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**ECONOMIC CONDITIONS IN CANADA**  
**DURING THE FIRST HALF OF 1946**



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Dominion Statistician:	Herbert Marshall, O.B.E., B.A., F.S.S.
Chief, Business Statistics Branch:	Sydney B. Smith, M.A.

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

The first half of this year was memorable for marked economic changes. Interest centred on problems of reconstruction scarcely less difficult than of the war period. The ultimate purpose of the Canadian economy in wartime was to direct the available resources to the production of goods and services necessary for the successful conduct of operations against the enemy. The aim was to achieve a maximum output of war goods and services. Consequently, drastic change in the objective of economic activity was needed upon the termination of hostilities.

The recession in production in evidence during the later part of 1945 became more pronounced in the first half of the present year. General indexes of business and production dropped to a lower position than in the first half of 1945. Employment measured by returns from concerns employing fifteen persons or more was about five per cent lower and labour engaged in manufacturing plants declined by 13.6 per cent.

The advance in price indexes was fairly general despite the retention of controls. Demand for many classes of commodities was intense, accentuated by short supply against a background of adequate purchasing power. The index of wholesale prices averaged 3.4 per cent higher than in the first half of 1945 and the cost of living rose 1.9 per cent. More recently advance in commodity prices has been quickened.

The price change in the field of stocks and bonds was of greater extent. The stock index was 29.5 per cent higher and the index of Dominion bond prices rose 12.3 per cent. The money supply consisting of deposits subject to cheque, bank notes and coin in the hands of the public was 12.5 per cent greater than the high level of the first half of 1945.

The operations of the primary iron and steel industry largely dependent on orders from munition factories and the producers of durable goods, were not greatly checked in the first half of the year. The production of pig iron and of steel ingots and castings showed declines of 7 per cent and 9 per cent, respectively. The output of steel was nearly 1,450,000 tons during the period under review. The discontinuance of the production of war supplies was most apparent in the more inclusive group of industries producing durable goods. The number employed in such industries averaged nearly 24 per cent less in the first six months of this year.

Private industry was forced to scale down its original optimistic development plans for the present year, but still will spend nearly a billion dollars, 20 per cent more than in 1945. The original plans provided for a total investment of \$1,200 million but shortages of labour, coal, steel and building materials is preventing firms from fully implementing the projects in the way of construction, plant improvement and installation of new equipment. The survey of investment intentions is distributed by the following industrial sectors - Manufacturing, \$400 million; Mining, \$25 million; Forestry, \$10 million; Central Electric Stations, \$75 million; Telephones, \$50 million; and Transportation, \$140 million. The miscellaneous

group including residential, institutional, commercial and farm construction in addition would amount to \$500 million. The capital expansion during 1946 will go a considerable way toward compensating for the decline in governmental spending which has taken place since the end of the war.

#### Construction: -

The placement of construction contracts was nearly twice as great in the half year as in the same period of 1945. The increase in awards to be exact was 94.9 per cent. Contracts for residences at \$104 million compared with \$89.6 million recorded an increase far less than in other main classes. The proportion to total contracts, consequently, dropped from 51 per cent in 1945 to 30.4 per cent in the first half of this year. The contracts for apartments which had been \$3.4 million one year ago showed an increase of 120 per cent. Thus, total residential contracts at \$111.6 million were 32.6 per cent of the total in the first half year compared with 52.9 per cent in 1945.

New contracts for business and institutional buildings were 138 per cent greater, while industrial and engineering contracts rose 173 per cent and 313 per cent, respectively. Public buildings were contracted for in lesser amount, the drop having been from \$2,963,000 to \$1,667,000. The new business placed for each of the other seventeen classes of construction recorded increases in this comparison.

#### Railways: -

Railway traffic which had been larger during the later years of the war than at any previous time receded slightly in the first six months of the present year. Revenue cars loaded at 1,732,000 were only 2.2 per cent less than in the first half of 1945.

The increase in the movement of pulpwood, pulp and paper was outstanding, ranging from 22 per cent to 23 per cent. Traffic in logs, lumber, lath and shingles was not changed appreciably, while other forest products were 13 per cent greater.

