

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

ECONOMIC CONDITIONS IN CANADA

during the calendar year of 1941

compared with the preceding year

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OTTAWA

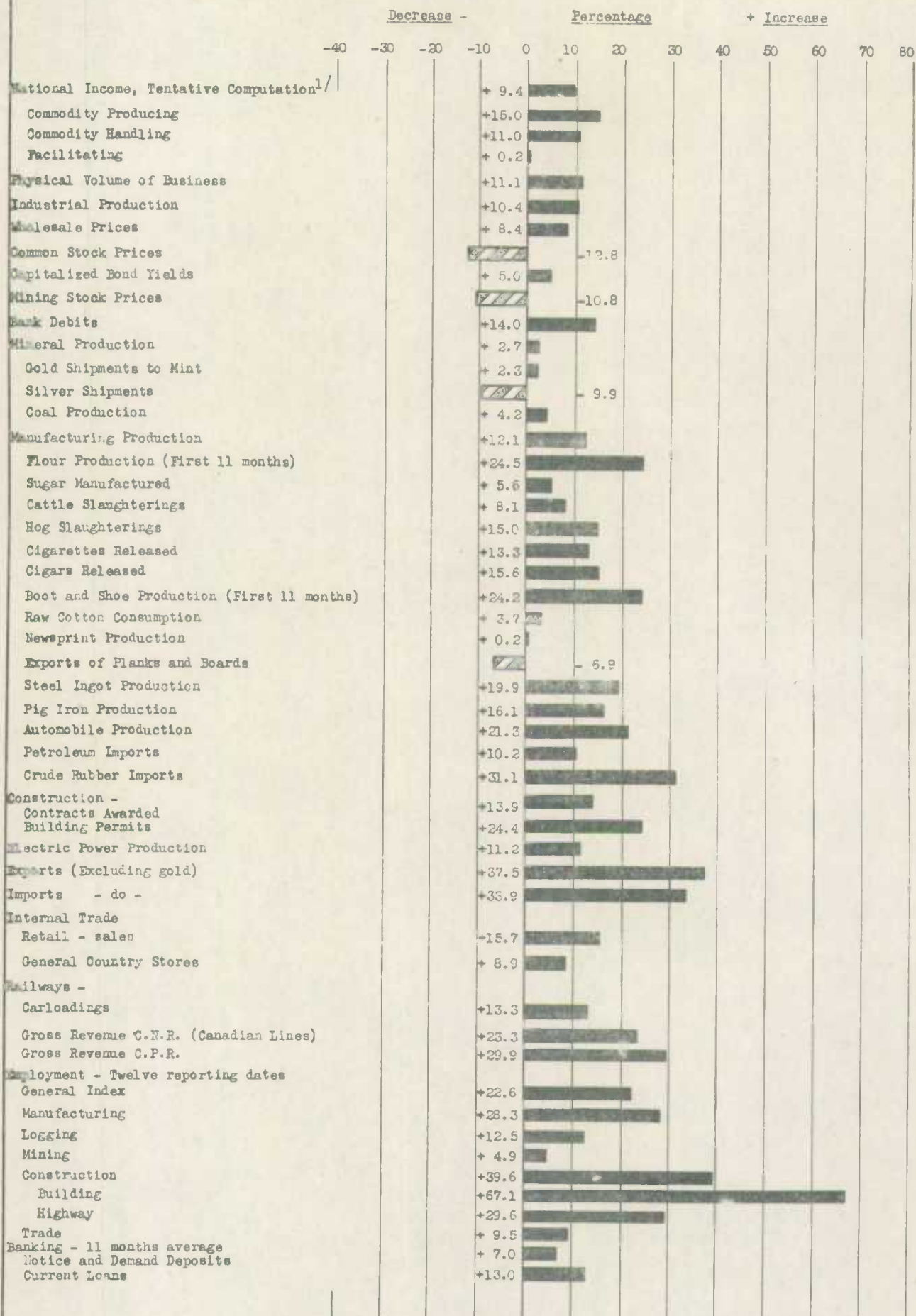
1942

Price \$1 a year

The Economic Situation in Canada

in the Calendar Year 1941

As compared with 1940



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

- Dominion Bureau of Statistics -

Four items recorded declines, while forty-seven showed increases.

