

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

ECONOMIC CONDITIONS IN CANADA

during the first eight months of 1941

compared with the same period of the

preceding year

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OTTAWA

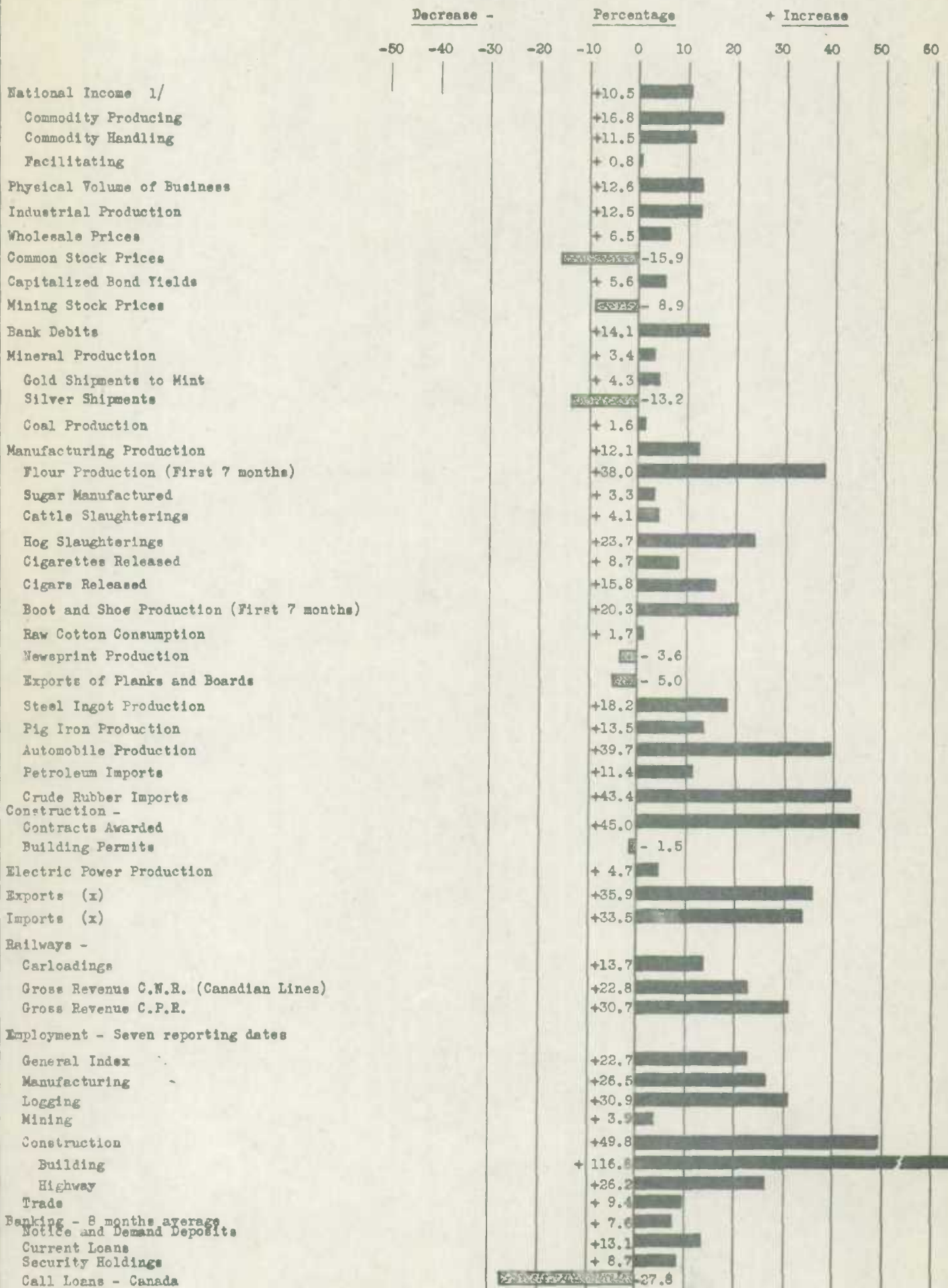
1941

Price \$1 a year

The Economic Situation in Canada

in the First Eight Months of 1941

As compared with
the same period of 1940



1/ Exclusive of tangible assets acquired by the Dominion Government through war expenditures.
(x) Excluding gold.

