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

ECONOMIC CONDITIONS IN CANADA

during the first ten months of 1941

compared with the same period of the

preceding year

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OTTAWA

1941

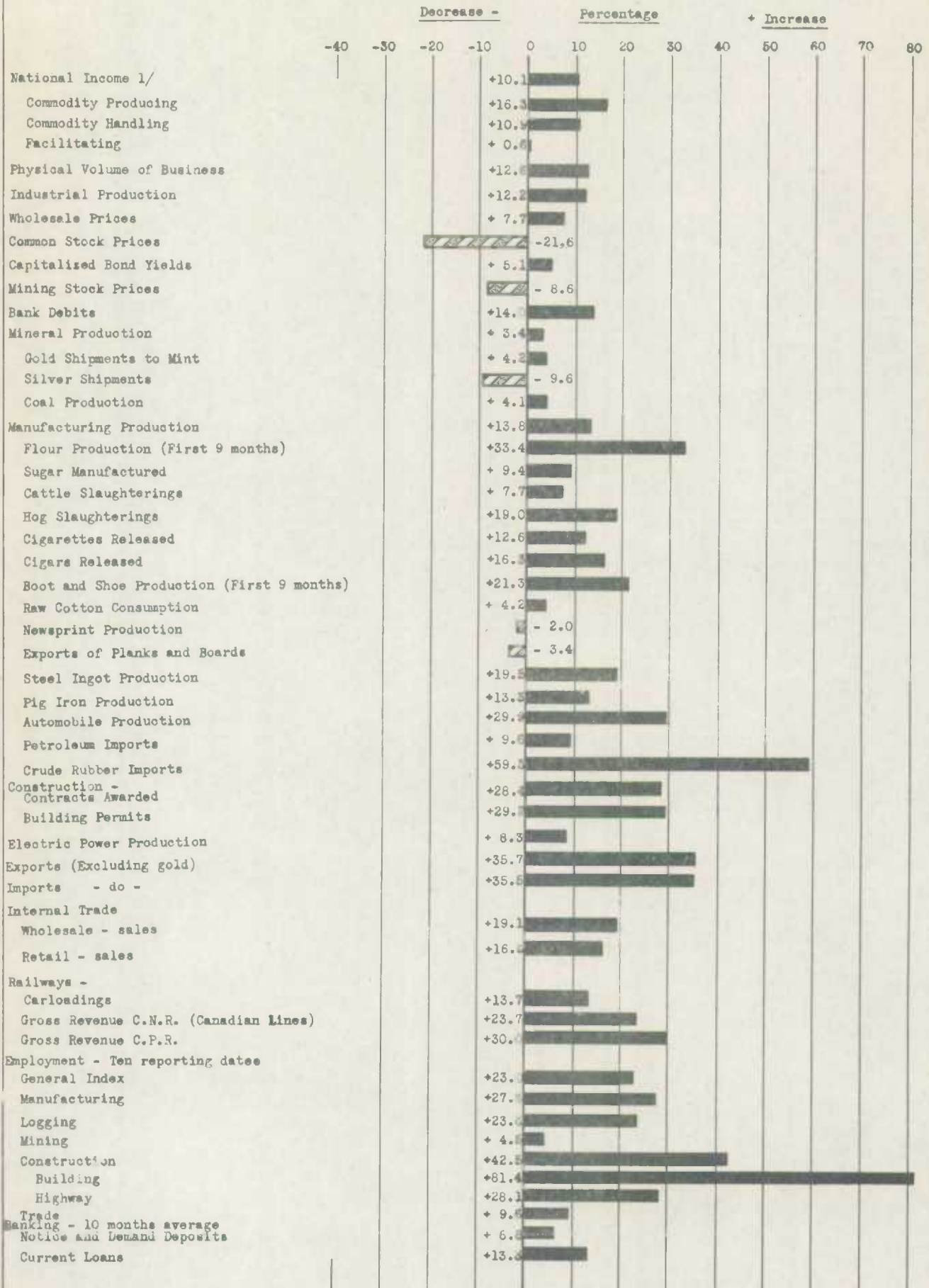
Price \$1 a year

The Economic Situation in Canada

in the First Ten Months of 1941

As compared with

the same period of 1940



1/ Exclusive of tangible assets acquired by the Dominion Government through war expenditures.

