

DOMINION BUREAU OF STATISTICS - OTTAWA
BUSINESS STATISTICS BRANCH

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

Prominent factors indicating the trend of economic conditions averaged higher in 1943 than in any other year. A marked gain was recorded over the high levels of 1942. An upward trend has been shown since the first quarter of 1933 but the pace was greatly accelerated from the outbreak of hostilities in September, 1939.

Physical Volume of Business:

Business operations showed a sharp advance from the early part of 1940 to the present time. Some tendency toward tapering off was evident after May of the present year but the index continued to rise slightly even in November over the preceding month. The net result was that the index of the physical volume of business on the five year pre-war base rose from 200.5 in 1942 to 234.8, a gain of 17.1 p.c.

The index was based on five main components of which mineral and manufacturing production, electric power and distribution recorded marked gains. Owing to wartime restrictions, the construction industry was less successful in obtaining new business. The index of mineral production showed expansion although declines were shown in gold receipts at the mint and in coal production. The index of manufacturing production averaged 292.6 in the first eleven months against 240.8 in the same period of the preceding year, a gain of no less than 21.5 p.c. Marked advances were recorded in the operations of the flour milling, meat packing and tobacco industries. Recession, on the other hand, was shown in the output of newsprint and in the production of steel and iron from the high levels of 1942. The consumption of firm power, indicating the trend of operations in the electric power industry, rose 10 p.c. to 32.5 billion kilowatt hours.

Wholesale and retail sales were slightly higher in 1943. The gain in the former was 6.4 p.c. while retail sales during the ten-month period were only 3.3 p.c. greater than in 1942. Domestic exports were \$2.7 billion compared with \$2.1 billion in the first eleven months of 1942. A gain of \$305 million was shown over the entire year of 1942. Commodity imports recorded a gain from \$1,507 million to \$1,600 million. The commodity trade balance in 1943 was favourable to the extent of \$1,093 million compared with the active balance of \$608 million in the same period of the preceding year. In addition to the balance of commodity trade, net export of non-monetary gold was \$129.8 million compared with \$170.5 million in the same period of the preceding year. Combined gross operating revenue of the Canadian Pacific and the Canadian National Railways in the eleven months ended November reached the unprecedented level of \$671.4 million being about $2\frac{1}{4}$ times the pre-war standing in 1938 and more than $2\frac{3}{4}$ times the depression low point of 1933.

Employment:

Industrial employment generally in the Dominion during the first ten months of 1943 showed a continuance of the expansion in progress since the outbreak of war. The acceleration was, however, at a definitely lower rate than in the earlier stages of the industrial war effort, while the upward movement showed considerably more interruption than had been the case in the years from 1940 to 1942. A new maximum was reached by the index in the beginning of October. This increase, when considered with the fact that over 700,000 men and women are in the armed forces, indicates the extent of the changes which have taken place, as a result of the war, in the industrial and occupational industries of the gainfully occupied of the Dominion.

Wholesale Prices:

Wholesale prices averaged higher in 1943 than at any other time since 1926. The index passed the line of parity with the base year of 1926, rising as high as 102.4 in November. The trend of wholesale prices has been in an upward direction since the early months of 1933. The advance was greatly accelerated upon the outbreak of hostilities, having been decidedly rapid from September, 1939 to the latter part of 1941.

Since that time the advance has been more moderate but the upward trend has persisted. The index of wholesale prices averaged 99.7 during the first eleven months of 1943 against 95.6 in the same period of the preceding year, a gain of 4.3 p.c.

Common Stock Prices:

Despite the reaction subsequent to June, the index of common stock prices averaged much higher in 1943 than in the preceding year. The official index averaged 83.8 against 63.5 in the same period of 1942, a gain of no less than 32 p.c. The advance commenced in September, 1942, counterbalancing the most of the reaction subsequent to the first quarter of 1940. The trend of security prices was somewhat lower in November. The index was 79.6 in that month against 91.0 in July. Each of the groups, except beverages and communications, recorded recession compared with the standing of mid-year.

Bank Debits:

Cheques cashed by the chartered banks against individual accounts amounted to \$48,946 million in the first eleven months of the year just ended against \$41,332 million, a gain of 18.4 p.c. over the same period of the preceding year. The gains by economic areas were of major proportions, the increase in the Prairie Provinces having been 36 p.c. The Maritimes and Quebec recorded gains of 15.4 p.c. and 20.7 p.c., respectively. The aggregate for the province of Ontario showed a gain of 12.1 p.c. while British Columbia moved up 16.6 p.c. The high level of bank debits in 1943 reflected heavier payments on the Fourth and Fifth Victory Loans and the acceleration of economic activities.

Bank Deposits:

The deposit liabilities of the banks reached a new high point in history during 1943. The four main classes of deposits averaged \$3,969 million against \$3,303 million in the same period of 1942, a gain of more than 20 p.c. The upward trend in bank deposits was moderate from the early part of 1934 to mid-year, 1939. Subsequent to the outbreak of hostilities, the amount of deposits has increased sharply. Current loans were at a lower position in 1943 than in the preceding year. A gain of 31 p.c. was shown in circulating media in the hands of the public including bank notes and subsidiary coin. The average in 1943 was \$744.8 million against \$568.6 million in the preceding year. It was estimated that the cash and cheque payments during the eleven-month period was \$67,352 million against \$55,987 million, an increase of 20.3 p.c.

Dominion Finance:

The revenues of the Dominion Government during the period from April to November rose 20.4 p.c. over the same period of the preceding year. The total was \$1,752 million compared with \$1,455 million. The increase in the ordinary expenditures was of lesser proportions amounting to 15 p.c. The rise was from \$350 million to \$403 million. War expenditures, however, recorded a marked increase of 57.5 p.c. In the first eight months of the present fiscal year war expenditures were \$2,243 million against \$1,424 million in the same period of 1942. Payments under the United Kingdom War Financing Act of 1942 were \$908.9 million in the eight months, while payments under the United Nations Mutual Aid Act in the eight months of the present fiscal year amounted to \$450.5 million.

