

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

ECONOMIC CONDITIONS IN CANADA

during the first four months of 1941

compared with the same period of the

preceding year

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Published by Authority of the Hon. James A. MacKinnon, M.P.,  
Minister of Trade and Commerce.

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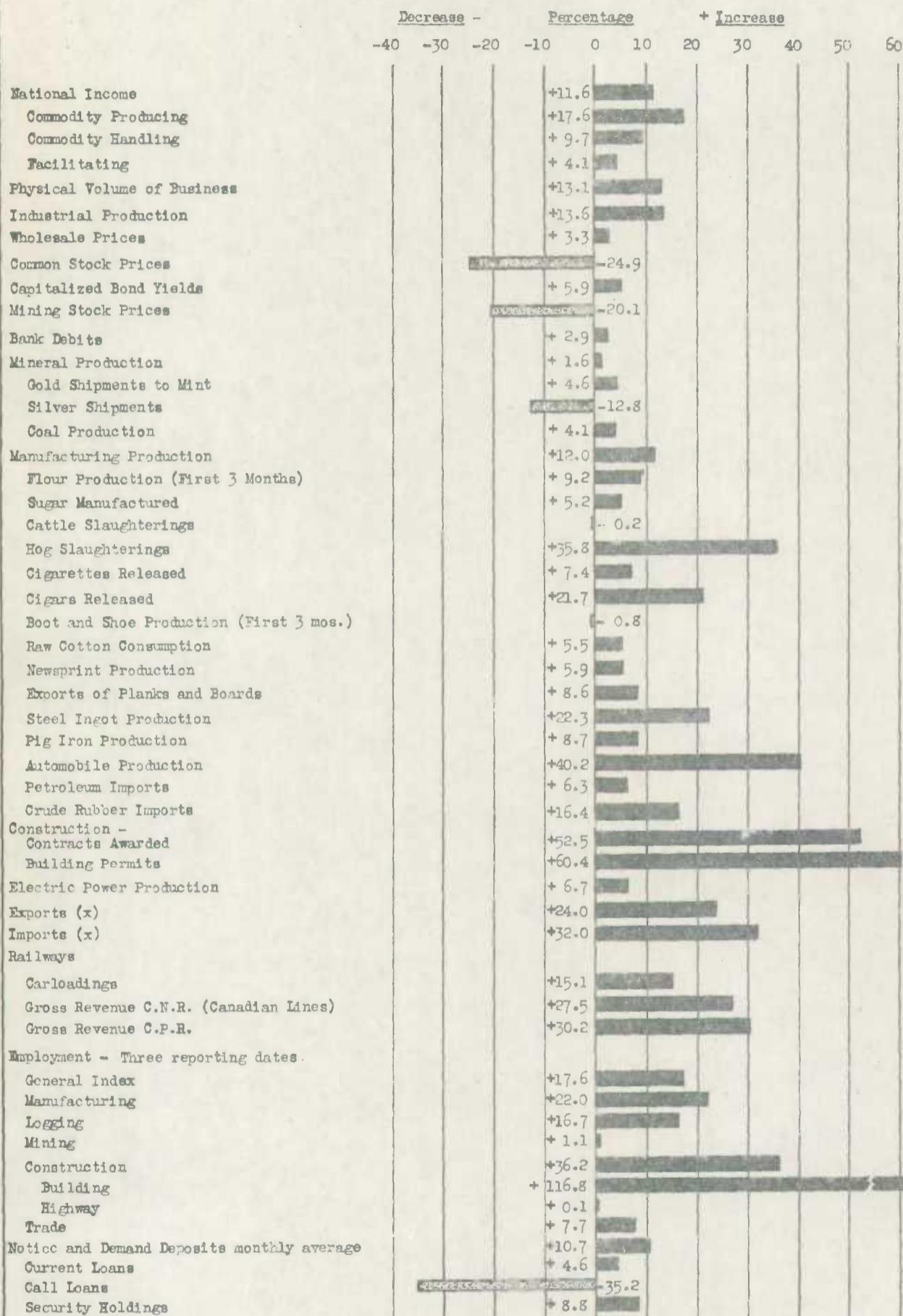
OTTAWA

1941

Price \$1 a year

The Economic-Situation in Canada  
in the First Four Months of 1941

As compared with  
the same period of 1940.



(x) Excluding gold.