Grain loadings dropped nearly 36 per cent to 148,715 cars reflecting the marked reduction in stocks of wheat. Grain products were moved in greater volume. The movement of implements, tractors and fertilizers was speeded up to satisfy delayed demands of farmers. Non-metallic structural materials, including sand, stone, gravel, etc., showed an increase of nearly 24 per cent. The movement of coal was 2.8 per cent greater, and gasoline, petroleum oils and products recorded a gain of more than 10 per cent. Merchandise in less than carlots, consisting mainly of manufactured goods, amounted to 432,754 cars against 338,319, an increase of 11.4 per cent.

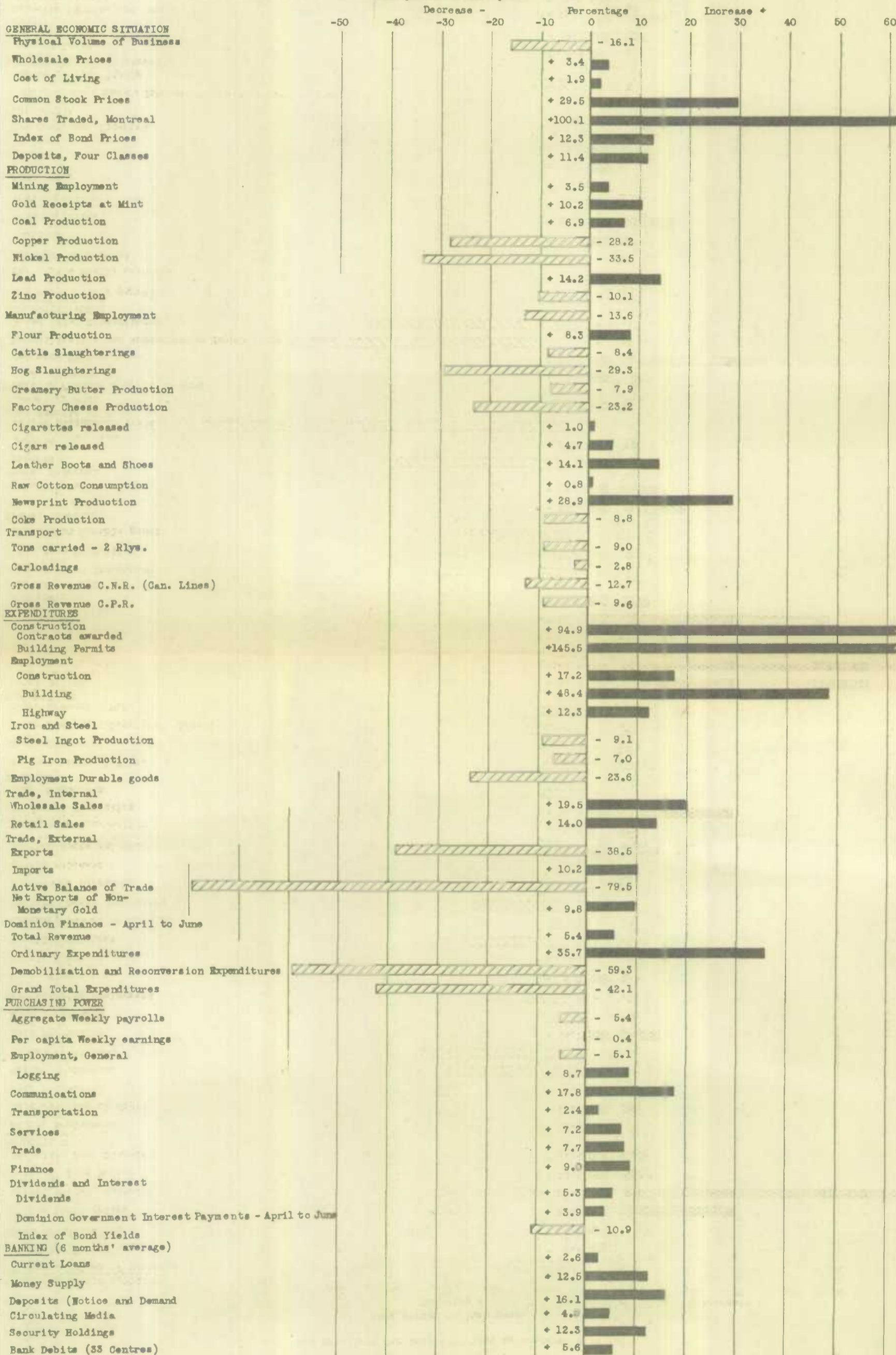
#### Exports: -

The first half of 1946 was a period of unusual activity in world trade. At the year's beginning, the effect of war on external trade was completing one stage of a cycle and moving into the next. Relief shipments of food and clothing were replacing shipments of munitions which were already down to nearly normal peace-time levels. During the second quarter, evidence of the third stage, reconstruction, began to appear. Shipments of farm and industrial machinery and manufactured consumers' goods increased in importance.

