

C A N A D A
DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
GENERAL STATISTICS BRANCH

ECONOMIC CONDITIONS IN CANADA

during the first eleven months of 1941

compared with the same period of the

preceding year

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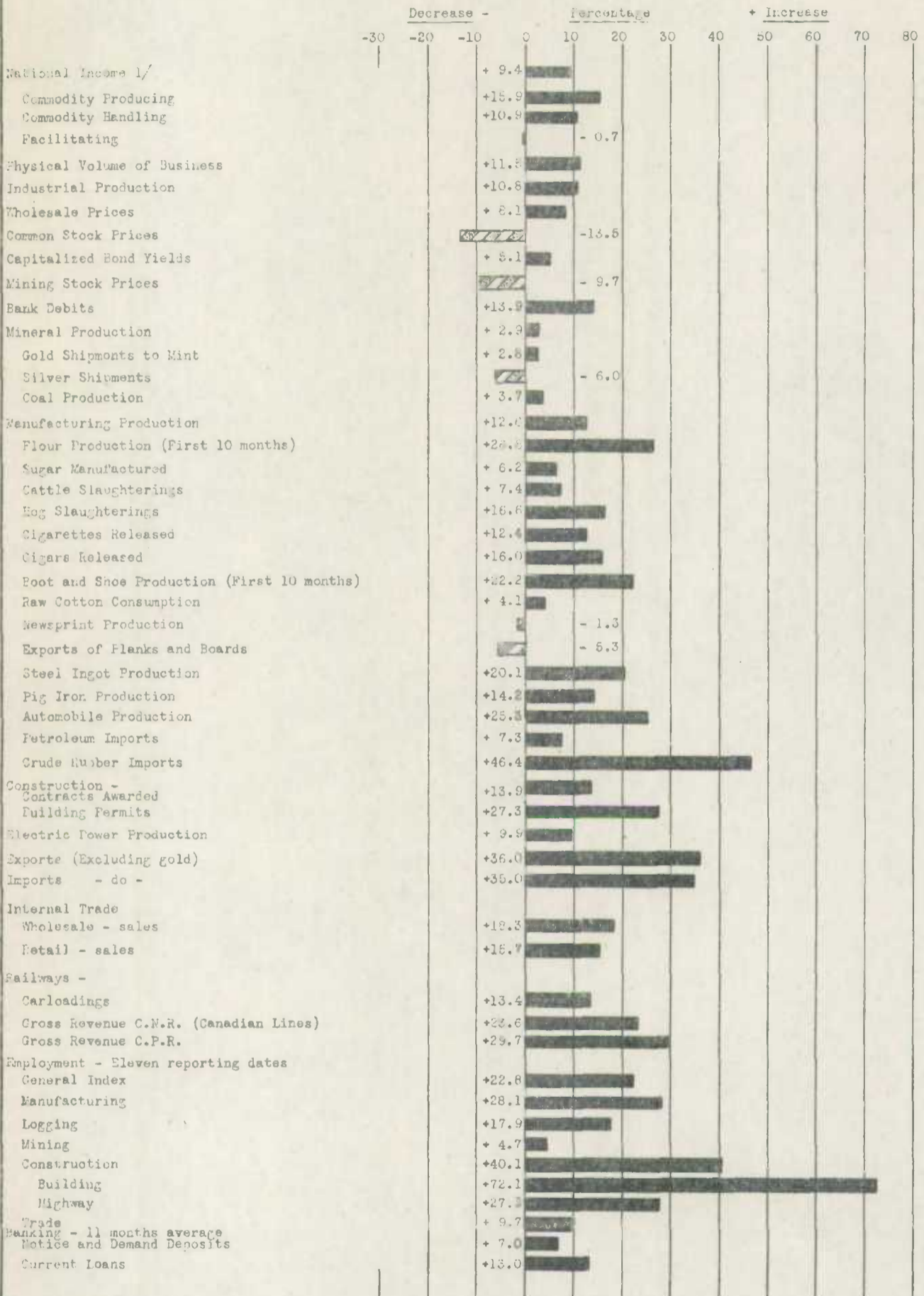
OTTAWA

1942

Price \$1 a year

The Economic Situation in Canada
in the First Eleven Months of 1941

As compared with
the same period of 1940



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

- Dominion Bureau of Statistics -

Six items recorded declines, while forty-five showed increases.

