

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

ECONOMIC CONDITIONS IN CANADA

during the first nine months of 1941

compared with the same period of the

preceding year

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OTTAWA

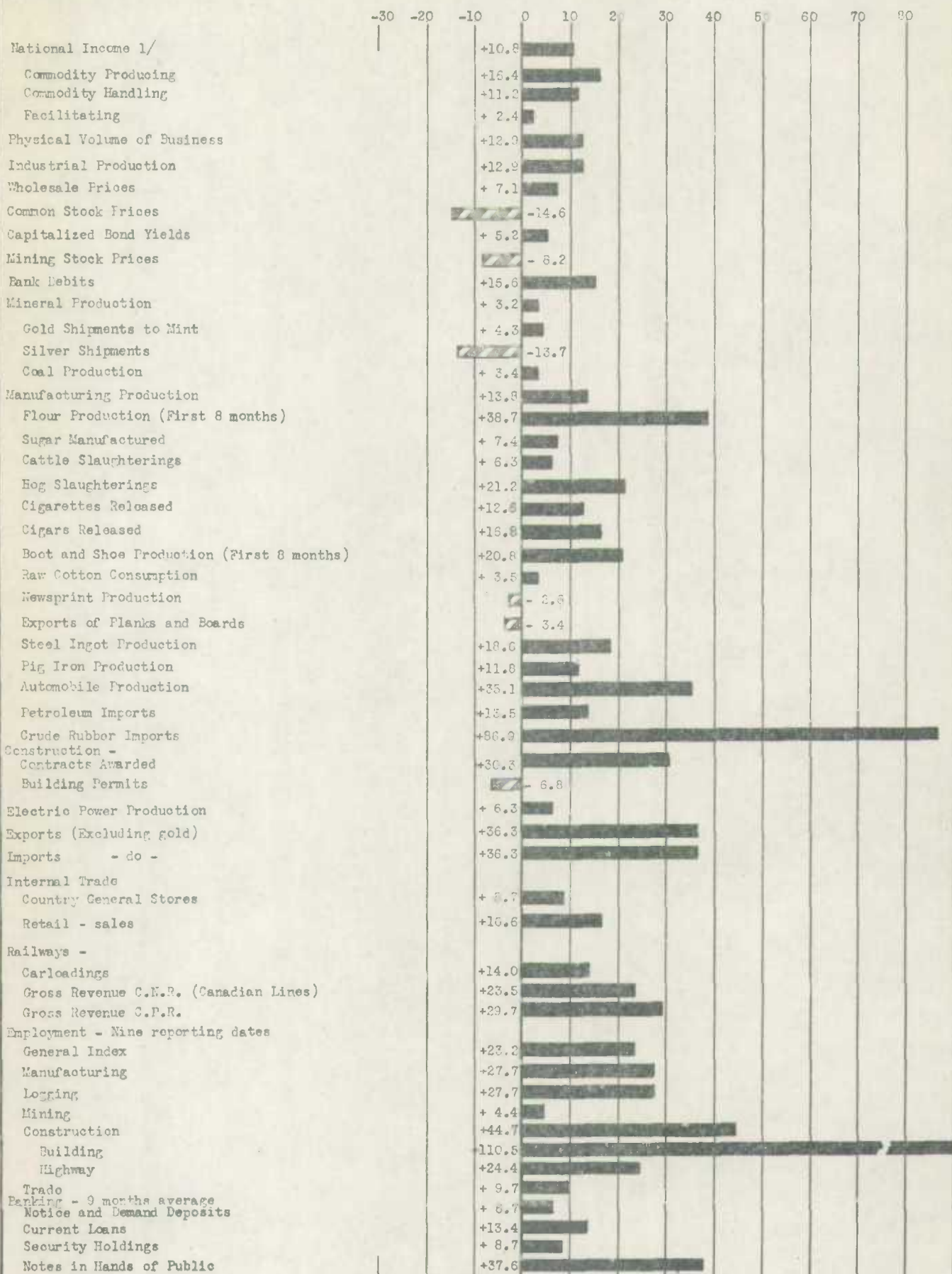
1941

Price \$1 a year

The Economic Situation in Canada
in the First Nine Months of 1941

As compared with
the same period of 1940

Decrease - Percentage + Increase



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

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

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DOMINION BUREAU OF STATISTICS - OTTAWA
GENERAL STATISTICS BRANCH

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

Reflecting the stimulus of war conditions further advance was recorded in economic activity during the first nine months of the present year. The national income, the most comprehensive measure of material prosperity, was \$3,891 million in the first nine months against \$3,511 million in the same period of 1940. The considerable increase of nearly 11 per cent was mainly occasioned by activities connected with the war effort. The nine main branches of commodity production recorded an advance of 16.4 per cent in this comparison. The total income originating in this division was \$1,928 million against \$1,656 million in the same period of last year. The increase in the distributive activities including transportation and trade was 11.2 per cent. The facilitating activities embracing finance, government and service, showed a minor increase but the total is exclusive of tangible assets acquired by the Dominion Government through war expenditure.

The national income consists of payments made to individuals such as salaries and wages, dividends, interest and withdrawals of working proprietors. The positive and negative savings of enterprises is also included in the general total. Savings are retained by enterprises eventually affecting the incomes of individuals. The increase in national income from month to month without important interruption since the outbreak of hostilities has led to a marked increase in the purchasing power in the possession of Canadian people.

