

DOMINION BUREAU OF STATISTICS - OTTAWA
BUSINESS STATISTICS BRANCH

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ECONOMIC CONDITIONS IN CANADA DURING THE FIRST TEN MONTHS OF 1943
COMPARED WITH THE SAME PERIOD OF 1942

The six factors indicating the trend of economic conditions reached a higher level during the first ten months of 1943 than in any other period. The expansion was mainly due to advances in business operations, the deposit liabilities of the chartered banks and in wholesale prices. The price of Dominion bonds has been remarkably steady since mid-year, 1940. Speculative factors, including common stock prices and the shares traded on the stock exchanges, showed a continued advance between August, 1942 and June of the present year. The advance in common stock prices counterbalanced the decline subsequent to March, 1940. Speculative trading in the first ten months of the present year was greater than in any similar period since mid-year, 1940.

Wholesale prices on the basis of 1926 averaged 99.4 in the first ten months of the present year against 95.4 in the same period of 1942, a gain of 4.2 p.c. In recent months the index has moved above parity with the base of 1926. The advance in recent years, especially since the outbreak of hostilities, has counterbalanced the decline in evidence since the latter period of 1939 to the first quarter of 1943.

The sum of the four main classes of bank deposits has shown an upward trend since the first quarter of 1934, the advance being greatly accelerated upon the outbreak of war. The deposit liabilities in the first ten months of 1943 reached a new high level in our banking history. The average was \$3.9 billion against \$3.2 billion in the same period of last year, a gain of 20.8 p.c. having been indicated.

The index of the volume of production, the most significant of the six factors under consideration, rose to an extraordinary height in the first ten months of 1943. The index of the physical volume of business on the base of 1935-39 averaged nearly 234 against about 200 in the same period of 1942, a gain of more than 17 p.c. The business index was practically maintained during the later part of 1939 at a level comparable to that of 1929, the culmination of the preceding prosperity cycle. Fostered by the heavy war demands, the advance was continued after the first quarter of 1940, and a sharply rising trend has been maintained until recent months. The index showed a gain in October over the preceding month but the maximum of August was not surpassed. Having practically reached a stage of full employment, further important advances are not expected. During recent months the output of war plants has tended to raise the index but isolated cases of curtailment are commencing to have an effect.

The index of employment maintained by the Bureau month by month has recorded a new maximum. The average during the first ten months of the present year was 183 compared with 170.4 in the same period last year. While the increase was limited to 7.4 p.c., the higher standing of the index on the base of 1926 indicates the marked increase in the working forces of Canada. Employment in manufacturing and construction recorded gains over the same period of 1942. The index of trade employment, including wholesale and retail outlets, receded from 155.4 in 1942 to 152.9 during the first ten months of the present year. The index of employment in manufacturing averaged 225.2 for the first ten reporting dates of the present year, a gain of 11.4 p.c. over 1942. Each of the main components of the index of the physical volume of business recorded expansion in 1943 over the same period of last year, except the new business obtained by the construction industry. The index of mineral production covering smelting as well as mining operations rose from 223 to 287. The gold industry was less active, receipts at the Mint for the first ten months of the present year having been 3,074,537 fine ozs. compared with 3,934,479. The decline in coal production was 5.5 p.c., the total for the first ten months having been 14.6 million tons.

The index of manufacturing production rose 22 p.c. to 291.2 during the elapsed portion of the present year against 238.5 in 1942. Considerable gains were shown in the flour milling industry, the output in the first nine months having been more than 18 million barrels. The meat packing and dairy industries recorded considerable expansion over the same period of 1942. The output of creamery butter was 283.6 million pounds, a gain of more than 12 p.c. over the same period of last year. The release of cigarettes was 9.4 billion, a gain of nearly 15 p.c. over the same months of 1942. The textile

industry, due to the shortage of manpower, recorded a decline in operations. The raw cotton consumption declined 10.3 p.c. to 152 million pounds. Newsprint production amounted to 2.5 million tons, a decline of 7.6 p.c. Steel ingot production was nearly maintained at the high level of the preceding year while a decline was shown in pig iron. Operating under the limitations of wartime, the construction industry was less successful in obtaining new business, contracts awarded having been less than \$180 million, a decline of 28 p.c. from the preceding year.

The power industry showed further advance to a new high point in 1943. The consumption of firm power was 29.4 billion K.W.H. against 26.7 billion in 1942, the preceding maximum. The gain of 10 p.c. over the high level of last year indicates the heavy contribution of the power industry to the war effort.

