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DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
GENERAL STATISTICS BRANCH

ECONOMIC CONDITIONS IN CANADA

during January 1941

compared with January 1940

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OTTAWA

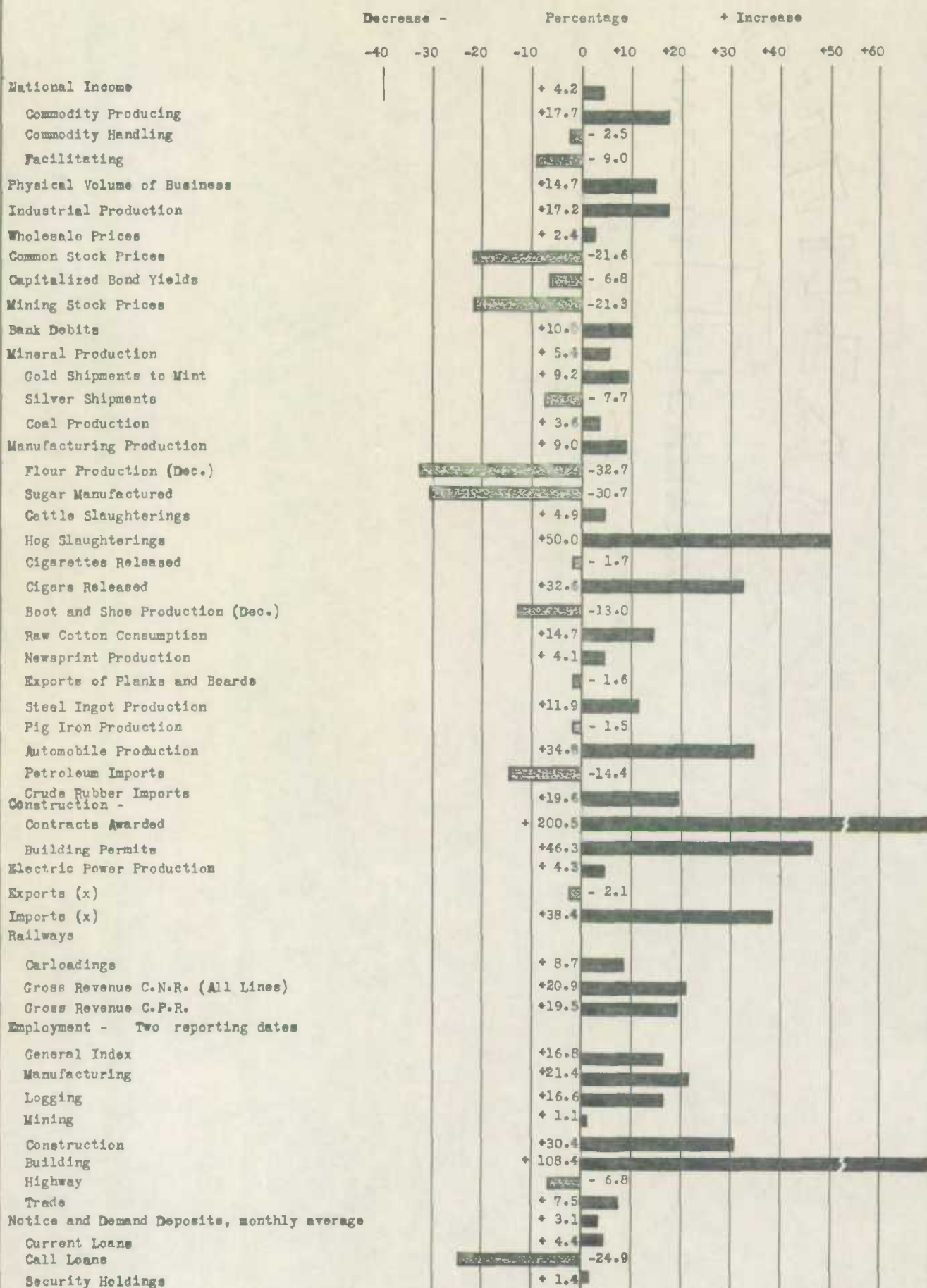
1941

Price \$1 a year

The Economic Situation in Canada

January, 1941

as compared with January, 1940.