An indicator of the more extensive use of natural resources brought about by war conditions is the advance in the index of the physical volume of business. The index averaged 133.8 in the first nine months of 1941, a gain of nearly 13 per cent over the high level of 118.5 reached in the same period of last year. The advances were general in the five main components. The most significant advance was shown in manufacturing production, the index advancing 18 points to 148.9. Mineral production recorded a moderate increase, the average of the index during the first nine months of 1941 having been 130.2. Gold receipts were 3,820,603 fine ounces against 3,662,991, a gain of 4.3 per cent. The greater part of gold produced by Canadian mines is normally shipped to the Mint for refining. Coal production was 12.4 million tons against 12.0 million, a gain of 3.4 per cent.

The expansion of war plants and equipment was continued during the present year. Contracts awarded including all classes of construction rose from \$248 million to \$323 million, a gain of more than 30 per cent. The power industry operated close to capacity. The output was 23.9 billion kilowatt hours against 22.5 billion in the first nine months of 1940, a gain of 6.3 per cent.

The external trade of Canada stimulated by war conditions recorded a marked gain during the period under review. The export trade excluding gold amounted to \$1,185 million against \$869 million in the first nine months of last year, the gain having been 36.3 per cent. A similar percentage increase was shown in imports which rose from \$769 million to \$1,048 million. The excess of exports over imports was \$137 million against \$101 million in the same period last year. The net exports of gold excluded from the above statement were \$153.5 million against \$150.2 million in the comparable period of last year, a gain of 2.2 per cent.

The increase in purchasing power was reflected in a marked gain in retail distribution. The index of retail sales averaged 125.5 in the first nine months of the present year against 107.6 last year, a gain of 16.6 per cent. A marked increase was also shown in wholesale trade, the index on the base of 1935-39 having been 138.6 against 116.4 in the first nine months of last year.

