

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

ECONOMIC CONDITIONS IN CANADA

during the first half of 1941

compared with the same period of the

preceding year

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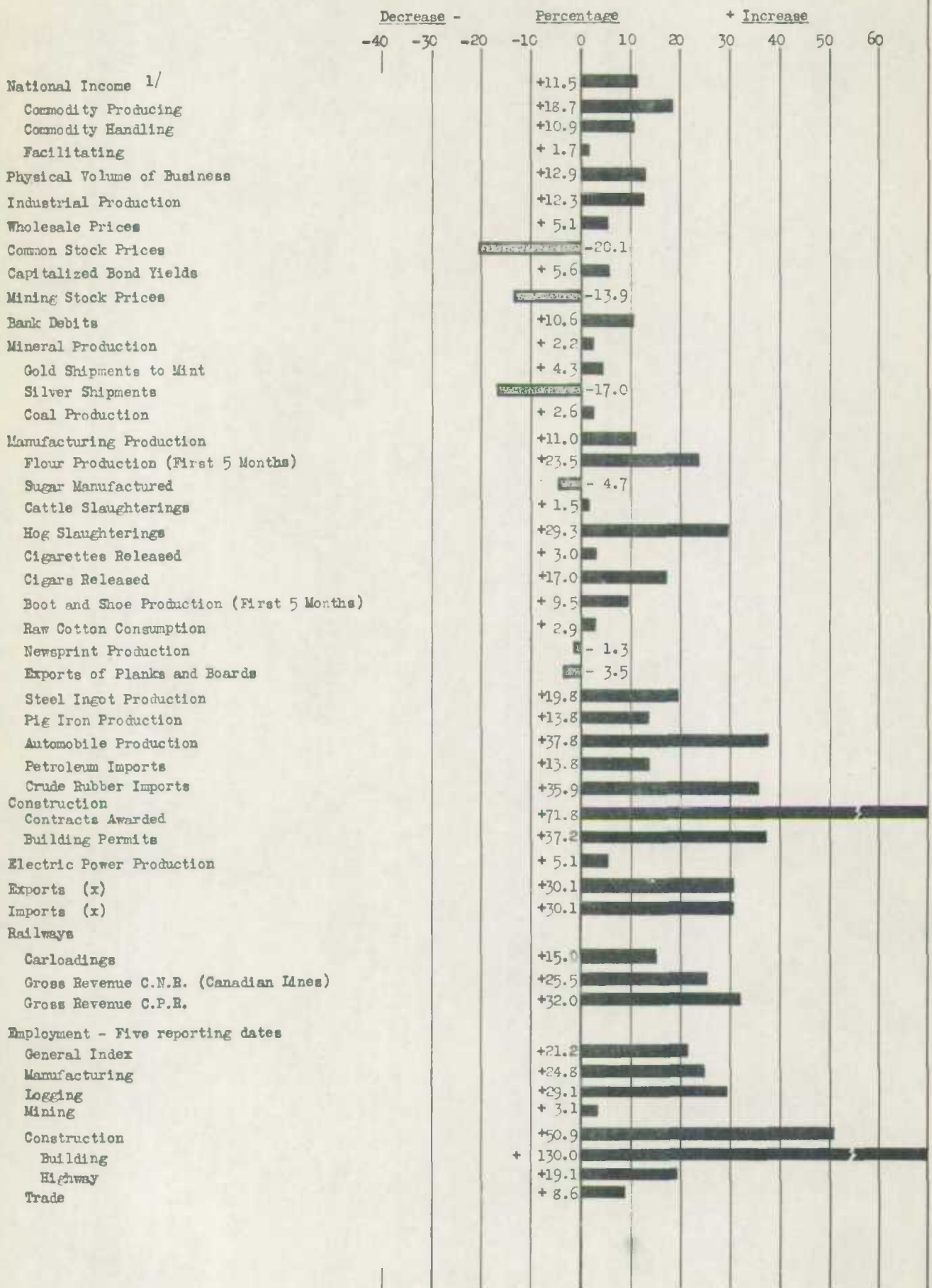
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The Economic Situation in Canada

in the First Six Months of 1941

As compared with

the same period of 1940



(x) Excluding gold.

