

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

ECONOMIC CONDITIONS IN CANADA

during the first two months of 1941

compared with the same period of the

preceding year

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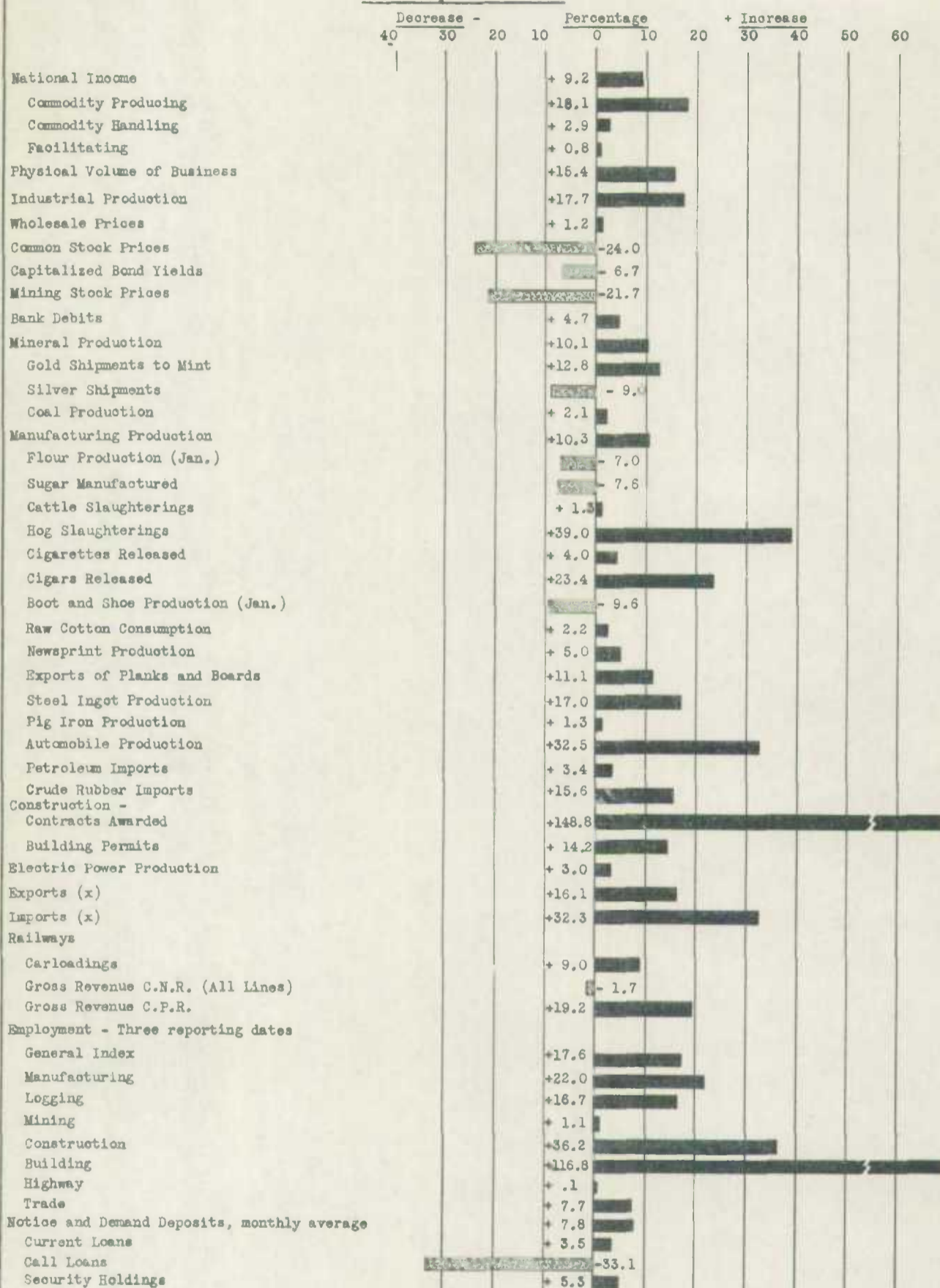
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The Economic Situation in Canada

in the First Two Months of 1941

as compared with

the same period of 1940.



(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 FIRST TWO MONTHS OF 1941
COMPARED WITH THE SAME PERIOD OF LAST YEAR

Business operations recorded a gain of about 15.5 p.c. in the first two months of the present year over the same period of 1940. The index of the physical volume of business averaged 128.3 against 111.2 one year ago. Wholesale prices averaged slightly higher, while a considerable decline was recorded in common stock prices. The bond market was at a considerably higher level than in the early months of last year. The use made of bank deposits, as indicated by statistics of bank debits, was somewhat greater, the cheques cashed in the first two months of the present year having been \$5,896 million against \$5,630 million one year ago.