(x) Excluding gold

DOMINION BUREAU OF STATISTICS - OTTAWA
GENERAL STATISTICS BRANCH

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ECONOMIC CONDITIONS IN CANADA DURING JANUARY 1941 COMPARED WITH THE
SAME MONTH OF LAST YEAR.

Estimated national income in the first month of the year was \$422 million, the gain over December when the standing was \$419 million having been 0.7 p.c. As the estimate for January, 1940, was \$405 million, an increase of \$17 million or 4.2 p.c. was recorded. The standing of the money income in the calendar year 1940 was higher than in any similar period in the last ten years. The estimate of real income, obtained by adjusting for price changes, was greater in 1940 than in any other year in history. The real income based on prices for 1926 was \$5,090 million in 1940, compared with the previous maximum of \$5,022 million in 1928.

The indexes of fundamental importance indicating the trend of conditions in Canada were generally favourable in January compared with the preceding month. The advance in business operations continued, the index of the physical volume of business reaching a new high point.

Minor advances were shown in common stock and wholesale commodity prices. The index of wholesale prices has shown a moderate advance since last May. Due mainly to the advance in the last four months of 1939, the level of the index during 1940 was considerably higher than in the preceding year. The standing in January, however, was still below the intermediate maximum reached in 1937.

High-grade bond prices averaged higher in January than in any month since August, 1939. A considerable proportion of the sharp reaction during the first month of hostilities has now been counterbalanced. The sum of the notice and demand deposits of the banks showed further increase at the first of January. The level was practically as high as on the same date of 1940. During the last twelve months, considerable fluctuation had been shown in bank deposits due in part to payments for war loans.

The marked expansion in productive operations during the last twelve months was indicated by an advance in the index of the physical volume of business from 113.8 in January, 1940, to 130.5 in the first month of the present year. The acceleration was practically general throughout the economic system, advances being recorded in each of the five main segments represented in the index of the physical volume of business. The advance in the index of mineral production was from 116.4 to 122.7. It was recently announced that the value of mineral production in 1940 was \$529.2 million compared with \$474.6 million in 1939. The value of gold produced by Canadian mines rose from \$184.1 million to \$204.9 million. Marked expansion was shown in the production of base metals including nickel, copper, lead and zinc.

The index of manufacturing production rose from 130.2 in January, 1940, to 141.9 in the month under review, important increases having been shown in the production of most of the commodities considered in this connection. The new business obtained by the construction industry rose sharply in January as compared with the same month of last year. The index for the industry, after correction for changes in building costs rose from 94.9 to 275.3. The index of electric power production was 116.7 against 111.0 one year ago. The compilation for distribution rose from 96.7 to 105.4, reflecting increases in each of the components, except merchandise exports, where a minor recession was shown.

