

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 quarter of 1941

compared with the same period of the

preceding year

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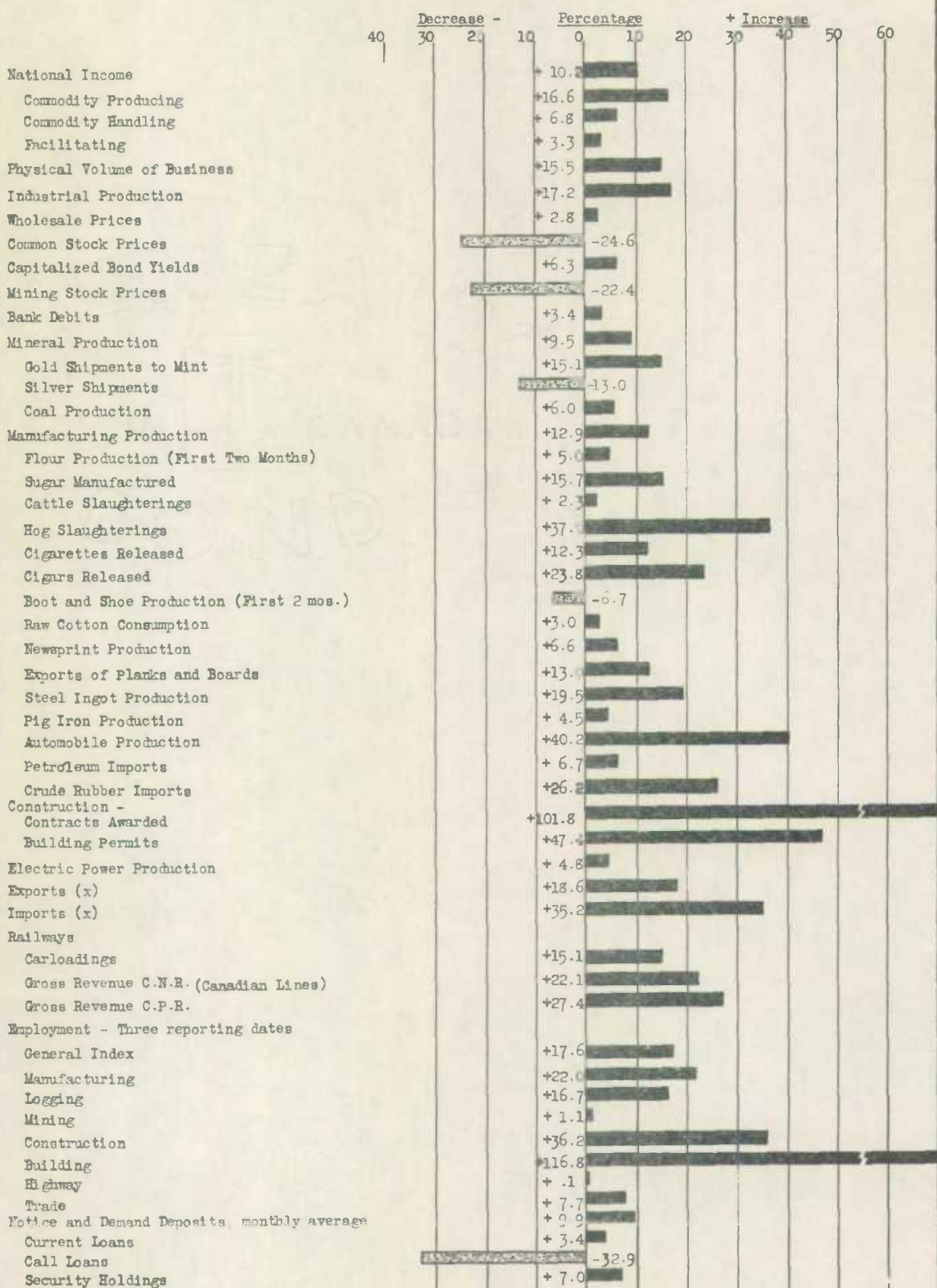
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OTTAWA

1941

Price \$1 a year

The Economic Situation in Canada
in the First Three Months of 1941
as compared with
the same period of 1940.



(x) Excluding gold.

- Dominion Bureau of Statistics -

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

DOMINION BUREAU OF STATISTICS - OTTAWA
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ECONOMIC CONDITIONS IN CANADA DURING THE FIRST QUARTER OF 1941.
COMPARED WITH THE SAME PERIOD OF LAST YEAR

Owing mainly to the accelerating influence of participation in the war, the national income of Canada according to a preliminary estimate rose to \$1,248 million in the first quarter of the present year against \$1,133 million in the same period of 1940. The gain of 10 per cent was largely occasioned by expansion in the commodity-producing activities, although appreciable gains were also shown in the commodity handling and facilitating divisions.

