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DEPARTMENT OF TRADE AND COMMERCE

DOMINION BUREAU OF STATISTICS

GENERAL STATISTICS BRANCH

BUSINESS CONDITIONS IN CANADA

during the first eleven months of 1940

compared with the

same period of 1939

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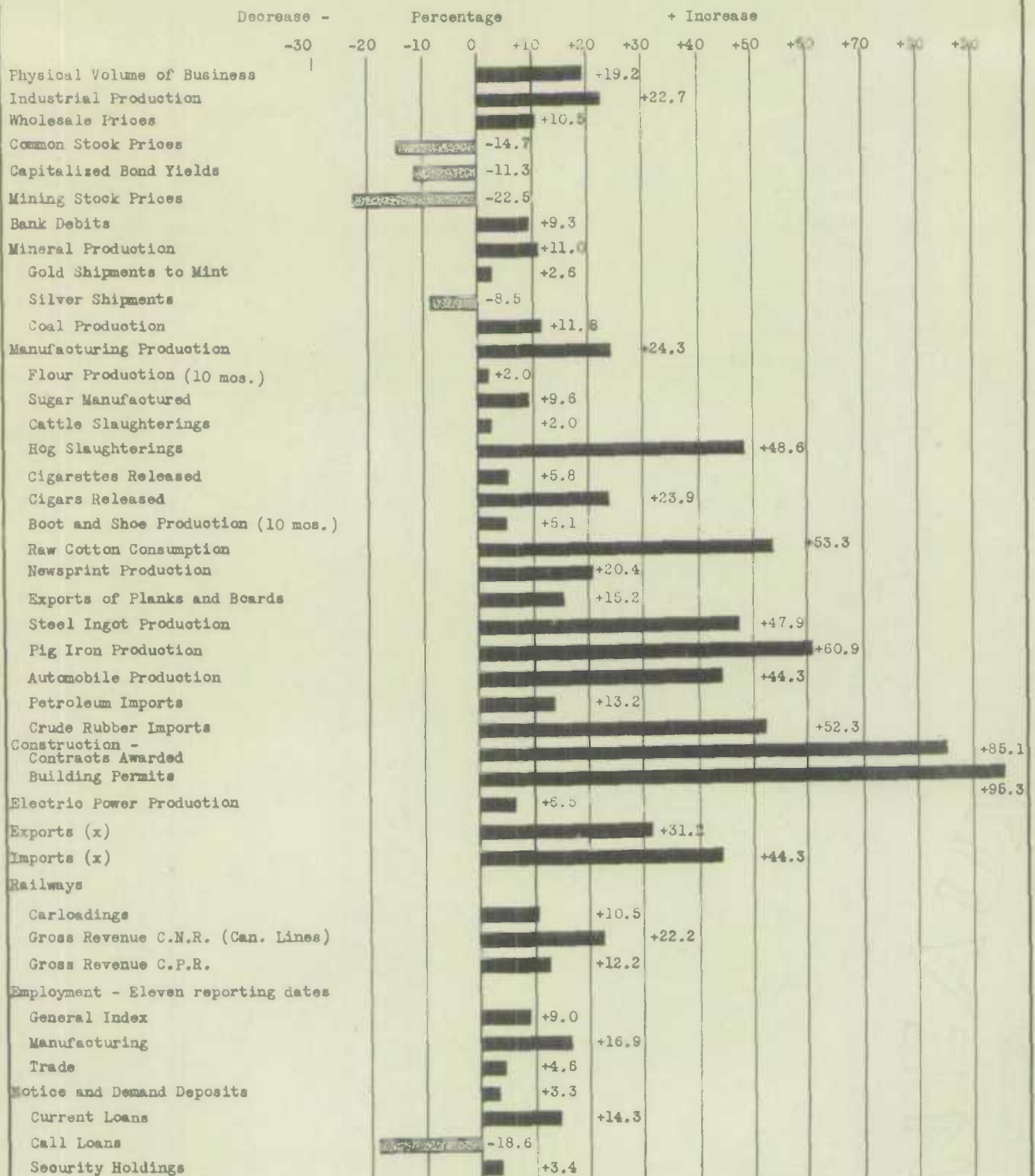
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The Economic Situation in Canada

in the First Eleven Months

of 1940

as compared with the same period of 1939.



(x) Excluding Gold.