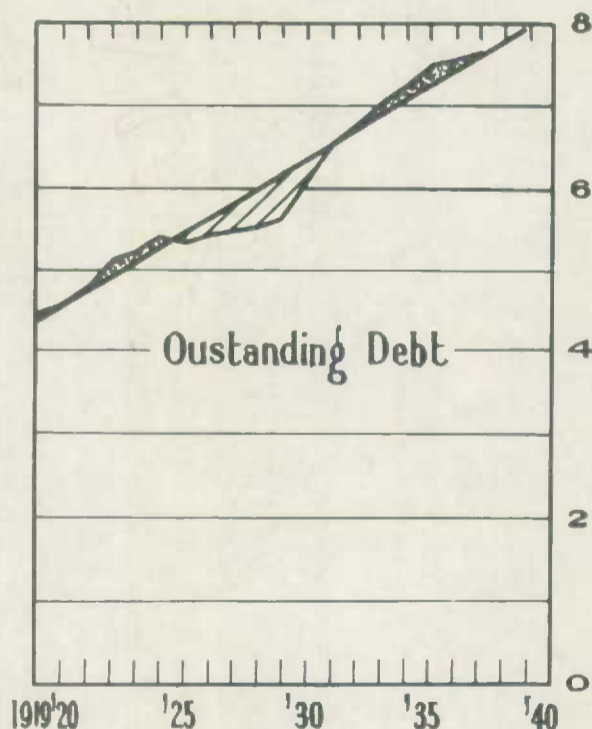
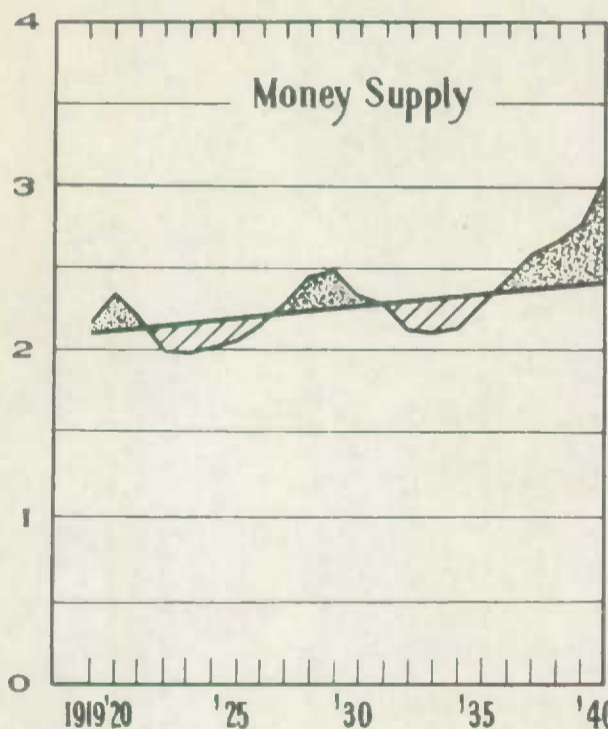
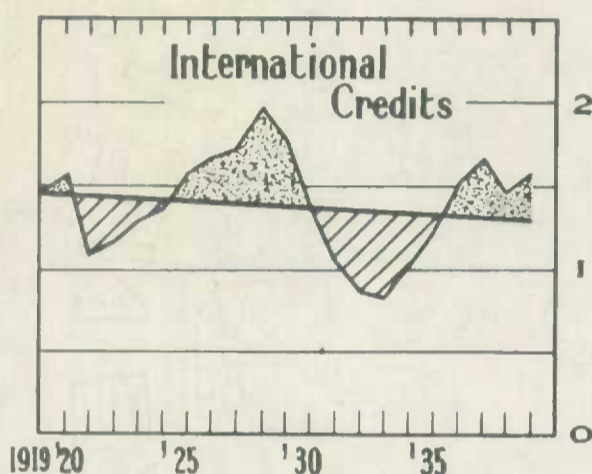
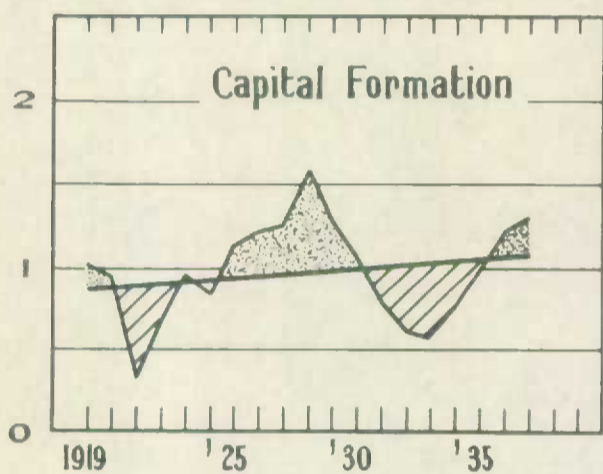
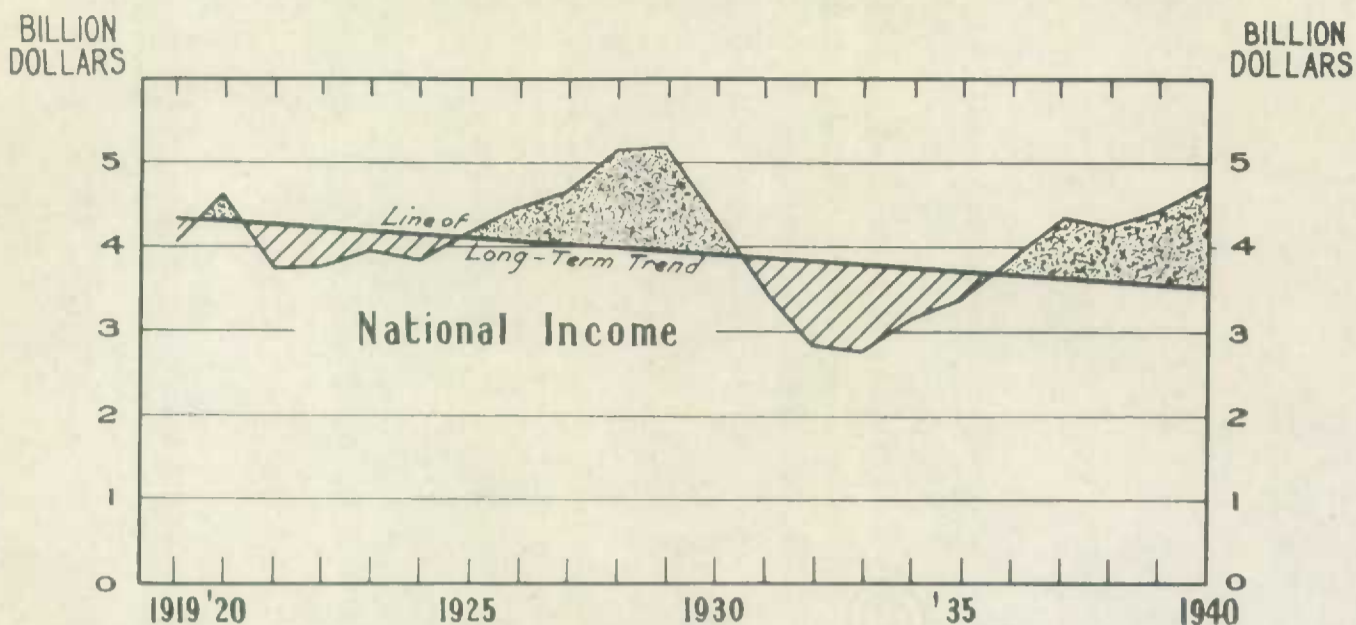
The index of the output of producers' goods was 151.9 compared with 119.9, while a minor increase was shown in the production of consumers' goods, the index rising from 108.1 to 110.4.