DOMINION BUREAU OF STATISTICS - OTTAWA  
GENERAL STATISTICS BRANCH

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Acting Dominion Statistician: S. A. Cudmore, M.A. (Oxon.), F.S.S., F.R.S.C.  
Chief, General Statistics Branch: Sydney B. Smith, M.A.

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ECONOMIC CONDITIONS IN CANADA DURING THE CALENDAR  
YEAR OF 1941 COMPARED WITH 1940.

The index of the physical volume of business averaged 134.6 for the year under review, having risen 11.1 p.c. over 1940. This increase, while still very substantial, was well below the advance of 18.8 p.c. recorded in 1940 over 1939. Industrial production during 1941 showed a gain of 10.4 p.c. over the preceding year, the index standing at 148.0. This rise also was much less rapid than that during the previous twelve months, the 1940 index having been 23.1 p.c. above the figure for 1939. Generally speaking, it might be said that Canadian industry continued to expand steadily during the year under review, though no longer at the feverish rate of the first war months.

Wholesale prices continued their gradual steady rise during 1941, the average index being 89.9, a gain of 8.4 p.c. over the preceding year. The corresponding increase in 1940 was 9.8 p.c., indicating that the price rise during the war has been distinctly regular. A further decline was shown in speculative trading, common stock prices falling off by 12.8 p.c. as compared with 1940, and mining stock prices dropping 10.8 p.c. The decline in speculative trading has been consistent since the commencement of hostilities. Capitalized yields of high-grade bonds, however, which had averaged lower during the first war year, rose by 5 p.c. in 1941 as compared with 1940.

The index of mineral production showed further increase over the very high level of 1940, rising 2.7 p.c. to 128.8. Total receipts of gold at the Mint showed a further advance at 5,081,000 fine ounces. Coal production recorded a moderate gain, rising to 17,933,000 tons. Silver shipments receded by nearly 10 p.c. Production of base metals, for which detailed figures are not available, recorded an increase of 6.5 p.c. over 1940.

Manufacturing production recorded a further substantial gain of 12 p.c. during the year. A notable advance was shown in the flour industry, where production rose to nearly 18,900,000 barrels during the first eleven months, 24.5 p.c. above the 1940 level. A moderate increase was recorded in the manufacture of sugar. Cattle slaughterings increased by 8 p.c. The constantly growing British requirements for bacon brought a further 15 p.c. increase in hog slaughterings, which totalled 6,274,000. Expansion continued in the tobacco industry, the total of cigarettes released rising to 8,582 million, a gain of 13.3 p.c. Production of boots and shoes over the first eleven months of 1941 rose by over 24 p.c. Raw cotton consumption, which had recorded a very heavy increase in 1940, showed a further gain of moderate proportions.