The gain in domestic trade was of moderate proportions. The index of retail sales rose only from 144.4 to 149.9, the increase being limited to 3.8 p.c. Wholesale sales rose 6.8 p.c. in the same comparison, the index in the first ten months of the present year being 165.4.

The export trade is an excellent measure of Canada's economic contribution to the war. The amount in the first ten months was nearly \$2.4 billion compared with \$1.9 billion in the same period of last year, a gain of 26 p.c. A moderate gain was also shown in the imports of merchandise. The net export of non-monetary gold was \$121 million in the first ten months against \$157.9 million in the same period of last year, a decline of 23.4 p.c.

The railways were more active during the present year than in 1942, the tons carried one mile have been 41 billion against 37 billion in the same period. The gain was nearly 12 p.c. while the increase in car loadings was less than 1 p.c., indicating the considerable gain in efficiency. The gross revenue on the internal lines of the Canadian National Railway was \$290.5 million against \$238.8 million, while the revenue of the Canadian Pacific Railway rose from \$188.6 million to \$217.6 million.

It is estimated that the circulating media in the hands of the public, consisting of bank notes and subsidiary coin, rose from \$549 million to an average of \$732 million, a gain of nearly one third. Bank debits in the first ten months were \$43 billion against \$36.4 billion in the same period of last year. The sum of the cash and cheque payments was estimated at \$59 billion against \$49 billion, a gain of 20.3 p.c.

The total revenue of the Dominion Government was \$1,536 million during the period from April to October compared with \$1,273 million in the same period of last year, the increase having been 20.7 p.c. War expenses rose more than 61 p.c. from \$1,223 million to \$1,971 million. The United Kingdom war financing amounted to \$829 million in the first seven months of the fiscal year of 1942-43 while the payments under the United Nations Mutual Aid Act of the present year were \$295.6 million.

The national income was tentatively estimated at \$7,300 million in the first ten months of the present year. The gain over the same period of last year was 18.3 p.c., the total having been \$6,200 million.

The study of national income, conducted by the Bureau, extends over the period from the end of the First World War to the present. The general plan was to assemble or estimate the payments to individuals and the undistributed profits of the thirty industrial and service groups. The types of payments such as salaries and wages, other labour income, withdrawals of working proprietors, dividends, interest and rents were then added for the thirty productive sources. The results were used for determining the relative importance of the groups and of the types of payment. The study of the trend and fluctuation of the numerous statistical series makes up a comprehensive analysis of the workings of the Canadian economy.

Table 1. Statistics Illustrating the Economic Situation of Canada for the first Ten Months of 1943 compared with the Same Period of Last Year.