Sales of department stores in Canada were 10 p.c. greater in January of this year than last but dropped to less than half the volume of business transacted in December. The decline from December was greater than the usual seasonal movement between these two months and reflects the reaction from the high level of consumer buying in the last month of the year. The adjusted index of sales was 122.6 against 132.2 in December and 112.6 in January last year. The cost of living index, on the base 1935-1939 rose to 108.3 in January from 108.0 in December, and 103.8 in the same month of 1940. Recently constructed indexes of cost of living in eight cities indicate advances between August, 1939 and December, 1940, as follows: Halifax 15.2 p.c., Saint John 12.4 p.c., Montreal 10.5 p.c., Toronto 7.6 p.c., Winnipeg 10.2 p.c., Saskatoon 12.1 p.c., Edmonton 9.8 p.c., and Vancouver 9.1 p.c. Aside from the Maritime cities and Toronto, the advances were closely grouped around 10 p.c.

COMPARISON OF NATIONAL INCOME

WITH

FOUR CAUSAL FACTORS, BY YEARS, 1919 - 1940



Canada's domestic exports in January, excluding gold, were valued at \$86.9 million compared with \$90.1 million in the same month one year ago. Foreign exports were valued at \$2,031,191 compared with \$743,704 a year ago. Reduction in exports of wheat flour was an important factor in the month's lower total. Total Canadian exports, excluding gold, were valued at \$1,179 million during 1940, which represented an increase of 18 p.c. over the 1937 peak and fully 16 p.c. over the average for the last ten years. A larger proportion (56 p.c.) of Canadian goods is recorded as going to Empire countries than in the preceding year. This was due partly to the large shipments of both materials of war and civil necessities to the United Kingdom and in particular to the removal of virtually all of continental Europe from the Canadian trading zone. Owing to the commercial activity of the United States, increasing orders for a great variety of goods that Canada ships to the great market to the South were filled during the year. Canada imported from the United States war supplies valued at \$48.4 million in 1940. Of this amount \$28.1 million was for military aircraft and \$9.6 million was for aircraft engines.