DOMINION BUREAU OF STATISTICS - OTTAWA
GENERAL STATISTICS BRANCH

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

During the first eleven months of 1941, the Canadian national income as compiled by the Bureau was \$4,777,751,000, representing a gain of 9.4 p.c. over the income of \$4,365,340,000 recorded for the same period of 1940. Since May, the monthly national income has been fairly stable fluctuating much less during the year under review than have other measures of economic activity, such as the index of the physical volume of business.

This statement is also broadly true of the income attributed to each of the three main functional groups. Since May, the income of the commodity producing industries has been about 50 p.c. of the national total, and has fallen off a trifle since September. The aggregate figure for the first eleven months was \$2,367,291,000 as compared with \$2,041,680,000 for the preceding year, a gain of 15.9 p.c.

The commodity handling activities, contributing rather more than 20 p.c. of the national income, have also been very stable over the last six months. During the entire period, the total income for this group was \$993,637,000, a gain of 10.9 p.c. over the total of \$896,302,000 recorded for the first eleven months of 1940. Both these divisions have shown substantial increases over the preceding year. The income of the "facilitating" industries, while showing a gradual upward trend during the year, fell off 0.7 p.c. during the eleven months as compared with 1940. The total for the latter group comprising finance, government and service is exclusive of assets acquired by the Dominion government through war expenditures.

PRODUCTION

The general index showing the physical volume of business stood at 134.2 for the first eleven months of 1941, the corresponding figure for 1940 being 120.4. An advance of 11.5 p.c. has thus been shown, despite a slight recession during the past two months. The index of industrial production, which as a rule, shows close correlation with the "physical volume" figures, has risen 10.8 p.c. over the period to 147.9 although it has also recorded an appreciable recession since September.

The index of manufacturing production stood at 150.7 for the first eleven months of 1941 as compared with 133.8 for the preceding year, a gain of 12.6 p.c. The flour milling industry recorded a marked gain over the period the output rising nearly 27 p.c. to well over 17 million barrels. Substantial gains were also posted by the meat packing industry. Production of cigars and cigarettes continued at record levels. Over the period, nearly 7,862 million cigarettes were released, as compared with 6,997 million in 1940, a gain of 12.4 p.c.

Iron and steel production has shown considerable further advance over the high levels of the preceding year, the output of steel ingots rising 20 p.c. from 1,828,000 tons to 2,193,000. The corresponding increase for pig iron was 14.2 p.c., from 1,064,000 tons to 1,216,000. These increases are closely bound up with developments in the automobile industry. Total production of motor cars and trucks rose to 250,118 during the first eleven months of 1941. This represented an increase of 25.3 p.c. over the corresponding total of 199,620 recorded for 1940. Military vehicles formed a constantly increasing proportion of this output.

Over the eleven-month period, newsprint production has been a trifle below the total for the first eleven months of 1940, falling off from 3,166,000 tons to 3,125,000. During November, however, the most intensive production of the year was recorded with over 85 p.c. of capacity being utilized. Exports of planks and boards have fallen off 5.3 p.c. from the high level of 1940, although the output remains high. In a report issued by the Canadian Pulp and Paper Association, it is disclosed that the industry is now contributing scores of essential parts to the country's naval, ordnance, and aeroplane construction programmes.

Construction contracts awarded during the first eleven months of 1941 totalled \$374,781,400 as compared with \$329,091,900. This represented a gain of nearly 14 p.c. above the high level of last year, and showed that the industry was still on the upgrade despite the completion of many war-time projects. The building permits issued in 58 municipalities totalled \$94,467,000 over the period, more than 27 p.c. above the figure of \$74,206,000 recorded for 1940.