	Unit or Base Period	First Ten Months		Per Cent Increase + Decrease -
		1943	1942	
General Economic Situation				
Index of Physical Volume of Business	1935-9=100	233.9	199.8	+ 17.1
Index of Industrial Production	1935-9=100	271.2	224.7	+ 20.7
Wholesale Prices	1926=100	99.4	95.4	+ 4.2
Cost of Living	1935-9=100	118.2	116.7	+ 1.3
Index of Common Stock Prices	1935-9=100	84.2	63.1	+ 33.4
Index of Bond Yields	1935-9=100	97.6	99.3	- 1.7
Bank debits	\$000	43,032,811	36,365,084	+ 18.3
Production and General Business				
Mineral Production				
Gold Receipts at Mint	Fine Ozs.	3,074,537	3,934,479	- 21.9
Coal Production	Tons	14,627,653	15,475,194	- 5.5
Manufacturing Production				
Flour Production (9 months)	Bbls.	18,007,023	14,873,098	+ 21.1
Cattle Slaughtering	No.	1,331,219	1,354,236	- 1.7
Hog Slaughtering	No.	5,315,264	4,874,440	+ 9.0
Creamery Butter Production	Lbs.	283,566,647	252,677,702	+ 12.2
Factory Cheese Production	Lbs.	146,844,392	189,445,514	- 22.5
Cigarettes released	No.	9,444,339,079	8,232,278,945	+ 14.7
Cigars released	No.	162,311,735	164,432,095	- 1.3
Leather Boots and Shoes (9 months)	Pairs	21,781,794	21,048,046	+ 3.5
Raw cotton consumption	Lbs.	152,315,584	169,752,551	- 10.3
Paper and Lumber -				
Newsprint Production	Tons	2,476,768	2,681,764	- 7.6
Iron and Steel -				
Steel Ingot Production	Short Ton	2,509,712	2,583,218	- 2.8
Pig Iron Production	Short Ton	1,478,760	1,640,055	- 9.8
Coke Production	Short Ton	2,866,167	2,730,675	+ 5.0
Construction -				
Contracts awarded	\$	179,968,100	249,899,700	- 28.0
Building Permits (58 Municipalities)	\$	50,809,332	64,865,491	- 21.7
Consumption of firm power	000 K.W.H.	29,418,970	26,737,554	+ 10.0
Internal Trade -				
Wholesale Sales (9 months)	1935-9=100	165.4	154.8	+ 6.8
Retail Sales (9 months)	1935-9=100	149.9	144.4	+ 3.8
External Trade -				
Exports	\$000	2,399,976	1,905,264	+ 26.0
Imports	\$000	1,439,895	1,380,470	+ 4.3
Active Balance of Trade	\$000 +	960,081 +	524,794	+ 82.9
Net Exports of non-monetary gold	\$000,000	121.0	157.9	- 23.4
Railways - Tons carried 1 mile -				
(8 months) 2 Rlys.	000,000 tons	41,308	36,992	+ 11.9
Carloadings	No.	2,846,905	2,823,622	+ 0.8
Gross Revenue C.N.R. (Canadian Lines)				
(9 months)	\$	290,466,300	238,824,000	+ 21.6
Gross Revenue C.P.R. (9 months)	\$	217,582,564	188,644,000	+ 15.3
Employment - Unadjusted (10 Months' average)				
General Index	1926=100	183.0	170.4	+ 7.4
Manufacturing		225.2	202.1	+ 11.4
Logging		174.3	197.7	- 11.8
Mining		159.0	174.0	- 8.6
Construction		129.4	123.1	+ 5.1
Building		165.1	145.4	+ 13.5
Highway		130.3	136.8	- 4.8
Trade		152.9	155.4	- 1.6
Banking - (9 months' average)				
Deposits, Four Classes	\$000	3,900,240	3,228,270	+ 20.8
Current Loans	\$000	1,038,009	1,069,396	- 2.9
Circulating Media	\$000,000	731.9	549.4	+ 33.2
Cash and Cheque Payments (10 months' Total)	\$000,000	59,140	49,178	+ 20.3
Dominion Finance - April to October				
Total Revenues	\$	1,536,349,470	1,273,088,097	+ 20.7
Ordinary Expenditures	\$	332,853,660	310,001,643	+ 7.4
War Expenditures	\$	1,971,475,919	1,222,845,494	+ 61.2
United Kingdom War Financing (1942) and United Nations Mutual Aid (1943)				
		295,564,813	828,928,634	-
National Income (Tentative Computation)	\$000,000	7,518	6,165	+ 18.3

Eighteen items recorded declines, while thirty-five showed increases.