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

- Dominion Bureau of Statistics -

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

DOMINION BUREAU OF STATISTICS - OTTAWA
GENERAL STATISTICS BRANCH

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

The national income for the first six months of 1941 reflected the sustained industrial stimulus of the war. The total for the period was \$2,557 million, or 11.5 per cent greater than the figure of \$2,292 million recorded for the corresponding period of 1940. The industries concerned with the direct production of commodities contributed \$1,263 million, 18.7 per cent in advance of the total one year ago. Commodity handling industries also recorded a substantial gain of 10.9 per cent, the rise in the "facilitating" division being relatively small. The price rise over the period, which was 5.1 per cent is, therefore, responsible for less than half the increase in the national income total.

The physical volume of business index for the first half of 1941 was 129.2, representing an increase of 12.9 per cent over the first six months of 1940. The index of industrial production over the period stood at 141.5, recording a very similar increase of 12.3 per cent over the preceding year. Wholesale prices advanced 5.1 per cent to 86.8. Common stocks at 66.4 were 20.1 per cent below the figure for the corresponding period of 1940. Capitalized bond yields at 104.1, were 5.6 per cent above the total for the preceding year. Bank debits were at an extremely high level, recording a gain of 10.6 per cent over 1940.

Mineral production posted a minor advance over 1940, rising 2.2 per cent to 126.5. The official index of manufacturing production stood at 139.2, 11 per cent higher than for the corresponding period of the preceding year. Construction contracts rose steeply from \$125.4 million to \$215.5 million, an increase of 71.8 per cent. Electric power production for the period under review was 15.7 billion kilowatt hours, 5.1 per cent higher than for the preceding year. Exports and imports recorded identical gains of 30.1 per cent. Carloadings for the first six months of 1941 totalled 1,495,000 representing a 15 per cent gain over the corresponding period of 1940.

Withdrawals of Working Proprietors.

The process of production, interpreted in a broad sense, is the centre of the nation's activities. The creative influences consist of man himself, the active principle in production, and the material environment which he uses or works upon in the enterprise. The human forces are broadly divisible, according to their functioning, into two groups, employees and working proprietors or enterprisers. The latter group occupies the pivotal position in the economic system. Their function is to initiate productive activities, co-ordinating labour and capital into a combination for the production of goods and services. They are responsible for the employment of men and capital, engaging them in profitable ways of meeting human needs.

Withdrawals of working proprietors occupy an intermediate position between the remuneration of employees and that of owners. The average annual income received by enterprisers during the inter-war period totalled \$987 million against \$2,465 million paid to the employee class and \$550 million received by owners of property of different types. Withdrawals were about 24.7 per cent of total income payments during the entire period. This compared with 58.3 per cent in salaries and wages and 3.32 per cent in other labour income. The so-called property income amounted to 8.3 per cent in dividends and bond interest, and 5.4 per cent in rentals and mortgage interest. The proportion of dividends and interest was reduced by the considerable payment to external holders of securities issued in Canada.

Withdrawals vary greatly from one industrial group to another. They assume greatest importance in agriculture, service and trade. The withdrawals of the farmers of Canada during the inter-war period were estimated at \$510.5 million per year, or nearly 52 per cent of the total for all industries. The service group, including those engaged in professional activities, distributed 17.7 per cent, while trade occupied third place with a distribution of 14 per cent. Other groups, notably construction, manufactures and the primary industries, paid considerable amounts to their working proprietors in the form of withdrawals. Such income was estimated for each of the

twelve major groups except electric power and Government. The dividing line between the working proprietor, on the one hand, and the corporate officer and member of the board of directors on the other is not clearly drawn, but the aim of the present report is to restrict withdrawals to the unincorporated section of productive activities. Withdrawals, consequently, are important for but a few of the industrial groups included in the country's economic system. Most industries are organized largely on the principle of separation of ownership from active participation in the process of production.