National Income:

National income, the best measure of economic welfare, was \$751,520,000 in November compared with \$737,146,000 in the preceding month. Having been consistently at a higher level, month by month, than in 1942, the total for the eleven months was 18.4 p.c. greater than in the same period of that year.

The production and transport of munitions and war supplies was the main generator of income in 1943. The continued rise in war expenditures enlarged the total income stream directly by a large amount. These expenditures also greatly accelerated the purchase and consumption of the necessities of life. The resulting economic activity raised the national income to the highest level in Canadian history.

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

	Unit or Base Period	First Eleven Months		Per cent Increase + Decrease -
		1943	1942	
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1935-9=100	234.8	200.5	+ 17.1
Index of Industrial Production	1935-9=100	272.2	226.0	+ 20.4
Wholesale Prices	1926=100	99.7	95.6	+ 4.3
Cost of Living	1935-9=100	118.3	116.8	+ 1.3
Index of Common Stock Prices	1935-9=100	83.8	63.5	+ 32.0
Index of Bond Yields	1935-9=100	97.6	99.3	- 1.7
Bank Debits	\$ 000	48,946,288	41,331,642	+ 18.4
<u>Production and General Business</u>				
Mineral Production	1935-9=100	287.7	219.9	+ 30.8
Gold Receipts at Mint	Fine Ozs.	3,338,205	4,251,492	- 21.5
Coal Production	Tons	16,072,962	17,093,307	- 6.0
Manufacturing Production	1935-9=100	292.6	240.8	+ 21.5
Flour Production (10 months)	Bbls.	20,125,432	16,724,160	+ 20.3
Cattle Slaughtering	No.	1,487,689	1,515,443	- 1.8
Hog Slaughtering	No.	6,206,172	5,514,614	+ 12.5
Creamery Butter Production	Lbs.	299,360,460	269,370,340	+ 11.1
Factory Cheese Production	Lbs.	155,810,117	196,260,314	- 20.6
Cigarettes released	No.	10,507,984,832	9,277,939,153	+ 13.3
Cigars released	No.	179,304,470	182,257,034	- 1.6
Leather Boots and Shoes (10 months)	Pairs	24,179,589	23,465,437	+ 3.0
Raw cotton consumption	Lbs.	166,569,224	186,140,990	- 10.5
Paper and Lumber -				
Newsprint Production	Tons	2,733,104	2,932,911	- 6.8
Iron and Steel -				
Steel Ingot Production	Short Ton	2,769,156	2,854,030	- 3.0
Pig Iron Production	Short Ton	1,621,009	1,810,633	- 10.5
Coke Production	Short Ton	3,204,775	2,999,954	+ 6.8
<u>Construction -</u>				
Contracts awarded	\$	194,114,600	271,985,200	- 28.6
Building Permits (58 Municipalities)	\$	55,949,687	70,478,466	- 20.6
Consumption of firm power	000 K.W.H.	32,523,329	29,572,719	+ 10.0
<u>Internal Trade -</u>				
Wholesale Sales (10 months)	1935-9=100	166.4	156.4	+ 6.4
Retail Sales (10 months)	1935-9=100	152.2	147.4	+ 3.3
<u>External Trade -</u>				
Exports	\$000	2,693,388	2,114,227	+ 27.4
Imports	\$000	1,600,205	1,506,674	+ 6.2
Active Balance of Trade	\$000	+1,093,183	+ 607,553	+ 79.9
Net Exports of non-monetary gold	\$000,000	129.8	170.5	- 23.9
<u>Railways - Tons carried 1 mile -</u>				
(10 months) 2 Rlys.	000,000 tons	46,560	41,701	+ 11.7
Carloadings	No.	3,165,762	3,114,256	+ 1.7
Gross Revenue C.N.R. (Canadian Lines) (10 months)	\$	323,765,700	270,952,000	+ 19.5
Gross Revenue C.P.R. (10 months)	\$	244,044,972	211,621,000	+ 15.3
<u>Employment - Unadjusted (11 Months' average)</u>				
General Index	1926=100	183.5	172.5	+ 6.4
Manufacturing		225.7	205.1	+ 10.0
Logging		175.0	192.9	- 9.3
Mining		158.7	172.1	- 7.8
Construction		129.9	128.4	+ 1.2
Building		162.9	153.6	+ 6.1
Highway		134.2	143.4	- 6.4
Trade		148.0	155.3	- 4.7
<u>Banking - (11 months' average)</u>				
Deposits, Four Classes	\$000	3,969,405	3,303,473	+ 20.2
Current Loans	\$000	1,048,066	1,072,421	- 2.3
Circulating Media	\$000,000	744.8	568.6	+ 31.0
Cash & Cheque Payments (11 months' Total)	\$000,000	67,352	55,987	+ 20.3
<u>Dominion Finance - April to November</u>				
Total Revenues	\$	1,752,456,427	1,455,211,039	+ 20.4
Ordinary Expenditures	\$	402,952,208	349,946,816	+ 15.1
War Expenditures	\$	2,242,645,240	1,424,215,824	+ 57.5
United Kingdom War Financing (1942) and United Nations Mutual Aid (1943)	\$	450,476,788	908,928,634	-
National Income (Tentative Computation)	\$000,000	8,072	6,818	+ 18.4