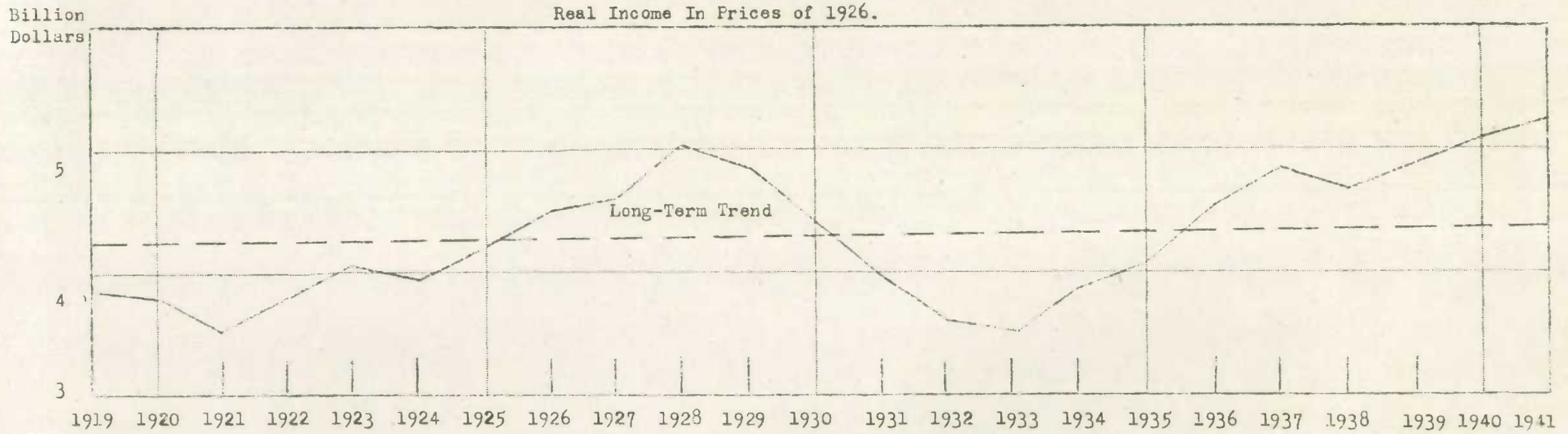
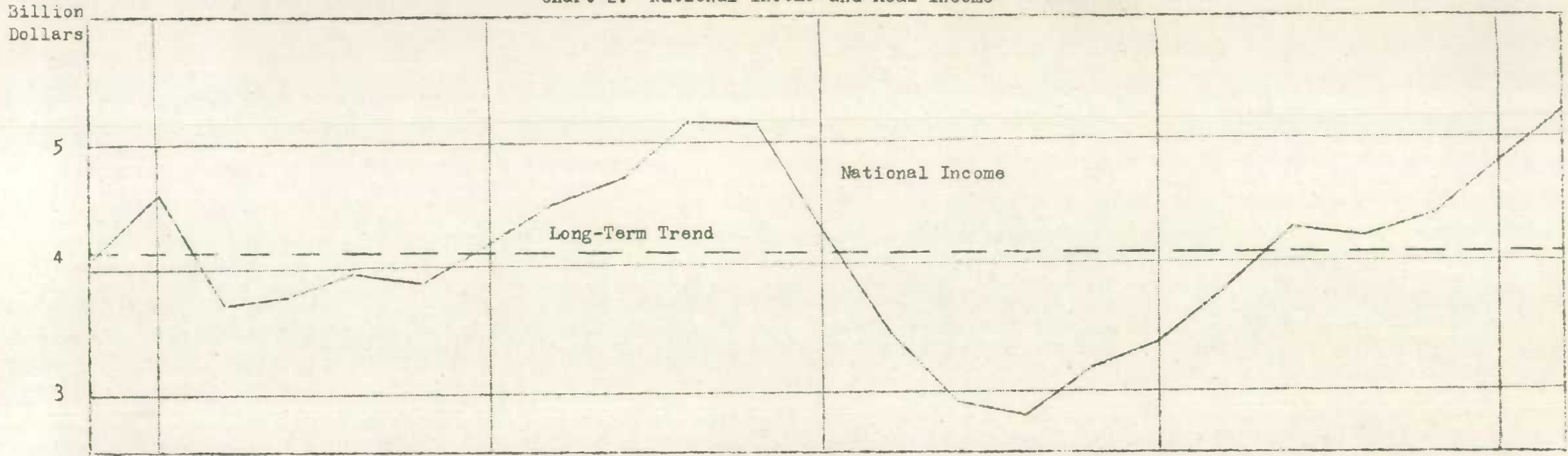
Newsprint production, which also posted a very heavy increase in 1940, remained almost stationary during the year under review, totalling 3,425,865 tons. Much was done, however, to adapt newsprint plants to war requirements. Exports of planks and boards fell off by about 7 p.c.

Output in the crucial iron and steel industry continued to advance rapidly, production of steel ingots standing at 2,412,000 tons in 1941, a gain of about 20 p.c. over the preceding year. The corresponding increase for pig iron output was 16.1 p.c. to 1,364,000 tons. Automobile production with which the steel industry is so closely linked, rose by 21.3 p.c. to 270,431. With increasing restrictions being placed on the construction of passenger vehicles, the manufacture of tanks, carriers and armoured cars for army use form an ever-growing proportion of this output.

Despite the completion of many military projects, the value of construction contracts awarded showed a considerable increase during the year under review. The total for 1941 was \$393,991,300, representing a gain of 13.9 p.c. over 1940. Building permits in 58 municipalities recorded an advance of nearly 25 p.c. Electric power production advanced steadily during the year, and totalled 33,445 million kilowatt hours, a gain of 11.2 p.c. over 1940.