Five items recorded declines, while forty-six showed increases.



DOMINION BUREAU OF STATISTICS - OTTAWA  
GENERAL STATISTICS BRANCH

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ECONOMIC CONDITIONS IN CANADA DURING THE FIRST TEN MONTHS OF 1941  
COMPARED WITH THE SAME PERIOD OF LAST YEAR

The national income was \$4,335 million during the first ten months of 1941 against \$3,938 million in the same period of last year. The gain of more than 10 per cent represents the expansion in productive operations in a broad sense. From another viewpoint a marked gain was indicated in the purchasing power of the Canadian people. The national income was at a higher level during the elapsed portion of 1941 than in any other year. Despite the lower level of prices the national income was higher during the present year than in 1929 the culmination of the last prosperity period. The greater part of the expansion over the first ten months of 1940 occurred in the commodity producing industries. The income originating in the nine groups rose from \$1,849 million in 1940 to \$2,150 million in the period under review, a gain of 16.3 per cent. The increases in the commodity handling and facilitating activities were 10.9 per cent and 0.6 per cent respectively.

The index of the physical volume of business, the most comprehensive measure of productive operations on a physical basis, averaged 134.5 in the first ten months of the present year, against 119.5, a gain of 12.6 per cent. The standing during the present year was higher than in any other similar period since the end of the last war, when the index was first compiled.

The index of the physical volume of business is constructed from five main components. Demonstrating the general nature of the advances during the present year, each of the five components recorded gains over the first ten months of 1940. The index of mineral production rose from 125.3 to 129.6, a gain of 3.4 per cent. The receipts of gold at the Mint, reflecting the output of the gold mining industry, rose from 4,093,833 ounces to 4,264,499 fine ounces, a gain of 4.2 per cent. The output of coal during the ten months was 14.3 million tons against 13.7 million in the same period one year ago.

Manufacturing production recorded a marked expansion in 1941 to a new high position. The index rose from the high point of 132.5 in 1940 to 150.8 in the period under review, a gain of nearly 14 per cent. Among the consumers goods industries, the flour milling group showed marked gain in operations. The output of wheat flour was 15.6 million barrels against 11.7 million, a gain of about one-third. The increase in the manufacture of sugar was 9.4 per cent. The meat packing industry was considerably more active as indicated by the slaughterings of cattle and hogs. The release of cigarettes was 12.6 per cent greater, the total having been 7,108 million against 6,310 million. The release of cigars was 16.3 per cent greater, the advance having been from 131.6 million to 153.0mn. The boot and shoe industry produced heavily in the first nine months, the total having been 20.9 million pairs against 17.2 million a gain of 21.2 per cent. The consumption of raw cotton by the textile industry rose from 158.9 million pounds to 165.6 million. The production of newsprint was practically maintained at the high level of last year.

The iron and steel industry was in the forefront of the expansion during 1941. Steel ingot production recorded a gain of 19.5 per cent to 1,971,909 tons. The increase in pig iron production was 13.3 per cent, the gain having been from 955,000 to 1,082,000 tons. The output of automobiles, including military vehicles, was nearly 30 per cent greater, the total being 228,573 units against 175,999. Crude petroleum imports rose 9.6 per cent, while crude rubber imports were more than 59 per cent greater.

The new business obtained by the construction industry showed marked expansion in 1941, the total having been \$351.9 million, against \$374.1 million in the same period a year ago. A gain of 28.4 per cent was indicated in the amount of contracts awarded and a slightly greater percentage increase was shown in building permits issued in 58 municipalities.

The increase in electric power production was of such proportions that a question was raised as to whether the industry was in a position to meet the expanding requirements. The output in the first ten months was 27.0 billion kilowatt hours compared with nearly 25 billion in the comparable period, a gain of 8.3 per cent. The increase in firm power produced was of considerably greater proportions.

Million  
Dollars

Chart 2. National Income Originating in Road Transport  
Storage and Civil Aviation.