The prosperity of enterprisers over a period is dependent on conditions in the main industries from which the income is derived. The severe depression in primary industries, notably agriculture, accounted mainly for the declining trend of withdrawals during the last twenty years. The setback in the grand total from the first decade to the second amounted to about 21.5 per cent, the average of \$1,106 million having declined to \$868 million in the thirties. Among the commodity-producing activities, advance in mining, manufactures and repair work failed by a wide margin to counter-balance the declines in other industries. The reduced return for the personal activities of farmers made up a large part of the general decline. The withdrawals of the trade group declined 19 per cent from \$153 million per year to \$123.5 million. Financial activities are mainly carried on by incorporated companies, withdrawals in relatively small amount being calculated for real estate and stock and bond brokers. The rise in the return to professionals and working proprietors in "other service" was contrary to the prevalent trend. In view of these developments, withdrawals were of less relative importance as an income flow in the second decade than in the first, the decline being from 27 per cent of income payments to 22 per cent. The decline in the inter-war trend was 2.48 points of the index per year. The relative drop was greater than in salaries and wages or in the sum of rentals and mortgage interest, while other labour income, interest and dividends showed a rising trend.

Other Labour Income

The marked variability of other labour income is mainly due to the inclusion of government war gratuities and direct relief. The payment of workmen's compensation and pensions of various classes is more regular from year to year. Payments during the second decade averaged \$171 million against \$95 million in the first. The inter-war trend of the index showed an increment of 8.68 points per year. Owing to the heavy payments of war gratuities during 1919 and the extraordinary disbursements subsequent to 1930, the standard deviation reached the high mark of 87.60. The index of "other labour income" on the base 1926 was 426.3 in 1919, reached a low point of 97 in 1925 and then climbed to 328 in 1937.

The proportion of other labour income to total income payments was 7.2 per cent in 1919, receded to as low as 1.6 per cent in 1926 and then rose to 6.2 per cent in 1934. In the first year after the war, payments were \$289 million while a minimum of \$66 million was reached in 1925. The total rose to \$221 million in 1935, when direct relief was disbursed in large amounts.

When other labour income is combined with salaries and wages to make up the total remuneration of the employee class, an important alteration is noted in regard to the relative importance. The proportion going to the class in 1919 was about 60 per cent instead of the 53 per cent going as salaries and wages alone. From 1922 to 1930, the proportion of other labour income was fairly steady and the amount moderate. The heavy payments in relief during subsequent years tended to offset the relative decline in salaries and wages. In fact the sum of salaries and wages and other labour income was a growing proportion of total income payments from 1930 to the end of the period under review.

Fluctuations.

While fluctuations in withdrawals are normally less than in earnings of employees, much depends on the relative sensitivity of the segments which disburse the income. Primary producers, including a large proportion of working proprietors, were severely affected during the major depression culminating in 1933. Contraction in withdrawals was most conspicuous in agriculture, which was the chief source of this type of income. Despite the relatively better showing in most groups, withdrawals declined 41 per cent from 1929 to 1933 against 36.6 per cent for salaries and wages. The recovery from 1933 to 1937 was 25.5 per cent in withdrawals and 36.3 per cent in earnings of employees.

The test of the standard deviation, however, indicates that withdrawals were slightly less sensitive to fluctuations than salaries and wages, the standing being 11.06 against 11.55. Withdrawals, after reaching \$1,330 million in 1920, dropped to \$1,010 million in 1922. The recovery was fairly continuous to 1929, when an intermediate maximum of \$1,186 million was reached. The low point of the second major depression was nearly \$700 million recorded during 1933. Successive gains were then recorded until 1937.

