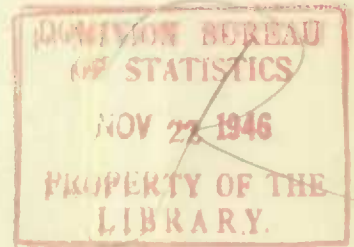


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ECONOMIC CONDITIONS IN CANADA
DURING THE FIRST NINE MONTHS OF 1946



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

Economic conditions as measured by six prominent factors was at a considerably higher level in the first nine months of 1946 than in the same period of last year. Productive operations, owing to the termination of war contracts, reached a somewhat lower position in the elapsed portion of the present year. The index of general employment, however, was only 3.5 per cent less than in the first nine months of 1945. The indexes of production and business activity showed a somewhat greater recession, suggesting a lower level of productivity from that maintained in wartime.

Common stock prices, which had been advancing from mid-year 1942, reached a high level in the first nine months. The index, based on 1935-39, averaged about 23 points higher than in the first nine months of 1945. A reaction was shown in September, but the index was still at a higher position than in the same month of 1945. Speculative trading on the Montreal and Toronto exchanges was much more active during the present year. The advance in wholesale prices, in evidence since 1939, was continued in the first nine months of the present year. The index was 4 per cent greater at 139.7. The advance in wholesale prices has been of relatively moderate proportions since the end of 1941, but the standing in the first nine months was higher than in any other similar period in the last quarter century. Following the termination of hostilities, the yield on long-term Dominion bonds has showed a marked reduction. In other words, prices of high-grade bonds advanced sharply during the later months of 1945 and the first quarter of the present year. The index of bond prices averaged 12 per cent greater in the first nine months of 1946 than in the same period of last year.

Money supply, consisting of bank deposits, notes and coin, has recorded a considerable increase during the present year over the relatively high levels of 1945. The advance has extended during the period from 1934 and, having been greatly accelerated since the outbreak of war, the quantity of money averaged \$7,110 million during the first nine months of the present year against \$6,331 million in the same period of 1945, a gain of 12.3 per cent.

The index of the physical volume of business showed a recession of 16 per cent in the first nine months of the present year from the levels of 1945. The recession continued throughout last year following the maximum of wartime production reached in the early months of 1944. Despite difficulties of reconversion and labor unrest, the level of industrial production was remarkably steady month by month during the elapsed portion of the present year. Many raw materials have been in short supply and cost of productive operations has reached high levels. The intense demand for consumers' goods and service, has proven a stimulus to Canadian producers in 1946

Mining and Manufacturing

Employment in the mining industry was 5 per cent greater this year. Gold receipts at the Mint rose 8.4 per cent at more than 2 million fine ounces. The increase in the output of coal was 8.3 per cent, the total having been 12.9 million tons. Lead production in the eight months recorded an increase of 14.5 per cent, while declines were shown in the output of copper, nickel and zinc.

The number of employees in the manufacturing industries showed a decline of about 12 per cent, the index on the base of 1926 averaging 184.4 in the first nine months. The heavy demand for food stocks in other countries was reflected in the production of 20.1 million barrels of wheat flour, an increase of more than 9 per cent over the same period of last year. The meat packing industry was less active, the slaughtering of hogs showing a decline of 28 per cent. The recession in creamery butter production was 8.4 per cent, while the output of factory cheese dropped more than 23 per cent. Measured by releases from bond, the tobacco industry was more productive in the first nine months, the cigarettes and cigars made available showing increases of 5 per cent and 6.5 per cent respectively.

Further increase was shown in the operations of the boot and shoe industry, during the first eight months the output rising about 20.7 per cent to 23.4 million pairs.

Production by the textile industry was retarded by strikes, the consumption of raw cotton showing a recession of slightly more than one per cent at 115.4 million pounds. The forestry industry recorded marked expansion in operations during the present year, a strong demand for newsprint being a favourable influence. The output of newsprint rose 29 per cent to 3.1 million tons.

Railways

The operations of the railways were at a somewhat lower level in the first three quarters of the present year. The tons of revenue freight loaded dropped 9.3 per cent to 71.1 million. Carloadings, on the other hand, were nearly maintained at 2,676,000 cars, the decline being about one-half of one per cent. The gross revenue of the Canadian National and Canadian Pacific Railways were at a somewhat lower position.

Capital Formation

The levels of production and employment in Canada during the postwar period will be dependent on expenditures of different descriptions. The outlay on plant and equipment and other forms of capital expenditure is of particular interest in this connection. Such expenditure has an indirect influence on the expenditure for consumers' goods and services.

