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CANADA

DEPARTMENT OF TRADE AND COMMERCE

DOMINION BUREAU OF STATISTICS

GENERAL STATISTICS BRANCH

ECONOMIC CONDITIONS IN CANADA

during the calendar year of 1940

compared with 1939

+ + +

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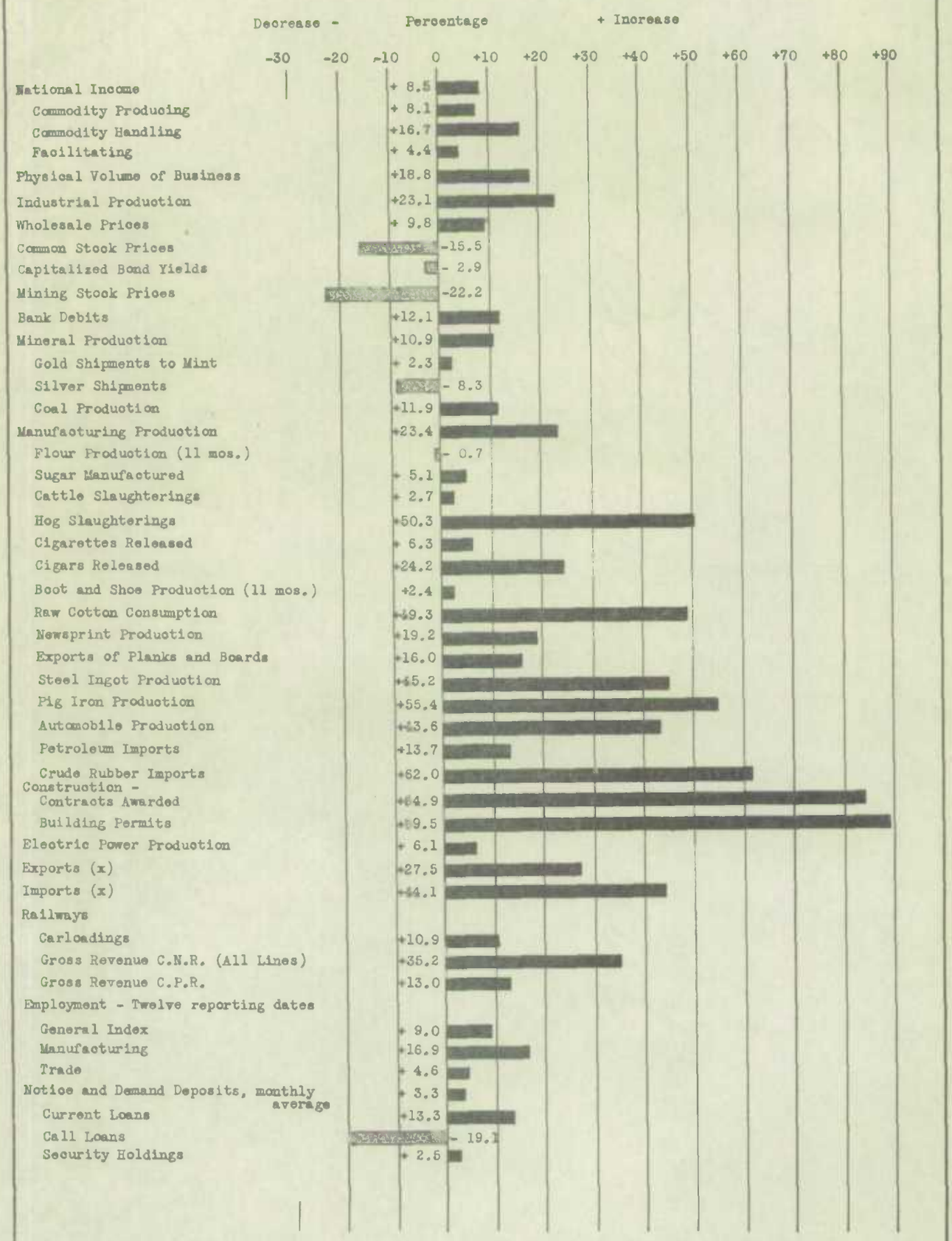
The Economic Situation in Canada

in the Calendar Year

of 1940

as compared with 1939.