Seven items recorded declines, while forty-four showed increases.

DOMINION BUREAU OF STATISTICS - OTTAWA
GENERAL STATISTICS BRANCH

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

The national income was \$3,446 million in the first eight months of the present year against \$3,118 million in the same period of 1940. The rise of 10.5 per cent or \$328 million represented the further stimulation of war conditions. Demand for munitions and war supplies was the main generating factor, while the greater purchasing power led to important acceleration in the production of consumer's goods. The advance in wholesale prices strongly in evidence during the present year was also an element enhancing the national income during the first eight months.

The economic expansion resulted in a national income higher than at any other time in Canada's history. As wholesale prices were somewhat higher in 1929 the rise of the national income to a new high point is an indication of the heavy volume of Canadian production in the present year. An estimate of the income originating in nine commodity producing groups was \$1,707 million in the period under review against \$1,462 million in the same period last year, a gain of 16.8 per cent. The rise in the commodity handling activities including trade transportation was 11.5 per cent to \$719 million. The facilitating group comprising finance, government and service, showed an increase to \$1,020 million, the total being exclusive of tangible assets required by the Dominion Government through war expenditure.

The index of the physical volume of business, a comprehensive measure of productive operations rose 12.6 per cent in the first eight months of this year compared with the same period of 1940. The index on the base of 1935-1939 equalling 100 rose from 117 to 131.8. The index was recently at a higher level than at any other time. The standing in August was 121.2 which compared with 122.1 the highest point during 1929 the culmination of the last prosperity period. The level of August may be compared with 128.6 in the same month of 1940 and with 109.3 in August, 1939, the last peace-time month.

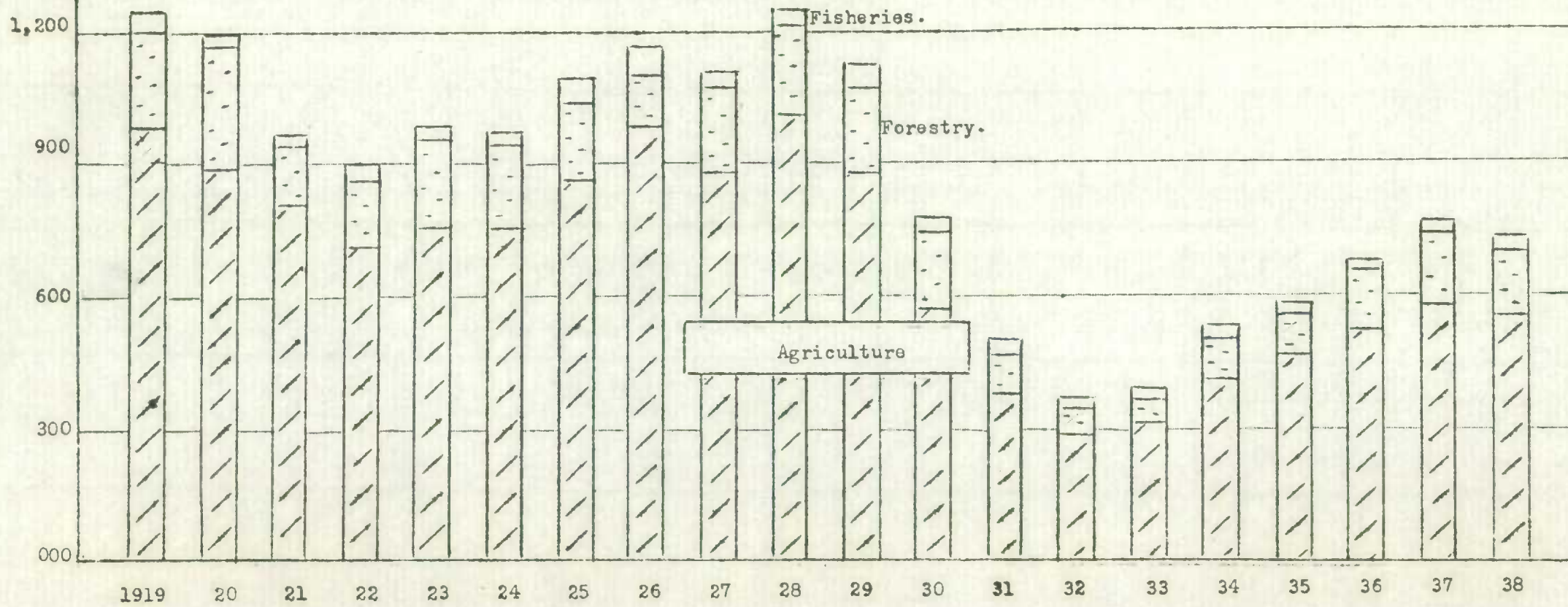
The decline in crop production in 1941 will not have the normal effect upon transportation and shipping facilities. Owing to the heavy carry over of wheat and other grains the movement to ultimate markets is now conditioned by the demand rather than by the fluctuation in the crop production of the present year. The primary movement of wheat to country elevators in the Prairie Provinces is now at a much lower level than in the same period of last year. The index of grain marketing at the head of the Lakes and the Pacific Coast was 217.4 in August compared with 141.2 in the same month last year, but deliveries to country elevators show a reversal. The index of the sale of livestock on stockyards was 102.2 in August compared with 132.8 in the same month last year.