The year 1940 witnessed unprecedented expansion in industrial employment, a continuation and intensification of the upward movement which had its inception late in 1939. Apart from seasonal fluctuation, employment is expected to gain momentum in the months to come as a result of the development of Canada's war effort. The number of employees engaged in co-operating establishments was raised by more than one-fifth from January 1 to December 1, 1940. In a move to prevent the familiar inflation spiral of rising production and living costs, the Government has instructed conciliation boards appointed under the Industrial Disputes Investigation Act to recommend cost-of-living bonuses instead of wage increases. The period 1926-29 is established as a yardstick for fair and reasonable wage levels.

Dividend payments were unofficially estimated at \$22.4 million during January, an increase of \$1,260,000 over the same month of 1940. Enhanced payments by industrial companies accounted for the advance. The index of dividend payments by Nesbitt, Thomson and Company was 119.6 in January against 124.7 in the same month of 1940 and 120.5 in December last year. New bond financing during January was at a low level until the closing week when the announcement of a new issue of \$15 million Province of Ontario Guaranteed Hydro $3\frac{1}{4}$ p.c. bonds was made. Another issue was the \$1,200,000 Montreal Metropolitan Commission $4\frac{1}{2}$ p.c. bonds. Government and municipal financing during January was \$18.2 million compared with \$263.5 million in January last year when Canada's first war loan was sold, accounting for \$250 million of the 1940 total. Dominion of Canada three-months Treasury Bills sold for refunding purposes totalled \$75 million and the amount of these bills now outstanding is \$230 million. Combined interest and principal payments on Canadian public bonds during January were \$22 million below a year ago, while February's total will show an increase of about \$20 million. Payments on interest in January included some \$10.6 million worth of the New York pay option, while similar payments on principal account totalled \$1,285,000. Combined payments on domestic-pay indebtedness for the two months at \$43.2 millions compared with \$37.9 million a year ago.

Of a total of \$7,012 million of Dominion, C.N.R. and provincial debt, direct and guaranteed, the portion payable in Canada only, amounts to \$4.5 billions or 65.6 p.c., while indebtedness with a New York pay feature, mandatory or optional, amounts to \$1.7 billion or 24.5 p.c. of the total. The balance of \$691.1 million, or 9.9 p.c. of the total is London-pay.