(x) Excluding gold.

- Dominion Bureau of Statistics -

DOMINION BUREAU OF STATISTICS - OTTAWA

GENERAL STATISTICS BRANCH

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ECONOMIC CONDITIONS IN CANADA DURING THE CALENDAR YEAR OF 1940 COMPARED WITH 1939.

The acceleration in economic operations in Canada during 1940 resulted in an increase in the national income from $4,409 million in the preceding year to $4,784 million. The indicated increase of 8.5 per cent reflects the impact of the war leading to greater activity in most sections of the Canadian economic system.

The minor recession of two years ago was terminated upon the outbreak of hostilities and the volume of production has recently risen to the highest point in our economic history. The index of the physical volume of business maintained by the Dominion Bureau of Statistics reached, during 1940, a level far surpassing that of 1929, generally regarded as abnormally prosperous. The output of numerous industries is at record levels and quantitative information indicates that some industries are working at or near capacity with signs of a scarcity of some types of skilled labour.

The commodity-producing activities, including the nine main branches of production, as listed in the Survey of Production, recorded an increase of 8.1 p.c. during 1940, the income produced having been $2,252 million against $2,083 million in 1939. The percentage increase in the commodity-handling industries, including transportation and trade, was of considerably greater proportions. The total was $983 million in 1940 compared with $843 million in the preceding year, a gain of 16.7 p.c. The facilitating activities embracing finance, government and service, contributed to the national income to the amount of $1,549 million against $1,484 million in the preceding year, a gain of 4.4 p.c.

The insatiable demands of war are the basis of the present prosperity. It was announced by the Department of Munitions and Supply that the amount of contracts placed on Canadian and United Kingdom account, excluding certain contracts pending under the plant extension program, was $1,105.8 million. These contracts, numbering 73,899, were placed by the Department of Munitions and Supply and its two predecessor purchasing bodies. The sum of $307.1 million was expended on the plant extension program alone. This amount is an appreciable addition to the private extension of productive facilities. The manufacture of munitions is for the present purpose on a somewhat similar footing with the extension of capital equipment within the country.

Capital formation in the physical sense is one of the most prominent of the determinants of national income. Important expenditure under this heading adds greatly to the money flow. The secondary effect is of equal importance with the direct impetus. The production of construction material and the disposal of the income of the employees engaged on enterprises of this type contribute to economic expansion. Construction contracts awarded amounted to $346 million against $187.2 million in 1939, a gain of nearly 85 p.c. A portion of the war contracts is included in the compilation.

Canadian prosperity has always been dependent to a large extent on exports, in the broad sense. External trade is particularly vital to the economy of Canada. Abundant natural resources encourage the production of a considerable number of commodities far in excess of the normal requirements of the domestic market. There are conversely products, especially raw materials, difficult or impossible to produce in this country and necessary importation of these products encourages an exchange of goods in international markets. The export of merchandise, excluding gold, was $1,193 million in 1940 against $936 million in the preceding year, a gain of 27.5 p.c. As imports were $1,082 million in the year under review, a considerable excess of exports over imports was shown. The loss of export markets on the continent of Europe during the first year of war was more than offset by expansion in the purchases of other countries. The decline in receipts of United States exchange by means of tourist trade was considerable, according to the record of sixty-day tourist permits. Counterbalancing to a certain extent the appreciable decline of American travel in Canada was the much greater decline, relatively, in the number of Canadians travelling in the United States.