Much greater activity was displayed by the construction industry during 1946. The contracts awarded were greater in the first nine months of the present year than in any similar period. The amount was \$505.5 million, an increase of nearly 64 per cent over 1945. The increase in building permits, mainly reflecting the expansion in the provision of housing, was 112 per cent greater at \$207.7 million. While a number of difficulties prevented a corresponding expansion in actual operations, employment on construction projects was about one-fifth greater. The increase in the labour force engaged on building construction was nearly 50 per cent.

The expansion in the production of producers' durable goods is mainly dependent on the operations of the iron and steel industry. The same group was also one of the main producers of munitions and war supplies. The operations of the primary iron and steel industry were interrupted by strikes during midsummer. The production of steel ingots and castings was 1,760,000 tons, a decline of nearly 22 per cent from the same period of last year. The output of pig iron and steel showed a decline of 24 1/2 per cent in the same comparison. The index of employment in the industry producing durable goods showed a decline of 21.7 per cent.

Trade and Government Expenditures

The expenditure of individuals in Canada on consumers' goods and services is the main outlet for the production within the country. Distribution of commodities through retail outlets showed a continuance of the expansion in progress during recent years. The sales were nearly double the standing in the five years preceding the war, an increase over the first eight months of 1945 of nearly 15 per cent. The wholesale trade was one-fifth greater in the same comparison.

The export trade was slightly more than one-third less than in the first nine months of 1945. Loans to a number of countries have supported the export trade to a large extent, but the total exports during the first nine months were \$1,683 million compared with \$2,557 million in the same period of 1945. Imports, on the other hand, have shown an increase of 14.6 per cent over last year. The active balance of trade has consequently shown a marked decline, the total in the first nine months having been \$322 million.

The expenditures of the Dominion Government from April to September were nearly 44 per cent less than in the same period of the preceding year. Mutual aid to the United Nations was discontinued and a marked decline in demobilization and reconversion expenditures was shown. Ordinary expenditures, on the other hand, showed an increase of 27.7 per cent and a minor percentage gain was recorded in the revenue.

Purchasing Power

A minor increase was shown in the average weekly earnings of employees during the first nine months of the present year, the standing having been \$32.11. As the level of employment was well maintained this year as compared with last, the aggregate weekly payrolls recorded a recession of 3.2 per cent only, the index on the base of June 1, 1941 having been 138.6 against 133.2 last year. The decline in manufacturing employment amounting to nearly 12 per cent failed to offset the increase in most of the other categories, including logging, communications, transportation, services, trade and finance. The distribution of dividends, according to unofficial sources, was 12 per cent greater in the first nine months, the total having been \$219.2 million. Interest payments by the Dominion Government from April to September were 17 per cent greater at \$202.6 million. The index of bond yields, of interest to investors, showed a decline of 10.7 per cent, the standing having been 85.4 per cent during the first nine months of the present year.