Chart 2. Income Produced by Trade 1919 - 1939.

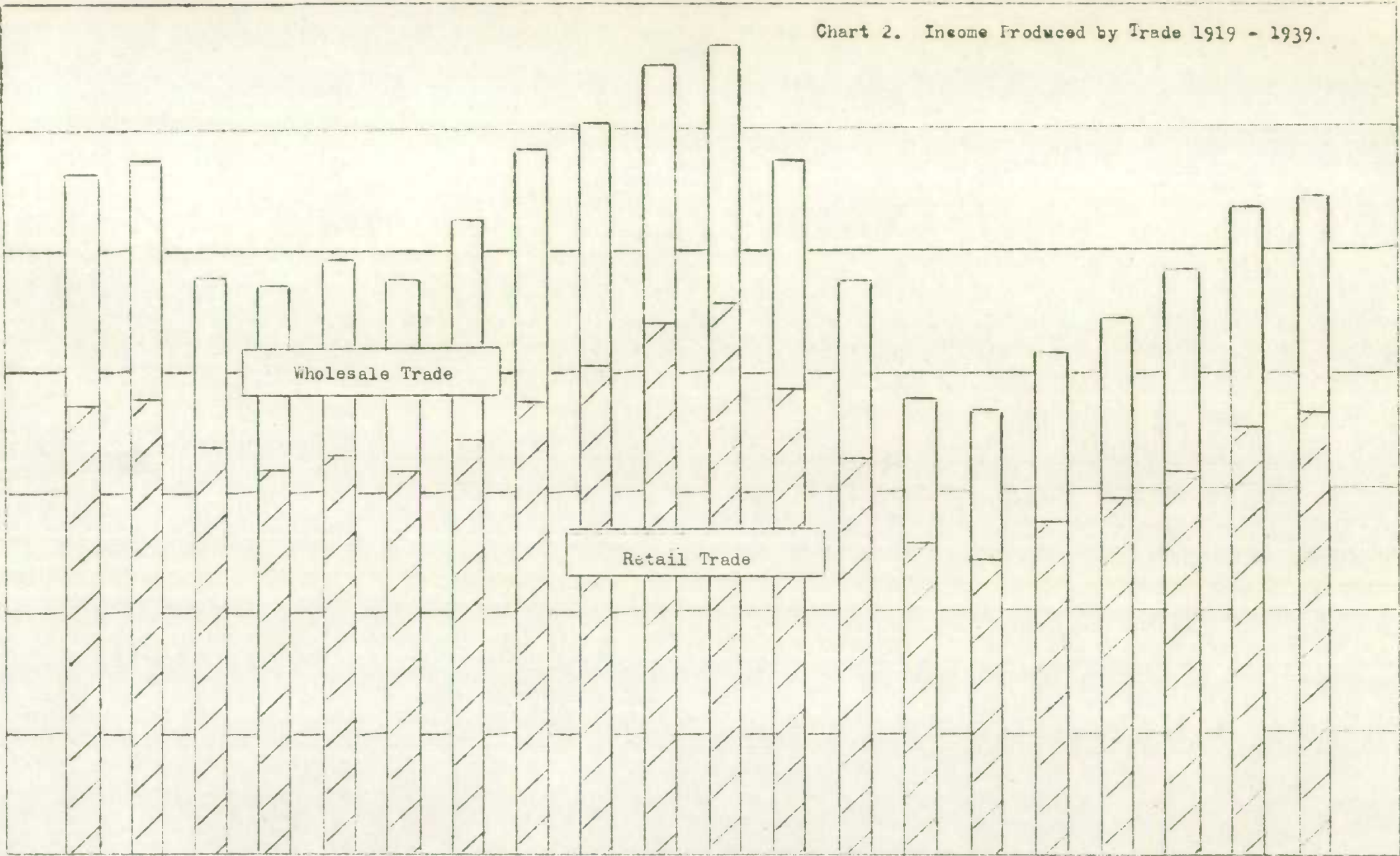
Million
Dollars

600
500
400
300
200
100
000

Wholesale Trade

Retail Trade

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



During November the production of electric power rose to nearly 3,184 million kilowatt hours, surpassing the record established in the preceding month. The total for the eleven-month period has risen nearly 10 p.c. above the high 1940 level, from 27,496 million to 30,225 million.