The factors indicating the trend of mineral production recorded minor expansion during the elapsed portion of the present year. The index rose from 126.4 in the first 8 months of 1940 to 130.7. The index of employment showed a similar trend, the index advancing from 166.3 to 172.6, a gain of 3.9 per cent. The increase of gold receipts at the Mint was 4.3 per cent. A gain of 1.6 per cent was shown in coal production. Silver shipments on the other hand, were at a somewhat lower level.

The manufacturing group was in the forefront of economic acceleration during the period under review. The index of output based on about thirty factors rose from 128.7 to 144.3, a gain of 12 per cent. The flour milling industry was more active during the period under review, an increase of 38 per cent having been shown in the output of wheat flour during the first seven months. A gain of 23.7 per cent in hog slaughtering indicated greater activity in the meat packing industry. Tobacco releases for consumption reached new high levels. The cigarettes made available numbered 5,398 million against 4,966 million. A gain of 15.8 per cent was shown in the release of cigars. The boot and shoe industry extended operations in the first eight months of this year, a gain of 20.3 per cent to nearly 16 million pairs having been recorded. Raw cotton consumption showed a minor increase over the high level of 1940 and the textile industry showed a continuance of heavy operations. Newsprint production and the exports of planks and boards recorded some recession, from the early part of 1940. The heavy demand for munitions was indicated by expansion in the primary iron and steel industry. The output of steel ingots was 1,537,000 long tons against 1,300,000 in the same period of 1940, while pig iron production showed a gain of 13.5 per cent to 833,000 tons. The production of automobiles, cars and trucks, including military vehicles was 194,717 units against 139,373 a gain of 40 per cent. Imports of crude petroleum were 1,007 million gallons against 904 million while crude rubber imports indicating activity in the tire industry

Chart 2. National Income Originating in Agriculture, Forestry and Fisheries.
1919 - 1938.

Million
Dollars



was nearly 89 million pounds against 62 million.

The activity in the construction industry was indicated by a gain of 45 per cent in contracts awarded. The total in the first eight months of 1941 was \$283.5 million against \$195.5 million in the preceding year. Marked gains were shown in the employment in the construction industry. The index for building construction rose from 56.7 to 122.9, a gain of no less than 116.8 per cent. Highway construction also showed considerable acceleration. The general index of employment in construction rose from 72.3, a gain of about 50 per cent. A moderate gain was shown in the output of electric power. The total in the first eight months of 1941 was 21,033 million kilowatt hours against 20,084 million in the preceding year, the gain having been 4.7 per cent.