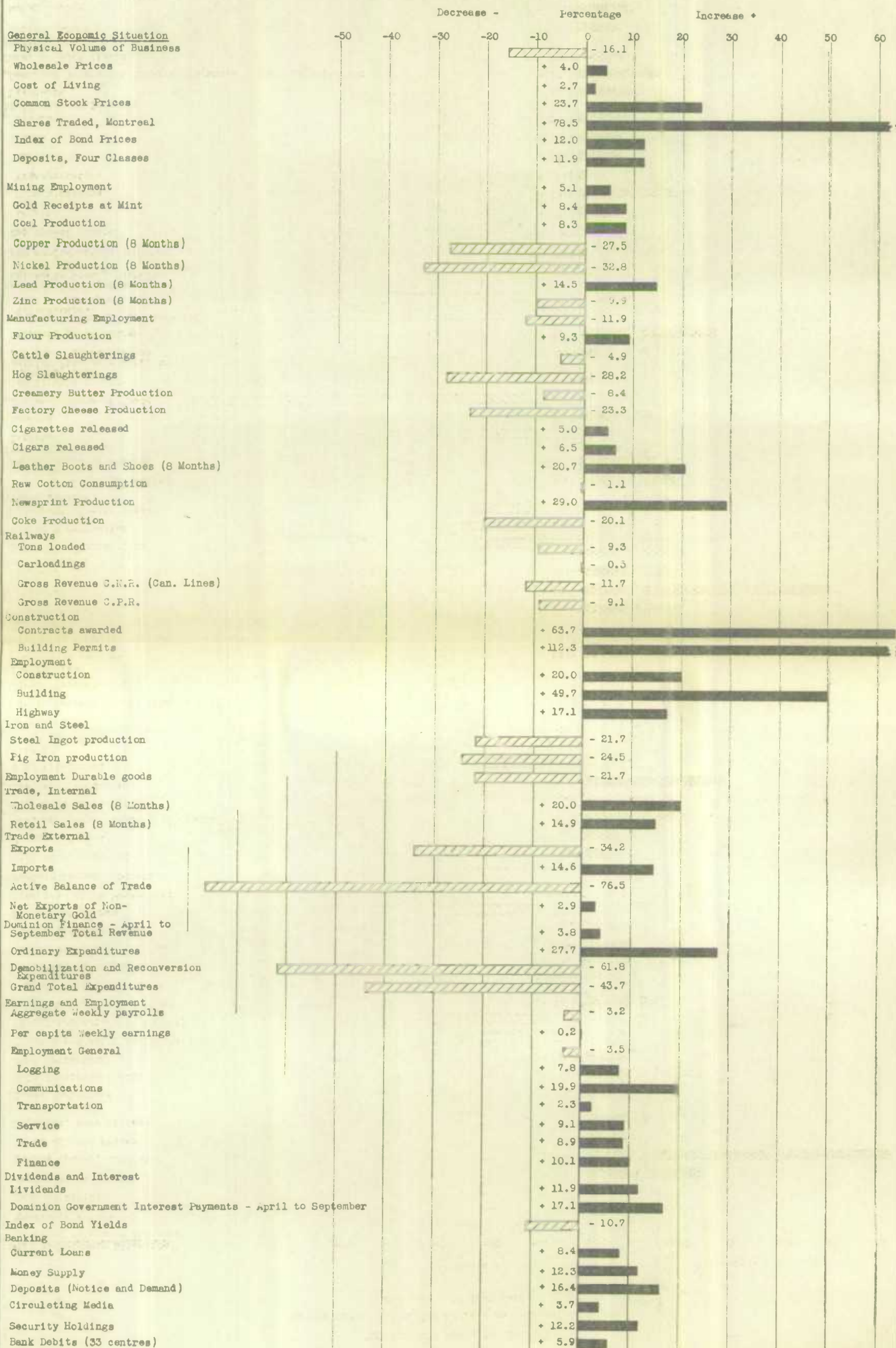
Banking

Notice deposits, consisting mainly of the savings of individuals, averaged \$2,471 million in the first nine months of 1946, an increase of 21.9 per cent over the same period of last year. Bank notes and subsidiary coin in the hands of the public, during the first nine months, were estimated at \$1,058 million, an increase of about 4 per cent over the preceding year. Current loans and security holdings of the chartered banks showed an increase of 8.4 per cent and 12.2 per cent respectively. Cheques cashed in 33 clearing centres were \$50.8 billion compared with nearly \$48 billion in the first nine months of 1945, the increase having been 5.9 per cent.