During the first quarter, the "real" income of Canada obtained by adjusting the money income to allow for price changes was at a higher rate than in the same period of any other year. The "real income" calculated in this way was at the rate of \$5,111 million for the year against \$5,022 million, the maximum of the last prosperity cycle reached in 1928.

Business operations recorded a gain of about 15½ per cent in the first quarter of the present year over the same period of 1940. The index of the physical volume of business averaged 126.6 against 109.6 one year before. Wholesale prices were slightly higher while a considerable decline was recorded in stock prices. The bond market averaged higher than in the early months of last year.

The use made of bank deposits indicated by statistics of bank debits was somewhat greater, cheques cashed in the first quarter of the present year having been \$8,319 million against \$8,042 million one year ago.

The national income is the net value of goods produced and services rendered during a given period. An alternate definition is the sum of the positive or negative savings of enterprises and the income payments to individuals resident in Canada, including salaries and wages, workmen's compensation, pensions, dividends, interest, rentals and withdrawals of working proprietors. Statistics of production and of income payments are thus essential in estimating the national income.

During the twenty years covered by the estimates recently compiled, commodity production contributed to the national income a yearly average of \$1,972 million, compared with \$954 million derived from the transportation and trade activities, and \$1,316 million from the finance, government and service divisions. It is surprising to find that more than thirty per cent of the national income was derived from activities other than the production and distribution of commodities.

As income payments to individuals constitute the principal flow of money, the importance of these payments to the economy is readily realized. The money flow from producers to consumers is received as a return for work in the form of wages and salaries, as a return from investments in the form of dividends, interest and rents or as the withdrawals of working proprietors representing a return from both work and investment.

The total flow of income payments to consumers amounted to an average of \$4,002 million per year during the inter-war period. The average during the second decade was \$3,939 million as against \$4,065 million in the first, a decline of only \$126 million or about 3 per cent. Adjusting the sum of payments of different descriptions for changes in the cost of living, the annual average during the first ten years of the period was \$3,942 million. The yearly average with a similar adjustment during the second half of the period under review was \$4,607 million, a gain of no less than 16.9 per cent. Thus the income recipients had more purchasing power placed at their disposal in the later half of the period than in the first. A counterbalancing factor, however, was the considerable increase in the population and in the number of income claimants.

The compensation of employees, including pensions and relief, accounted over the twenty years for nearly 62 p.c. of the total distribution, while less than 14 p.c. was paid in the form of dividends, interest and rents. The share of the working proprietors averaged nearly 25 p.c.

It is estimated that slightly more than one-third (34.4 p.c.) of the population were gainfully occupied on a full-time basis during the inter-war period. As the growth of the population was more rapid, the proportion engaged in productive enterprise was considerably less during the later part of the period than in the years immediately following the last war. Even from 1919 to 1929, the proportion receded from 38.6 p.c. to 37.3 p.c. but the important shift came in the later decade with a percentage of only 32.9 in 1938. This relative increase in the idle population has a significant bearing upon the problem of the potential manpower for war activities.

Variations in the provincial contributions to national income are due to (a) long-term factors such as the proximity of transportation facilities, the composition of the population and the advantages gained by priority of settlement and development; (b) short-term influences bound up with the diversity and adaptability of economic activity. Fluctuations tend to be extreme in an area dominated economically by a very few industrial groups. During the twenty years under review, nearly 63 p.c. of the total income payments in the Dominion were received by the residents of Ontario and Quebec. Each of the four western provinces received from 6.9 p.c. to 8.5 p.c., while the combined receipts of the Maritime Provinces amounted to 7.2 p.c. of the whole.

The importance of consumer purchasing power in the modern economy has become a topic of general interest during the last few years. Canadians have at their command an abundance of natural resources and considerable capacity to convert their natural wealth into useful goods and services. Industry, however, must produce the particular goods and services which consumers desire to purchase and must make the particular capital investment required to provide for future consumption demands. It should be known what incomes the nation's consumers receive and how they are realized.

Surveys conducted by the Bureau demonstrate the variability in the percentage of expenditures for particular commodities at different levels of income and consequent fluctuation in the relative demand for food, fuel, household operation and transportation.

The fluctuation in national income is mainly due to changes in capital formation, international credits, including exports of gold and merchandise, deficit financing of governments, and in the outstanding money supply. As Canada's participation in war on approximately the present basis has led to expansion in each of these lines, marked increase was consequently shown in the national income from the outbreak of hostilities.

War contracts alone to end of March amounted to \$1,523.8 million on Canadian and United Kingdom account.

Exports of merchandise reached \$292.5 million in the first quarter of 1941 and the net exports of non-monetary or new gold were \$53.6 million. Corresponding totals in the preceding year were \$246.6 million and \$50.2 million, respectively.