- Dominion Bureau of Statistics -

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

GENERAL STATISTICS BRANCH

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ECONOMIC CONDITIONS IN CANADA DURING THE FOUR MONTHS OF 1941.  
COMPARED WITH THE SAME PERIOD OF LAST YEAR.

The expansion in economic activity was reflected in a gain of 11.6 per cent in the national income during the first four months of 1941 over the same period of the preceding year. The total was \$1,683 million in the elapsed portion of the present year against \$1,508 million. The greatest increase was recorded in the commodity producing activities, the total having been \$828 million against \$704 million in the first four months of last year, a gain of 17.6 per cent. The gains in the commodity handling and facilitating divisions amounted to 9.7 per cent and 4.1 per cent respectively. The national income, the best measure of economic activity, rose 15.8 per cent in April over the same month of last year, the standing having been \$434.7 million against \$375.3 million in the same month a year ago.

The index of the physical volume of business on the base of 1935-1939 = 100, was 126.9 during the first four months against 112.2, a gain of slightly more than 13 per cent. The increase in wholesale prices was 3.3 per cent, while a decline of nearly 25 per cent was shown in common stock prices. High-grade bond prices were at a considerably higher level, while an increase of nearly 3 per cent was shown in the amount of cheques cashed in clearing centres.

The main components of the index of the physical volume of business recorded gains in this comparison. The increase in the index of mineral production was about two points to 123.1. Manufacturing production measured by the official index rose 12 per cent to 138.4. Construction contracts awarded rose from \$58.2 million to \$88.8 million. The gain in electric power production was from 9.7 billion kilowatt hours to 10.4 billion, a gain of 6.7 per cent. The advances in exports and imports were 24 per cent and 32 per cent, respectively. The railway traffic movement was 15 per cent greater at 947,000 cars. The sum of the notice and demand deposits rose 10.7 per cent to \$2,751 million. Advances were also shown in current loans and security holdings of the chartered banks.

As income payments to individuals constitute the principal money flow, the importance of these payments to the economy is readily realized. Money flow is in the main of a circular nature, the same dollars repeating the circuit time after time. The chief measurable flow of money is from producers to consumers in the form of consumer income. This money 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 disposal of the income either for services and the purchase of commodities for consumption or for investment leading to the expansion of plant and equipment, makes up the other segment of the circular flow. Both processes go on simultaneously and neither precedes the other as a necessary condition of production. Government is regarded as an enterprise rendering a wide variety of services in return for the taxes received. The money obtained through the sale of government securities is in a somewhat similar category to the borrowings of corporations for plant expansion and other purposes.

The individual's power of demand and consequent control over the economic activity of society is distributed and exercised approximately in proportion to the comparative magnitude of the income, or, to express it more strictly, in proportion to the magnitude of that portion of his income which is left at his disposal after the payment of taxes.

The savings of enterprises whether positive or negative measures the disparity between the income produced defined as the national income and payments to individuals. The savings of enterprises are normally positive in prosperous years and negative in depression. Such organizations normally retain a portion of their net revenues in prosperous periods for the purpose of capital expansion or maintenance of dividends and interest payments when operations are less profitable. Governments strengthen their position by the reduction of outstanding obligations and in other ways. Rigidities, for example in the form of essential miscellaneous expenses and fixed charges, and heavier social obligations in the case of government, usually result in negative savings during less propitious years.

When the thirty enterprises are regarded as a unit, it is observed that savings of enterprises were mainly positive during the first decade, the only exception having been in 1921. Payments to individuals were greater than income produced from 1930 to 1925, inclusive when the position took a turn for the better. Savings of enterprises are subject to extreme variation, ranging from \$495 million in 1928 to a negative amount of \$557 million in 1932. The cumulative gains in the first decade were nearly counterbalanced in the second, the algebraic sum of savings for the twenty years amounting to only \$3.4 million per annum.

The close conformity with general business conditions is evident by a comparison with other strategic factors. Providing it were possible to compute savings on a monthly basis, the information would be useful in the interpretation of economic conditions. Savings, positive or negative, are in themselves a highly important consideration in shaping policies. A large negative saving in an economy, dependent upon the stimulus of the profit incentive is a potent factor in accentuating a depression, while positive savings have the opposite significance in a period of recovery.