A marked increase in economic activity since the outbreak of war, especially in the betterment of the employment of manpower resulted in an advance in the national income and consequently in the national power of saving money. The national income of Canada rose to \$4,784 million in 1940, recording a gain of \$375 million over the \$4,409 million established in the preceding year. The tentative estimate of national income in the first two months of this year was \$835 million. This was 9.2 p.c., or \$69 million above the level in the same period of 1940. The standing in 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.

Canada, being one of the chief producing centres of war supplies for Britain, has experienced a marked economic development since the outbreak of hostilities. The expansion was principally of an industrial character, arising in large measure from war contracts.

The index of mineral production on the base of 1935-9 was nearly 124 in the first two months of the present year against 112.5 in the same period twelve months ago, a gain of slightly more than 10 p.c. The expansion in gold mining was appreciable, the output having been 873,000 fine ounces against 774,000, a gain of nearly 13 p.c. Shipments of silver by Canadian mining companies recorded decline, while the gain in coal production was 2 p.c.

Canada is being turned into an arsenal of the Empire where war equipment is being produced on a large and increasing scale, in factories that are exempt from the risks of aerial bombing. The effect of this important stimulus on economic activity is evident in many aspects of national life, the advance in productive operations, extending over nearly a decade without important interruption, resulted in a new maximum.

The index of manufacturing production averaged 138 in the first two months of the present year, showing a gain of 10.3 p.c. over 125.1 in the same period of 1940. Marked expansion has been shown in some industries, while minor declines were recorded in others. The slaughtering of hogs was the feature in the activities of the meat-packing industry, the number having shown an increase of 39 p.c. over the early months of last year. Steel ingot production recording a gain of 17 p.c., reflected the heavy demand for metal for war purposes.

Already, because of the war, Canada has attained an importance among the nations of the world such as it could not have attained in generations. The outbreak of the war in 1939 was the signal for increased production as fear of future shortages brought increased demands for commodities. Extensive markets for the products necessary to the prosecution of the war developed quickly and industrial operations expanded rapidly to provide supplies in support of the allied cause and are still increasing as fast as the country's capacity of production will permit. Some industries have transferred their activities from peace-time requirements to filling war contracts. The automobile production has shown acceleration due to this type of transfer. The production of cars and trucks of all descriptions during the first two months of the present year was nearly 47,000 units against 35,000 a year ago, a gain of 32.5 p.c. The imports of crude rubber, indicating expansion in the manufacture of tires, was 15.6 p.c. greater at 21.6 million pounds. Petroleum imports recorded a minor increase in the same comparison.

The influence of the war has extended to practically every phase of life in Canada. Economic forces have a vital part in the struggle. Industries have been drawn into a broad-scale development to fill our own needs as far as possible and to supplement Britain's output. The volume of business operations will probably increase steadily until a condition of maximum production is reached thereby bringing into employment not only all who would be considered employable, but others who would not be working ordinarily for wages and salaries. Dislocations are bound to occur as a result of concentration of effort on production for war purposes, but this should have no substantial effect on our total economy. Even greater stimulation may be expected until this country is adequately armed and the United Kingdom supplied with all the materials which may be required from the Dominion.

Construction contracts awarded during the first two months of the present year were \$51.3 million against \$20.6 million in the early months of 1940, a gain of nearly 149 p.c. The increase in building permits issued by fifty-eight municipalities was of a more moderate character.

Following the decline of about two years, wholesale prices rose sharply for the last four months of 1939, subsequent to the outbreak of war, showing a tendency towards steadiness in the first half of 1940. The advance was continued in a moderate way during later months. The net result was an average gain in the index of nearly 9 p.c. in 1940 over the preceding year.

Considerable variation was shown in the movement of common stocks and high-grade bond prices. The former strengthened upon the outbreak of war and were fairly well maintained until May and June when a marked reaction occurred reflecting the influence of adverse military operations in France. The subsequent rally was of moderate proportions and the level of common stock prices remained greatly below the inter-war trend. High-grade bond prices reacted sharply in the first month of the war, but an appreciable recovery followed, counterbalancing, in large measure, the decline of September, 1939.

The sum of the demand and notice deposits held by the banks showed considerable fluctuation during 1940. High levels were reached on two occasions but heavy payments for war loans led to reaction. A new high level was reached at the end of February, 1941, when the amount was no less than \$2,738 million. Bank debits, the best measure of the flow of money, rose more than 12 p.c. in 1940 over the preceding year. This result was achieved despite the marked inactivity in stock and grain speculation. The total amount of payments by cash and cheque was estimated at \$44.2 billion in 1940, compared with \$39.6 billion in the preceding year.

The year 1940 witnessed an unprecedented expansion in industrial employment in the Dominion, and a continuation and intensification of the upward movement since its inception late in 1939. The industrial activity indicated during the year under review raised the employees of the co-operating establishments by almost one-fifth, a proportion greatly exceeding that shown in any other twelve months for the twenty years for which information is now available. During the first two months of 1941, the employment index, on the base of 1926, was nearly 135 against 114.7, in the same period of 1940, a gain of 17.6 p.c. Manufacturing recorded a gain of 22 p.c. while building construction was nearly 117 p.c. greater.