30

40

30

20

10

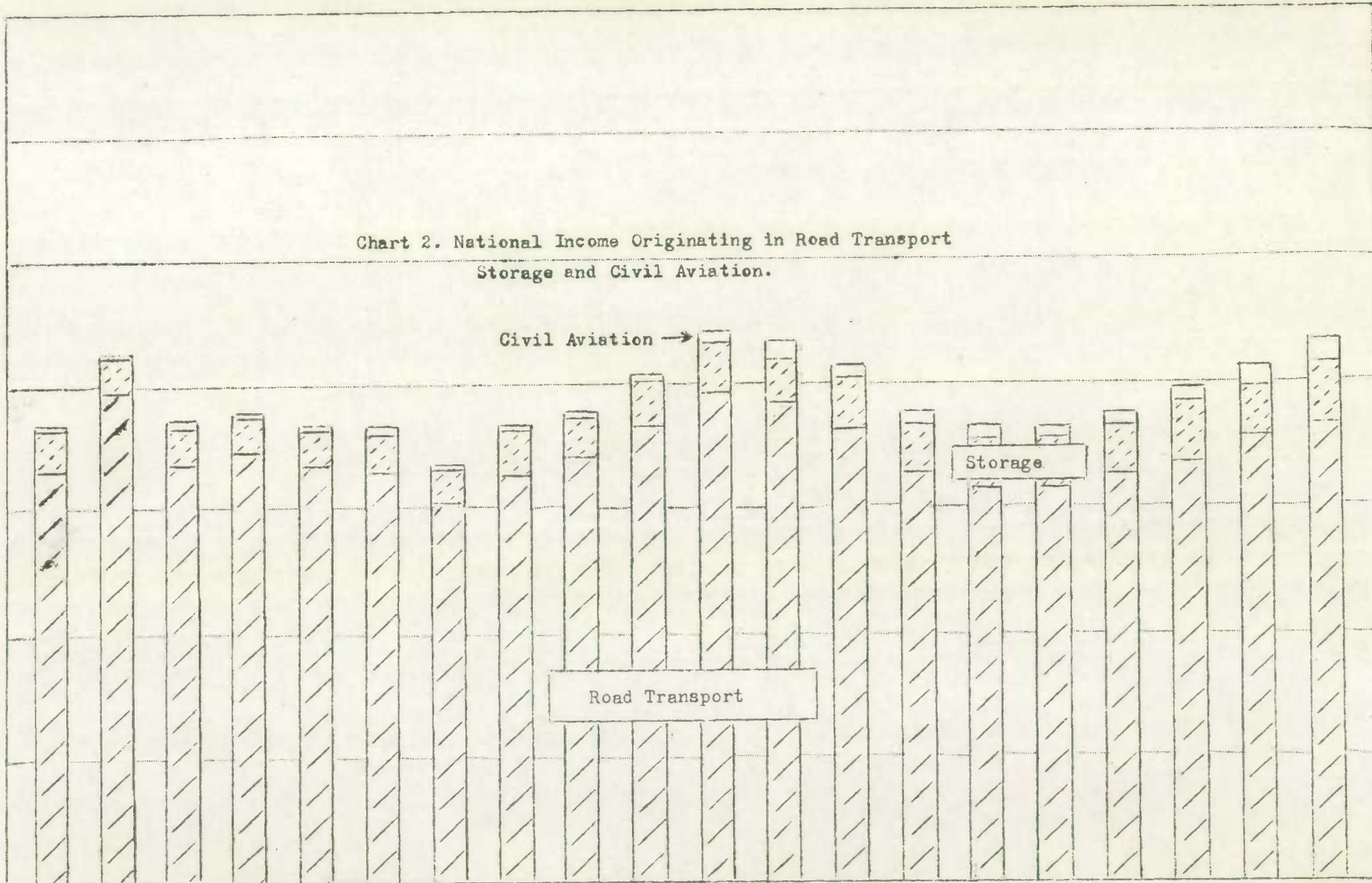
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Civil Aviation →

Storage

Road Transport

1919 1920 1921 1922 1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938





An index of wholesale sales averaged 141.8 in the first ten months of the present year, against 119.1 in the same period of 1940. The gain of more than 19 per cent represents mainly the expansion in demand for consumers goods due to the additional purchasing power in the hands of the public. An index of retail sales during the same period rose from 110 to 128, the increase having been 16.5 per cent.