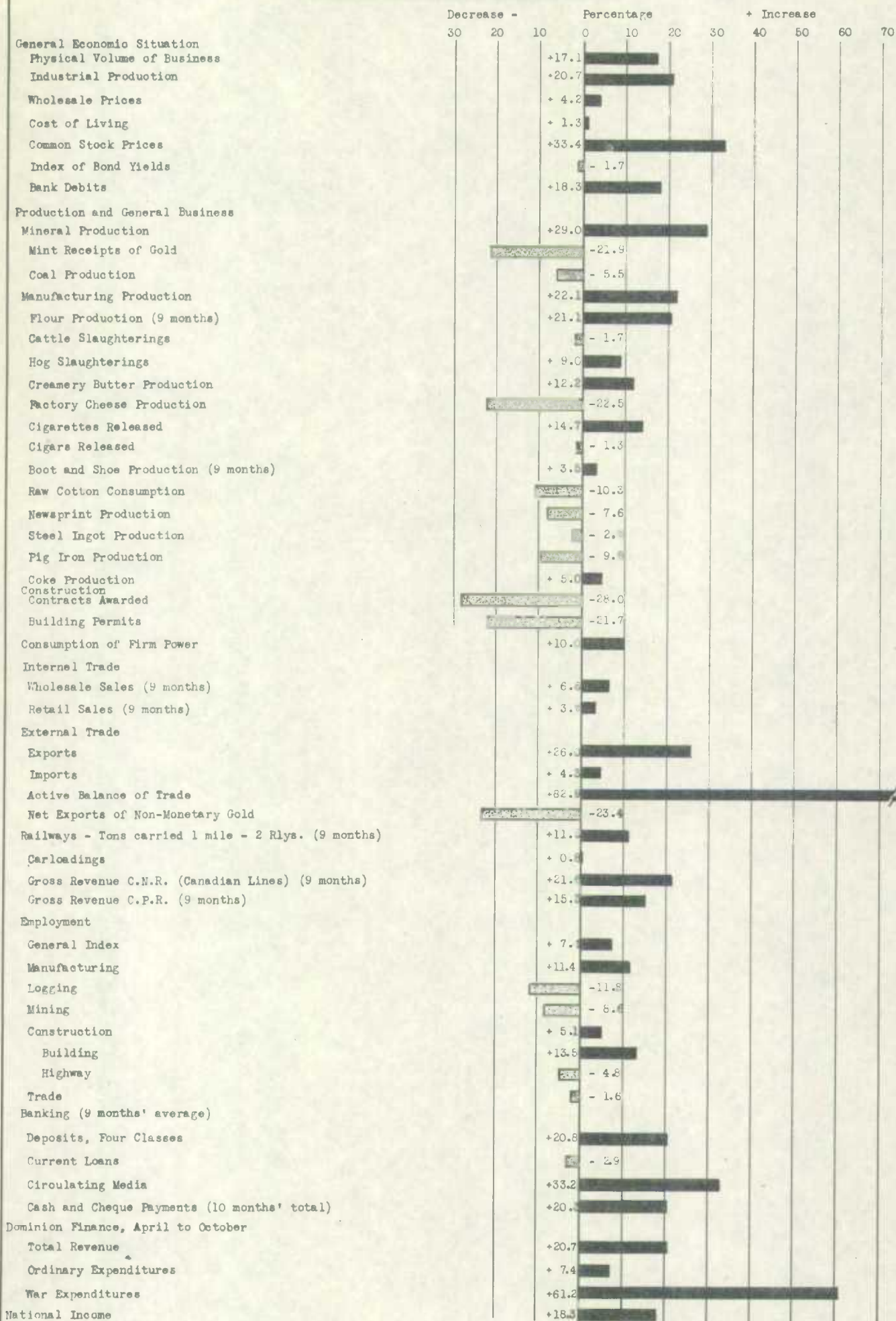
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Minister of Trade and Commerce

THE ECONOMIC SITUATION IN CANADA

for the first ten months of 1943

as compared with the same period of last year



Dominion Bureau of Statistics

Eighteen items recorded decline, while thirty-five showed increase.

TABLE II - INCOME ORIGINATING IN FINANCE

1919 - 1940

\$000

Year	Income Originating	Salaries and Wages	Pensions	Withdraw- als	Net Dividends	Net Interest	Interest on Savings Deposits	Interest from In- surance & Annuity Contracts	Mortgage Interest	Net Rentals	Payments to Indi- viduals Sum of (b) to (j)	Positive or Negative Savings (i)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1919	291,125	90,359	500	10,288	19,777	- 50,610	25,263	16,465	12,028	107,865	233,561	57,564
1920	341,140	105,981	675	10,363	22,454	- 48,316	27,545	11,425	11,999	160,160	277,394	63,814
1921	367,506	101,269	700	10,615	22,715	- 50,424	28,426	16,399	12,451	160,159	302,625	64,881
1922	406,054	93,308	823	10,659	22,317	- 49,067	23,365	19,213	13,307	133,640	327,571	78,433
1923	422,575	102,246	961	10,883	20,951	- 55,355	23,906	21,614	15,489	193,785	344,282	78,293
1924	469,113	105,832	1,052	10,994	20,725	- 64,093	30,083	23,092	17,588	208,401	353,669	115,444
1925	459,817	111,967	1,075	11,333	20,457	- 69,177	29,770	25,539	21,114	208,312	360,595	99,322
1926	501,333	118,152	1,241	11,507	19,893	- 66,333	31,419	26,572	24,723	205,520	372,156	129,232
1927	503,404	125,679	1,370	12,325	16,752	- 67,953	32,141	29,970	29,079	197,368	377,731	130,379
1928	600,743	133,666	1,450	12,914	13,843	- 68,233	35,630	33,630	34,409	207,333	407,643	193,096
1929	592,333	145,313	1,540	13,517	14,421	- 72,025	36,357	39,495	38,421	315,995	433,974	158,350
1930	581,604	145,617	1,801	12,523	14,393	- 72,539	36,676	45,372	41,592	226,783	452,368	122,316
1931	524,941	137,359	1,849	11,139	13,497	- 84,666	37,807	50,429	44,959	197,910	410,132	114,800
1932	342,369	123,149	2,040	10,173	14,074	- 92,023	35,650	57,760	45,310	143,600	339,702	2,666
1933	300,807	112,720	2,117	9,999	11,193	- 94,967	31,731	59,271	41,632	101,480	275,554	33,273
1934	351,228	112,568	2,427	9,329	10,455	- 90,192	29,207	53,758	40,090	73,169	247,740	113,460
1935	367,180	116,202	2,666	10,327	10,144	- 98,263	25,560	50,374	38,614	90,131	246,257	120,031
1936	402,266	119,380	2,899	10,941	10,359	-106,740	22,958	49,311	37,624	95,547	242,471	159,795
1937	420,670	125,505	3,097	11,172	10,356	-113,494	21,240	48,932	36,325	122,610	265,643	161,027
1938	424,999	128,579	3,252	11,367	10,777	-115,176	20,749	50,500	36,674	137,932	234,774	140,235
1939	425,849	130,843	3,560	11,196	10,072	-122,969	21,082	54,163	33,939	155,661	297,553	126,291
1940	423,650	128,035	3,740	10,090	9,775	-129,217	20,316	53,271	33,659	169,338	290,407	125,243