Dominion government expenditures exceeded revenues by \$395 million in the fiscal year ended March 31, 1941, while the net increase in active loans and investments was \$387 million. A marked increase in expenditures is anticipated for future months.

The Canadian money supply rose to \$3,082 million during 1940, against the previous maximum of \$2,838 million established in 1939. 1/

The fluctuations in the national income of Britain, United States and Canada were somewhat similar, the British curve recording an upward trend during the period of observation. Estimates of per capita income during the last few years indicate that the United States, Britain and Australia top the list, while Canada occupies an intermediate position.

1/ Annual Report of Bank Debits and Equation of Exchange, 1940.

Dominion Bureau of Statistics, 24 pages, including 11 Tables and

5 Charts.

Statistics Illustrating the Economic Situation of Canada for the first three months of 1941.

Compared with the same period of 1940.

Item	Unit or base period	First Three Months		Increase + Decrease %
		1941	1940	
National Income (Tentative Compilation)				
National Income (Tentative Compilation)	\$000	1,248,285	1,132,610	+ 10.2
Commodity Producing	\$000	613,212	525,905	+ 16.6
Commodity Handling	\$000	259,813	243,304	+ 6.8
Facilitating	\$000	375,260	363,401	+ 3.3
General Economic Situation				
Index of Physical Volume of Business	1935-9=100	126.6	109.6	+ 15.5
Index of Industrial Production	1935-9=100	139.0	118.6	+ 17.2
Wholesale Prices	1926=100	85.2	82.9	+ 2.8
Index of Common Stock Prices	1935-9=100	68.2	90.5	- 24.6
Capitalized Bond Yields, Dominion	1935-9=100	104.1	97.9	+ 6.3
Mining Stock Prices	1935-9=100	76.5	98.6	- 22.4
Bank Debts	\$000	8,319,432	8,042,213	+ 3.4
Production and General Business				
Mineral Production				
Mineral Production	1935-9=100	123.5	112.8	+ 9.5
Gold Receipts	Fine Ozs.	1,300,324	1,129,610	+ 15.1
Silver Shipments	Fine Ozs.	4,349,745	5,002,356	- 13.0
Coal Production	Tons	4,754,947	4,484,470	+ 6.0
Manufacturing Production				
Manufacturing Production	1935-9=100	137.7	122.0	+ 12.9
Flour Production (First 2 Mos.)	Bbls.	2,639,556	2,513,101	+ 5.0
Sugar Manufactured	Lbs.	142,081,560	122,751,496	+ 15.7
Cattle Slaughtering	No.	316,640	309,591	+ 2.3
Hog Slaughtering	No.	1,572,734	1,148,393	+ 37.0
Cigarettes released	No.	1,872,762,385	1,668,313,084	+ 12.3
Cigars released	No.	38,951,447	31,460,608	+ 23.8
Leather Boots and Shoes (First 2 Mos.)	Pairs	3,802,146	4,075,419	- 6.7
Raw Cotton Consumption	Lbs.	49,087,582	47,661,320	+ 3.0
Paper and Lumber -				
Newsprint Production	Tons	782,674	734,134	+ 6.6
Exports of Planks and Boards	M ft.	486,643	430,646	+ 13.0
Iron and Steel -				
Steel Ingot Production	Long Tons	554,482	464,165	+ 19.5
Pig Iron Production	Long Tons	296,288	283,507	+ 4.5
Automobile and Allied Industries -				
Automobile Production, Cars and Trucks	No.	72,949	52,018	+ 40.2
Petroleum Imports	000 Gals.	181,124	169,704	+ 6.7
Crude Rubber Imports	Lbs.	31,232,029	24,755,771	+ 26.2
Construction -				
Contracts Awarded	\$	65,276,300	32,339,700	+ 101.8
Building Permits 1/	\$	14,686,160	9,962,830	+ 47.4
Electric Power Production	000 K.W.H.	7,673,572	7,319,331	+ 4.8
External Trade - (X)				
Exports	\$	292,480,254	246,633,048	+ 18.6
Imports	\$	295,996,312	218,879,594	+ 35.2
Excess of exports over imports	\$	- 3,516,058	27,753,454	-
Railways -				
Carloadings	No.	695,767	604,480	+ 15.1
Gross Revenue C.N.R. (Canadian Lines)	\$	54,530,000	44,648,171	+ 22.1
Gross Revenue, C.P.R.	\$	45,412,000	35,638,000	+ 27.4
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 - Three months' average -				
Notice and Demand Deposits	\$	2,722,994,795	2,477,757,577	+ 9.9
Current Loans	\$	1,006,786,435	974,075,474	+ 3.4
Call Loans - Canada	\$	34,957,108	52,060,640	- 32.9
Security Holdings	\$	1,743,659,921	1,630,293,194	+ 7.0

(X) Excluding gold.
1/ 58 Municipalities.

Five items showed declines.
While 46 showed advances.