Preliminary estimates indicate that the total value of Canadian mineral production during 1941 has set an all-time record. This value was tentatively placed at \$553,941,000 representing a gain of 4.6 p.c. over the 1940 output of \$529,825,035. The increase over the 1939 total, the highest recorded up to that time, was nearly 17 p.c.

Gold production is given tentatively as 5,322,247 fine ounces, this constituting a slight increase over the very high 1940 total of 5,311,145 fine ounces. The total value of Canada's gold output should be almost \$205,000,000, differing little from last year's amount. Silver production at 20,437,196 fine ounces will show a decrease of about 14 p.c. in quantity and value. The combined output of the four base metals, nickel, copper, lead and zinc recorded an advance of about 6.6 p.c. over 1940, being valued at \$166,157,000 as compared with \$155,922,881 during the preceding year.

Coal production posted an increase of 3 per cent, the preliminary production estimate for the year being 18,136,103 short tons. This advance was due to the Western mines of Alberta, British Columbia and Saskatchewan, with the output in the Maritimes recording a decrease. Attempts to stabilize the Alberta petroleum output resulted in an increase of 17.6 p.c. in Canadian production, the total rising to 10,107,000 barrels. A decline was shown in the natural gas output.

Expanding production was general in the structural materials group, clay products, cement, lime and sand and gravel all recording gains.

Present indications are that owing to rising costs, peak production has been reached for the time being in the gold mining industry. Canadian base metals have played a vital part in the allied war effort during the past year and may be even more important in 1942.

EMPLOYMENT

The monthly index for general employment is still showing steady increases, contrary to the usual seasonal trend. The average index stands at 150.8, having risen nearly 23 p.c. above the index of 122.8 recorded for the first eleven months of 1940. The manufacturing index has posted an even greater advance and now stands at 166.6, representing a gain of over 28 p.c. Despite the intense activity and constantly increasing production recorded in the mining industry over the last two years, employment continues to show gradual but steady increases. The average index for eleven months of 1941 is 4.7 p.c. above the high level of 1940. A certain seasonal recession is noted in the construction industry, but the employment index over the period stands at 125.1, more than 40 p.c. above the 1940 level. Despite a slight recent recession, employment in the building trades for the eleven months is more than 72 p.c. above the index recorded for 1940. Employment in trade continues to show a steady increase, the average index being nearly 10 p.c. above that recorded in the preceding year.

Statistics covering 1941 up to December 27 put the total carloadings for this year at 3,189,447, constituting an increase of 13.4 p.c. over the total of 2,812,597 recorded for 1940. The gain over 1939 was 25.1 p.c. The advance over 1940 was quite uniform in both eastern and western divisions. Movements of grain and grain products were at a very high level during the year under review, surpassing the 1940 total by over 25 p.c. and rising far above the high figure of 1939. The gains were almost equally distributed between eastern and western sectors. Live stock loadings likewise recorded a substantial gain its effects being felt mainly in the west.