OPERATING ACCOUNTS OF THE FINANCE GROUP

(a) Finance is the balance wheel of the entire economy, playing a leading role in the national organization. The transactions of the several financial groups are affected, especially in wartime, by the fiscal policy of the Dominion Government. The operations of the banking, insurance, trust and loan companies are under government supervision. Measured by the income originating, the group contributed slightly more than 10 p.c. of the national income of Canada in the 22 years. The annual average income originating was \$435 million, without adjustment for the international balance on dividends and interest.

The aggregate income originating in the six industries comprising the group showed a progressive advance from 1919 to 1928, the only interruption being that of 1925. The net result was an increase from \$291 million in the first year of the period under observation to \$601 million in 1928. An irregular advance was in evidence subsequent to 1933 when the steady decline to \$309 million had culminated. A moderate trend in an upward direction was recorded during the 22-year period from 1919 to 1940. The fluctuation was somewhat greater than in the national income as a whole.

In the finance group, real estate, insurance and banking are the main contributors to the national income. Real estate acquired first place in this connection owing to the inclusion of the value of services rendered by non-farm dwelling houses, stores and office buildings. The services rendered by dwelling houses have a market price, the rent, which makes a direct valuation possible even for houses occupied by the owner. Mortgage interest paid to individuals is also an important component of personal income segregated for convenience under the heading of real estate.

The group includes, in addition, stock and bond dealers, trust companies and loan and mortgage companies.

The income originating in the finance group is the sum of the payments made to individuals and the undistributed profits of the companies operating in the field. Four types of payments are peculiar to the group - interest on savings deposits, interest from insurance and annuity contracts, mortgage interest and net rentals, as paid on rented property and estimated for owner-occupied dwellings.

(b) Salaries, wages and commissions. The salaries were furnished by the Canadian Bankers Association for the chartered banks by the Montreal City and District Bank and by La Caisse d'Economie de Notre Dame de Québec. Statistics for the Ontario Savings Office and the Province of Alberta Treasury Branches were compiled from the public accounts of Ontario and Alberta, respectively. The payments of the Bank of Canada and Foreign Exchange Control Board were furnished by an officer of the Bank. The salaries and wages paid by the Insurance, Trust companies and Loan and Mortgage companies were compiled from compendiums of company accounts, especially the reports of the Superintendent of Insurance, Ottawa, the Canadian Life Insurance Officers Association, the Registrar of Loan Corporations, Ontario and the Summary of Financial Statements of Trust Companies, Quebec. Steps were taken to eliminate payments to insurance personnel operating elsewhere than in Canada. Contributions to pension funds were deducted from gross payments made by life insurance companies. The salaries and wages paid by stock and bond dealers and real estate firms were based on decennial census reports with interpolation by means of index numbers.

(c) Pensions and retiring allowances were estimated for the banking and insurance industries. Contributions to Pension Funds having been deducted from gross salaries, the full payment of pensions was included for the two industries.

