

DOMINION BUREAU OF STATISTICS - OTTAWA
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ECONOMIC CONDITIONS IN CANADA DURING 1943 COMPARED WITH THE
PRECEDING YEAR

Economic activity reached a higher level in 1943 than in any other year in Canada's history. Six strategic factors indicating the trend of economic conditions averaged higher in 1943 than in any other year. Business operations recorded a continuance of the upward trend, although the pace slackened in comparison with the rapid advance in 1941 and 1942. Owing to the heavy contribution of Canadian industry to the war effort, an extraordinary advance in productive operations has been in evidence since the outbreak of hostilities.

Bank Deposits:

The deposit liabilities of the banks rose to a particularly high level toward the end of 1943. An advance has been in progress since the early months of 1934 but the pace was greatly quickened upon the outbreak of war.

Wholesale Prices:

The upward trend in wholesale prices was persistent throughout 1943, the official index averaging higher than in any other year since 1926. Wholesale prices rose sharply in the first month of the war and a marked upward trend was in evidence until the last quarter of 1941. Since that time, the advance has been somewhat retarded but the trend continued in an upward direction. During the later months of 1943, the index passed through parity with the base year of 1926. In other words, the reaction from 1929 to 1933 was more than counterbalanced by the advance subsequent to that year.

Security Prices:

The stock markets exhibited strength from September, 1942 to July of the year under review. The advance was without important interruption and the reaction between the first quarter of 1940 and August of 1942 was counterbalanced by the advance of the ten months in question. Subsequent to July, some reaction was recorded. Trading on the stock exchanges followed a somewhat similar pattern. Dominion bond prices were steady during 1943 indicated by the maintenance of the 3 p.c. return on the theoretical Dominion bond shown from April to December.

Physical Volume of Business:

The index of the physical volume of business rose 16.7 p.c. in 1943 over the preceding year. Four of the five main components recorded advances over 1942. The index of manufacturing production rose 20.6 p.c. to a high point of 293.9 in the year under review. Flour production and hog slaughtering were at a much higher position and creamery butter production showed a gain of 9.6 p.c. The release of cigarettes was 11,257 million against 10,240 million, a gain of nearly 10 p.c.

The construction industry, owing to wartime restrictions and lack of manpower, showed a recession in 1943. The new business obtained by the industry as measured by contracts awarded and building permits was at a considerably lower level. The consumption of firm power indicating the activity of the hydro-electric industry rose nearly 10 p.c., the total consumption having been 35.7 billion kilowatt hours.

The distribution of commodities was at a higher level in the year recently ended. An index of wholesale sales on the basis of eleven months was 6.7 p.c. greater while retail sales rose 3.6 p.c. The movement of railway revenue freight rose about 12 p.c. as measured by the number of tons carried one mile by the two principal railways. The carloadings were also at a slightly higher position. The gain in the gross revenues of the Canadian National Railway for the first eleven months was 19.3 p.c. while the Canadian Pacific Railway recorded a gain of 16 p.c.

Employment:

A further expansion in employment was recorded during 1943 but the pace of expansion was less rapid than in the period from 1940 to 1942. Employment reached a new maximum in recent months. This increase when considered with the fact that a large

number of men and women are now enrolled with the armed forces reflects the extent of the changes which have taken place as a result of the war in industrial, occupational, sex and age distribution of the gainfully occupied population of the Dominion. A further noteworthy change was also indicated in the increase in the purchasing power of a great majority of wage-earners, from June 1, 1941 to the end of 1943. The contents of the weekly pay envelope of the typical person in recorded employment rose by 25 p.c. to \$31.59 on the first of November. Demands associated with the war effort have reacted in varying degrees upon the industrial groups. There has been a growing concentration in the manufacturing of durable goods while the production of many lines of consumer goods has recently tended to decline.

Bank Debits:

Cheques cashed by the chartered banks against individual accounts amounted to \$53,797 million compared with \$45,526 million in 1942. A gain of 18.2 p.c. reflected the expansion in economic activity and the somewhat higher level of wholesale prices. Heavier payments arising from Dominion Government financing was also an important factor in the increase in bank debits during the year recently ended. The amount of cheques cashed in 1943 was greater than in any other year in Canadian history. The preceding maximum was reached in 1929 when a heavy volume of speculative trading had an important influence. Since 1924 when bank debits were first collected, three cycles may be distinguished. The first economic cycle culminated in 1929. Repeated increases in bank debits were shown from 1924 to the year in question. Marked recessions were then recorded until 1932 when the low point of the entire period of observation was reached. An intermediate cycle developed in 1936 and 1937. A considerable decline was shown in 1938 but steady advances were recorded after that year. The standing in 1942 was still below that of 1929 but the expanded total of 1943 reached a new high point during the period of observation and, consequently, it is assumed that debits were greater than in any other year.

Dominion Financing:

The revenue of the Dominion Government from April to December rose 20.4 p.c. over the same period of the preceding year. The advance was from \$1,630 million to \$1,962 million. The ordinary expenditures in the same comparison rose 14.6 p.c. to \$452 million. A marked expansion was recorded in war expenditures which rose 69.5 p.c., the total during the period from April to December, 1943 having been \$2,783 million.

National Income:

The national income in the year under review rose to a new maximum of \$8,800 million. The increase over the standing of \$7,500 million recorded in 1942 was no less than 17.3 p.c. The advance in the national income has continued sharply since the outbreak of hostilities. The increasing concentration upon war production was the main influence in the marked gain of the year.