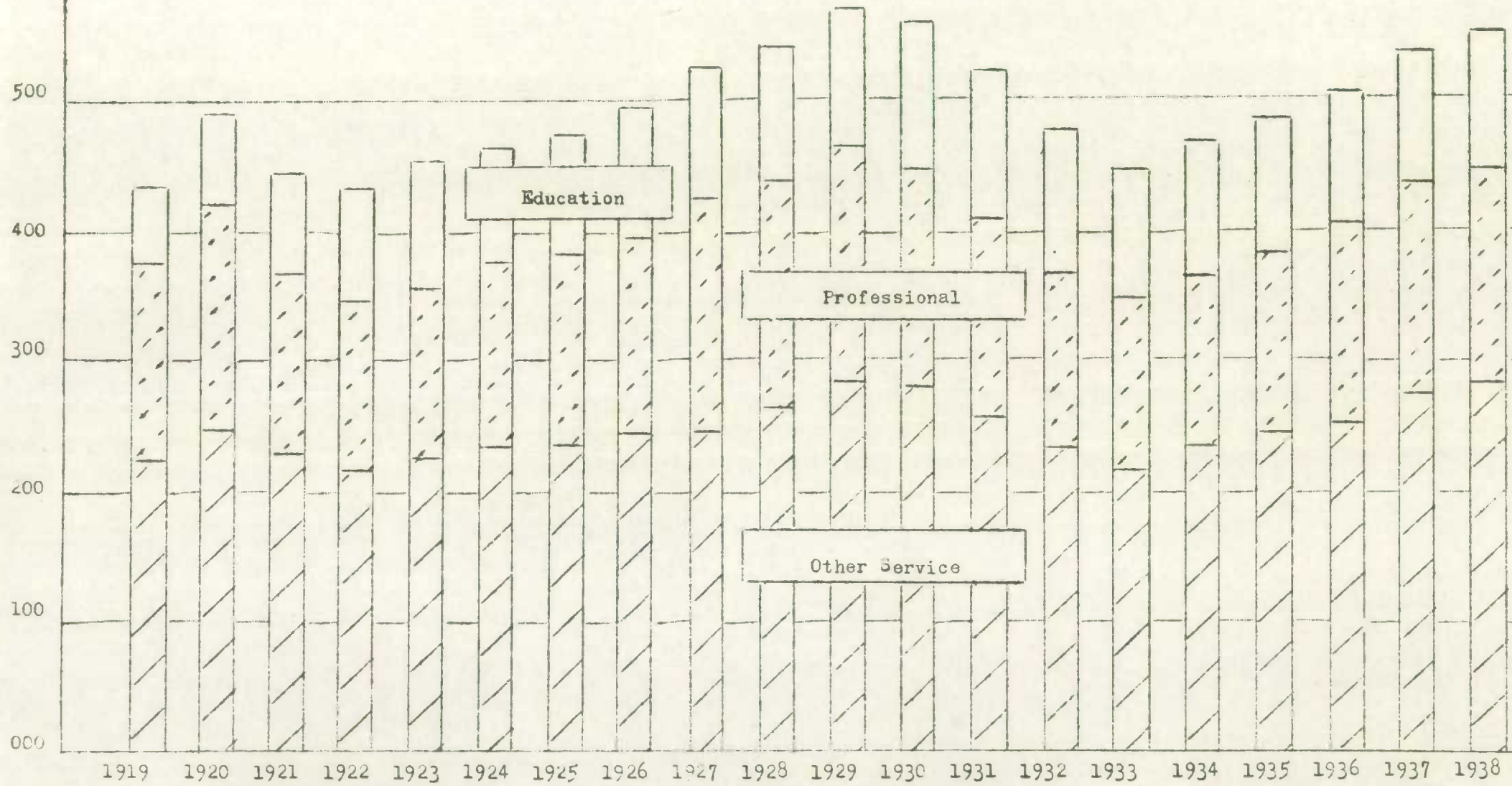
Coal shipments fell off somewhat, the entire decline being shown in the eastern division. This was probably the result of decreased production in the eastern mines. Carloadings of lumber rose sharply, principally in the west. Pulpwood and pulp and paper showed further large increases over the high totals for 1940, movements of these commodities being largely confined to eastern Canada. A large advance was listed in loadings of ore.

PRICES

A slight further increase was shown by wholesale prices in November, the general index rising from 93.9 to 94.0. The average index for the eleven months stood at 89.5, a gain of more than 8 p.c. over the corresponding total of 82.8 for the year 1940. The November total is nearly 12 p.c. above the index for the last month of 1940. Prices of vegetable products have gained about 13 p.c. during the year to date, and are now almost stationary. Animal products rose nearly 22 p.c. over the same period, and are still increasing. The corresponding gain for textiles was 14.6 p.c., but during the last month textile prices have shown a slight recession.