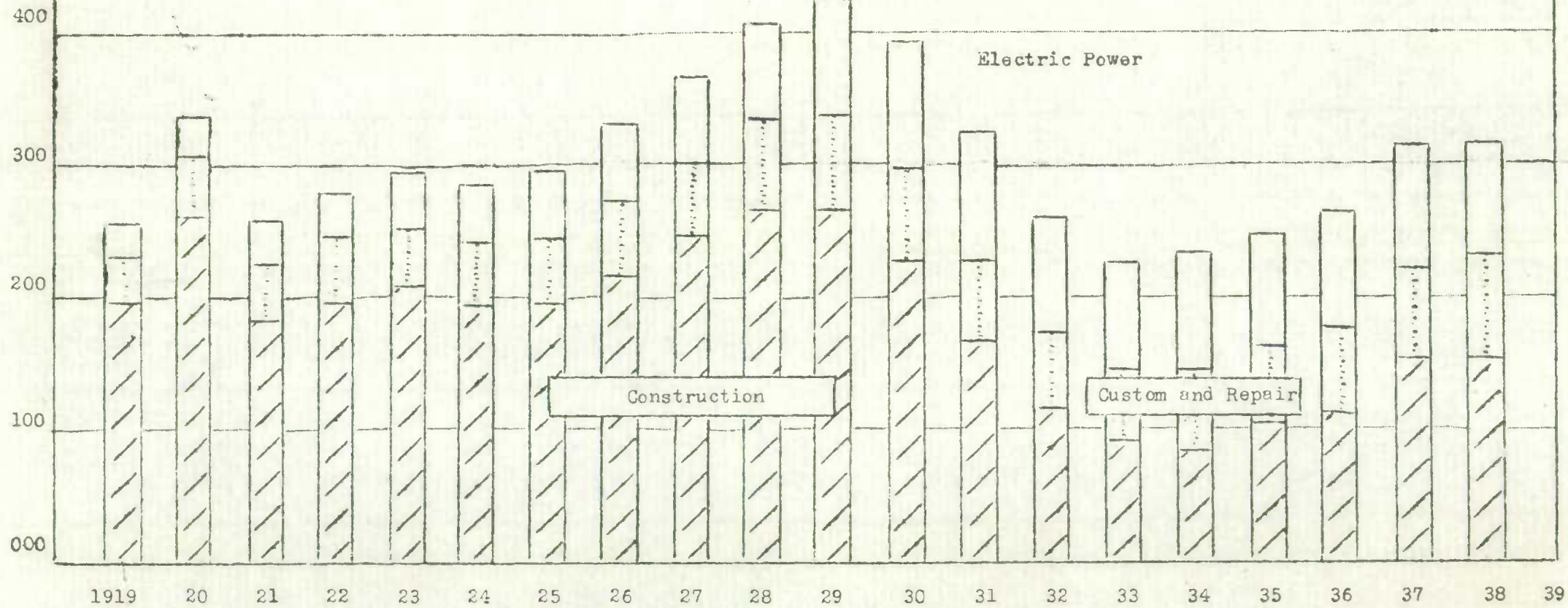
The movement of commodities reflected by the records of railway traffic, showed an important increase in the period under review. The number of cars loaded was 2,344,396 compared with 2,055,866. The gross operating revenue of the two large railway systems amounted to \$429.1 million in the first ten months of the present year. The standing one year ago was \$340.1 million, a gain of 26.2 per cent having been indicated. The revenue of this year was greater than at any other time since 1929 when the total was \$443 million.

The gain in productive operations resulted in a higher level in the working forces. The general index of employment during the first nine months averaged 147.2 against 119.5 in the same period last year, a gain of 23.2 per cent. An even greater percentage gain was shown in manufacturing, the index moving up from 127 to 162, an increase of nearly 28

Million
Dollars

Chart 2 - National Income Originating in Construction, Electric Power, and Custom and Repair.

1919 - 1938



per cent. Building construction was more than twice as active as in the same period of last year. The index of mining rose from 166.8 to 174.2, a gain of 4.4 per cent. The employment in trade showed considerable gain, the standing having been 154.1 against 140.5.

The index of wholesale prices averaged 88.5 up to the fourth quarter of the present year against 82.6 in the same portion of 1940, a gain of slightly more than 7 per cent. The weekly index for commodity prices was 93.7 during the week of October 31 against 83.6 in the same week of the preceding year. Each of the 8 components recorded important increases in this comparison. The index of crop products rose 10 points to 79.8, while animal products rose 20 points to 102. A minor gain was shown in non-ferrous metals, the standing of the index in the latest week having been relatively lower than that of any other group. Three of the indexes, animal products, iron and chemicals occupied a position above the average for the base year of 1926. The greatest relative gain since the base year was shown by iron and its products, the standing in the latest week having been 111.7 against 106.1 in the same week of 1940.