The wartime expansion in Canada's exports continued with undiminished speed during 1941. Total exports were valued at \$1,641 million rising by 37.5 p.c. The United Kingdom was again the leading market, absorbing nearly 30 p.c. more Canadian goods than was the case in 1940. An even larger percentage increase was noted in our exports to the United States, which rose about 35 p.c. Exports to Egypt, largely military stores, rose in the ratio of almost ten to one.

Chart 2. National Income and Real Income



Canadian imports during 1941 rose by about 34 p.c., being valued at \$1,449 million. United States products were once again the backbone of our import trade, totalling \$1,004 million, 35 p.c. more than in 1940. Little change from the preceding year was shown in our imports from the United Kingdom. Our purchases of New Zealand and South American produce recorded large increases.

Railway traffic and railway revenues were at a very high level during the year just concluded. Traffic for 1941 aggregated 3,203,000 cars, an advance of 13.3 p.c. over 1940. The increase was well distributed between the Eastern and Western divisions, and large gains were recorded in shipments of grain, ore and forest products. The operating revenues of the Canadian National Railway have shown an increase of about \$57 million. The corresponding increase for the Canadian Pacific Railway is over \$51 million, or nearly 30 p.c.

Although the general level of economic activity rose very rapidly during 1940, the actual increase in employment was relatively moderate during the year. In 1941, on the contrary, payrolls appear to have risen more swiftly than the level of productive operations. The general employment index for 1941 averaged 152.3, an advance of 22.6 p.c. over the preceding year. The corresponding gain for 1940 was 9.0 p.c. Similarly, manufacturing employment rose 28.3 p.c. in the year under review, as compared with 16.9 p.c. in 1940. Employment in logging was 12.5 p.c. above the high level of the preceding year, and a further gain of nearly 5 p.c. was recorded in mining. Construction, which in 1940 dropped far below the pre-war level despite many war projects, rose nearly 40 p.c.

According to preliminary calculations, national income during 1941 totalled \$5,234,110,000, representing an increase of 9.4 p.c. over the preceding year. The gain in 1940 over 1939 was 8.5 p.c., indicating that the national income has been rising at a fairly steady pace during the war period. The results are derived from a tentative monthly compilation, the value of assets acquired by the Dominion Government through war expenditure having been excluded.

The contribution of the commodity producing industries was \$2,590,383,000, or nearly 50 p.c. of the total. Income in these industries during 1941 advanced 15 p.c. as compared with the preceding year, the rate of increase being considerably greater than during the first sixteen months of war.

Total income in the commodity handling industries for 1941 was \$1,091,598,000, rising 11 p.c. over the total for 1940. The rate of increase in this group was still considerable, although less striking than during 1940. The facilitating division recorded an income total of \$1,552,129,000, showing very little change from the preceding year. The contribution of the facilitating industries as at present computed has increased relatively little since the commencement of hostilities. The addition of the war assets and other revisions will greatly alter the totals.