During the current year the salient features of Canada's external trade remained the heavy and increasing import surplus from the United States, and the even greater export surplus with Britain.

Over the first nine months of 1941 imports from the United States totalled \$717 million. This total represented an increase of 36 p.c. over the corresponding period of 1940, and of 90 p.c. over the corresponding period of 1939. Exports to the United States during the same period were approximately \$427 million, representing an advance of 33 p.c. over 1940 and being 79 p.c. higher than in 1939.

Canada's most valuable commodity exported to the United States during the current year was again newsprint and other wood products. Our increase in exports to the United States since 1940, however, resulted mainly from heavy shipments of aluminium, lead, nickel and zinc, based largely on the Hyde Park agreements. The 79 p.c. increase in the exports over two years ago has been principally caused by the increased American requirements for Canadian newsprint, with heavy demands for aluminium and nickel also a significant factor.

Carloadings for 1941 are already far in advance of any annual total since the all-time peak of 1930. This figure should also be surpassed by the end of December. Loadings of pulp and paper and ores, reflecting the great activity of the paper and mining industries, have already established new records. Grain loadings are at their highest level since 1928, with merchandise also comparing well with recent years. Gains in the latter field have been limited by the growth of the trucking industry.

The index of wholesale prices on the base of 1926 was 93.9 in the week of November 28th, against 84.1 in the same week one year ago. The rise in wholesale prices has continued since the outbreak of hostilities, the sharpest advances having been recorded during the first four months of the war and during the present year. Three of the eight main groups reached a position somewhat in advance of the base year of 1926. Animal products showed the sharpest gain during the last twelve months, the standing in the week of November 28th having been 101.5 against 82.5 in the same week of last year. Iron and its products and chemicals also occupy a higher position in relation to the base period. The increase in the price of non-ferrous metals and other products was of minor proportions during the last twelve months and the present standing relative to 1926, is lower than that of any other in the eight main groups.

The new licensing and price-fixing policy recently initiated by Order-in-Council has been called a "complete mobilization of the nation's business and industry". Together with the complementary move towards stabilization of wages, it represents a large-scale concerted effort to avert inflation.

The Wartime Prices and Trade Board will have the responsibility of fixing the price limits which will be established for finished products such as flour, meat, and fully manufactured goods generally. Eleven important services are also brought under the price-freezing order which will necessitate a much greater measure of co-ordination in the work of the board.

The Board's new powers will also extend to control of production, manufactures, storage and transportation. It may restrict the manufacture of any commodity, or regulate the terms of sale apart from the actual prices. It may also grant exemption from the regulations in individual cases. The Board will exercise control largely through the licensing system, which came into effect early in December for at least 200,000 dealers in fuel, food and clothing. Domestic production of many durable consumers goods, such as radios, has already been curtailed, and drastic restrictions placed on instalment buying and selling.

This governmental price fixing was balanced by the extension through Order-in-Council, of the wage policy previously adopted for war industries to all industries covered by the Industrial Disputes Investigation Act. The Order provides that the highest wage rates to be established in a given industry between 1926 and December 1940 may be restored, but are not to be exceeded. Such wages may be supplemented by a separate cost of living bonus which should protect the worker from increases in the cost of basic necessities. Bonuses should provide a payment of \$1.25 a week for each 5 per cent increase in the cost-of-living index.

Million  
Dollars

Chart 3. National Income Originating in Telephones,  
Telegraphs and Express,  
1919 -- 1938.