Following is a summary of the tendencies of positive and negative savings of the twelve main groups by decades. Savings were positive for most groups during the first decade and negative in the second, although several exceptions to the general rule are noted. Excellent savings were retained by agriculture, manufactures, trade and government during the first decade, while in the second negative savings were appreciable in agriculture, transportation and government. Care must be taken not to confuse the term "savings" used here with the common notion of business profits and losses. An enterprise retains a positive "savings" when it pays out in salaries and wages, interest, dividends and other types of income received by individuals an amount smaller than the margin between its gross intake from industrial operations and the cost of materials, overhead and depreciation. On the other hand, an enterprise experiences a loss or negative savings when the amount of its payments to various income recipients is greater than that margin. Measurements are affected by the various methods of accounting practice. Considerable uncertainty also exists as to the distribution of withdrawals of working proprietors and savings.

In return for their participation in the production of goods and services, individuals receive compensation either in money or kind. If such money receipts and the value of perquisites are added, the resulting total constitutes the aggregate income payments to individuals. During any period the value of the end-product is rarely exactly equivalent to the compensation paid to the several agencies engaged in any given productive process. Consequently the national income and aggregate payments to individuals are normally somewhat unequal.

As these types of income represent largely the compensation of various groups in the economic system, the importance of changes in the distribution will be fully recognized. Information as to the proportion of total income to each of the various factors of production at different periods is of considerable value in the interpretation of the structure of the Canadian economy.

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 3 p.c. The minor setback in income payments as contrasted with the drop of more than 11 p.c. in the national income was due to the marked variation in savings of enterprises. Income payments owing to heavy negative savings averaged \$176 million per year more than income produced in the second decade due to heavy negative savings while payments to individuals were \$183 million per annum less than income produced in the first decade. The nineteen-year trend of the index of income payments on the base of 1926 was minus 0.39 per year compared with minus 0.84 for the index of national income.

A rough test of the magnitude of cyclical fluctuations is given by the percentage changes between typical years. The decline in income payments from 1929 to 1933 was more than 33 p.c., while the recovery from that low point to 1937 was nearly 31 p.c. The corresponding changes in the national income on a realized basis were a decline of 46 p.c. and a rise of 55 p.c. respectively indicating the greater sensitivity of the more inclusive total. The standard deviation of the index of income payments at 10.09 against 13.82 for income produced, tells a similar story with mathematical precision.

It must be recognized that the total of income payments is nothing but the sum of innumerable separate incomes of individuals. This sum cannot be directly expressed in any measure giving the bulk, weight or number of the commodities or services, of which the incomes consist. It may only be reported in number of dollars arrived at as the aggregate amount of all incomes. It often happens that the share of a participant is increased by something which makes no difference or at least only a slight difference to all of the other participants. The various incomes are to a large extent independent of each other.

Also it should not be forgotten that the division between labour and property does not by itself settle the relative position of the owners and the workers. Much depends upon the number of persons who share the various types of income. The individual workers may be better off in comparison with the individual owners over a period when they are receiving in the aggregate a lesser proportion of the total. During the inter-war period the shares of wage-earners and property claimants increased contrasting with a minor decline in the relative position of the working proprietors. It is evident however, that the owners of such property as existed in our early history did not receive as large a proportion of the whole income as they do today. The relative position of the individual owner depends, of course, upon the diffusion of the ownership.

Reviewing the twenty-year period, the compensation of employees, including pensions and relief, accounted 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. The decline in the share of the last category was the most striking feature. Labour's share including other labour income rose from about 60 p.c. in the first decade to 63.3 p.c. in the second while the relative gain in property income was from 12.8 p.c. to 14.7. The share of the working proprietors dropped from 27.2 p.c. to 22.0 p.c., the income of farmers and other primary producers showing a considerable setback from the relatively favourable position of the first decade.

An advancing inter-war trend was shown by other labour income including relief, as well as by bond interest and dividends. A declining trend was recorded in withdrawals and the sum of rentals and mortgage interest. Salaries and wages showed a slightly declining trend, while the proportion to income payments as a whole showed an increase in the second decade over the first.

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 about 58 p.c. of the total income payments. In some industries the proportion has been much greater. It is estimated that in the period from 1919 to 1938, for instance, the workers in manufactures received 81.8 p.c. of the total income payments of that industry, those in transportation 71.3 p.c., in trade 65.1 p.c., and in service 60.6 p.c. 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 proportion 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 for the first four months of 1941.