Million
Dollars

Chart 3. Income Produced by Education, Professional and Other Service



The advance in prices of iron and its products since 1940 has been relatively moderate, the index rising 6.2 p.c. from 106.1 to 112.7. The prices of non-ferrous metals have been rigidly controlled and have moved only from 77.7 to 78.2. Non-metallic minerals have increased about 9 p.c. in price since December 1940, the index advancing from 90.8 to 98.9. Prices of chemicals have gone up steadily, rising during the year from 90.8 to 103.6, a gain of 14.1 p.c.

Prices of consumers goods rose steadily and rapidly over the period from March to October, 1941, the October total standing at 96.7, an increase of 13.5 p.c. over the index for December, 1940. The corresponding gain for producers goods was 8 p.c. These figures tend to justify the decision to restrict the prices of consumption goods.

The cost of living index compiled by the Bureau showed a further advance from 115.5 in October to 116.3 in November. During the year under review the index has recorded a steady increase, and is now 7.7 above the level of December, 1940. The gain over August 1939 is now 15.4 p.c. Food costs have gone up considerably during 1941, the November food index being 14.9 p.c. above the level of December 1940. Fuel and lighting costs have advanced slightly less than 4 p.c. over the same period, and now stand at 112.7. The index of clothing prices has increased nearly 6 p.c. to 120.0.

For the first eleven months of the year under review, Canadian exports were valued at \$1,488,440,443, representing a gain of 36 p.c. over the total of \$1,094,506,932 recorded for the corresponding period of 1940. Imports for the same months totalled \$1,322,905,951, an advance of 35 p.c. over the 1940 aggregate of \$979,648,243. Canada's principal domestic exports remained crop products, animal products, iron and steel, wood and paper and non-ferrous metals. Of these groups, iron and steel exports recorded by far the greatest advance during 1941, the total value increasing by more than \$100,000,000 over the corresponding period of the preceding year. Exports of crop products rose by about \$50,000,000 over the 1940 total, while exports of non-ferrous metals and wood and paper products also posted substantial increases of about \$45,000,000 and \$33,000,000, respectively.

Wood and paper products remained easily Canada's most important single export, being valued at about \$353,000,000 over the period. Crop products were placed at \$256,000,000. Non-ferrous metals still ranked third in importance, exports amounting to about \$225,000,000 during the eleven months. The heavy increases in iron and steel shipments raised the export total in this division to \$219,000,000, animal products exported being valued at \$180,000,000. The exports of crop products and iron and steel appear to have gone principally to the United Kingdom, along with a large share of the base metals output. The shipments of wood and paper products are mainly sent to the United States, along with large quantities of base metals.

Iron and steel products remained the most significant Canadian import, being valued at \$363,050,000 for the first ten months of 1941, a gain of more than \$120,000,000 over the corresponding period of 1940. Non-metallic minerals occupied second place, amounting to \$153,894,000 for the ten months, an advance of about \$21,000,000 over the 1940 total. Crop products imports increased by \$14,000,000 to \$143,152,000 during the first ten months of 1941. Textile products showed a moderate gain, being valued at \$130,745,000.

INTERNAL TRADE

November sales of wholesale merchants declined 14 p.c. below the October total, although they were 12 p.c. above the dollar volume of business transacted in November 1940. All nine trades included in the survey reported gains over a year ago, the largest being recorded by dry goods merchants. Sales during the first eleven months of the year under review were 18.3 p.c. above the corresponding total for 1940, the largest advances being made by dealers in dry goods and hardware.

In all five economic areas wholesale trade showed a considerable recession in November as compared with the record levels of September and October. In four of the areas, however, trading remained far above the level of November, 1940. In the Prairie Provinces, the gain over 1940 was only 5 p.c.