The gain in the index of the cost of living between August 1939 and the first of October was 14.6 per cent. The standing of the latest date was 115.5 compared with 114.7 at the beginning of the preceding month. During September the gain was less than one point, creating a precedent since May 1. The limited movement in September suggests a slowing-up in the rate of increase. The index is the base upon which the cost of living bonuses under the Dominion Government wartime wages policy are calculated. The bonus payable under the recently announced expansion of the wage policy to all industry will be calculated on the increase in the index from October 1 to next February.

The sum of the notice and demand deposits amounted to \$2,665 million at the beginning of October compared with \$2,659 million on the same date last year. A marked increase, however, was shown in the deposits of the Dominion Government which amounted to \$316.5 million in September against \$76.1 million a year ago. Dominion Government deposits increased sharply in June upon the receipt of payments on the the Victory Loan. Declines have been shown from month to month since that time. The reverse position obtained in regard to the sum of the notice and demand deposits which had shown a decline in June but successive increases since that time. An estimate of the notes in the hands of the public was nearly \$420 million at the end of September against \$338 million in the same month last year. Bank debits in September were \$3,301 million against \$2,571 in the same month of last year. The total cheques cashed during the first nine months of 1940 were \$28,502 million against \$24,653 million, a gain of \$3,849 million or 15.6 per cent. It was estimated that the sum of the cash and cheque payments in September amounted to \$4,378 million compared with \$3,353 million in the same month a year ago. The money supply had increased from \$3,055 million to \$3,499 million during the same twelve months.

The total revenue of the Dominion Government from April 1 to the end of September was \$696 million against \$383 million in the same period of last year. Marked increases were shown in income tax receipts and excise taxes of different descriptions. The collection of income taxes amounted to \$344 million against \$143 million, while the gain in excise taxes, sales, stamps, etc. was from \$110 million to \$201 million. In the same comparison the ordinary expenditures were about maintained at \$170.6 million, against \$169.2. The war appropriation rose from \$239 million to \$499 million, with the net result that the grand total expenditure was \$678 million during the five months against \$441 million in the same period of 1940. It will be noted that the revenues were slightly in excess of the expenditures, no account being taken of the loans and investments. In the preceding year the situation was reversed. During the month of September, however, the grand total expenditures were in excess of receipts and in view of the probable falling off in payments of income taxes, it is anticipated that the disparity will be extended during the remainder of the fiscal year.

Charts - The chart on page 3 presents the national income originating in construction, electric power and custom and repair. The results for six industrial groups were portrayed in last month's number of this publication. The nine groups make up the division engaged in the production of commodities. The primary industries include agriculture, forestry, fisheries, trapping, mining and electric power, while the secondary section embraces manufacturing, n.e.s., construction and custom and repair.

Commodity production contributed to the national income a yearly average of \$1,972 million during the twenty years under review compared with \$954 million derived from the distributive operations of trade and transportation and \$1,316 million from the facilitating activities of finance, government and service. It is surprising to find that more than 30 per cent of the national income was derived from activities other than the production and distribution of commodities.

The computation of the operating accounts of the construction industry presents difficulty especially for the period prior to 1934. Statistics of the industry were not

Chart 3. - National Income Originating in Water Transport, Steam and Electric Railways.