Compared with the same period of 1940.

Item	Unit or base period	First Four Months		Increase + Decrease -	
		1941	1940		
<b>National Income (Tentative Compilation)</b>	\$000	1,682,983	1,507,919	+	11.6
Commodity Producing	\$000	828,141	704,052	+	17.6
Commodity Handling	\$000	351,003	319,882	+	9.7
Facilitating	\$000	503,839	483,985	+	4.1
<b>General Economic Situation</b>					
Index of Physical Volume of Business	1935-9=100	126.9	112.2	+	13.1
Index of Industrial Production	1935-9=100	139.1	122.5	+	13.6
Wholesale Prices	1926=100	85.6	82.9	+	3.3
Index of Common Stock Prices	1935-9=100	67.6	90.0	-	24.9
Capitalized Bond Yields, Dominion	1935-9=100	104.2	98.4	+	5.9
Mining Stock Prices	1935-9=100	76.1	95.2	-	20.1
Bank Debts	\$000	11,303,598	10,980,000	+	2.9
<b>Production and General Business</b>					
<b>Mineral Production</b>	1935-9=100	123.1	121.2	+	1.6
Gold Receipts	Fine Ozs.	1,685,812	1,611,605	+	4.6
Silver Shipments	Fine Ozs.	5,831,226	6,688,104	-	12.8
Coal Production	Tons	5,968,997	5,736,660	+	4.1
<b>Manufacturing Production</b>	1935-9=100	138.4	123.5	+	12.0
Flour Production (First 3 Mos.)	Bbls.	4,116,229	3,770,135	+	9.2
Sugar Manufactured	Lbs.	192,032,236	182,461,630	+	5.2
Cattle Slaughtering	No.	476,520	477,544	-	0.2
Hog Slaughtering	No.	2,113,242	1,556,644	+	35.8
Cigarettes released	No.	2,489,228,042	2,317,045,441	+	7.4
Cigars released	No.	54,868,737	45,089,055	+	21.7
Leather Boots and Shoes (First 3 Mos.)	Pairs	6,104,432	6,150,899	-	0.8
Raw Cotton Consumption	Lbs.	66,202,531	62,747,235	+	5.5
<b>Paper and Lumber -</b>					
Newsprint Production	Tons	1,062,670	1,003,081	+	5.9
Exports of Planks and Boards	M ft.	629,296	579,605	+	8.6
<b>Iron and Steel -</b>					
Steel Ingot Production	Long Tons	755,162	617,616	+	22.3
Pig Iron Production	Long Tons	399,614	367,717	+	8.7
<b>Automobile and Allied Industries -</b>					
Automobile Production, Cars and Trucks	No.	100,533	71,705	+	40.2
Petroleum Imports	000 Gals.	261,046	245,569	+	6.3
Crude Rubber Imports	Lbs.	36,901,246	31,690,594	+	16.4
<b>Construction -</b>					
Contracts Awarded	\$	88,843,500	58,244,700	+	52.5
Building Permits 1/	\$	27,238,418	16,981,166	+	60.4
<b>Electric Power Production</b>	000 K.W.H.	10,366,925	9,718,053	+	6.7
<b>External Trade - (X)</b>					
Exports	\$	410,905,304	331,325,726	+	24.0
Imports	\$	402,264,731	304,859,113	+	32.0
Excess of exports over imports	\$	+ 8,640,573	+ 26,466,613	-	
<b>Railways -</b>					
Carloadings	No.	947,320	823,382	+	15.1
Gross Revenue C.N.R. (Canadian Lines)	\$	75,667,000	59,344,171	+	27.5
Gross Revenue, C.P.R.	\$	62,067,000	47,682,000	+	30.2
<b>Employment - 3 months' average unadjusted -</b>					
General Index	1926=100	134.9	114.7	+	17.6
Manufacturing		146.9	120.4	+	22.0
Logging		250.5	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
<b>Banking - Four months' average -</b>					
Notice and Demand Deposits	\$	2,751,125,976	2,484,352,485	+	10.7
Current Loans	\$	1,008,129,244	964,121,958	+	4.6
Call Loans - Canada	\$	34,030,413	52,552,417	-	35.2
Security Holdings	\$	1,762,834,132	1,620,672,066	+	8.8

(X) Excluding gold.  
1/58 Municipalities.

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

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