The productive activity of Canada is bound up with external trade. The flow of commodities across our international boundaries has shown a marked increase. Exports during the first eight months were \$1,042 million against \$767 million in the first eight months of 1940, an increase of nearly 36 per cent. The percentage increase of merchandise imports was of slightly lesser dimensions, the total having been \$910.9 million against \$682.4 million. The active balance of trade was consequently \$130.9 million against \$84.1 million in the first eight months of last year. A study of the trade with the United States and Britain indicates the extent to which materials are being imported from the United States and the expansion in shipments to British markets. Exports to the United States in the first eight months of 1941 were \$370.7 million against \$282.2 million in 1940. Imports showed a much greater increase from \$463 million to \$628 million. The adverse balance with the United States was consequently \$257 million against \$181 million in the same period of 1940.

Exports to Britain were \$451.5 million during the period under review compared with \$336.9 million one year ago, a gain of no less than \$114.6 million. Imports from the United Kingdom also showed an increase from \$105.3 million to \$143.9 million. The so called favorable balance of trade with Britain this year was consequently \$307.6 million an average of \$38.5 million per month. The net exports of non-monetary gold were nearly maintained this year as compared with the first eight months of 1940. The total was \$132.3 million against \$133.7 million.

The consumer purchases of merchandise recorded continued expansion in August. Retail sales as measured by the dollar volume of business transacted, recorded a gain of 19 per cent above August one year ago. This represents the average experience as revealed in a general index of retail sales computed from statistics reported by department stores and specialty stores in eleven lines of business. All lines of business for which figures are available registered increases in comparison with August last year. Sales of 17 departmental firms, which reported a breakdown of sales by departments averaged 21 per cent higher in August this year than last. Increases for departments dealing with durable goods were generally higher than those recorded for other departments although sales of women's clothing were appreciably greater. Department store sales increased 20 per cent over August a year ago. Cumulative totals showed a gain of 17 per cent in the first eight months of this year compared with last. The index was 120.2 in August against 99.8 in the same month a year ago.

The greater economic activity of the last eight months had a counterpart in transportation. Car loadings numbered 2,050,000 against 1,803,000 in the same period last year. The gross revenue of the Canadian National Railway showed an increase of 22.8 per cent, while that of the Canadian Pacific Railway was 30.7 per cent greater. Net revenue for the first eight months of the Canadian Pacific Railway were reported at \$26.3 million against \$17.3 million in the same period of 1940. Consequently, the gain was nearly \$9 million or 52 per cent.

A striking development was the expansion in employment during the period under review. The index averaged for the first 7 reporting dates rose from 116.6 to 143.1 a gain of 22.7 per cent. Employment in manufacturing plants was 26.5 per cent greater, the index standing at 157.4.

Wholesale prices averaged 88.0 in the first eight months of 1941 against 82.6, a gain of 6.5 per cent. The increase has been appreciable from month to month and indexes for recent weeks are higher than at any other time in the last 11 years. The index in the week of September 26 was 92.8 against 82.9 in the same week of 1940. Each of the eight groups recorded important gains, the advance in animal products having been from 78.7 to 98.1. The index of 18 sensitive commodities rose from 64.7 one year ago to 80.7 in the latest week for which statistics are available.

The official index of the cost of living rose 12.8 per cent from August, 1939 to August of the present year. The standing of the index was 113.7 against 100.8 in the last-time month. The index which has been specified as a base for calculating cost of

Million
Dollars

Chart 3. National Income Originating in Manufactures n.e.s., Mining and Trapping.

1919 - 1938.