Productive Sources of National Income

Information regarding the general totals of the national income serves only as an introduction to a discussion of the constituent divisions and groups. The trend of the income of the various components is a significant phase of the present study. The general estimate conceals many changes in the relations and movements of the constituents, essential for an understanding of the working of the Canadian economic system.

We are here concerned with the national income as a measure of the net productivity of the Canadian economy. The inter-war period was characterized by the continuance of the process towards greater diversification. In the early history of the Dominion, the wealth of natural resources led to concentration upon the production of staples in the form of foodstuffs and industrial raw materials, a large proportion of which was exported to countries in a more advanced stage of economic development. While the primary industries still occupy a most important place in the Canadian economy, the more rapid growth of the secondary and service divisions has resulted in a better balance between the different phases of the economy. The productive system was adapted during the twenty years to meet the demands of the domestic market, while maintaining a credit balance on current account with other countries.

The relative importance of a number of the original classes has been outlined in recent numbers of "Economic Conditions". Agriculture and manufactures n.e.s. stand out in this comparison as Canada's leading industries. The remainder may be divided into two sections according as their average contribution to the national income was greater or less than \$100,000,000. The first section consists of ten classes ranging in order of size from government to professional activities. A marked falling off in magnitude is recorded in comparing the industries in this section. The annual average income produced by government was \$465 million, while professional activities averaged \$153 million. Between these limits retail trade took second place with a contribution of \$344 million, while steam railways followed with \$274 million. Other service, real estate, construction and wholesale trade followed in the order named. The returns from forestry and mining were both slightly in excess of that for professional services.

While the aggregate of the money income of Canada recorded decline during the last twenty years, the reduction was by no means general throughout the entire field. The industries engaged in commodity production and handling showed a decline in the second decade from the first of 18.1 per cent and 15.6 per cent, respectively. The facilitating industries as defined above, on the other hand, recorded an increase of approximately 11 per cent.

Declines were shown in retail and wholesale trade, the reversal in the latter being relatively more important. The income originating in retail trade was \$328.3 million in the second decade against \$360.1 million in the first, a decline of 8.8 per cent. The contribution of the wholesale trade was computed at \$160.8 million against \$185.0 million, a decline of 13.0 per cent.

The record in the facilitating activities was more favourable, advances being shown in finance, government and service. The expansion of government activities in recent years was reflected in the rise of more than 22 per cent, between the two decades. Income disbursed by educational activities showed considerable gain, the annual average rising from \$84.2 million in the first decade from 1919-1928 to \$104.6 million in the second from 1929 to 1938. Other services recorded a gain of 8.6 per cent, the total rising from \$235.2 million to \$255.3 million.

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 depression which followed 1929 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.

Wholesale and retail trade showed marked similarity in the reaction to influences of prosperity and depression. The decline from 1929 to 1933 was 46.5 per cent and 43.8 per cent, respectively, and the recovery in income originating from 1933 to 1937 was 46.4 per cent for retail trade and 48.4 p.c. for wholesale.

The fluctuation of the education group was of minor proportions. The decline from 1929 to 1933 was limited to 5.52 p.c. and the recovery from the latter year to 1937 was 1.63 p.c. The professional and other service groups followed a similar pattern in this respect. The declines were 28.2 p.c. and 23.3 p.c. respectively, while the recoveries were 24.4 p.c. and 27.0 p.c.

The trend and fluctuations of five groups are shown by years from 1919 to 1938 in Charts 2 and 3.