THE ECONOMIC SITUATION IN CANADA

For the first Six Months of 1946 as compared with the

same period of last year.





During the half year, exports of Canadian goods were 38 per cent less than in the same period of 1945. Outward shipments to South Africa rose 69 per cent but important declines were shown in the export trade to India, Newfoundland, Australia and New Zealand. The movement of Canadian goods to the United Kingdom was 54 per cent less. A number of the liberated countries of Europe became more important as a market for Canadian products. Norway, Belgium, the Netherlands, Poland and Czechoslovakia may be mentioned in this connection. The trade with China increased 468 per cent, while the value of shipments to Egypt declined nearly 77 per cent. The drop in export trade to the United States at 35.9 per cent was relatively less than in the total to all countries.

Each of the main groups in the component-material classification except "wood and paper" showed decline in the first half of 1946 from the same period of last year. The value of newsprint was 47 per cent greater and the outward shipment of pulp and pulpwood was at a considerably higher level. Despite the decline in the Iron group, an interesting development was the increase in the export of farm implements and engines and boilers. Exports of lead and zinc were greater, contrasting with declines in copper and nickel.

Exports of wheat dropped 17.8 per cent to \$124 million, while the gain in wheat flour was 18 per cent at \$60 million. Bacon showed a decline of 43.5 per cent and important increases were recorded in fish and furs.

Prices: -

The advance in wholesale prices was fairly general throughout the different economic groups. Three of the eight groups in the component-material classification showed increases greater than the general index number. The average of the latter was 3.8 per cent greater during the first six months of 1946 than in the same period of 1945. The three groups of non-ferrous metals, wood and paper and iron and its products showed increases of 8.4 per cent, 8.0 per cent and 5.4 per cent, respectively. Chemicals and non-metallics, on the other hand, receded to lower levels after the end of the war. The other groups of vegetable products, animal products and textiles, showed increases relatively less than the general index.

Price indexes of materials used by producers were consistently higher. Building and manufacturers' materials averaged 4.1 per cent greater in the first half of this year. Important advances occurred in commodities of forest origin, the manufactured commodities in this line rising no less than 11.3 per cent. Manufactured goods of animal origin rose 4.1 per cent, while raw marine products were 6.3 per cent higher.

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

	Unit or Base Period	First Six Months		Per Cent Increase + Decrease -
		1946	1945	
<b>GENERAL ECONOMIC SITUATION</b>				
Index of Physical Volume of				
Business .....	1935-39=100	187.5	223.5	- 16.1
Wholesale Prices .....	1935-39=100	138.6	134.0	+ 3.4
Cost of Living .....	1935-39=100	121.1	118.9	+ 1.9
Index of Common Stock Prices ..	1935-39=100	122.9	94.9	+ 29.5
Index of Shares Traded, Montreal	1935-39=100	216.5	108.2	+ 100.1
Index of Bond Prices .....	1935-39=100	116.8	104.0	+ 12.3
Deposits, Four Classes (6 months' average) (Dom. Prov. Demand and Notice) .....				
	\$ '000	5,826,185	5,229,005	+ 11.4
<b>PRODUCTION</b>				
Mining Employment .....	1926=100	153.3	148.1	+ 3.5
Gold Receipts at Mint .....	Fine ozs.	1,404,776	1,274,434	+ 10.2
Coal Production .....	Tons	9,050,399	8,462,577	+ 6.9
Copper Production .....	'000 lbs.	185,829	258,715	- 28.2
Nickel Production .....	'000 lbs.	90,353	135,800	- 33.5
Lead Production .....	'000 lbs.	187,676	164,275	+ 14.2
Zinc Production .....	'000 lbs.	246,237	274,006	- 10.1
Manufacturing Employment .....	1926=100	183.5	212.4	- 13.6
Flour Production .....	Bbls.	13,523,249	12,489,078	+ 8.3
Cattle Slaughtering .....	No.	1,068,377	1,165,863	- 8.4
Hog Slaughtering .....	No.	2,356,335	3,332,717	- 29.3
Creamery Butter Production ..	Lbs.	123,551,525	134,078,735	- 7.9
Factory Cheese Production ..	Lbs.	56,387,194	73,379,645	- 23.2
Cigarettes Released .....	No.	6,951,770,173	6,883,647,738	+ 1.0
Cigars Released .....	No.	111,051,877	106,027,317	+ 4.7
Leather Boots and Shoes .....	Pairs	18,128,672	15,882,000	+ 14.1
Raw Cotton Consumption .....	Lbs.	81,861,010	81,217,945	+ 0.8
Newsprint Production .....	Tons	2,002,935	1,553,513	+ 28.9
Coke Production .....	Short Ton	1,804,555	1,979,359	- 8.8
<b>Transport</b>				
Tons Carried 2 Railways .....	'000 Tons	54,941	60,355	- 9.0
Carloadings .....	No.	1,722,355	1,771,210	- 2.8
Gross Revenue C.M.R. (Can. Lines) .....				
	\$	164,443,200	188,421,300	- 12.7
Gross Revenue C.P.R. ....				
	\$	140,349,473	155,263,935	- 9.6
<b>EXPENDITURES</b>				
<b>Construction -</b>				
Contracts awarded .....	\$	342,605,500	175,748,300	+ 94.9
Building Permits				
(58 Municipalities) .....	\$	140,050,011	57,035,852	+ 145.5
<b>Employment - (Unadjusted) 1926=100</b>				
Construction .....		110.6	94.4	+ 17.2
Building .....		126.4	85.2	+ 48.4
Highway .....		120.0	106.9	+ 12.3
<b>Iron and Steel -</b>				
Steel Ingot Production .....	Short Ton	1,449,639	1,595,618	- 9.1
Pig Iron Production .....	Short Ton	876,023	941,963	- 7.0
Employment Durable goods ...	1926=100	190.8	249.7	- 23.6