50

40

30

20

10

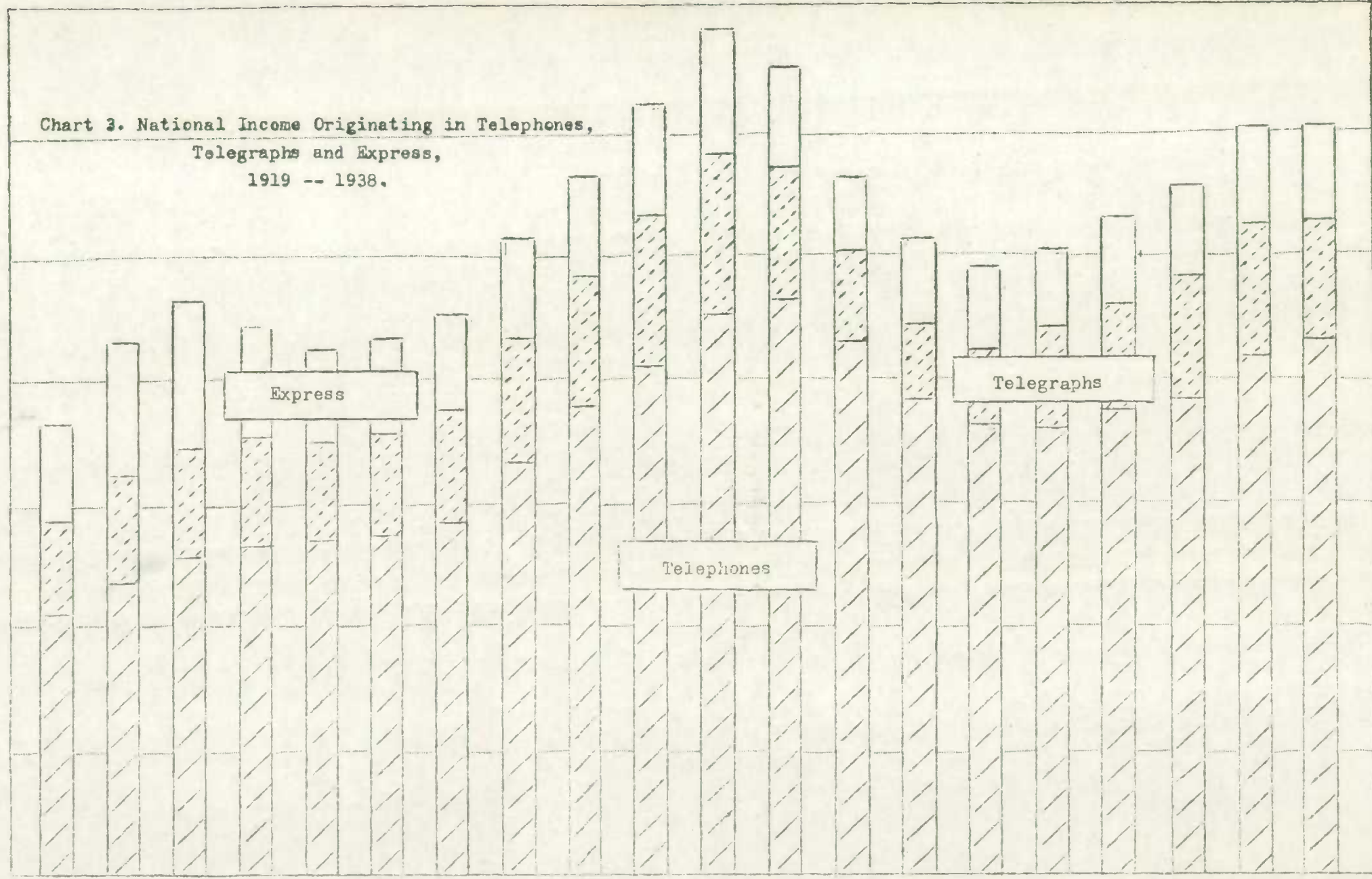
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Express

Telephones

Telegraphs

1919 1920 1921 1922 1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938





Wage regulation, however, is merely a part of an increasingly definite labour policy which war necessities have imposed on the government. It is equally necessary to solve disputes between capital and labour in war industries, and to reduce the skilled labour shortage.