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

Item	Unit or base period	First eleven months		Increase + Decrease -
		1941	1940	
National Income (Tentative Compilation 1/)	\$000	4,777,751	4,365,340	+ 9.4
Commodity Producing	\$000	2,367,291	2,041,680	+ 15.9
Commodity Handling	\$000	993,637	896,302	+ 10.9
Facilitating	\$000	1,416,823	1,427,358	- 0.7
General Economic Situation				
Index of Physical Volume of Business	1935-9=100	134.2	120.4	+ 11.5
Index of Industrial Production	1935-9=100	147.9	133.5	+ 10.8
Wholesale Prices	1926=100	89.5	82.8	+ 8.1
Index of Common Stock Prices	1935-9=100	67.5	78.0	- 13.5
Capitalized Bond Yields, Dominion	1935-9=100	104.6	99.5	+ 5.1
Mining Stock Prices	1935-9=100	73.3	81.2	- 9.7
Bank Debits		35,556,410,914	31,229,126,902	+ 13.9
Production and General Business				
Mineral Production	1935-9=100	129.2	125.5	+ 2.9
Gold Receipts	Fine Ozs.	4,679,764	4,550,763	+ 2.8
Silver Shipments	Fine Ozs.	17,350,887	18,456,055	- 6.0
Coal Production	Tons	16,138,478	15,584,271	+ 3.7
Manufacturing Production	1935-9=100	150.7	133.8	+ 12.6
Flour Production (First 10 Mos.)	Bbls.	17,229,375	13,590,361	+ 26.8
Sugar Manufactured	Lbs.	941,580,290	886,565,423	+ 6.2
Cattle Slaughtering	No.	1,600,472	1,490,310	+ 7.4
Hog Slaughtering	No.	5,586,552	4,793,019	+ 16.6
Cigarettes released	No.	7,861,718,369	6,997,004,339	+ 12.4
Cigars released	No.	172,551,831	148,807,427	+ 16.0
Leather Boots & Shoes (First 10 Mos.)	Pairs	23,337,905	19,094,410	+ 22.2
Raw Cotton Consumption	Lbs.	182,238,790	175,118,528	+ 4.1
Paper and Lumber -				
Newsprint Production	Tons	3,125,042	3,165,906	- 1.3
Exports of Planks and Boards	M ft.	2,142,590	2,261,389	- 5.3
Iron and Steel -				
Steel Ingot Production	Long Ton	2,193,276	1,825,752	+ 20.1
Pig Iron Production	Long Ton	1,215,957	1,064,417	+ 14.2
Automobile and Allied Industries -				
Automobile Production, Cars and Trucks	No.	250,118	199,620	+ 25.3
Petroleum Imports	000 Gals.	1,509,261	1,407,107	+ 7.3
Crude Rubber Imports	Lbs.	142,685,655	97,452,005	+ 46.4
Construction -				
Contracts Awarded	\$	374,781,400	329,091,900	+ 13.9
Building Permits (58 Municipalities)	\$	94,467,439	174,206,357	+ 27.3
Electric Power Production	000 K.W.H.	30,224,554	21,495,907	+ 9.9
External Trade (Excluding gold) -				
Exports	\$	1,488,440,443	1,094,506,932	+ 36.0
Imports	\$	1,322,905,951	979,648,243	+ 35.0
Excess of exports over imports	\$	165,534,492	114,858,689	
Internal Trade				
Wholesale Sales 1935-9=100		142.3	120.3	+ 18.3
Retail Sales 1935-9=100		129.9	112.3	+ 15.7
Railways -				
Carloadings	No.	2,942,742	2,595,715	+ 13.4
Gross Revenue C.N.R. (Canadian Lines)	\$	237,280,000	192,033,000	+ 23.6
Gross Revenue, C.P.R.	\$	200,943,000	154,956,000	+ 29.7
Employment - 11 months' average unadjusted -				
General Index	1926=100	150.8	122.8	+ 22.8
Manufacturing		166.6	130.1	+ 28.1
Logging		182.1	154.5	+ 17.9
Mining		175.9	168.0	+ 4.7
Construction		125.1	89.3	+ 40.1
Building		137.0	79.6	+ 72.1
Highway		155.0	121.2	+ 27.9
Trade		155.5	141.9	+ 9.7
Banking - 11 Months' average				
Notice and Demand Deposits	\$	2,683,129,500	2,508,309,627	+ 7.0
Current Loans	\$	1,091,407,700	965,809,081	+ 13.0

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



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