(d) As the finance group consists mainly of incorporated companies, the withdrawals of working proprietors are of relatively minor importance. The item was estimated for stock and bond dealers and real estate. The numbers were established for ten-year periods by the decennial census returns and the rate estimated as a margin over the per capita salary.

(e) Net dividends were computed for each of the six industries except real estate. The basic information was obtained from annual statements given in "Corporate Securities" and the "Annual Financial Review," the annual reports of the Superintendent of Insurance, Registrar of Loan Corporations, etc. The receipts of dividends by the companies in the group were deducted for the purpose of obtaining the net payments to individuals. No adjustment was made for the adverse balance of international payments, the correction being made at a later stage for the combined total for the seven main groups.

(f) The payments of net interest on bonds and debentures appear as a negative quantity from year to year during the period under observation. The receipts by the financial companies were considerably greater than the payments. The negative balance ranged from \$48 million in 1920 to nearly \$130 million in 1940. The general plan for estimating the receipts of interest by banking companies was to apply a rate to the average value of securities held. The month-end figures published by the Department of Finance were adopted for the chartered banks. The interest received by life insurance companies with Dominion registry was compiled from the company statements given in the report of the Superintendent of Insurance. To estimate the average rate earned, the interest received was divided by the two-year average of the book value of bonds and debentures held by the companies, shown in summary statements of their ledger assets. Interest payments by real estate firms were estimated from information given in the Financial Post's "Survey of Corporate Securities" in the years from 1926 to 1940 inclusive.

(g) Interest on savings deposits was computed for banking, trust, loan and mortgage companies. The monthly averages of notice deposits of the chartered banks for the 22 years were multiplied by a rate which varied from 2.75 p.c. for the period prior to 1933 to 1.375 p.c. from 1937 to the present. Information for four other bank organizations was also obtained. A proportion of the deposit interest was deducted since a considerable amount flows to commercial establishments, pension funds, and non-profit organizations.

Estimated average rates of interest paid were applied to the two-year averages of the guaranteed funds of trust companies. The interest incurred on savings deposits of loan companies was obtained from the official reports, the rate having been the same as used in connection with the trust companies.

(h) Interest from Insurance and Annuity Contracts.

Insurance premiums paid by individuals are considered as current savings and upon a claim being paid that portion which requests a repayment of savings is excluded as consumption of capital. The remaining portion representing the interest on the investment of accumulated savings by the insurance company is included as income. The treatment of annuities follows a similar pattern.

(i) Mortgage Interest.

The interest paid to individuals on mortgage loans and agreements on non-farm rural and urban real estate was computed in this connection. The first step was the compilation of the total amount of mortgages and agreements of sale outstanding, classified by type of lender. The main classes were financial institutions, government agencies, land corporations, miscellaneous and individuals. The information was obtained from company and public accounts, the annual reports of the Superintendent of Insurance being especially valuable in this respect. Average rates were computed from the records of sample life insurance companies whose mortgage investments in Canada were limited almost entirely to loans on urban real estate. The rate of interest collected by individuals on urban mortgages was taken as being 3 p.c. less than that for financial institutions.

(j) Net Rentals.

The net rentals of owner and tenant-occupied real estate were computed for urban dwellings, non-farm rural dwellings and commercial stores and office buildings. The decennial census supplied considerable information regarding housing conditions in 1931. The general plan consisted of building up the following estimates:

- (a) The number of urban houses, apartments and flats.
- (b) A distribution of the two classes between owner-occupied and tenant-occupied dwellings.
- (c) The general expenses and net rentals of owner and tenant-occupied urban, and non-farm rural houses, and of stores and office buildings.