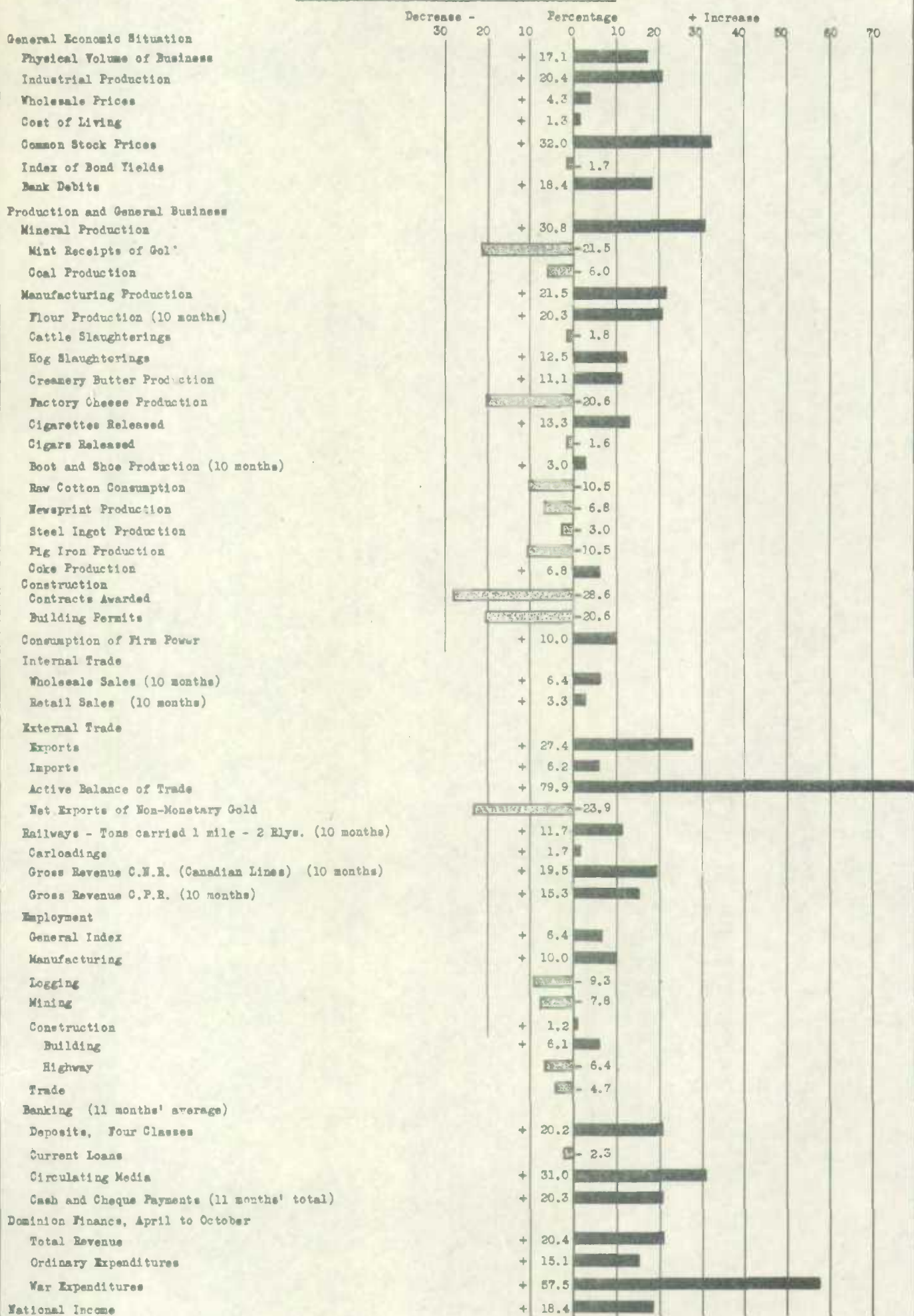
Eighteen items recorded declines, while thirty-five showed increases.

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Minister of Trade and Commerce

THE ECONOMIC SITUATION IN CANADA

for the first eleven 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 2. Income Originating in Government, 1919 - 1940.

\$ 000

Year	Income Originating	Salaries and Wages	Other Labour Income	Pensions and Annuities	Net Interest	Direct Relief	Payments to Individuals	Positive or Negative Savings
1919	223,793	247,325	150,635	23,768	140,165	22	561,915	- 338,122
1920	448,189	194,788	12,875	37,213	163,877	869	409,622	+ 38,567
1921	403,179	183,436	10,158	37,257	165,456	1,802	398,109	+ 5,070
1922	454,709	174,708	10,453	34,836	173,430	1,088	394,515	+ 60,194
1923	451,359	175,450	12,294	35,449	175,457	371	399,021	+ 52,338
1924	413,236	173,649	13,113	37,449	176,825	500	401,536	+ 11,700
1925	456,725	182,188	13,747	39,817	171,685	451	407,888	+ 48,837
1926	489,143	184,108	14,955	40,640	172,356	473	412,532	+ 76,611
1927	518,972	195,621	16,189	42,974	172,477	538	427,799	+ 91,173
1928	561,529	210,931	17,689	46,515	169,022	481	444,638	+ 116,891
1929	554,664	223,703	22,032	47,474	167,828	673	461,710	+ 92,954
1930	453,000	240,391	22,962	60,556	172,517	3,212	499,638	- 46,638
1931	396,783	240,243	22,846	67,112	178,242	16,808	525,251	- 128,460
1932	427,060	223,545	20,723	62,496	197,225	39,379	543,368	- 116,308
1933	431,303	199,797	18,827	62,736	206,007	67,962	555,329	- 124,026
1934	453,035	217,835	21,227	66,373	208,745	80,116	594,296	- 141,261
1935	453,849	218,803	24,777	69,891	203,958	100,421	617,850	- 164,001
1936	586,330	226,737	27,791	71,902	202,972	87,163	616,565	- 30,235
1937	634,254	244,045	31,932	80,523	196,153	82,549	635,202	- 948
1938	616,981	245,182	32,193	86,790	191,432	68,602	624,199	- 7,218
1939	661,551	319,806	44,479	88,812	194,726	57,805	705,628	- 44,077
1940	981,459	480,346	86,316	89,909	205,200	41,803	903,774	+ 77,685