- Dominion Bureau of Statistics -

GENERAL STATISTICS BRANCH

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BUSINESS CONDITIONS IN CANADA DURING THE FIRST ELEVEN MONTHS OF 1940
COMPARED WITH THE SAME PERIOD OF LAST YEAR

The economic system of Canada was profoundly affected by the impact of war conditions. The transfer to the war economy was effected without undue dislocation, the process beginning immediately upon the outbreak of hostilities. The intense mechanization of modern warfare led to insistent demand for expensive weapons and supplies of all kinds required for the maintenance of the fighting forces and their transport to the scene of conflict.

The barometers of business activity were practically unanimous in recording expansion. The index of the physical volume of business was more than 19 p.c. higher in the first eleven months of 1940 than in the same period of the preceding year. The main industrial centres favoured with diversified plant and equipment and extensive transport facilities participated fully in the revival of production. Strong governmental action served to allay fears of shortages in raw materials and prices recorded remarkable stability after the rise in the first few months of hostilities.

An important rise in the national income was occasioned by the impact of the war, the present scope of Canada's participation being conducive to the increase. The money flow during the year just ended was greatly expanded by three important developments.

A major stimulating force was the expansion in plant and equipment. The new business obtained by the construction industry in the form of contracts awarded and building permits recorded a gain of 85 p.c. and 95 p.c., respectively. The Minister of Munitions and Supply announced some time ago that the total capital expenditures and commitments for new plants in connection with the war effort amounted to \$250 million. Some of the plants are already in operation but construction has only recently commenced on others.

While the expansion in the capital equipment in the country is now of large proportions, the secondary effect should not be overlooked. The additional income earned in the production of building materials and construction has led to an accelerated demand for consumption goods. The addition to employment in consumers' goods industries is a secondary expansion which is now adding appreciably to the national income.

Another important acquisition to the money flow consisted of receipts from visible and invisible exports. The expansion of demand from Britain and the Commonwealth more than counterbalanced the loss of trade with countries falling under German domination. The export trade is a potent vitalising force in the Dominion's economic life. Exports in the first eleven months of last year amounted to \$1,094.5 million compared with \$833.9 million in the same period of the preceding year, a gain of 31 p.c. The net export balance of gold excluded from the above statement was \$185.7 million compared with \$169.6 million one year before.

In the third place, it is clear that the deficit financing of the Dominion Government since the war commenced is an important method of generating additional incomes and purchasing power. Canada's expenditures listed under War Appropriation in the first eight months of the current fiscal year amounted to \$392.8 million. The Minister of Finance informed the House of Commons, last August, that the probable cost of the current year's war program would be \$940 million aside from the expenditures on ordinary governmental services. During the first four months of hostilities war costs amounted to \$45 million and they totalled \$62 million during the next three months to the end of the fiscal year.

A change in the character of production has taken place. It commenced with the closure of certain export and import markets, forcing a tendency towards greater dependence upon domestic production. Against the background of abundant natural resources, Canada has made an effective contribution to the operations of the war. The wide margin of potential production above what is needed for consumption with large initial resources of labour, capital and raw materials has placed the Dominion in a favourable position in this regard.

The impact of the war has resulted in considerable fluctuation in the major economic factors of Canada. Wholesale prices advanced considerably during the last four months of 1939, the general level remaining remarkably steady during the year just ended. High-grade bonds dropped sharply during the first month of hostilities but the subsequent recovery has counterbalanced a considerable proportion of that reaction. Common stock prices advanced during the first two months of the war period but due to adverse developments in France, showed marked decline during May and June.

The recovery in the last half of 1940 was of minor proportions. While considerable fluctuation was shown in the deposit liabilities of the chartered banks, the average during 1940 was greater than in any other year in the history of Canadian banking.

The most constructive economic factor was the spectacular advance in business operations and it is now evident that production was greater in 1940 than in any other year in history. The index of the physical volume of business averaged 144.7 in the first eleven months of 1940 against 121.4 in the same period of the preceding year, an increase of 19.2

THE HISTORY OF THE
CITY OF BOSTON

FROM THE FIRST SETTLEMENT TO THE PRESENT TIME
BY SAMUEL JOHNSON

The city of Boston, situated on a neck of land between the harbor and the bay, was first settled in 1630 by a company of Puritan emigrants from England. The city grew rapidly, and by 1690 it was the largest city in New England. The city was the center of the American Revolution, and it was here that the first battle of the war was fought. The city was the seat of the first American government, and it was here that the first American constitution was adopted. The city was the birthplace of the American Republic, and it was here that the first American president was elected.