To achieve the first of these two objects the Industrial Disputes Investigation Act of 1907, which previously applied only to mining, transportation, communication and public services utilities, has now been extended to cover all industries engaged in war work. Any strike or lockout in such an industry is now prohibited until the dispute has been submitted to a duly appointed three-man Board of Conciliation. If mediation fails, the findings of the board are published so that the public may realize the issues involved. Boards have been invoked in eighty-eight cases since the outbreak of the war. In all but eleven of these disputes, the threatened stoppage of work was averted. Due partly to the activities of the Boards, the working time lost through industrial disputes since the outbreak of war has been relatively small. The total loss in man days for 1940 was 20 per cent less than the average loss over the last ten years, despite the larger labour force employed. The first eight months of 1941 have shown a slight absolute increase in time loss, but the per capita loss per workman has declined still further. Serious shortages of skilled labour have inevitably developed as a result of the tremendous increases in employment recorded by the iron and steel, chemicals, and non-ferrous metal industries since the outbreak of war. A considerable steel shipbuilding industry has been virtually created, several other branches of steel manufacture have more than doubled their working force, automobile fabrication recording the next largest gain.

An Order-in-Council of November 1940, designed to reduce the competition of employers for skilled labour, prohibits any person, firm or corporation from enticing skilled workers from other companies producing war materials. This Order has been extended to include all companies engaged in the Commonwealth Air Training Plan, or covered by the Industrial Disputes Investigation Act. An emergency training programme has also been set up by the Inter-Departmental Committee on Labour Co-ordination, by which 100,000 men may be trained for war work during 1941. In May 1941, the Department of National Defence arranged to postpone military training of "key men" in war industries, with a view to securing the best possible distribution of the country's manpower.

#### CHARTS

The charts on pages 3 and 5 portray the income produced by six industrial groups of the transportation and communications activities. The results for twelve industrial groups were shown in the two preceding numbers of this publication.

The two major groups constituting the commodity handling activities experienced a reversal in the last decade. The income produced by steam railways alone declined more than 32 per cent between the decades, while gains in the group were limited to road transportation, civil aviation, storage and telephones. Declines were shown in retail and wholesale trade, the reversal in the latter being relatively more important.

Knowledge of the general features of economic depression leads to the expectation that various industries will react unequally to the drastic contraction which characterized the last decade of the period under review. An analysis of the economic structure is not only made necessary by the depression in economic activity which followed 1929 but is greatly aided by that development. The rapid drop in national income from a value of over \$5.1 billion in 1929 to under \$2.8 billion four years later and the considerable recovery since that time gives the economic analyst what is almost equivalent to a laboratory experiment on the basis of which many structural characteristics may be observed.

Some industries, sheltered from the pressure of changing conditions, continued to give employment and pay out only moderately changed volumes in income to labour and capital. Others, more exposed to adverse changes in competitive markets and supplying services which were easily dispensed with in hard times, recorded shrinkages in employment and income relatively much greater than the contraction in the economic system as a whole.

The payroll of the road transport industry was computed by means of interpolation between the census years of 1921 and 1931, and extrapolation for other periods. The number working in 1930 was placed at 21,754 against 16,881 in 1921. The rates on the other hand, declined from \$1,000 to \$974, during the same period. The index of employment in electric railways and cartage was used to determine the numbers in intercensal years, while rates were established by reference to the trend in six important industrial groups. The numbers of working proprietors were based on decennial census reports with a smoothed version of the index of employment in this industry for other years. The rates were established for 1930 by a formula, the standing in 1920 and 1930 being computed at \$1,188 and \$1,116, respectively.



Statistics illustrating the Economic Situation of Canada for the first ten months  
of 1941, compared with the same period of 1940.