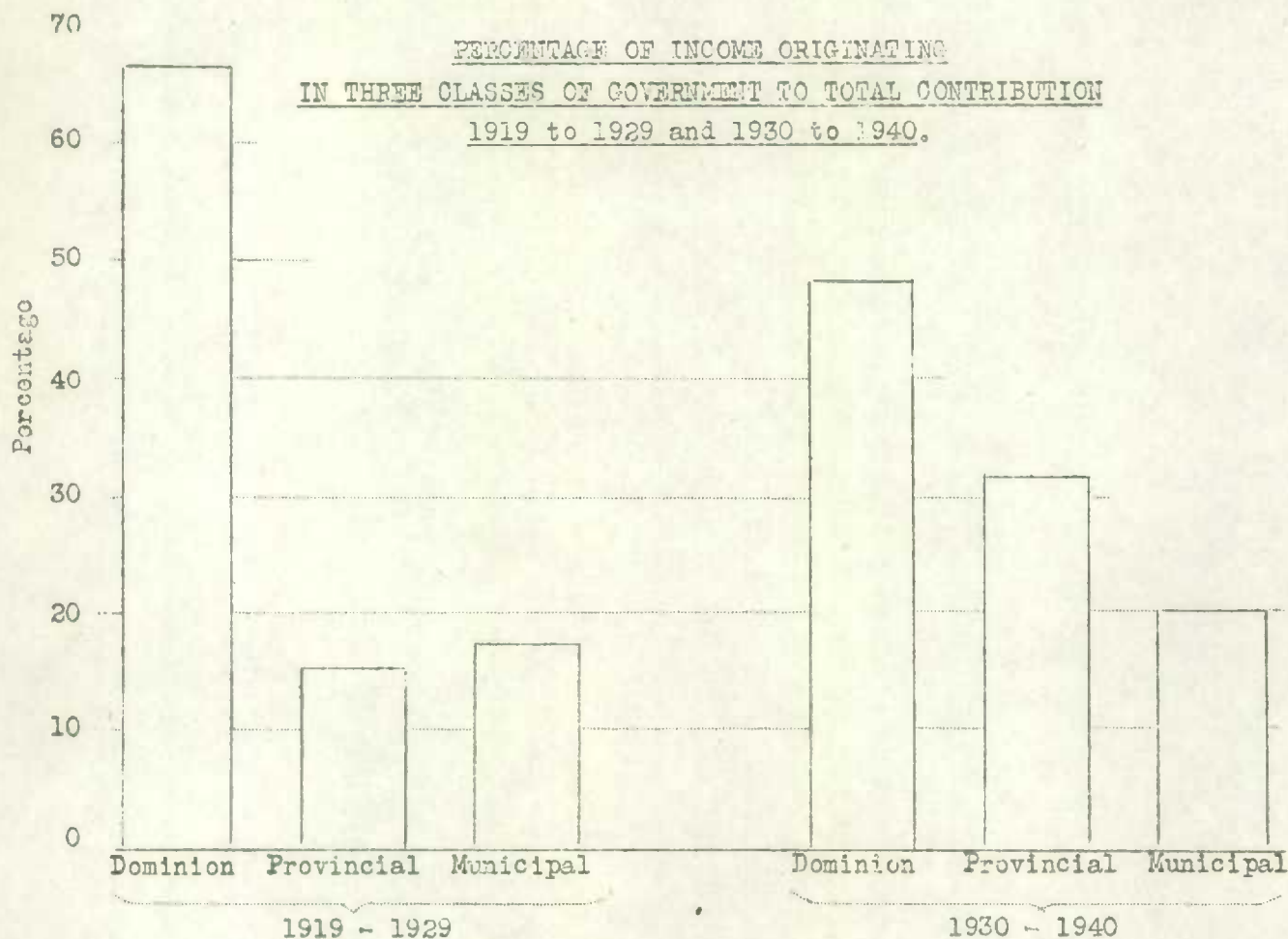
OPERATING ACCOUNTS OF GOVERNMENT

(a) The growing importance of government operations is indicated by the upward trend of the income originating in the group. The advance in the contribution of government was at a much faster pace than in the national income as a whole. The most obvious change in government during the twenty-two years under review was the familiar one of expansion. A ready measure of the magnitude of the advance may be seen in Table A. Increase was shown in the income originating during the fifteen years of the twenty-two year period from 1919 to 1940. Owing to the extraordinary expansion in the operations of the Dominion government since the outbreak of hostilities, the inclusion of more recent years in the survey would disclose an even sharper upward trend.

The operations of government follow a more independent course than any of the other main groups, the correlation between government income originating and the national income being obviously less pronounced during the period. Aside from the war years, fluctuations tended to be more moderate than in the national economy as a whole. Government operations were steadier from 1920 to 1929. The efforts to stem and alleviate the rigours of the depression were reflected in the relatively higher levels of income originating in government than in the grand total during the period from 1932 to 1934. While the increase in operations since 1919 was partly occasioned by the occurrence of depression and war, the expansion of government is a phenomenon common to all modern states.

The income originating consists of the sum of the income payments to individuals, mainly in the form of salaries and wages, and interest and the estimated savings of the Dominion and Provincial governments.

The changing fiscal importance of each of the three levels of government is indicated by the size of income originating in each. It is evident that significant changes have occurred. During the second half of the period, the share of the provincial governments was more than 31 p.c. compared with less than 16 p.c. in the first half. As the proportion of the income originating in the municipalities rose from 17.4 p.c. to 20.4 p.c. in the same comparison, it is clear that the share of the Dominion government recorded considerable reduction. The amount of the decline in the Dominion income originating to that of the total income derived from government operations was from 66.7 p.c. in the first half of the period to 48.4 in the second half. The large relative growth of Provincial income originating from 1919 to 1940 was the result mainly of increased expenditures on highways. The coming of the automobile, compelled the construction of an entirely new and extremely expensive system of highways. A second category of growing importance was that of social welfare including relief for the poor, aged and blind.



