	96.6	+ 6.4
Iron and Steel -				
Steel Ingot Production	Short Ton	727,633	796,647	- 8.7
Pig Iron Production	Short Ton	444,905	471,273	- 5.6
Employment Durable goods	1926=100	188.3	252.0	- 25.3
Trade				
Wholesale Sales (2 months)	1935-39=100	213.8	180.4	+ 18.5
Retail Sales (2 months)	1935-39=100	165.6	144.8	+ 13.0
Exports	\$ '000	727,633	781,231	- 6.9
Imports	\$ '000	444,905	374,544	+ 18.8
Active Balance of Trade	\$ '000	+ 282,728	+ 406,687	- 30.5
Net Exports of Non-Monetary Gold.	\$ '000,000	28.8	27.3	+ 5.5
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) .		130.3	145.7	- 9.3
Average Weekly Earnings				
(Nine Groups)	\$	31.53	31.72	- 0.6
Employment General	1926=100	167.3	179.2	- 6.6
Logging		340.3	311.7	+ 9.2
Communication		127.6	110.7	+ 15.3
Transportation		122.9	119.5	+ 2.8
Services		210.3	199.4	+ 5.5
Trade		183.8	172.4	+ 6.6
Finance		137.1	128.6	+ 6.6
Dividends	\$	67,046,794	68,381,237	- 2.0
Dominion Government Interest				
Payments (April to February) ...	\$	343,306,150	273,059,941	+ 25.7
Index of Bond Yields	1935-39=100	86.6	96.5	- 10.3

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

	Unit or Base Period	First Quarter		Per cent Increase + Decrease -
		1946	1945	
PRODUCTION				
Mining Employment	1926=100	150.9	149.5	+ 0.9
Gold Receipts at Mint	Fine ozs.	709,748	652,974	+ 8.7
Coal Production	Tons	5,031,758	4,665,223	+ 7.9
Copper Production (2 months) ..	'000 lbs.	60,320	84,284	- 28.4
Nickel Production (2 months) ..	'000 lbs.	26,273	44,495	- 41.0
Lead Production (2 months) ..	'000 lbs.	64,546	50,202	+ 28.6
Zinc Production (2 months) ..	'000 lbs.	81,518	94,027	- 13.3
Manufacturing Employment	1926=100	181.7	214.0	- 15.1
Flour Production (2 months) ..	Bbls.	4,335,917	3,960,667	+ 10.7
Cattle Slaughtering	No.	525,286	553,540	- 5.1
Hog Slaughtering	No.	1,270,724	1,920,481	- 33.8
Creamery Butter Production	Lbs.	30,084,449	36,673,629	- 18.0
Factory Cheese Production	Lbs.	5,652,684	8,438,810	- 33.4
Cigarettes Released	No.	3,563,692,225	3,337,579,349	+ 6.8
Cigars Released	No.	56,719,198	53,379,931	+ 6.3
Leather Boots and Shoes (2 months)	Pairs	5,601,142	4,974,869	+ 12.6
Raw Cotton Consumption	Lbs.	43,444,225	41,659,657	+ 4.3
Newsprint Production	Tons	970,923	768,203	+ 26.4
Coke Production	Short Ton	953,107	996,868	- 4.4
Transport				
Tons Carried 2 Rlys (2 months)	'000 Tons	18,175	18,203	- 0.2
Carloadings	No.	852,936	846,086	+ 0.8
Gross Revenue C.N.R. (Can. Lines) (2 months)	\$	52,817,200	55,635,400	- 5.1
Gross Revenue C.P.R. (2 months)	\$	46,198,752	47,570,425	- 2.9
BANKING				
Current Loans (2 months' average).	\$ '000	1,162,487	1,117,430	+ 4.0
Money Supply (2 months' average).	\$ '000,000	7,092	6,079	+ 16.7
Deposits (Notice and Demand) (2 months' average)	\$ '000	4,992,359	4,415,050	+ 13.1
Circulating Media (2 mos. average)	\$ '000,000	1,032.8	976.8	+ 5.7
Security Holdings (2 mos. average)	\$ '000	4,109,572	3,637,680	+ 11.4
Bank Debits (33 Centres)	\$ '000	17,004,746	14,832,463	+ 14.6
GENERAL ECONOMIC SITUATION				
Index of Physical Volume of				
Business	1935-39=100	189.7	223.6	- 15.2
Wholesale Prices	1935-39=100	135.6	133.5	+ 1.6
Cost of Living	1935-39=100	120.0	118.6	+ 1.2
Index of Common Stock Prices ...	1935-39=100	121.5	91.8	+ 32.4
Index of Shares Traded, Montreal .	1935-39=100	235.4	102.9	+ 128.3
Index of Bond Prices	1935-39=100	115.6	103.3	+ 11.6
Deposits, Four Classes (2 months' average) (Dom. Prov. Demand and Notice)	\$ '000	5,820,195	5,035,129	+ 15.6

Twenty-five items recorded declines, while forty-one showed increases.

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