Item	Unit or base period	First ten Months		Increase + Decrease -	
		1941	1940		
<u>National Income (Tentative Compilation) 1/</u>	\$000	4,335,415	3,937,663	+	10.1
Commodity Producing	\$000	2,149,766	1,848,632	+	16.3
Commodity Handling	\$000	900,617	812,227	+	10.9
Facilitating	\$000	1,285,032	1,276,804	+	0.6
<u>General Economic Situation</u>					
Index of Physical Volume of Business	1935-9=100	134.5	127.5	+	12.6
Index of Industrial Production	1935-9=100	148.3	132.2	+	12.2
Wholesale Prices	1926=100	89.1	82.7	+	7.7
Index of Common Stock Prices	1935-9=100	67.4	86.0	-	21.6
Capitalized Bond Yields, Dominion	1935-9=100	104.4	99.3	+	5.1
Mining Stock Prices	1935-9=100	74.1	81.1	-	8.6
Bank Debts	\$000	32,129,505	28,179,805	+	14.0
<u>Production and General Business</u>					
<u>Mineral Production</u>	1935-9=100	129.5	125.3	+	3.4
Gold Receipts	Fine Ozs.	4,264,499	4,093,833	+	4.2
Silver Shipments	Fine Ozs.	15,748,767	17,425,669	-	9.6
Coal Production	Tons	14,313,320	13,747,633	+	4.1
<u>Manufacturing Production</u>	1935-9=100	150.8	132.5	+	13.8
Flour Production (First 9 Mos.)	Bbls.	15,633,444	11,717,847	+	33.4
Sugar Manufactured	Lbs.	779,367,254	712,519,894	+	9.4
Cattle Slaughtering	No.	1,443,336	1,339,574	+	7.7
Hog Slaughtering	No.	4,872,021	4,094,794	+	19.0
Cigarettes released	No.	7,107,786,048	6,310,136,641	+	12.6
Cigars released	No.	152,984,814	131,582,041	+	16.3
Leather Boots & Shoes (First 9 Mos.)	Pairs	20,857,783	17,198,738	+	21.3
Raw Cotton Consumption	Lbs.	165,591,120	158,231,558	+	4.2
<u>Paper and Lumber</u>					
Newsprint Production	Tons	2,824,734	2,883,562	-	2.0
Exports of Planks and Boards	M ft.	1,960,095	2,029,857	-	3.4
<u>Iron and Steel</u>					
Steel Ingot Production	Long Ton	1,971,909	1,649,639	+	19.5
Pig Iron Production	Long Ton	1,082,222	954,841	+	13.3
<u>Automobile and Allied Industries</u>					
Automobile Production, Cars and Trucks	No.	228,573	175,999	+	29.2
Petroleum Imports	000 Gals.	1,358,652	1,239,104	+	9.6
Crude Rubber Imports	Lbs.	137,178,658	26,140,318	+	59.3
<u>Construction</u>					
Contracts Awarded	\$	351,891,900	274,110,000	+	28.4
Building Permits (58 Municipalities)	\$	85,839,250	66,490,187	+	29.2
Electric Power Production	000 K.W.H.	27,040,578	24,971,047	+	8.3
<u>External Trade (Excluding gold)</u>					
Exports	\$	1,324,284,800	976,102,781	+	35.7
Imports	\$	1,183,715,434	377,364,556	+	35.5
Excess of exports over imports	\$	135,569,366	98,738,225	-	-
<u>Internal Trade</u>					
Wholesale Sales 1935-9=100		141.8	119.1	+	19.1
Retail Sales 1935-9=100		128.2	110.0	+	16.5
<u>Railways</u>					
Carloadings	No.	2,656,924	2,356,507	+	13.7
Gross Revenue C.N.R. (Canadian Lines)	\$	213,572,000	172,732,000	+	23.7
Gross Revenue, C.P.R.	\$	180,735,000	139,066,000	+	30.0
<u>Employment - 10 months' average unadjusted</u>					
General Index	1926=100	149.1	121.2	+	23.0
Manufacturing		164.5	128.7	+	27.8
Logging		178.3	144.0	+	23.8
Mining		175.0	167.4	+	4.5
Construction		122.8	86.2	+	42.5
Building		133.9	73.8	+	81.4
Highway		150.7	117.6	+	28.1
Trade		154.8	141.2	+	9.6
<u>Banking - 10 Months' average</u>					
Notice and Demand Deposits	\$	2,669,499,332	2,500,302,513	+	6.8
Current Loans	\$	1,087,685,510	960,262,361	+	13.3

1/ Exclusive of tangible assets acquired by the Dominion Government through war expenditure.



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