(B) Salaries and Wages constituted the most important type of payment made by government to individuals during the period from 1919 to 1940. Interest payments, however, were slightly greater in three of the twenty-two years. Considerable variation was shown in the amount of salaries and wages paid by the four classes of government, the range having been from \$173.6 million in 1924 to \$480.8 million in 1940. The expanded operations of the Dominion government occasioned by the war accounted for the high level in the latter year.

Dominion Government. - Payments by the Dominion government were compiled from the reports of the Auditor General and of the government boards and commissions. Important components included payments for general administration and work projects undertaken directly by the government. The following boards and commissions were included in the survey, - Canadian Broadcasting Corporation, Canadian Farm Loan Board, Canadian Wheat Board, Federal District Commission, National Battlefields Commission and the National Harbours Board. Other payments taken into consideration were in connection with the Kings Printer's Advance account, remuneration of revenue postmasters and mail service by land conveyance and to returning officers and others assisting with the conduct of general and by-elections, sessional indemnities, and cost of living bonuses. Net pay and allowances to the armed forces stationed in Canada included clothing, personal equipment and rations. Re-establishment payments for soldiers and sailors undergoing treatment and training were computed for the period from 1919 to 1933 inclusive.

Contributions to retirement and superannuation funds and the military pension funds of the permanent force, were deducted from the gross salaries and wages enumerated above, to obtain the net salaries, wages and allowances.

Provincial Government. - The computation of the salaries and wages paid by Provincial Governments was based mainly on the ordinary and capital expenditure sections of the public accounts. Payments made for general administration and maintenance of highways and public works, sessional indemnities, and remuneration in connection with elections, constituted a large part of the salary-wage account. Special items included salaries and wages paid for administration and maintenance of colleges and schools under Provincial governments. Salaries and wages for Public Welfare administration in connection with mothers' allowances, old age and blind pensions, hospitals and health centres were also included for provinces where such expenditures were defrayed. Another component was the payment for administration of trust and special accounts, for example, in Saskatchewan - the Milk Control Board, the Fire Prevention Fund, the Kings Printer's Advance account, the Warehouse Advance account, the Saskatchewan Book Bureau, the Agricultural Aids account and the Saskatchewan Cream Grading account.

Salaries and wages on capital account for roads, bridges, buildings, etc., constructed directly by the Provincial governments were also included. Relief work, supported in part by subventions from the Dominion government on approved projects, was considered in this connection. The accounts of the eight Workmen's Compensation Boards were analyzed to obtain the amount of salaries and wages paid.

Contributions to superannuation and pension funds were deducted to obtain net salaries and wages.

Municipalities. - The salaries and wages as reported to the decennial census of 1930-31 for the fire, police, and water service and other departments were taken as indicative of the expenditures in this line by the municipalities. The earnings were raised to provide for the non-reporters and results transferred to the calendar year, 1930. Salaries and wages paid in representative cities or related data were used as extrapolating factors in formulating estimates for the remainder of the period.

External. - The payments by external governments to persons residing in Canada were estimated in consultation with the International Payments Branch.

(C) Other Labour Income. The main element in other labour income is compensation, hospitalization and pensions paid in connection with injuries by the Workmen's Compensation Boards of eight provinces. Miscellaneous items also given under this heading included gratuities, civil and war, dependants' allowances and war veterans' allowances disbursed by the Dominion government, and mothers' allowances paid in Nova Scotia, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. A part of the Mothers' allowances, distributed in Manitoba were paid by the municipalities from 1919 to 1931, inclusive, the share being obtained by a levy since that time. One half of the payments to widowed mothers and their children in Alberta were made by the municipalities. Similar payments were shared in British Columbia during the period from 1932 to 1936.

(D) Pensions and Annuities. The Dominion government disbursed Indian annuities under Section 162 of the Indian Act. Also included was that portion paid out on government matured annuity contracts which represented interest on the money invested in the annuities account. The pensions paid by the Dominion government may be classed as civil and military. Civil pensions include all payments made from superannuation funds and pensions to retired judges, pilots and the Royal Canadian Mounted Police. Such payments to the armed forces include pensions, gratuities and grants awarded to disabled ex-members of the Canadian Expeditionary Force 1914-1918 and ex-members of the Canadian Army (Active) 1939-1940 as well as service pensions to officers and men of the Permanent Active Militia, the Royal Canadian Navy and the Permanent Active Air Force.

Civil service annuities were paid by the Provincial governments of Manitoba and British Columbia and superannuation payments were made in each of the provinces. The Saskatchewan government makes appropriations for superannuation of former officers of the government service. Special provision was made for teachers in Prince Edward Island and for teachers and inspectors in Ontario.

Old Age and Blind Pensions were paid by each of the provinces, the subventions of the Dominion government being included with the provincial disbursements. The cost of social security pensions was shared by the municipalities in Manitoba and Alberta, and in Ontario up to 1936.

(E) Net Interest on Bonds and Debentures. A part only of the bond interest paid by the three classes of Canadian government was received by individuals living in Canada. A considerable portion was paid to financial institutions such as insurance companies and banks and a large sum was paid to bond holders living abroad.