The withdrawals derived from commodity-producing activities declined from \$817 million in 1929 to \$432 million in 1933, representing 47.1 per cent. The other economic divisions showed greater resistance to the influences of depression. The commodity-handling division dropped from \$182 million to \$116 million, while the facilitating activities contributed \$185 million in the prosperous year compared with \$151 million in 1933. The net result was that as production proper lost some of its relative importance in the last decade, the withdrawals contributed by the facilitating industries tended to become a correspondingly larger proportion.

Property Income.

Property income, including dividends, bond and mortgage interest and rents, made up less than 14 per cent of the total flow of income to consumers. After adjustment for international payments, dividends amounted to 3.67 per cent and bond interest to 4.65 per cent during the twenty-year period under review. Mortgage interest and rents averaged 5.43 per cent. Salaries and wages, pensions, relief and withdrawals may be regarded as labour income, contrasted with dividends, interest and rents, assumed to constitute property income. On this basis approximately six-sevenths of income receipts of consumers can be attributed to receipts from labour and one-seventh to receipts from property.

Considerable difficulty attends the computation of property income. Many of the large corporations are engaged in varied activities complicating the classification of dividends and interest. The oil industry, for example, operates not only the refineries but a widespread system of retail distribution. Another problem is to differentiate between payments to corporations and to individuals. The aim is to arrive at the total of dividends and interest flowing to individuals. This was roughly achieved by deducting from payments the sum of the dividends and interest received by the corporations in each of the groups. The amount of dividend payments received by individuals is consequently computed by adding together the net total originating by groups.

A portion of these payments accrue to individuals indirectly through financial institutions including banks and insurance companies. These organizations are treated in this connection as associations of individuals for the purpose of a better management of personal savings. The flow of income in the form of dividends and interest may thus be divided into two unequal streams, the larger flowing directly into the hands of individuals and the other flowing to financial institutions to be eventually transferred to individual consumers.

The large amount of dividend and interest payments to external holders of Canadian securities presents a serious problem in estimating the national income and its distribution. Due to inadequate data, the distribution of payments by groups between internal and external recipients may be computed with approximate accuracy only.

By comparing the averages for the second decade of the inter-war period with the first we find that an upward trend was shown in the flow of property income. Payments to Canadian residents rose from an average of \$521 million in the first ten-year period to \$579 million, a gain of 11 per cent. The advancing trend in property income reflected mainly the important increase in bond interest. A slight advance was recorded in dividend payments while the sum of rentals and mortgage interest was at a lower level in the last ten years. The gain in bond interest and dividends from the first decade to the second was 45.2 per cent and 10.1 per cent, respectively. The real estate account of rentals and mortgage interest, on the other hand, declined about 10.5 per cent.

Owing to the decline in labour and working-proprietor income and the rising trend of property income, the latter recorded growing importance in the last decade. The proportion of total income disbursed to individuals was 14.7 per cent in the last ten years, against 12.8 per cent in the first part of the period.

Property income showed decline in agriculture and forestry but recorded an increase in mining and electric power, the marked development of the latter industries being a partial explanation. The estimate of property income originating in manufactures, n.e.s. rose from an average of \$65 million in the first decade to nearly \$36 million in the second. A minor advance was shown in the sum of transportation and communication activities, the telephone payments offsetting the decline in steam railways. The finance group, embracing non-farm rents whether paid or imputed and mortgage interest as well as dividends and interest from banking and other financial groups, disbursed less income in the last ten years. The advance in payments by governments reflected the growth of public debts. Increases were also recorded by the trade and service activities.

Fluctuations.

Dividends were the most elastic of the three main components of property income, dropping from \$210 million in 1930 to \$107 million in 1933. The standard deviation in the inter-war period was 18.3 compared with 7.6 for bond interest and 13.9 for rentals and mortgage interest. Interest payments, denoting fixed charges, represent one of the more rigid items in the price structure. Their behaviour during the depression showed marked variation. Dividends recorded a decline of 44.6 per cent from 1929 to 1933, while realized net interest showed an increase of 24.2 per cent. The change from 1933 to 1937 was an increase of nearly 49 per cent in dividends and a decline of 2.8 per cent in interest. The decline in the real estate property income was 37.4 per cent during the reaction, while a gain of 28.5 per cent was shown in the subsequent recovery to 1937.