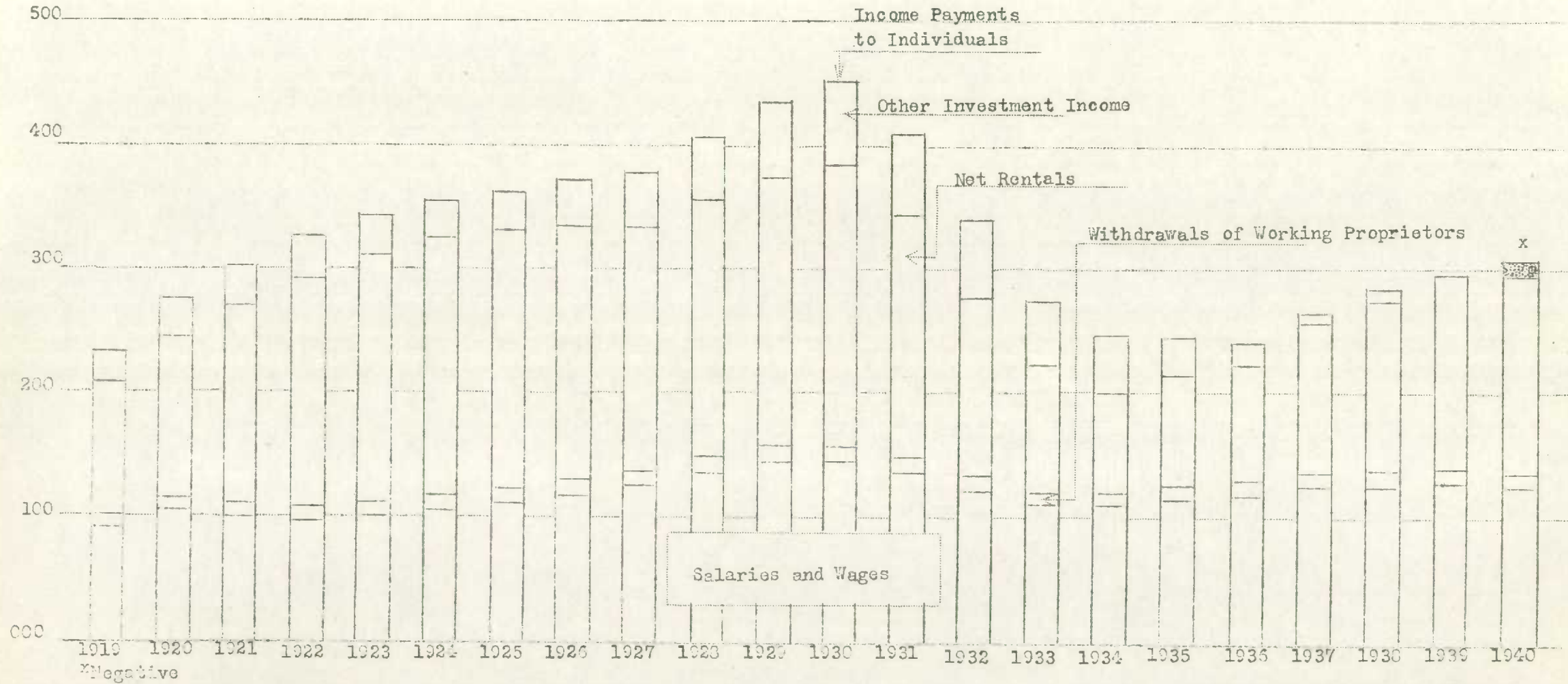
(1) Savings.

The net profits of banks as published were adjusted for the purpose in hand. Deductions were made for bank premises written off, dividends and contributions to pensions if not previously deducted. Such items as transfers to rest and reserve funds, depreciation of securities and additional transfers to contingent reserves were not deducted, while premiums on new capital stock were not allowed as an addition to profits. The savings of trust and loan and mortgage companies were computed by making certain adjustments to the excess of income over expenditures. The savings of the insurance group consist of the net equity of policy-holders in insurance and pension reserves. (1) To the total liabilities of the life insurance, fraternal and mutual benefit societies with Dominion registry was added the gross loss in the sale of assets and shareholders surplus for joint stock companies was deducted. The net change in the net liabilities computed in this way measured the net equity of the policy-holders in insurance and pension reserves, resulting from the operations of the companies and societies. (2) The yearly change in the total liabilities of fire, fire and other, and casualty insurance of Dominion registry was regarded as the net equity of the policy-holders in insurance and pension reserves.

Chart 1.

Million
Dollars

INCOME PAYMENTS TO INDIVIDUALS
IN THE FINANCIAL GROUP
BEFORE DEDUCTION OF INTERNATIONAL BALANCE ON DIVIDENDS AND INTEREST