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

	Unit or Base Period	First Six Months		Per Cent Increase + Decrease -
		1946	1945	
<b>EXPENDITURES - Concluded</b>				
Trade				
Wholesale Sales .....	1935-39=100	233.6	195.4	+ 19.5
Retail Sales .....	1935-39=100	197.1	172.9	+ 14.0
Exports .....	\$ '000	1,073,922	1,745,210	- 38.5
Imports .....	\$ '000	879,875	798,695	+ 10.2
Active Balance of Trade ....	\$ '000	+ 194,047	+ 946,515	- 79.5
Net Exports of Non-Monetary Gold .....	\$ '000,000	53.7	49.0	+ 9.6
Dominion Finance, April to June - Total Revenue .....				
Ordinary Expenditures .....	\$	684,253,153	649,076,017	+ 5.4
Demobilitation and Reconver- sion Expenditures .....	\$	261,643,369	192,752,544	+ 35.7
United Nations Mutual Aid ..	\$	358,482,332	880,717,792	- 59.3
Grand Total Expenditures ....	\$	-	350,142,860	-
		622,352,811	1,075,127,692	- 42.1
<b>PURCHASING POWER</b>				
Aggregate Weekly Payrolls				
June 1, 1941=100 (Nine Groups)		135.9	143.7	- 5.4
Average Weekly Earnings				
(Nine Groups) .....	\$	31.85	31.99	- 0.4
Employment General .....	1926=100	168.4	177.5	- 5.1
Logging .....		291.6	268.3	+ 8.7
Communication .....		132.0	112.1	+ 17.8
Transportation .....		124.5	121.6	+ 2.4
Services .....		215.2	200.7	+ 7.2
Trade .....		185.2	172.0	+ 7.7
Finance .....		140.3	128.7	+ 9.0
Dividends .....	\$	151,834,350	144,257,424	+ 5.3
Dominion Government Interest - Payments (April to June) ..	\$	96,722,239	93,103,439	+ 3.9
Index of Bond Yields .....	1935-39=100	85.7	96.2	- 10.9
<b>BANKING (6 months' average)</b>				
Current Loans .....	\$ '000	1,143,266	1,113,813	+ 2.6
Money Supply .....	\$ '000,000	7,090	6,304	+ 12.5
Deposits (Notice and Demand)	\$ '000	5,263,774	4,532,632	+ 16.1
Circulating Media .....	\$ '000,000	1,051.6	1,003.5	+ 4.3
Security Holdings .....	\$ '000	4,206,190	3,746,882	+ 12.3
Bank Debits (33 Centres) ...	\$ '000	34,504,468	32,667,134	+ 5.6

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

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