- 5 -

1,200

900

600

300

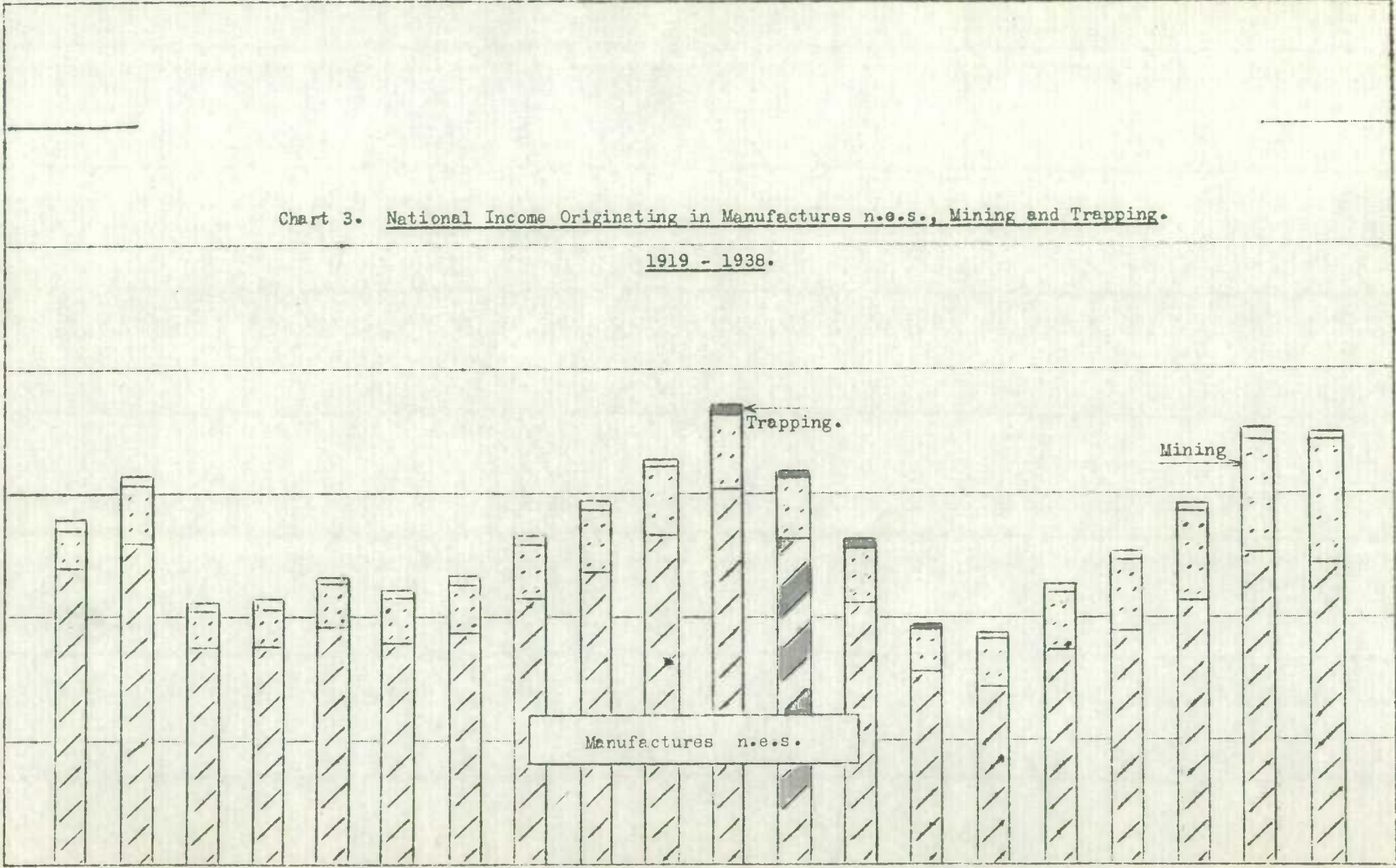
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1919 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38

Trapping.

Mining

Manufactures n.e.s.



living bonus adjustments under Order-in-Council P.C. 7440 showed an increase of 12.8 per cent between August, 1939 and the latest month. The index of foods rose from 105.4 in August last year to 121.3 while the index of clothing advanced from 109.1 to 115.7

The money supply was \$3,506 million in August against \$3,017 million in the same month one year ago. This total was made up of notes in the hands of the public amounting to \$393 million and subsidiary coin amounting to \$45.4 million, plus deposits of \$3,067.7 million. Bank debits or the amount of cheques cashed totalled \$25.2 billion in the first eight months of this year against \$22.1 billion in the same period a year ago. It is estimated that the sum of the cash and cheque payments in August was \$4,136 million against \$3,161 million in the same month of 1940.