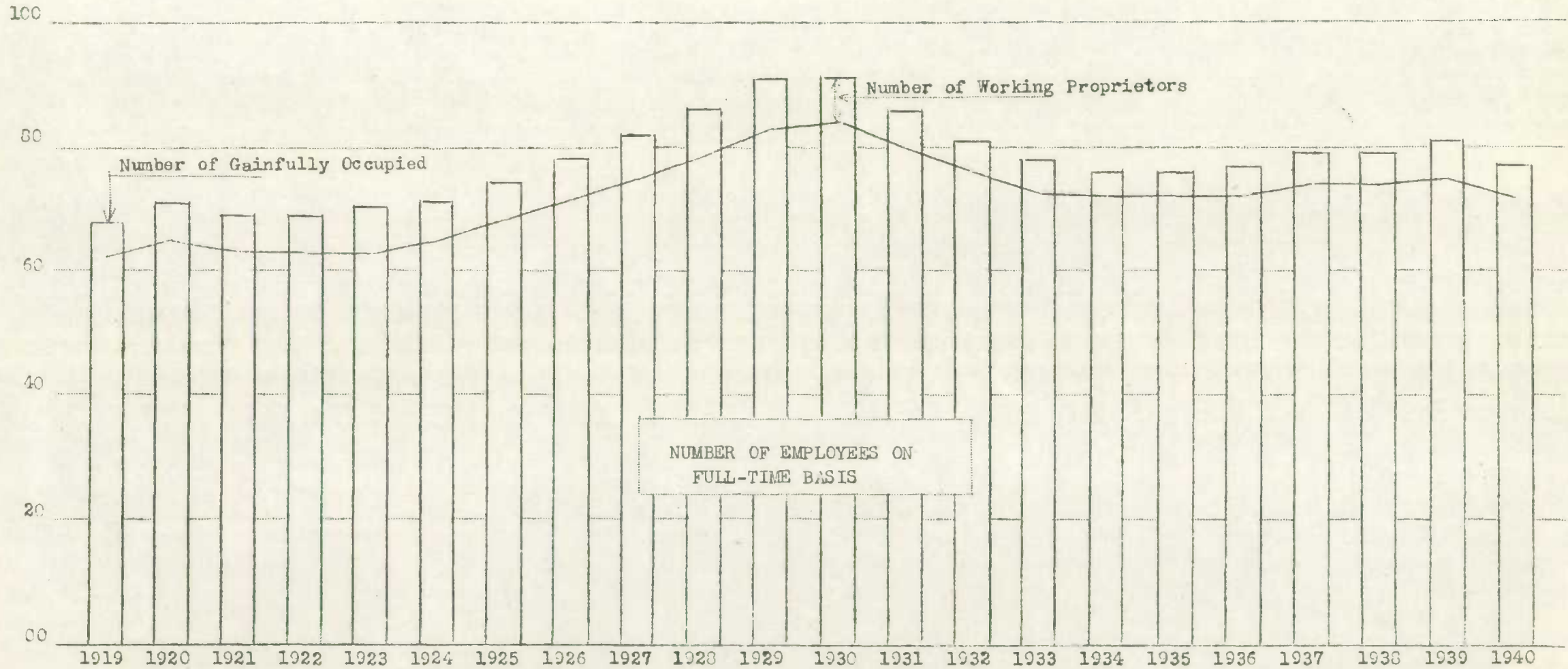


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Chart 2.

NUMBER OF PERSONS OCCUPIED
IN THE FINANCIAL GROUP
ON A FULL-TIME BASIS

Thousand Persons



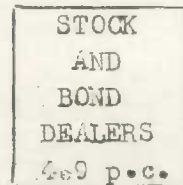
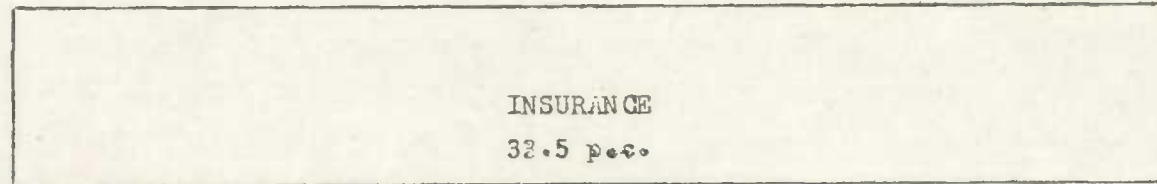
RELATIVE IMPORTANCE OF SIX FINANCIAL GROUPS AS ORIGINATORS OF NATIONAL INCOME

ANNUAL AVERAGE OF INCOME ORIGINATING

1919-1940



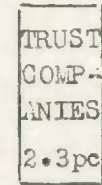
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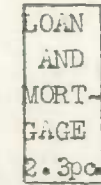
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\$45,247,000



\$10,013,000



\$9,882,000

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