Net interest on bonds and treasury bills of the Dominion Government were computed. By an examination of the public accounts interest payments on funded debt including treasury bills were obtained. Interest receipts principally from sinking fund investments were deducted to obtain the net payments. A similar course was followed in assembling the data regarding the net interest payments of the Provincial governments. The receipt of interest was augmented in eight of the provinces by payment of interest on advances and investments in various projects in the public interest. Interest was received from the power commissions of Nova Scotia, New Brunswick, Ontario, Manitoba and Saskatchewan. Receipts are listed from railways in Nova Scotia, New Brunswick and Ontario, interest payments on the Pacific Great Eastern Railroad having been included in the railway group. The interest received on the invested funds of the Workmen's Compensation Boards was included in this connection. The Provincial governments receive interest from many other sources which, due to lack of space, cannot be enumerated.

The computation of net bond interest paid by the municipalities excludes transactions in respect to electric light and power, electric railways, hospitals, telephones and schools which are considered in connection with other groups contributing to the national income.

(F) Direct Relief. The direct relief reported for the Dominion government consisted of payments to unemployed former members of the Canadian, British and Allied forces. Large amounts appropriated for direct relief by the Dominion government since 1931 were distributed mainly through the provincial governments. Direct relief payments by the New Brunswick government were discontinued after 1936, the Dominion government contributing toward the construction of paved roads and grants-in-aid to municipalities. Payments under the rural rehabilitation scheme were added for Manitoba.

(G) Payments to Individuals consist of the sum of the five columns (B) to (F).

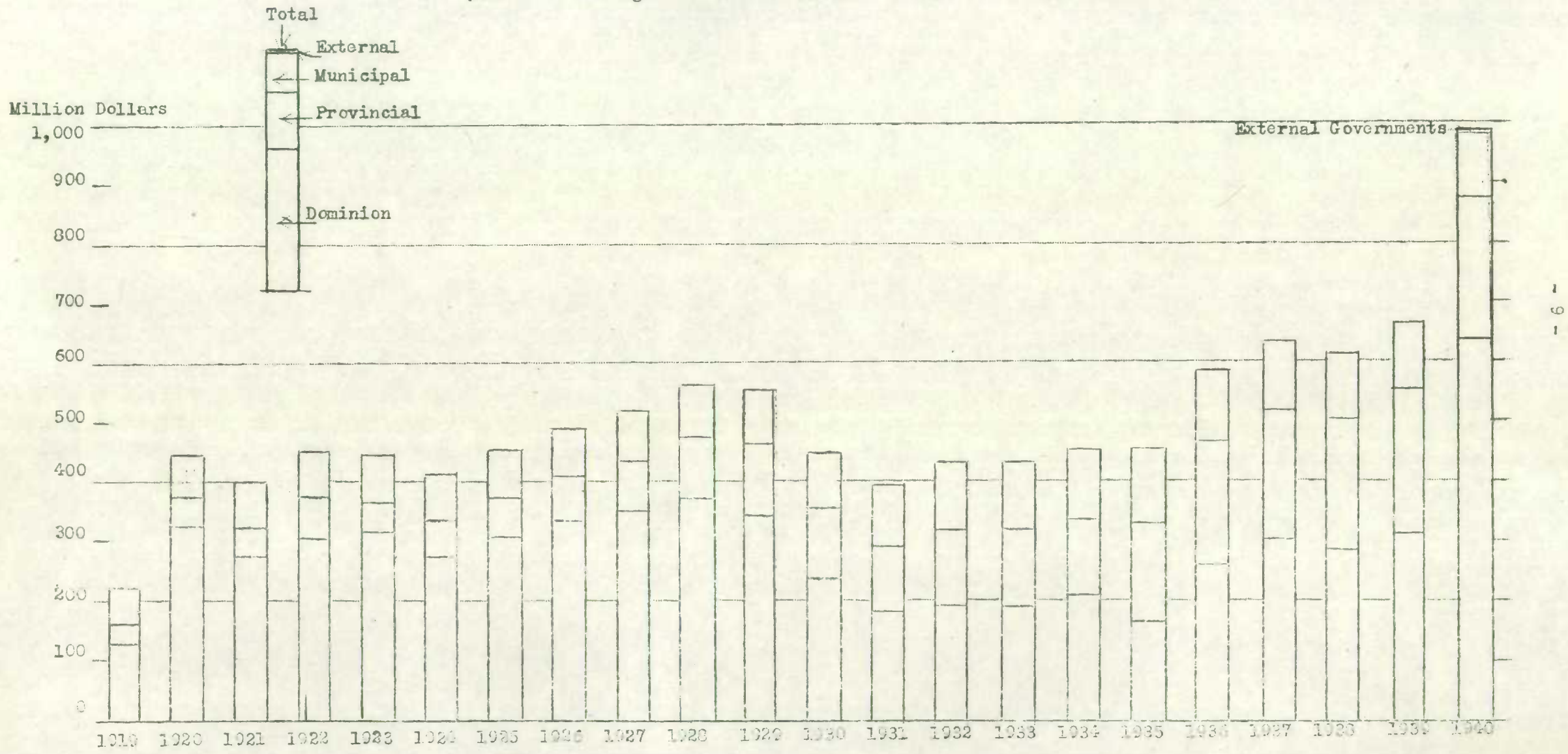
(H) Savings. The savings of government were estimated for the Dominion and the provinces by comparing the change in the net obligations of the governments with the change in the tangible assets. The net obligations of the government were regarded as the total debt less the sinking fund and the obligations due the government whether active or non-active. Adjustments have been made for all write-offs of assets to the Consolidated Fund.

The tangible assets are normally detailed in the balance sheets of the Public Accounts and consist principally of public buildings, canals, harbours, elevators, military stores, etc. A straight line depreciation of 2.5 p.c. was applied and the assets shown after allowance for this factor. The results were adjusted for the deficits of the Canadian National Railways and the Trans-Canada Air-Lines, which are treated under the transportation section of the National income. The profits of the Bank of Canada were included with the banking group.

In computing the savings of Provincial governments the highways were not adjusted for depreciation. The public accounts of Quebec and Saskatchewan were presented on a cash basis in the early part of the period, necessitating the estimation of a considerable number of factors.