The city of Boston has a long and illustrious history. It was the first city in America to be founded by a group of men who were determined to create a new society based on the principles of the Bible. The city was the first city in America to be founded by a group of men who were determined to create a new society based on the principles of the Bible. The city was the first city in America to be founded by a group of men who were determined to create a new society based on the principles of the Bible.

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Statistics Illustrating the Economic Situation of Canada in the First Eleven Months of 1940, Compared with the Same Period of 1939.

Item	Unit or base period	First Eleven Months of:		Increase + Decrease -
		1940	1939	
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1926=100	144.7	121.4	+ 19.2
Index of Industrial Production	1926=100	152.7	124.5	+ 22.7
Wholesale Prices	1926=100	82.8	74.9	+ 10.5
Index of Common Stock Prices	1926=100	85.6	100.4	- 14.7
Capitalized Bond Yields, Dominion	1926=100	138.2	155.8	- 11.3
Mining Stock Prices	1926=100	116.5	150.4	- 22.5
Bank Debits	\$000	31,229,127	28,560,485	+ 9.3
<u>Production and General Business</u>				
Mineral Production	1926=100	239.2	215.4	+ 11.0
Gold Receipts	Fine Ozs.	4,550,763	4,435,231	+ 2.6
Silver Shipments	Fine Ozs.	18,456,055	20,161,568	- 8.5
Coal Production	Tons	15,564,271	13,923,061	+ 11.8
Manufacturing Production	1926=100	145.8	117.3	+ 24.3
Flour Production (10 mos.)	Bbls.	13,590,361	13,326,675	+ 2.0
Sugar Manufactured	Lbs.	886,565,423	809,120,369	+ 9.6
Cattle Slaughtering	No.	1,490,310	1,455,808	+ 2.4
Hog Slaughtering	No.	4,793,019	3,224,575	+ 48.6
Cigarettes released	No.	6,997,004,339	6,613,813,090	+ 5.8
Cigars released	No.	148,807,427	120,150,593	+ 5.1
Raw Cotton Consumption	Lbs.	175,118,528	114,207,670	+ 53.3
Paper and Paper Products -				
Newsprint Production	Tons	3,165,906	2,628,610	+ 20.4
Exports of Planks and Boards	M ft.	2,261,389	1,962,894	+ 15.2
Iron and Steel -				
Steel Ingot Production	Long Tons	1,825,752	1,234,765	+ 47.9
Pig Iron Production	Long Tons	1,064,417	661,562	+ 60.9
Automobile and Allied Industries -				
Automobile Production, Cars and Trucks	No.	199,620	138,338	+ 44.3
Petroleum Imports	000 Gals.	1,407,107	1,243,116	+ 13.2
Crude Rubber Imports	Lbs.	97,452,005	63,994,328	+ 52.3
Construction -				
Contracts Awarded	\$	329,091,900	177,749,300	+ 85.1
Building Permits 1/	\$	104,342,666	53,431,902	+ 95.3
Electric Power Production	000 K.W.H.	27,495,907	25,816,206	+ 6.5
External Trade - (x)				
Exports	\$	1,094,506,932	833,948,985	+ 31.2
Imports	\$	979,648,243	678,946,196	+ 44.3
Excess of exports over imports	\$	114,858,689	155,002,789	- 25.9
Railways -				
Carloadings	No.	2,595,715	2,349,102	+ 10.5
Gross Revenue C.N.R. (Can. Lines)	\$	192,033,000	157,084,250	+ 22.2
Gross Revenue C.P.R.		154,956,000	138,105,545	+ 12.2
Employment - 12 months' average unadjusted -				
General Index	1926=100	124.2	113.9	+ 9.0
Manufacturing		131.3	112.3	+ 16.9
Logging		166.9	119.1	+ 40.1
Mining		168.4	163.8	+ 2.8
Construction		90.7	113.0	- 19.7
Building		83.5	62.2	+ 34.2
Highway		122.1	218.8	- 44.2
Trade		142.9	136.6	+ 4.6
Banking - Eleven months' average -				
Notice and Demand Deposits	\$	2,508,309,627	2,427,038,580	+ 3.3
Current Loans	\$	965,809,081	844,897,658	+ 14.3
Call Loans - Canada	\$	44,465,645	54,648,737	- 18.6
Security Holdings	\$	1,583,053,772	1,530,541,962	+ 3.4

(x) Excluding gold.
1/ 58 Municipalities.

39 items show increases.
8 items show decreases.

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