Current loans at the end of August were \$1,154 million against \$939.8 million on the same date of last year. The security holdings of the chartered banks rose from \$1,569 million to \$1,698 million in the same period. The notes of the bank of Canada in circulation on September 24 last were \$430.7 million. In the corresponding week of 1940 the amount was \$327.4 million. The deposits rose during the 12 months to \$322 million. The total investments of the bank were increased from \$541 million to \$657 million, these consisting of Dominion and Provincial government securities.

The total ordinary revenue of the Dominion from April 1 to August 31 last was \$590.5 million against \$328.8 million in the same period of the preceding year. The war appropriation rose from \$172.3 million to \$407.9 million. The ordinary expenditure on the other hand was only slightly changed at \$150 million against \$149 million in the five months of last year. The grand total expenditure rose from \$345 million to \$563 million.

Charts of this issue -- The national income originating in six industrial groups engaged in producing commodities is shown in the second and third charts. The estimates cover the twenty years from 1919 to 1938.

Agriculture includes the income derived by the farmer in woods operations on his own property, but excludes the return from the value added in dairy factories. The difference between the gross and net consists of materials purchased and seed and feed used whether bought or raised on the farm. The "value added" consists of the sum of cash sales, products raised on the farm and consumed by the occupants, and the imputed rent for the farm house. The estimate of income produced is derived by deducting depreciation and general expenses from the "value added". The miscellaneous expenses are made up of interest on short-term loans and on mortgages held by corporations, insurance, blacksmithing service and taxes. The distribution of the income produced includes the wages of the hired man, a living allowance for the members of the farmers' family assisting in the operations, interest on mortgages paid to individuals, an estimate for the work and management of the farmer and finally the profit or loss of the industry as a whole. The income of the farmer may be obtained by adding algebraically the last two items.

The forestry group comprises the activities of the lumber and pulp and paper mills, as well as woods operations on lands other than farmers' wood lots. The cost of materials, fuel and electricity is deducted from the gross operating revenue of the three branches of the industry. Depreciation is estimated at 5.5 per cent of the fixed capital. The number of employees and wages paid by the logging industry are pivoted on decennial census results. The number of working proprietors is based on the decennial census reports with interpolation by the number of establishments. The rates were estimated at a differential advance over wage rates. General expenses estimated on the basis of annual census results from 1919 to 1921 and a special enquiry for recent years were deducted from the "value added" to give the gross national product. Depreciation was deducted from the latter, the residue being regarded as the income produced.

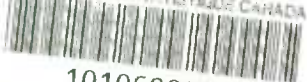
Manufacturing is exclusive of processes carried on in close connection with the primary industries, the exceptions comprising saw milling, pulp and paper, fish curing and packing, non-ferrous metal smelting and several mineral industries, such as cement, salt, lime and clay products. The annual census of manufactures was the main source of basic materials for the computation of income produced by the group. General expenses were estimated for most years, the collection of statistics in early years after the war and for representative years recently being of assistance in this respect. Other labour income was obtained from the records of the Workmen's Compensation Boards. Net dividends and interest were obtained from a study of company statements and the totals supplied by the Income Tax Branch of the National Revenue Department. Withdrawals of working proprietors were based on the records of the Decennial Census as to numbers, and a differential rate over salaries and wages.