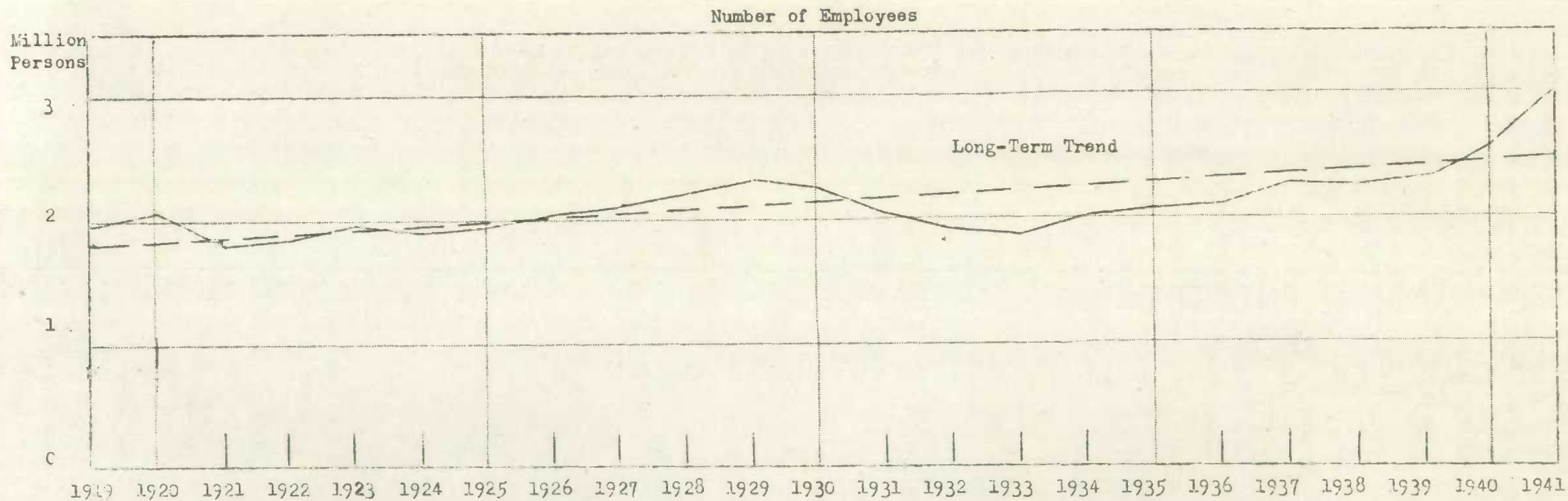
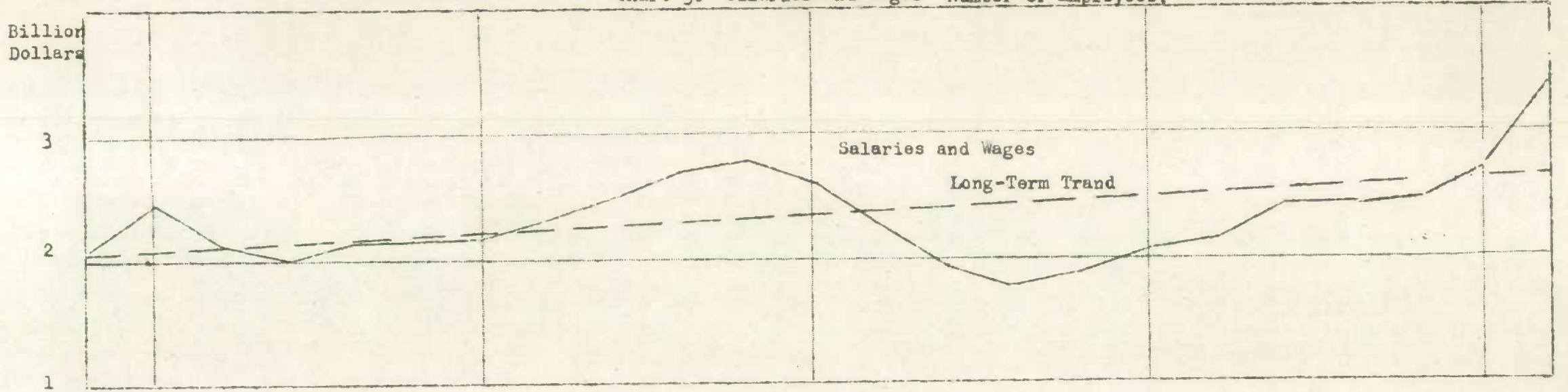
#### National Income, Employment, Salaries and Wages

Chart 2 depicts the fluctuations of the national income over the period 1919-1941, in current dollars, and in terms of 1926 prices. Immediately following the first great war, national money income rose sharply, due entirely to higher prices, with the real income dropping slightly. Money income then remained fairly stable until 1924. With falling prices, real income recorded an increase. Both then rose steadily to 1928, with prices also advancing somewhat. Money income increased 25.7 p.c., and real income 31.0 p.c. over the first decade of the period under review.

Following 1929, both factors receded rapidly until the trough of the depression was reached in 1933. Money income declined 45.7 p.c., from the high point of 1929, and even the corresponding falling off in real income was very large at 28.5 p.c. Since that time, both cash national income and "real" income have increased steadily and rapidly, except for a minor recession in 1938. This advance was naturally accelerated by the war. With prices rising steadily over the period, money income increased no less than 87.8 p.c. over 1933, with real income going up by 49.5 p.c. As compared with 1919, however, real income had increased 36.9 p.c., money income advancing 28.5 p.c.