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

	Unit or Base Period	First Nine Months		Per Cent Increase + Decrease -
		1946	1945	
<u>GENERAL ECONOMIC SITUATION</u>				
Index of physical Volume of				
Business	1935-39=100	184.0	219.2	- 16.1
Wholesale Prices	1935-39=100	139.7	134.3	+ 4.0
Cost of Living	1935-39=100	122.5	119.3	+ 2.7
Index of Common Stock Prices	1935-39=100	119.7	96.8	+ 23.7
Index of Shares Traded, Montreal.	1935-39=100	192.2	107.7	+ 78.5
Index of Bond Prices	1935-39=100	117.1	104.6	+ 12.0
Deposits, Four Classes (Dom, Prov., Demand and Notice)				
	\$ '000	5,863,712	5,237,875	+ 11.9
Mining Employment				
	1926=100	154.6	147.1	+ 5.1
Gold Receipts at Mint				
	Fine ozs.	2,026,535	1,869,917	+ 8.4
Coal Production				
	Tons	12,932,095	11,944,110	+ 8.3
Copper Production (8 mos.)				
	'000 lbs.	246,785	340,585	- 27.5
Nickel Production (8 mos.)				
	'000 lbs.	122,030	181,685	- 32.8
Lead Production (8 mos.)				
	'000 lbs.	249,429	217,909	+ 14.5
Zinc Production (8 mos.)				
	'000 lbs.	324,951	360,725	- 9.9
Manufacturing Employment				
	1926=100	184.4	209.4	- 11.9
Flour Production				
	Bbls.	20,073,769	18,362,959	+ 9.3
Cattle Slaughtering				
	No.	1,709,221	1,796,514	- 4.9
Hog Slaughtering				
	No.	3,047,153	4,241,888	- 28.2
Creamery Butter Production				
	Lbs.	224,186,530	244,825,714	- 8.4
Factory Cheese Production				
	Lbs.	120,270,571	156,717,859	- 23.3
Cigarettes Released				
	No.	10,798,982,026	10,280,945,533	+ 5.0
Cigars Released				
	No.	162,460,121	152,609,342	+ 6.5
Leather Boots and Shoes (8 mos.)				
	Pairs	23,382,524	19,373,388	+ 20.7
Raw Cotton Consumption				
	Lbs.	115,414,849	116,657,916	- 1.1
Newsprint Production				
	Tons	3,060,701	2,372,144	+ 29.0
Coke Production				
	Short Ton	2,362,069	2,956,263	- 20.1
Railways				
Tons Loaded				
	'000 Tons	71,147	77,585	- 9.3
Carloadings				
	No.	2,676,425	2,690,323	- 0.5
Gross Revenue C.N.R. (Can. Lines)				
	\$	255,537,700	289,261,200	- 11.7
Gross Revenue C.P.R.				
	\$	216,027,005	237,591,710	- 9.1
Construction				
Contracts awarded				
	\$	505,508,800	308,820,900	+ 63.7
Building Permits (58 Municipalities)				
	\$	207,740,454	97,843,672	+112.3
Employment - (Unadjusted) 1926=100				
Construction				
		122.9	102.4	+ 20.0
Building				
		137.7	92.0	+ 49.7
Highway				
		143.4	122.5	+ 17.1
Iron and Steel				
Steel Ingot Production				
	Short Ton	1,760,133	2,248,215	- 21.7
Pig Iron Production				
	Short Ton	1,032,067	1,367,389	- 24.5
Employment Durable Goods				
	1926=100	191.2	244.3	- 21.7

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THE ECONOMIC SITUATION IN CANADA
 For the first Nine Months 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.

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

	Unit or Base Period	First Nine Months		Per Cent Increase + Decrease -
		1946	1945	
Trade				
Wholesale Sales (8 mos.)	1935-39=100	239.0	199.1	+ 20.0
Retail Sales (8 mos.)	1935-39=100	199.1	173.3	+ 14.9
Exports	\$ '000	1,683,096	2,556,866	- 34.2
Imports	\$ '000	1,360,810	1,187,770	+ 14.6
Active Balance of Trade	\$ '000	+ 322,286	+ 1,369,096	- 76.5
Net Exports of Non-Monetary Gold	\$ '000,000	74.4	72.3	+ 2.9
Dominion Finance, April to				
September Total Revenue	\$	1,344,268,248	1,295,666,471	+ 3.8
Ordinary Expenditures	\$	554,650,068	434,388,420	+ 27.7
Demobilization and Reconversion				
Expenditures	\$	664,937,244	1,738,783,436	- 61.8
United Nations Mutual Aid	\$	-	710,209,192	-
Grand Total Expenditures	\$	1,225,371,857	2,177,653,763	- 43.7
Aggregate Weekly Payrolls				
June 1, 1941=100 (Nine Groups) ..		138.6	143.2	- 3.2
Average Weekly Earnings				
(Nine Groups)	\$	32.11	32.05	+ 0.2
Employment General	1926=100	170.3	176.5	- 3.5
Logging		258.5	239.9	+ 7.8
Communication		138.0	115.1	+ 19.9
Transportation		126.3	123.5	+ 2.3
Services		222.6	204.1	+ 9.1
Trade		187.2	171.9	+ 8.9
Finance		142.1	129.1	+ 10.1
Dividends	\$	219,160,371	195,884,583	+ 11.9
Dominion Government Interest				
Payments (April to September) ...	\$	202,553,991	172,982,605	+ 17.1
Index of Bond Yields	1935-39=100	85.4	95.6	- 10.7
Banking				
Current Loans	\$ '000,000	1,166,140	1,076,209	+ 8.4
Money Supply	\$ '000,000	7,100	6,331	+ 12.3
Deposits (Notice and Demand)	\$ '000	5,399,326	4,639,753	+ 16.4
Circulating Media	\$ '000,000	1057.8	1020.0	+ 3.7
Security Holdings	\$ '000	4,249,535	3,786,476	+ 12.2
Bank Debits (33 Centres)	\$ '000	50,808,380	47,970,222	+ 5.9

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



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1.71 +
1.01 -

1.8 +
6.21 +
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