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

Item	Unit or base period	First Eight Months		Increase +
		1941	1940	Decrease -
National Income (Tentative Compilation)	\$000	3,445,856	3,117,769	+ 10.5
Commodity Producing	\$000	1,707,024	1,461,668	+ 16.8
Commodity Handling	\$000	718,631	644,274	+ 11.5
Facilitating	\$000	1,020,201	1,011,827	+ 0.8
General Economic Situation				
Index of Physical Volume of Business 1935-9=100		131.8	117.0	+ 12.6
Index of Industrial Production 1935-9=100		144.4	128.3	+ 12.5
Wholesale Prices 1926=100		88.0	82.6	+ 6.5
Index of Common Stock Prices 1935-9=100		66.7	79.3	- 15.9
Capitalized Bond Fields, Dominion 1935-9=100		104.3	98.8	+ 5.6
Mining Stock Prices 1935-9=100		74.5	81.8	- 8.9
Bank Debits \$000		25,201,597	22,081,944	+ 14.1
Production and General Business				
Mineral Production	1935-9=100	130.7	126.4	+ 3.4
Gold Receipts	Fine Ozs.	3,422,941	3,280,512	+ 4.3
Silver Shipments	Fine Ozs.	12,805,131	14,756,302	= 13.2
Coal Production	Tons	10,868,590	10,696,604	+ 1.6
Manufacturing Production	1935-9=100	144.3	128.7	+ 12.1
Flour Production (First 7 Mos.)	Bbls.	12,132,595	8,790,547	+ 38.0
Sugar Manufactured	Lbs.	567,261,274	549,006,346	+ 3.3
Cattle Slaughtering	No.	1,095,360	1,051,801	+ 4.1
Hog Slaughtering	No.	3,743,623	3,025,671	+ 23.7
Cigarettes released	No.	5,397,537,480	4,965,781,504	+ 8.7
Cigars released	No.	117,102,557	101,093,732	+ 15.8
Leather Boots & Shoes (First 7 Mos.)	Pairs	15,992,447	13,294,720	+ 20.3
Raw Cotton Consumption	Lbs.	130,124,004	127,931,989	+ 1.7
Paper and Lumber				
Newsprint Production	Tons	2,207,671	2,291,283	= 3.6
Exports of Planks and Boards	M ft.	1,435,686	1,511,451	= 5.0
Iron and Steel				
Steel Ingot Production	Long Tons	1,536,604	1,300,033	+ 18.2
Pig Iron Production	Long Tons	833,351	734,436	+ 13.5
Automobile and Allied Industries				
Automobile Production, Cars and trucks	No.	194,717	139,373	+ 39.7
Petroleum Imports	000 Gals.	1,007,200	904,216	+ 11.4
Crude Rubber Imports	Lbs.	88,962,399	62,022,360	+ 43.4
Construction				
Contracts Awarded	\$	283,545,300	195,489,000	+ 45.0
Building Permits 2/	\$	67,500,377	68,521,314	= 1.5
Electric Power Production	000 K.W.H.	21,033,608	20,083,914	+ 4.7
External Trade - (X)				
Exports	\$	1,041,787,432	766,533,775	+ 35.9
Imports	\$	910,905,229	682,432,876	+ 33.5
Excess of exports over imports	\$	130,882,203	84,100,899	
Railways				
Carloadings	No.	2,050,224	1,803,441	+ 13.7
Gross Revenue C.N.R. (Canadian Lines)	\$	165,258,000	134,628,000	+ 22.8
Gross Revenue, C.P.R.	\$	139,189,000	106,529,000	+ 30.7
Employment - 7 months' average unadjusted				
General Index 1926=100		143.1	116.6	+ 22.7
Manufacturing		157.1	124.4	+ 26.5
Logging		191.0	145.9	+ 30.9
Mining		172.6	166.2	+ 3.9
Construction		108.3	72.3	+ 49.8
Building		122.9	56.7	+ 116.8
Highway		124.3	98.5	+ 26.2
Trade		153.2	140.1	+ 9.4
Banking - 8 Months' average				
Notice and Demand Deposits	\$	2,662,784,908	2,475,428,625	+ 7.6
Current Loans	\$	1,073,349,335	949,412,950	+ 13.1
Security Holdings	\$	1,741,380,544	1,602,268,375	+ 8.7
Call Loans - Canada	\$	33,372,449	46,211,821	= 27.8

(X) Excluding gold. 1/ Exclusive of tangible assets acquired by the Dominion Government, through war expenditure. 2/58 Municipalities.

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