Due to the higher prices of the first post-war decade, the secular trend for national money income dropped very slightly over the period. The long-term trend for "real" income, however, recorded an appreciable increase. National income expressed in fixed prices, is naturally a much better measure of changes in the volume of commodities and services produced than the estimates shown in current market values.

Chart 3. Salaries and Wages Number of Employees.



The third chart published in the present issue shows the total number of employees in Canada during the twenty-three years from 1919 to 1941. The secular trend of this number over the period is also presented. The chart indicates that the Canadian labour force fluctuated uncertainly until 1924, rose to a peak in 1929, and receded until 1933 to the level of the period following the first Great War. Since then it has risen steadily and in 1941 stood at about 3,040,000 or nearly 59 p.c. above the level of 1933. The increase over the entire period was 65 p.c. The secular trend showed a substantial upward slope, rising 37 p.c. over the period.

Similar general movements were recorded in the total amount of salaries and wages paid in Canada, which is also portrayed on this chart. This amount, however, showed a slow general increase from 1919 until 1924, then rising rapidly up to 1929 and falling, in the trough of the depression, to a point well below the level of 1919. Wages per employee, therefore, rose steadily during the first eleven years of the period under review, advancing by about 14.9 p.c. During the depression they fell off about 22.5 p.c. from the 1929 peak. Since 1933, the total wage bill has increased 38 p.c., with wages per employee in 1941 approaching the 1929 peak. The secular trend of salaries and wages rose considerably advancing by nearly 26 p.c. during the twenty-three years under review.

The trend of employment of wage-earners and salaried workers varied greatly between different industries. Advances were recorded in manufacturing, mining, electric power and custom and repair, while reduced working forces were employed by agriculture, forestry and trapping. Referring to transportation and trade, declines appeared to predominate among the eleven industries. Retail and wholesale trade enjoyed expansion and small industries such as storage and civil aviation recorded marked percentage gains. Road transportation was another industry which has recently acquired considerable importance. Real estate alone of the facilitating groups failed to employ a larger number in the more recent decade. The expansion of governmental activities was indicated by a gain of 24 per cent in the number of employees. The professional, education, and other service groups participated largely in the upward trend of the inter-war period.

The relative importance of the three classes of the gainfully occupied population is a matter of interest. It was estimated that employees on payrolls on a full-time basis averaged 2,065,000 during the two decades. This number represents the full-time equivalent employment rather than the total number of employees who worked at any time during the year. Thus by taking account of the number of weeks worked as reported by the decennial census and the averages of monthly figures as reported to the various annual censuses, a comparable basis is obtained. Thus two persons each working six months during the year are equivalent to one employee on a full-time basis.

Salaries and wages represent from one angle the greatest share in the distribution of the value which is produced in commerce and industry, and from another the greatest single factor in the purchasing power which represents consumers' demand for these values. Over the period under review employees as a whole have taken in payment for their services an average of over 58 per cent of the total income payments. In some industries the proportion has been much greater. It is estimated, for instance, that in the period from 1919 to 1938, the workers in manufactures received 81.8 per cent of the total income payments of that industry, those in transportation 71.3 per cent, in trade 65.1 per cent, and in service 60.6 per cent. Percentages to income payments received by residents of Canada would be even greater. Earnings thus represent by all odds the largest single share in income payments.

Similarly, such earnings represent the largest share in purchasing power. This follows directly from the fact that they constitute the major proportion of all income. But the significance of wages as factors in consumers' demand for the products of industry is more direct because most of the wage-earners' income is usually spent for such products. The residue left for investment is normally of small proportions. In the higher income groups a much larger percentage of income is saved, and consumption may be delayed in periods when investment is restricted. Wages and salaries are the main income of the low per capita income groups. A change in earnings is directly reflected in the revenues of the lower income groups.

Statistics Illustrating the Economic Situation of Canada in the Calendar Year 1941, compared with 1940.