GOVERNMENT
INCOME ORIGINATING
1919 - 1940

(Before deducting International Balance on Bond Interest)

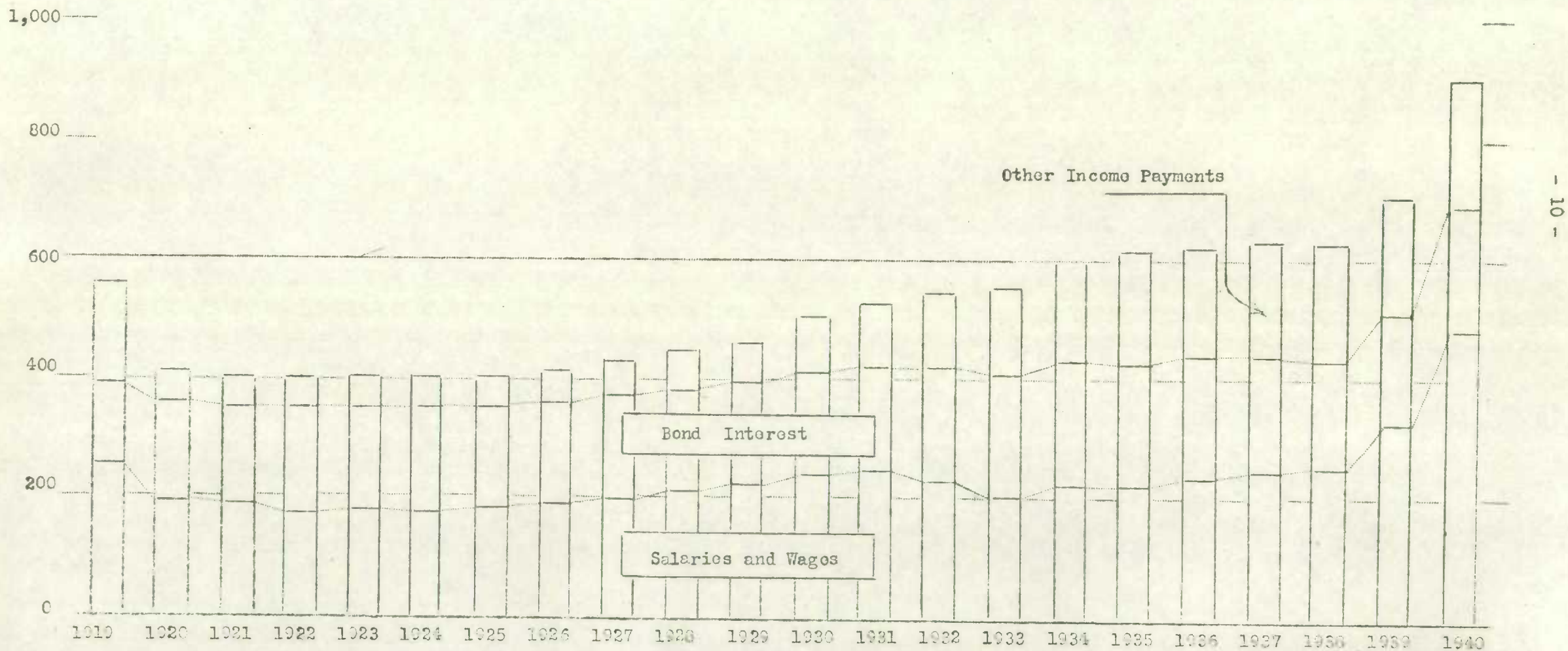


GOVERNMENT

INCOME PAYMENTS TO INDIVIDUALS

1919 - 1940

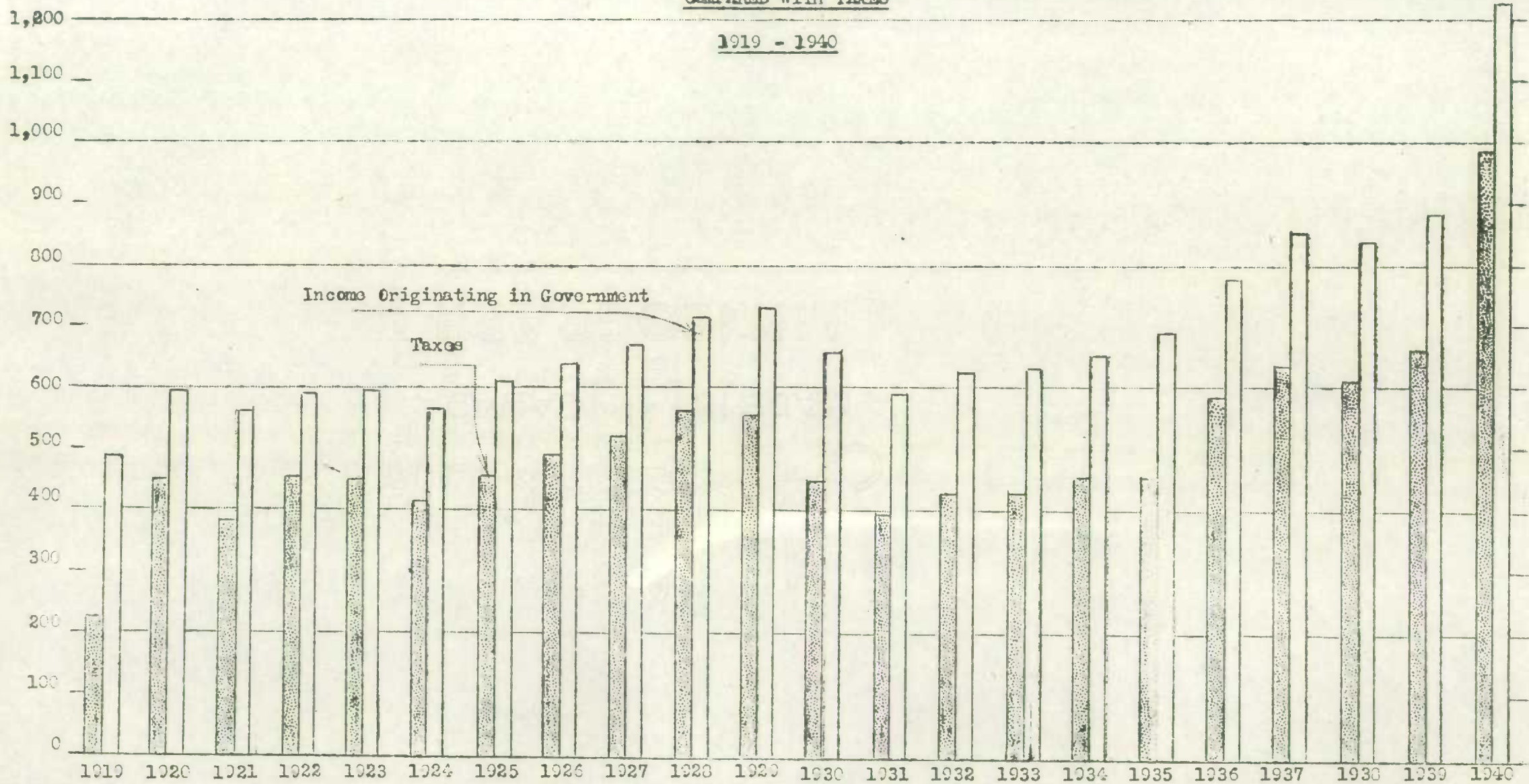
(Before Deducting International Balance on Bond Interest)