General Method.

The national income may be defined as the algebraic sum of the income payments to individuals and the net savings, positive or negative, of the various economic enterprises of a nation. For practical purposes the payments of interest and dividends to "aggregates of individuals", including financial institutions such as banks and insurance companies, which manage the people's savings, are also included in the estimates.

An alternative definition is from the standpoint of production. National income arises mainly through the production of commodities and the rendering of services. Whether these operations are undertaken by the business enterprise or by the individual himself, personal incomes are for the most part derived from productive activity. The enterprise considered as a unit receives a gross revenue from operations and distributes the proceeds either to other concerns or to individuals in the conventional forms of salaries and wages, dividends, interest, withdrawals, pensions and compensation to workmen for sickness and accidents. When depreciation and expenses paid to other industrial organizations are deducted from the gross revenue, the payments to individuals and savings of the concern, constituting the residuum, are considered as the net contribution of the enterprise to the national income.

National income has also been defined as the total of the expenditures and savings of individuals. The amounts credited to individuals may either be devoted to the purchase of commodities and services for direct consumption, or to the formation of capital in preparation for productive expansion. Whether viewed as a return for the production of goods and services or as a means of obtaining personal utilities and expanding the capital equipment, the national income is essentially the sum of payments to individuals, and the computation of it must be directed toward the measurement of such payments.

The most direct means of obtaining the total national income would be by census enumeration, but it is doubtful whether complete information could be obtained in this way. The receipt of salaries and wages by employees in Canada is available for the census years 1910-11, 1920-21, and 1930-31, but the census questionnaire excludes other types of individual income, such as dividends, interest, rent and withdrawals of employers and persons working on own account. Some information regarding income is obtained annually from income tax returns received by the Department of National Revenue. The partial coverage and the lack of detailed distribution, however, prevents the extensive use of such material for the present purpose.