Item	Unit or base period	1941	1940	Increase + Decrease -
<u>National Income (Tentative Compilation)</u> <sup>1/</sup>	\$000	5,234,110	4,784,269	+ 9.4
Commodity Producing	\$000	2,590,383	2,252,153	+ 15.0
Commodity Handling	\$000	1,091,598	983,084	+ 11.0
Facilitating	\$000	1,552,129	1,549,032	+ 0.2
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1935-9=100	134.6	121.1	+ 11.1
Index of Industrial Production	1935-9=100	148.0	134.1	+ 10.4
Wholesale Prices	1926=100	89.9	82.9	+ 8.4
Index of Common Stock Prices	1935-9=100	67.5	77.4	- 12.8
Capitalized Bond Yields, Dominion	1935-9=100	104.8	99.8	+ 5.0
Mining Stock Prices	1935-9=100	72.4	81.2	- 10.8
Bank Debits	\$000	39,242,957	34,437,474	+ 14.0
<u>Production and General Business</u>				
Mineral Production	1935-9=100	128.8	125.4	+ 2.7
Gold Receipts	Fine Ozs.	5,081,480	4,965,828	+ 2.3
Silver Shipments	Fine Ozs.	17,999,807	19,971,496	- 9.9
Coal Production	Tons	17,933,271	17,207,363	+ 4.2
Manufacturing Production	1935-9=100	150.8	134.5	+ 12.1
Flour Production (First 11 Mos.)	Bbls.	18,894,178	15,178,789	+ 24.5
Sugar Manufactured	Lbs.	1,109,532,309	1,050,570,832	+ 5.6
Cattle Slaughtering	No.	1,722,767	1,593,677	+ 8.1
Hog Slaughtering	No.	6,273,851	5,454,930	+ 15.0
Cigarettes released	No.	8,581,740,500	7,571,841,581	+ 13.3
Cigars released	No.	191,440,709	165,673,118	+ 15.6
Leather Boots & Shoes (First 11 Mos.)	Pairs	25,681,943	20,670,524	+ 24.2
Raw Cotton Consumption	Lbs.	198,389,402	191,300,836	+ 3.7
Paper and Lumber -				
Newspring Production	Tons	3,425,865	3,418,803	+ 0.2
Exports of Planks and Boards	M ft.	2,282,132	2,451,638	- 6.9
Iron and Steel -				
Steel Ingot Production	Long Ton	2,411,887	2,011,172	+ 19.9
Pig Iron Production	Long Ton	1,364,334	1,174,894	+ 16.1
Automobile and Allied Industries -				
Automobile Production, Cars and Trucks	No.	270,431	222,984	+ 21.3
Petroleum Imports	000 Gals.	1,635,580	1,484,537	+ 10.2
Crude Rubber Imports	Lbs.	149,172,052	113,773,959	+ 31.1
Construction -				
Contracts Awarded	\$	393,991,300	346,010,200	+ 13.9
Building Permits (58 Municipalities)	\$	99,897,086	80,274,350	+ 24.4
Electric Power Production	000 K.W.H.	33,445,354	30,080,248	+ 11.2
External Trade (Excluding gold) -				
Exports	\$	1,640,531,555	1,193,217,592	+ 37.5
Imports	\$	1,448,791,650	1,081,950,719	+ 33.9
Excess of exports over imports	\$	191,739,905	111,266,873	
Internal Trade				
Wholesale Sales	1935-9=100	141.9	120.7	+ 17.6
Country General Store Sales	1935-9=100	116.2	106.7	+ 8.9
Retail Sales	1935-9=100	135.9	117.5	+ 15.7
Railways -				
Carloadings	No.	3,203,687	2,826,986	+ 13.3
Gross Revenue C.N.R. (Canadian Lines)	\$	261,826,874	212,300,711	+ 23.3
Gross Revenue, C.P.R.	\$	222,147,000	170,964,897	+ 29.9
Employment - 12 months' average unadjusted -				
General Index	1926=100	152.3	124.2	+ 22.6
Manufacturing		168.4	131.3	+ 28.3
Logging		187.8	166.9	+ 12.5
Mining		176.6	168.4	+ 4.9
Construction		126.6	90.7	+ 39.6
Building		139.5	83.5	+ 67.1
Highway		158.2	122.1	+ 29.6
Trade		156.5	142.9	+ 9.5
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 assets acquired by the Dominion Government through war expenditures.



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