Canada is now passing through a very eventful period during which business is influenced by numerous world developments as well as by a number of important domestic factors. It cannot be denied that even in war time there is a considerable solidarity in the social economy and any spectacular development in one section is quite certain to influence the others. Marked changes are characteristic of a war economy. The expansion in the early part of the year was effected without undue dislocation and after twenty months of war we find that the general business of the country is not greatly disturbed and that in the main progress toward improved conditions has been maintained.

Statistics Illustrating the Economic Situation of Canada for the first two months of 1941, Compared with the same period of 1940

Item	Unit or base period	First Two Months		Percent Increase + Decrease -	
		1941	1940		
<u>National Income, based on tentative</u>	\$000	834,998	764,959	+	9.2
Commodity Producing (monthly compilation)	\$000	412,015	348,980	+	18.1
Commodity Handling	\$000	172,401	167,504	+	2.9
Facilitating	\$000	250,582	248,475	+	0.8
<u>General Economic Situation</u>					
Index of Physical Volume of Business	1935-9=100	128.3	111.2	+	15.4
Index of Industrial Production	1935-9=100	141.7	120.4	+	17.7
Wholesale Prices	1926=100	83.7	82.7	+	1.2
Index of Common Stock Prices	1935-9=100	68.9	90.6	-	24.0
Capitalized Bond Yields, Dominion	1935-9=100	104.0	97.5	+	6.7
Mining Stock Prices	1935-9=100	77.2	98.6	-	21.7
Bank Debits	\$000	5,896,321	5,629,552	+	4.7
<u>Production and General Business</u>					
Mineral Production	1935-9=100	123.9	112.5	+	10.1
Gold Receipts	Fine Ozs.	873,482	774,039	+	12.8
Silver Shipments	Fine Ozs.	2,828,020	3,107,534	-	9.0
Coal Production	Tons	3,225,844	3,159,756	+	2.1
Manufacturing Production	1935-9=100	138.0	125.1	+	10.3
Flour Production (Jan.)	Bbls.	1,177,369	1,266,303	-	7.0
Sugar Manufactured	Lbs.	81,234,157	87,886,708	-	7.6
Cattle Slaughtering	No.	199,782	197,186	+	1.3
Hog Slaughtering	No.	1,068,818	768,985	+	39.0
Cigarettes released	No.	1,180,089,922	1,134,960,611	+	4.0
Cigars released	No.	26,026,071	21,094,418	+	23.4
Leather Boots and Shoes (Jan)	Pairs	1,759,526	1,945,394	-	9.6
Raw Cotton Consumption	Lbs.	32,283,582	31,601,104	+	2.2
Paper and Lumber -					
Newsprint Production	Tons	506,905	482,855	+	5.0
Exports of Planks and Boards	M ft.	316,833	285,195	+	11.1
Iron and Steel -					
Steel Ingot Production	Long Tons	359,001	306,839	+	17.0
Pig Iron Production	Long Tons	194,250	191,735	+	1.3
Automobile and Allied Industries -					
Automobile Production, Cars and Trucks	No.	46,905	35,406	+	32.5
Petroleum Imports	000 Gals.	118,463	114,619	+	3.4
Crude Rubber Imports	Lbs.	21,595,715	18,679,104	+	15.6
Construction -					
Contracts Awarded	\$	51,284,400	20,613,600	+	148.8
Building Permits 1/	\$	8,294,707	7,262,878	+	14.2
Electric Power Production	000 K.W.H.	5,041,763	4,893,174	+	3.0
External Trade - (X)					
Exports	\$	189,484,993	163,167,908	+	16.1
Imports	\$	188,014,090	142,145,698	+	32.3
Excess of exports over imports	\$	1,470,903	21,022,210	-	
Railways -					
Carloadings	No.	446,069	409,374	+	9.0
Gross Revenue C.N.R. (All Lines)	\$	34,727,000	35,324,491	-	1.7
Gross Revenue C.P.R.	\$	28,792,000	24,160,000	+	19.2
Employment - 3 months' average unadjusted -					
General Index	1926=100	134.9	114.7	+	17.6
Manufacturing		146.9	120.4	+	22.0
Logging		250.6	214.7	+	16.7
Mining		168.5	166.7	+	1.1
Construction		82.8	60.8	+	36.2
Building		107.3	49.5	+	116.8
Highway		80.5	80.4	+	.1
Trade		151.2	140.4	+	7.7
Banking - Two months' average -					
Notice and Demand Deposits	\$	2,707,905,100	2,511,304,104	+	7.8
Current Loans	\$	1,002,547,760	969,032,254	+	3.5
Call Loans - Canada	\$	34,880,477	52,170,005	-	33.1
Security Holdings	\$	1,732,486,767	1,645,924,932	+	5.3

(X) Excluding gold.
1/ 58 Municipalities.

Forty three items show advances while eight record declines.



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