The most constructive factor in economic conditions during the year under review was the spectacular advance in business operations. The index of the physical volume of business averaged 145.4 during the year against 122.4 in 1939, a gain of nearly 19 p.c. In the early months of 1940, the index rose to a level corresponding to the maximum reached in 1929, the culmination of the last prosperity period. The steady advance, after the first quarter, carried the index into new high territory in the industrial history of Canada. Commodity prices recovered sharply in the last four months of 1939 following the outbreak of hostilities, while a moderate advance was in evidence during the last half of 1940. The general level of commodity prices was characterized by relative steadiness throughout the year.

High-grade bond prices recovered considerably from October 1939 to the end of the year under review. The recovery followed a marked reaction during the first month of the conflict. The index of capitalized bond yields crossed the inter-war trend line

in the upward direction during the last month of the year. The course of common stock prices reflected the influence of the uncertainties of the war, the repatriation of Canadian securities held in Britain and the effect of heavy taxation upon the chief operating companies. A sharp reaction occurred during May and June reflecting the adverse military operations in France. The subsequent recovery was of moderate proportions. The index of common stock prices averaged nearly 85 against 100.5 in the preceding year, a decline of 15.5 p.c.

The index of mineral production, based upon nine factors, rose from 214 in 1939 to 237.6, a gain of nearly 11 p.c. An increase of nearly 12 p.c. was shown in coal production which amounted to 17.2 million tons. Gold receipts at the Mint recorded a gain of 2.3 p.c. over the high level of the preceding year, the total having been 4,966,000 fine ounces.

The index of manufacturing production rose 23.4 p.c. to 146.7. Advances were recorded in a large majority of the thirty factors used in the compilation. The gain in hog slaughterings, indicating conditions in the meat-packing industry, was 50 p.c., the total having been 5.5 million head. Raw cotton consumption, an important indicator of conditions in the textile industry, rose from 128 million pounds to 191 million, a gain of more than 49 p.c. Appreciable increases were recorded in the production of newsprint and the export of planks and boards. Steel ingot production rose 45 p.c. while the output of pig iron was 55 p.c. greater. The production of automobiles rose 44 p.c. to nearly 223,000 units. The imports of crude petroleum, indicating activity in the oil industry, recorded a gain of nearly 7 p.c., the total having been 1,484 million gallons.

The war accounts for the heavy deficit financing of the Dominion Government. The short term result is the enhancement of prosperous conditions and a rise in national income. Dominion revenues, owing to increased taxation advanced to $572.6 million in the first nine months of the present fiscal year, against $398.8 million in the corresponding period one year ago. Total expenditures rose from $414.4 million to $795.6 million in the same comparison, war appropriations alone having been $477 million against $86.8 million in the corresponding nine-month period. It seems reasonable to conclude that the effect of the excess of government expenditure over revenues in stimulating increased total incomes has really only begun and will have a much greater influence during the present year.

A tangible development bearing on Canadian conditions during the next seven months is the heavy volume of the last harvest. The bacon trade has proved a considerable source of income to Canadian farmers, the current stocks of Canadian grain and forage tending to buttress the production of dairy and meat products. The wave of prosperity in the United States will assist in providing a market while domestic requirements will be heavier as indicated by the volume of productive operations.

The general index of employment was 124.2 in 1940 against 113.9, a gain of 9 p.c. Gains of 16.9 and 2.8 p.c. were shown in manufacturing and mining, respectively. Building construction rose 34 p.c. and the moderate gain of 4.6 p.c. was shown in trading activities.

The deposit liabilities of the chartered banks rose to a new high point at $2,522 million compared with $2,441 million in the preceding year, a gain of 3.3 p.c. As bank debits or the amount of cheques cashed in clearing centres rose from $31.6 billion to $35.4 billion, it is evident that the turnover of bank deposits recorded a considerable acceleration. Current loans averaged 13 p.c. greater in 1940, while the security holdings of the banks rose 2.5 p.c. to $1,578.7 million.

February 6, 1941

Statistics Illustrating the Economic Situation of Canada in the Calendar Year of 1940, Compared with 1939.