1919 - 1938

Million
Dollars

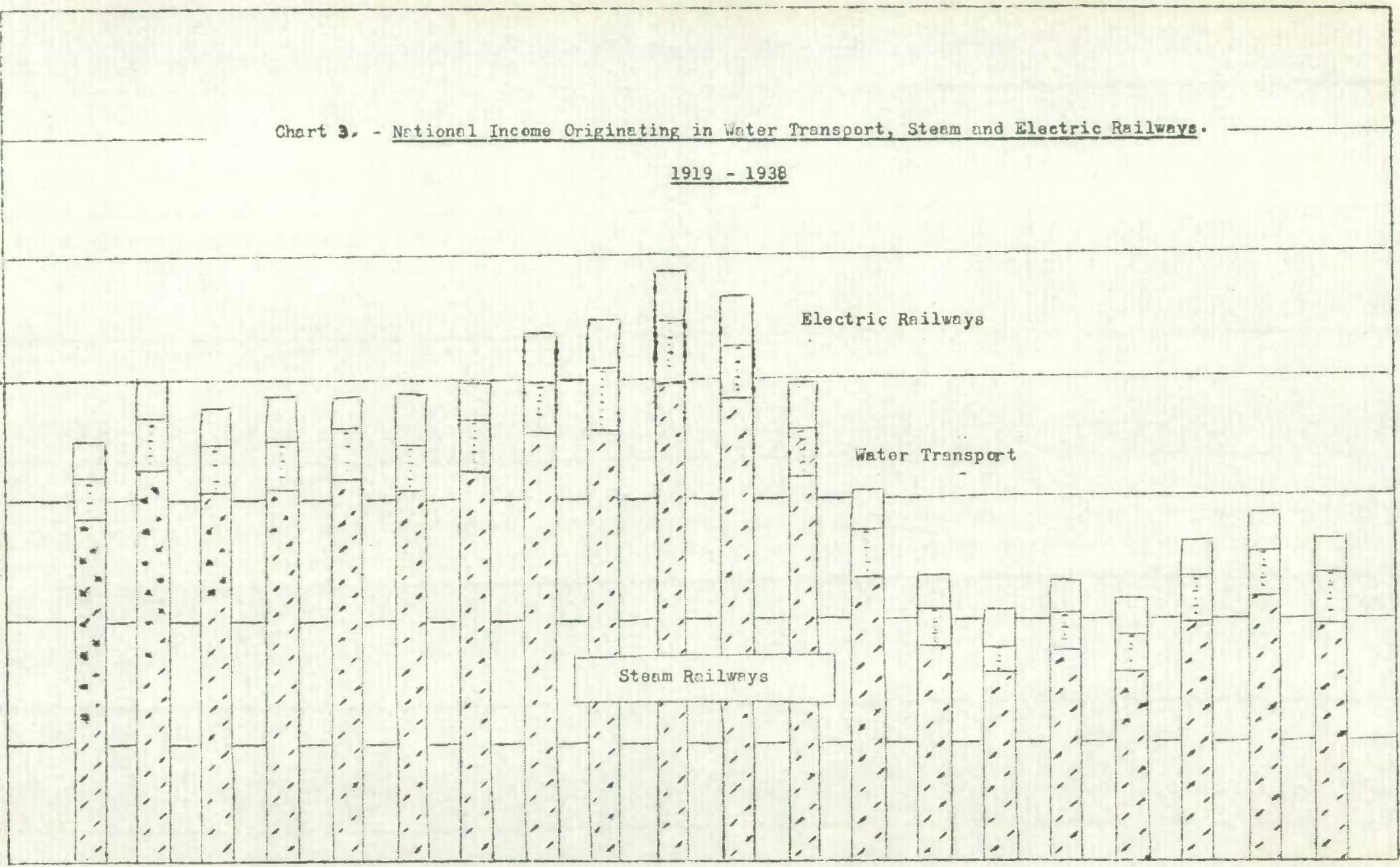
500
400
300
200
100
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1919 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Electric Railways

Water Transport

Steam Railways



collected from 1922 to 1933. The data on contracts awarded were used as a basis for estimating the gross operating revenues for years before 1934 when the collection of statistics was resumed by the Bureau. The decennial census presents data for salaries and wages and numbers of working proprietors for 1920-21 and 1930-31. Dividends and interest and positive or negative savings were determined from an examination of company accounts.