INCOME ORIGINATING IN GOVERNMENT

COMPARED WITH TAXES

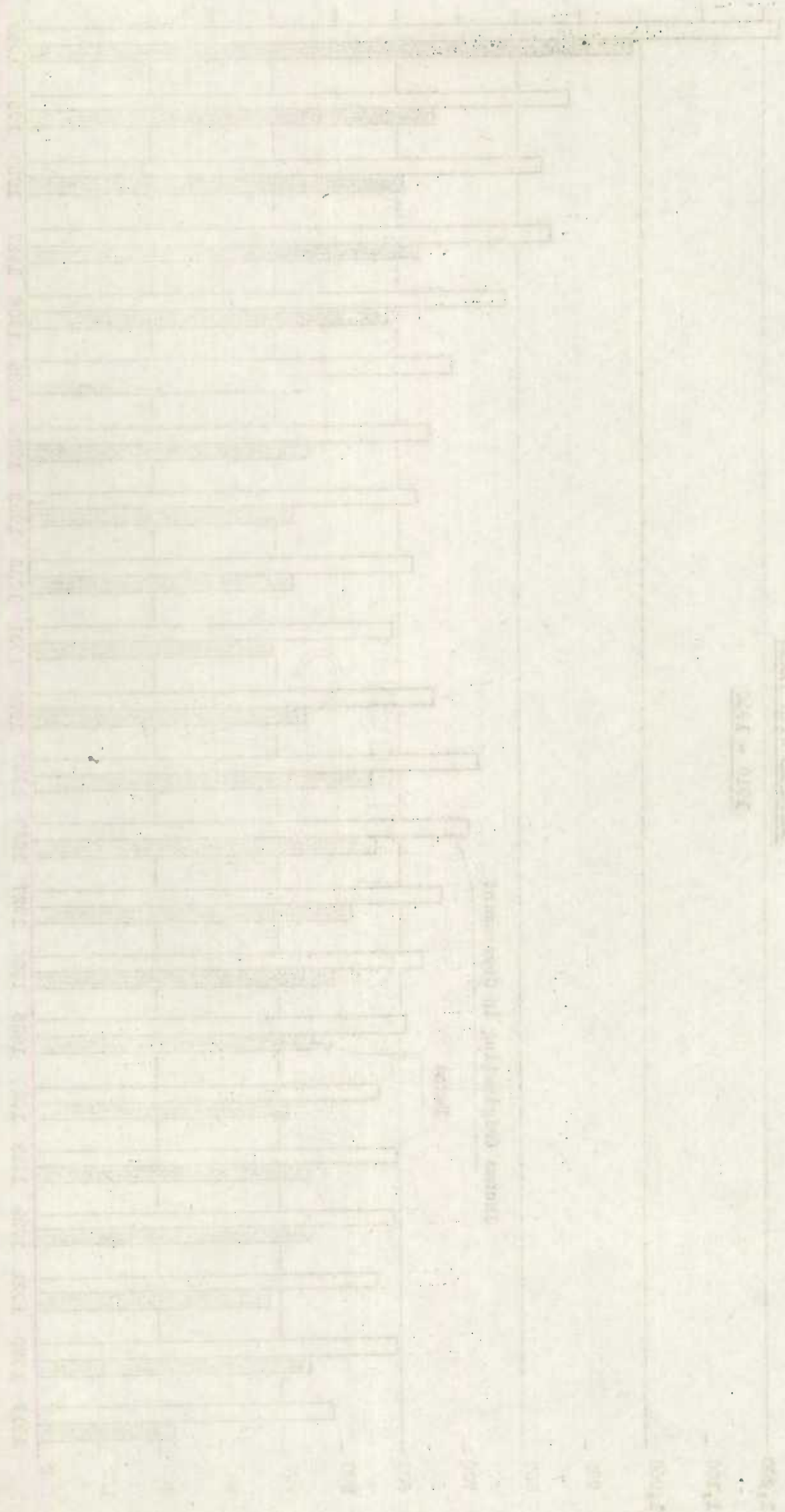
1919 - 1940





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1970 - 1975

1975 - 1980

1980 - 1985