Item	Unit or base period	The Calendar Year of: 1940	1939	Increase + Decrease -
National Income	$000	4,784,269	4,409,162	+ 8.5
Commodity Producing	$000	2,252,153	2,082,825	+ 8.1
Commodity Handling	$000	983,084	842,718	+ 16.7
Facilitating	$000	1,549,032	1,483,619	+ 4.4
General Economic Situation				
Index of Physical Volume of Business	1926=100	145.4	122.4	+ 18.8
Index of Industrial Production	1926=100	153.3	124.5	+ 23.1
Wholesale Prices	1926=100	82.9	75.5	+ 9.8
Index of Common Stock Prices	1926=100	84.9	100.5	- 15.5
Capitalized Bond Yields, Dominion	1926=100	138.6	142.8	- 2.9
Mining Stock Prices	1926=100	116.4	149.7	- 22.2
Bank Debits	$000	35,437,475	31,617,352	+ 12.1
Production and General Business				
Mineral Production	1926=100	237.6	214.3	+ 10.9
Gold Receipts	Fine Ozs.	4,965,828	4,852,714	+ 2.3
Silver Shipments	Fine Ozs.	19,971,496	21,769,861	- 8.3
Coal Production	Tons	17,207,363	15,380,886	+ 11.9
Manufacturing Production	1926=100	146.7	118.9	+ 23.4
Flour Production (11 mos.)	Bbls.	15,178,789	15,287,104	- 0.7
Sugar Manufactured	Lbs.	1,050,570,832	999,510,880	+ 5.1
Cattle Slaughterings	No.	1,593,677	1,552,496	+ 2.7
Hog Slaughterings	No.	5,454,930	3,628,369	+ 50.3
Cigarettes released	No.	7,571,841,581	7,126,192,927	+ 6.3
Cigars released	No.	165,673,118	133,360,973	+ 24.2
Raw Cotton Consumption	Lbs.	191,300,836	128,130,167	+ 49.3
Paper and Lumber -				
Newsprint Production	Tons	3,418,803	2,869,266	+ 19.2
Exports of Planks and Boards	M ft.	2,451,638	2,113,206	+ 16.0
Iron and Steel -				
Steel Ingot Production	Long Tons	2,011,172	1,384,827	+ 45.2
Pig Iron Production	Long Tons	1,174,894	756,182	+ 55.4
Automobile and Allied Industries -				
Automobile Production, Cars and Trucks	No.	222,984	155,316	+ 43.6
Petroleum Imports	000 Gals.	1,484,537	1,305,909	+ 13.7
Crude Rubber Imports	Lbs.	113,773,959	70,212,487	+ 62.0
Construction -				
Contracts Awarded	$	346,010,200	187,178,500	+ 84.9
Building Permits 1/	$	112,691,456	59,467,114	+ 89.5
Electric Power Production	000 K.W.H.	30,080,248	28,350,964	+ 6.1
External Trade - (x)				
Exports	$	1,193,217,592	935,921,713	+ 27.5
Imports	$	1,081,950,719	751,055,534	+ 44.1
Excess of exports over imports	$	111,266,873	184,866,179	
Railways -				
Carloadings	No.	2,826,986	2,548,964	+ 10.9
Gross Revenue C.N.R.(All Lines)	$	212,300,711	157,084,250	+ 35.2
Gross Revenue C.P.R.	$	170,964,897	151,280,700	+ 13.0
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 - Twelve months' average -				
Notice and Demand Deposits	$	2,521,950,495	2,440,957,546	+ 3.3
Current Loans	$	968,547,905	854,511,568	+ 13.3
Call Loans - Canada	$	44,116,757	54,508,836	- 19.1
Security Holdings	$	1,578,717,047	1,540,327,251	+ 2.5

(x) Excluding gold.
1/ 58 Municipalities.

Forty items showed increases, while six items recorded declines.

CHART 2 - NATIONAL INCOME BY MONTHS,

1939 - 1940