The operating accounts of the electric power industry were compiled from the reports of the Bureau and the company accounts as published in Corporate Securities and Annual Financial Review. Depreciation was estimated at 1.5 per cent of the fixed capital. Compensation and pensions paid to employees by Workmen's Compensation Boards constituted the other labour income. As the information available regarding general expenses was less satisfactory than for other factors, the series was used as a balancing account. Approximate agreement was shown with the following data: General expenses 1919-1923 as reported to the Bureau. Taxes 1923-1938 as in reports of Central Electric Stations. Miscellaneous expenses less taxes from 1919-23 based on percentage of net revenue extrapolated to period 1924-1938.

The custom and repair totals were computed by means of a study of thirteen industries. These included automobile repair, blacksmithing, bicycle repair, boot and shoe repair, dyeing, cleaning and laundry, harness and saddlery, jewelry repairs, lock and gunsmithing, fur cleaning and repairing, business machines, radio and electric repairs, upholstery and furniture and miscellaneous repair. The basic materials were assembled mainly from the annual census from 1919 to 1921, the personnel data of the industrial section of the decennial census of 1921 and 1931 and the census of 1930 on service establishments. The annual census of dyeing, cleaning and laundry work was also useful in this connection. The accounts of each of these industries were balanced over the period from 1919 to 1939. The summation for the thirteen industries supplied the record for the group.

Three of the eleven industries engaged in transportation and trade are presented in Chart 3. The annual statistics collected by the Bureau are used in determining the income payments and savings of the steam and electric railways. The salaries and wages paid by C.N.R. express and telegraph divisions of the two important railways were deducted from the grand total. Other labour income consists of compensations for injuries, pensions and other minor amounts. Dividend and interest receipts were deducted from payments to obtain net totals. Net savings were taken from the income account of the railways with a minor addition. A somewhat similar procedure was followed in making up the income produced by electric railways.

The income originating in water transport was based mainly on the decennial censuses of 1921 and 1931 with interpolation for intercensal years. The numbers of employees, the wage rate and the number of working proprietors were taken from the decennial census. The interpolation index was an average of the numbers of Canadian vessels passing through the canals and of the number engaged in shipping and stevedoring. This index was also used in the interpolation of subsistence allowances. The rate index was based on the experience in six industrial groups, the wage data for which was collected by the Bureau. The withdrawals of working proprietors were estimated from the smoothed version of the numbers and rates of employees. The rates were pivoted on a differential over the decennial wage rate in the 1921 and 1931 periods.

The economic structure is constantly changing, sometimes slowly as consumer wants gradually shift or as new inventions are gradually developed and put into use. The automobile and the radio are excellent examples, calling for new production arrangements. Economic changes are sometimes violent, as when a wave of mergers rapidly alters the industrial scene or a new impetus is given to labour organization by a shift in public policy. An understanding of the Canadian economy is a first step towards the reconciliation of present operating policies with the essential nature of the system.

While the aggregate of the money income of Canada recorded decline during the last twenty years, the reduction was by no means general throughout the entire field. The industries engaged in commodity production and handling show a decline in the second decade from the first of 18.1 per cent and 15.6 per cent, respectively. The facilitating industries as defined above, on the other hand, recorded an increase of approximately 11 per cent.