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

Item	Unit or base Period	First Six Months 1941	1940	Increase + Decrease -
<u>National Income (Tentative Compilation)</u> ^{1/}	\$000	2,556,515	2,292,412	+ 11.5
Commodity Producing	\$000	1,262,823	1,063,767	+ 18.7
Commodity Handling	\$000	533,352	481,163	+ 10.9
Facilitating	\$000	760,340	747,482	+ 1.7
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1935-9=100	129.2	114.4	+ 12.9
Index of Industrial Production	1935-9=100	141.5	126.0	+ 12.3
Wholesale Prices	1926=100	86.8	82.6	+ 5.1
Index of Common Stock Prices	1935-9=100	66.4	83.1	- 20.1
Capitalized Bond Yields, Dominion	1935-9=100	104.1	98.6	+ 5.6
Mining Stock Prices	1935-9=100	74.5	86.5	- 13.9
Bank Debits	\$000	18,810,100	17,001,691	+ 10.6
<u>Production and General Business</u>				
Mineral Production	1935-9=100	126.5	123.8	+ 2.2
Gold Receipts	Fine Ozs.	2,538,579	2,435,293	+ 4.3
Silver Shipments	Fine Ozs.	8,740,858	10,536,365	- 17.0
Coal Production	Tons	8,324,979	8,110,689	+ 2.6
Manufacturing Production	1935-9=100	139.2	125.4	+ 11.0
Flour Production (First 5 mos.)	Bbls.	7,897,523	6,397,334	+ 23.5
Sugar Manufactured	Lbs.	365,993,288	383,849,627	- 4.7
Cattle Slaughtering	No.	792,816	780,809	+ 1.5
Hog Slaughtering	No.	3,002,194	2,322,645	+ 29.3
Cigarettes released	No.	3,808,680,650	3,696,589,068	+ 3.0
Cigars released	No.	86,578,378	74,017,218	+ 17.0
Leather Boots and Shoes (First 5 mos.)	Pairs	11,131,228	10,167,802	+ 9.5
Raw Cotton Consumption	Lbs.	98,620,920	95,880,315	+ 2.9
Paper and Lumber -				
Newsprint Production	Tons	1,621,134	1,641,987	- 1.3
Exports of Planks and Boards	M ft.	951,368	986,305	- 3.5
Iron and Steel -				
Steel Ingot Production	Long Tons	1,148,435	958,246	+ 19.8
Pig Iron Production	Long Tons	625,551	549,627	+ 13.8
Automobile and Allied Industries -				
Automobile Production, cars and trucks	No.	152,871	110,912	+ 37.8
Petroleum Imports	000 Gals.	643,834	565,627	+ 13.8
Crude Rubber Imports	Lbs.	55,749,702	41,029,443	+ 35.9
Construction -				
Contracts Awarded	\$	215,466,600	125,435,500	+ 71.8
Building Permits ^{2/}	\$	48,412,468	35,281,108	+ 37.2
Electric Power Production	000 K.W.H.	15,731,801	14,968,503	+ 5.1
External Trade - (x)				
Exports	\$	720,390,321	553,711,029	+ 30.1
Imports	\$	645,284,416	496,100,785	+ 30.1
Excess of exports over imports	\$	+ 75,105,905	57,610,244	
Railways -				
Carloadings	No.	1,494,749	1,299,933	+ 15.0
Gross Revenue C.N.R. (Canadian Lines)	\$	120,925,000	96,319,689	+ 25.5
Gross Revenue C.P.R.	\$	99,840,000	75,641,753	+ 32.0
Employment - 5 months ¹ average unadjusted -				
General Index	1926=100	138.3	114.1	+ 21.2
Manufacturing		152.2	122.0	+ 24.8
Logging		205.2	158.9	+ 29.1
Mining		170.9	165.8	+ 3.1
Construction		93.7	62.1	+ 50.9
Building		114.3	49.7	+ 130.0
Highway		98.0	82.3	+ 19.1
Trade		151.4	139.4	+ 8.6

(x) Excluding gold.

^{2/} 58 Municipalities.

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



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Year	Value	Value	Value	Description
1981	100,000	100,000	100,000	...
1982	100,000	100,000	100,000	...
1983	100,000	100,000	100,000	...
1984	100,000	100,000	100,000	...
1985	100,000	100,000	100,000	...
1986	100,000	100,000	100,000	...
1987	100,000	100,000	100,000	...
1988	100,000	100,000	100,000	...
1989	100,000	100,000	100,000	...
1990	100,000	100,000	100,000	...
1991	100,000	100,000	100,000	...
1992	100,000	100,000	100,000	...
1993	100,000	100,000	100,000	...
1994	100,000	100,000	100,000	...
1995	100,000	100,000	100,000	...
1996	100,000	100,000	100,000	...
1997	100,000	100,000	100,000	...
1998	100,000	100,000	100,000	...
1999	100,000	100,000	100,000	...
2000	100,000	100,000	100,000	...
2001	100,000	100,000	100,000	...
2002	100,000	100,000	100,000	...
2003	100,000	100,000	100,000	...
2004	100,000	100,000	100,000	...
2005	100,000	100,000	100,000	...
2006	100,000	100,000	100,000	...
2007	100,000	100,000	100,000	...
2008	100,000	100,000	100,000	...
2009	100,000	100,000	100,000	...
2010	100,000	100,000	100,000	...
2011	100,000	100,000	100,000	...
2012	100,000	100,000	100,000	...
2013	100,000	100,000	100,000	...
2014	100,000	100,000	100,000	...
2015	100,000	100,000	100,000	...
2016	100,000	100,000	100,000	...
2017	100,000	100,000	100,000	...
2018	100,000	100,000	100,000	...
2019	100,000	100,000	100,000	...
2020	100,000	100,000	100,000	...
2021	100,000	100,000	100,000	...
2022	100,000	100,000	100,000	...