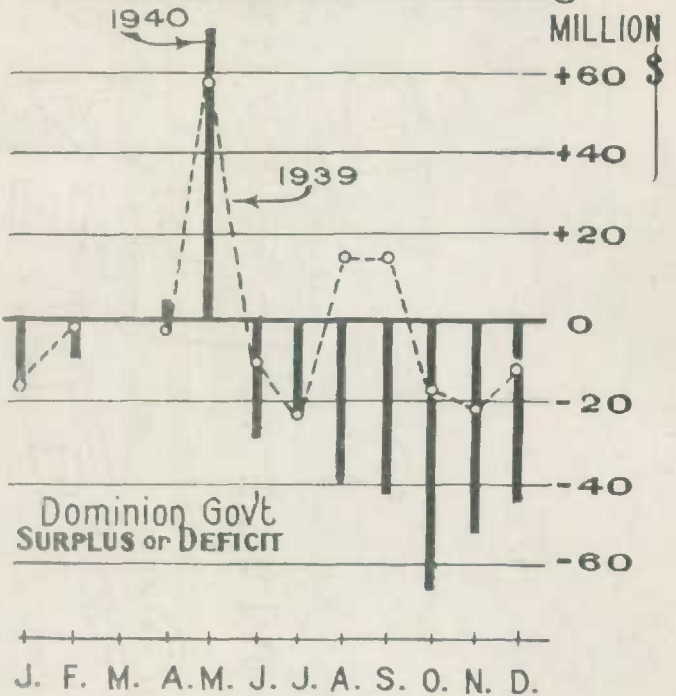
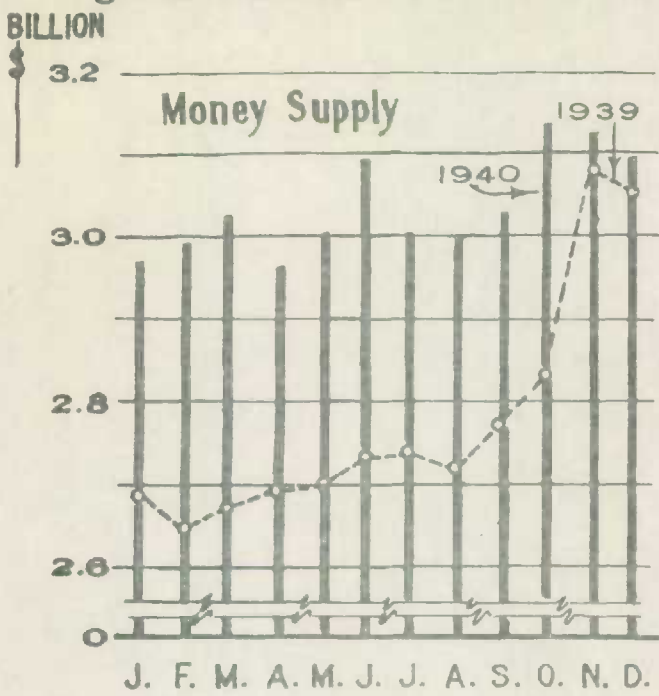
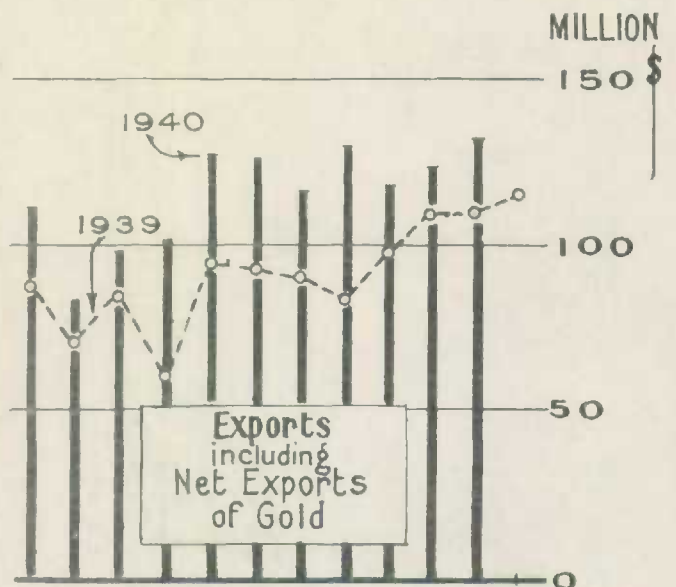
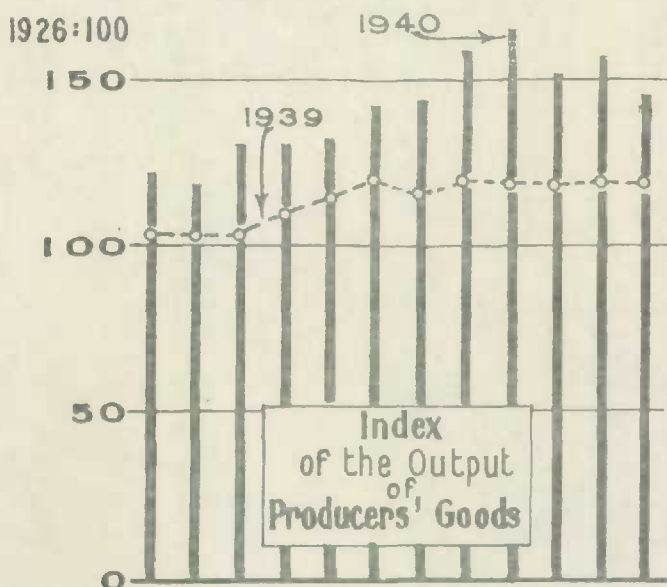
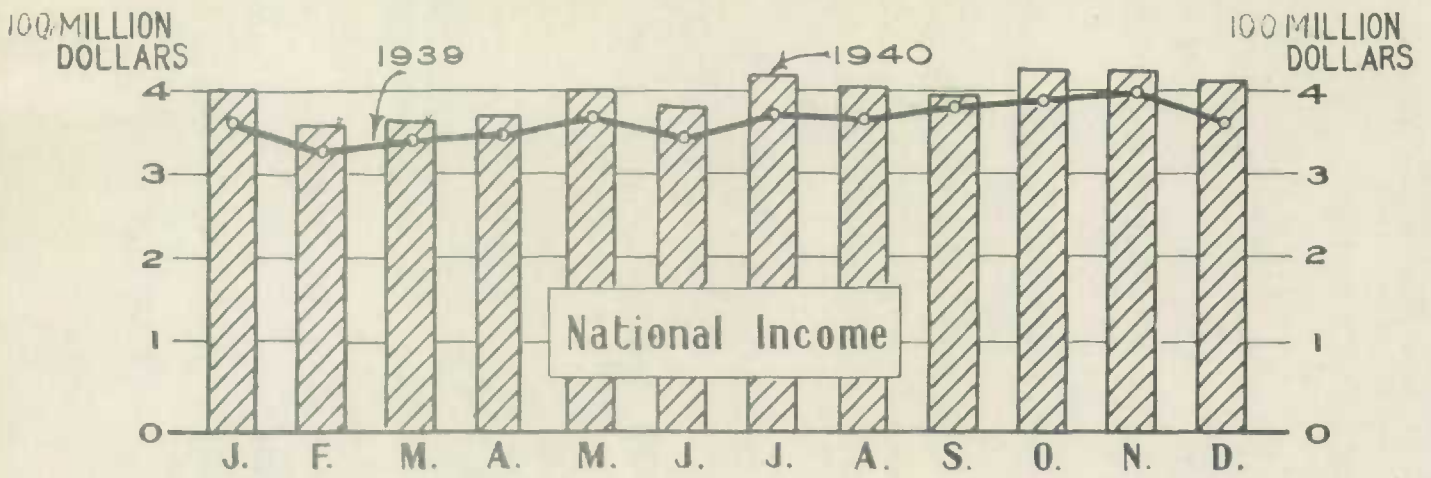
Showing the usual seasonal decline, current loans in Canada were \$22.6 million less in the combined statement for all chartered banks as of December 31, compared with November 30. Substantial increases were shown in demand and notice deposits and holdings of government and other securities. Net profits of the Bank of Canada on 1940 operations were more than double those earned in 1939, the figures, after providing for contingencies and reserve, being \$4.0 million and \$1.9 million, respectively.