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

Item	Unit or base period	First Nine Months		Increase + Decrease -
		1941	1940	
National Income (Tentative Compilation) ^{1/}	\$000	3,891,188	3,510,982	+ 10.8
Commodity Producing	\$000	1,928,400	1,656,322	+ 16.4
Commodity Handling	\$000	809,459	728,009	+ 11.2
Facilitating	\$000	1,153,329	1,126,651	+ 2.4
General Economic Situation				
Index of Physical Volume of Business	1935-9=100	133.8	118.5	+ 12.9
Index of Industrial Production	1935-9=100	147.4	130.6	+ 12.9
Wholesale Prices	1926=100	88.5	82.6	+ 7.1
Index of Common Stock Prices	1935-9=100	67.2	78.7	- 14.6
Capitalized Bond Yields, Dominion	1935-9=100	104.3	99.1	+ 5.2
Mining Stock Prices	1935-9=100	74.6	81.3	- 8.2
Bank Debits	\$000	28,502,328	24,653,180	+ 15.6
Production and General Business				
Mineral Production	1935-9=100	130.2	126.2	+ 3.2
Gold Receipts	Fine Ozs.	3,820,603	3,662,991	+ 4.3
Silver Shipments	Fine Ozs.	13,979,090	16,199,168	- 13.7
Coal Production	Tons	12,446,462	12,039,355	+ 3.4
Manufacturing Production	1935-9=100	148.9	130.9	+ 13.8
Flour Production (First 8 Mos.)	Bbls.	13,984,534	10,081,998	+ 38.7
Sugar Manufactured	Lbs.	663,493,637	620,345,592	+ 7.4
Cattle Slaughtering	No.	1,258,035	1,182,876	+ 6.3
Hog Slaughtering	No.	4,198,536	3,463,714	+ 21.2
Cigarettes released	No.	6,263,494,099	5,563,072,854	+ 12.6
Cigars released	No.	134,086,562	114,846,528	+ 16.8
Leather Boots & Shoes (First 8 Mos.)	Pairs	18,404,551	15,239,075	+ 20.8
Raw Cotton Consumption	Lbs.	147,249,878	142,218,910	+ 3.5
Paper and Lumber -				
Newsprint Production	Tons	2,505,947	2,573,605	- 2.6
Exports of Planks and Boards	M ft.	1,726,815	1,788,363	- 3.4
Iron and Steel -				
Steel Ingot Production	Long Ton	1,737,163	1,464,548	+ 18.6
Pig Iron Production	Long Ton	945,108	845,456	+ 11.8
Automobile and Allied Industries -				
Automobile Production, Cars and trucks	No.	209,213	154,848	+ 35.1
Petroleum Imports	000 Gals.	1,203,964	1,060,535	+ 13.5
Crude Rubber Imports	Lbs.	127,255,620	68,083,514	+ 86.9
Construction -				
Contracts Awarded	\$	322,809,100	247,749,000	+ 30.3
Building Permits (58 Municipalities)	\$	75,801,301	81,324,052	- 6.8
Electric Power Production	000 K.W.H.	23,900,255	22,483,592	+ 6.3
External Trade (Excluding gold) -				
Exports	\$	1,184,684,051	869,311,971	+ 36.3
Imports	\$	1,047,896,396	768,719,704	+ 36.3
Excess of exports over imports	\$	+ 136,787,655	+ 100,592,267	-
Internal Trade				
Wholesale Sales	1935-9=100	138.6	116.4	+ 19.1
Retail Sales	1935-9=100	125.5	107.6	+ 16.6
Railways -				
Carloadings	No.	2,344,396	2,055,866	+ 14.0
Gross Revenue C.N.R. (Canadian Lines)	\$	188,800,000	152,886,000	+ 23.5
Gross Revenue, C.P.R.	\$	158,457,000	122,175,000	+ 29.7
Employment - 9 months' average unadjusted -				
General Index	1926=100	147.2	119.5	+ 23.2
Manufacturing		162.2	127.0	+ 27.7
Logging		178.8	140.0	+ 27.7
Mining		174.2	166.8	+ 4.4
Construction		119.2	82.4	+ 44.7
Building		130.5	62.0	+ 110.5
Highway		144.3	116.0	+ 24.4
Trade		154.1	140.5	+ 9.7
Banking - 9 Months' average				
Notice and Demand Deposits	\$	2,663,085,591	2,495,810,313	+ 6.7
Current Loans	\$	1,081,110,900	953,149,481	+ 13.4
Security Holdings	\$	1,736,308,745	1,597,955,053	+ 8.7
Notes in hands of Public	\$	382,436,477	278,031,701	+ 37.6

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

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