The Dominion revenues amounted to \$80.2 million in January and expenditures to \$125 million, resulting in a deficit of \$44.8 million. A year ago the figures were, respectively, \$42.8 million, \$58.7 million and \$15.9 million. The latest month's total brought the revenue for the ten months of the present fiscal year to \$652.8 million and expenditures to \$920.6 million. More than half the national income, or a total of at least \$2,700 million will be taken by the federal, provincial and municipal governments for war and non-war purposes in the next fiscal year. The war expenditure was placed at \$1,420 million for that period.

COMPARISON OF NATIONAL INCOME

WITH

FOUR CAUSAL FACTORS, BY MONTHS, 1939-1940



Statistics Illustrating the Economic Situation of Canada January, 1941.

Compared with January, 1940

| Item | Unit or base period | January 1941 | January 1940 | Increase + Decrease - |
|---|---------------------|---------------|---------------|--------------------------|
| National Income | | | | |
| National Income | \$000 | 421,691 | 404,884 | + 4.2 |
| Commodity Producing | \$000 | 209,223 | 177,761 | + 17.7 |
| Commodity Handling | \$000 | 86,323 | 88,567 | - 2.5 |
| Facilitating | \$000 | 126,145 | 138,556 | - 9.0 |
| General Economic Situation | | | | |
| Index of Physical Volume of Business | 1935-9=100 | 130.5 | 113.8 | + 14.7 |
| Index of Industrial Production | 1935-9=100 | 145.1 | 123.8 | + 17.2 |
| Wholesale Prices | 1926=100 | 84.6 | 82.6 | + 2.4 |
| Index of Common Stock Prices | 1935-9=100 | 71.3 | 90.9 | - 21.6 |
| Capitalized Bond Yields, Dominion | 1935-9=100 | 96.3 | 103.3 | - 6.8 |
| Mining Stock Prices | 1935-9=100 | 79.4 | 100.9 | - 21.3 |
| Bank Debits | \$000 | 2,941,104 | 2,674,335 | + 10.0 |
| Production and General Business | | | | |
| Mineral Production | 1935-9=100 | 122.7 | 116.4 | + 5.4 |
| Gold Receipts | Fine Ozs. | 461,602 | 422,868 | + 9.2 |
| Silver Shipments | Fine Ozs. | 1,528,932 | 1,655,741 | - 7.7 |
| Coal Production | Tons | 1,745,482 | 1,684,924 | + 3.6 |
| Manufacturing Production | 1935-9=100 | 141.9 | 130.2 | + 9.0 |
| Flour Production (Dec.) | Bbls. | 1,076,132 | 1,599,966 | - 32.7 |
| Sugar Manufactured | Lbs. | 37,921,156 | 54,728,387 | - 30.7 |
| Cattle Slaughtering | No. | 108,107 | 103,057 | + 4.9 |
| Hog Slaughtering | No. | 575,820 | 383,920 | + 50.0 |
| Cigarettes released | No. | 623,571,303 | 634,271,934 | - 1.7 |
| Cigars released | No. | 13,120,418 | 9,897,643 | + 32.6 |
| Leather Boots and Shoes (Dec.) | Pairs | 1,553,657 | 1,785,179 | - 13.0 |
| Raw Cotton Consumption | Lbs. | 15,679,582 | 13,673,514 | + 14.7 |
| Paper and Lumber - | | | | |
| Newsprint Production | Tons | 261,298 | 251,032 | + 4.1 |
| Exports of Planks and Boards | M ft. | 164,892 | 167,527 | - 1.6 |
| Iron and Steel - | | | | |
| Steel Ingot Production | Long Tons | 186,303 | 166,496 | + 11.9 |
| Pig Iron Production | Long Tons | 103,085 | 104,703 | - 1.5 |
| Automobile and Allied Industries - | | | | |
| Automobile Production, Cars and Trucks | No. | 23,195 | 17,213 | + 34.8 |
| Petroleum Imports | 000 Gals. | 55,197 | 64,491 | - 14.4 |
| Crude Rubber Imports | Lbs. | 13,522,707 | 11,305,227 | + 19.6 |
| Construction - | | | | |
| Contracts Awarded | \$ | 26,579,800 | 8,844,700 | + 200.5 |
| Building Permits 1/ | \$ | 3,533,852 | 2,415,722 | + 46.3 |
| Electric Power Production | 000 K.W.H. | 2,634,695 | 2,526,143 | + 4.3 |
| External Trade - (X) | | | | |
| Exports | \$ | 88,952,659 | 90,853,837 | - 2.1 |
| Imports | \$ | 98,382,462 | 71,104,145 | + 38.4 |
| Excess of exports over imports | \$ | - 9,429,803 | + 19,749,692 | |
| Railways - | | | | |
| Carloadings | No. | 228,536 | 210,229 | + 8.7 |
| Gross Revenue C.N.R. (All Lines) | \$ | 17,711,000 | 14,645,000 | + 20.9 |
| Gross Revenue C.P.R. | \$ | 14,685,000 | 12,289,000 | + 19.5 |
| Employment - 2 months' average unadjusted - | | | | |
| General Index | 1926=100 | 134.7 | 115.3 | + 16.8 |
| Manufacturing | | 145.0 | 119.4 | + 21.4 |
| Logging | | 271.0 | 232.5 | + 16.6 |
| Mining | | 168.4 | 166.6 | + 1.1 |
| Construction | | 82.8 | 63.5 | + 30.4 |
| Building | | 108.6 | 52.1 | + 108.4 |
| Highway | | 81.0 | 86.9 | - 6.8 |
| Trade | | 153.9 | 143.2 | + 7.5 |
| Banking - Twelve months' average - | | | | |
| Notice and Demand Deposits | \$ | 2,677,353,617 | 2,598,046,177 | + 3.1 |
| Current Loans | \$ | 998,650,175 | 956,144,714 | + 4.4 |
| Call Loans - Canada | \$ | 35,828,880 | 47,732,191 | - 24.9 |
| Security Holdings | \$ | 1,677,210,630 | 1,653,870,370 | + 1.4 |

(X) Excluding gold.

1/ 58 Municipalities.