The importance of capital formation as a feature of economic activity has long been recognized. The production of munitions and war supplies has a somewhat similar generating influence on the whole economy. While the investment money flow is normally far less than that arising from payment for consumption goods, the wider fluctuation of the former results in greater significance in promoting economic activity. During the war period more than \$800 million was spent on hundreds of new plants and thousands of new machines. The expenditure on war production and construction under the Department of Munitions and Supply was \$3,179 million last year against \$2,652 million in the preceding twelve months.

From the viewpoint of a single country, an excess of exports over imports has all the characteristics of investment. Incomes earned by selling goods to residents of other countries augment the demand for home - produced goods. An increase in exports or a decrease in imports tends to add to the national income.

Exports of commodities amounted to slightly more than \$3 billion in 1943, a gain of 25.8 p.c. over the total of \$2,385 million during the preceding year. In the same comparison, the gain in imports was limited to 5.5 p.c., the total having been \$1,735 million against \$1,644 million.

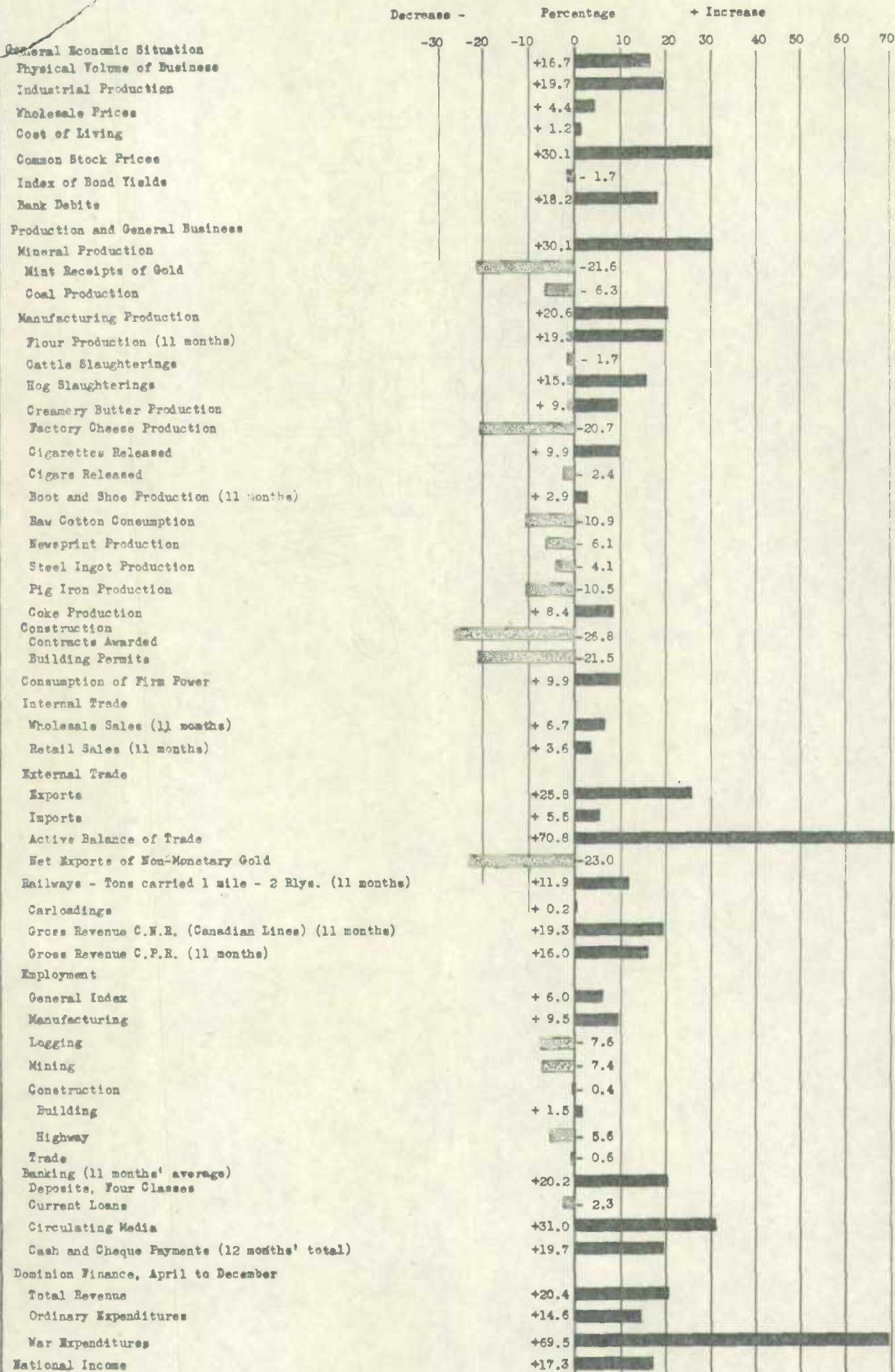
Deficit financing of governments is regarded as one of the three main lines of expenditure tending to expand national income. Providing that the savings of persons or enterprises are used by government for the expansion of productive equipment or for the provision of armaments, an accelerating influence is exerted on national income. The borrowings from the public amounted to \$2,346 million in the fourth year of war ended August 31, 1943 compared with \$917 million in the preceding twelve months.

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THE ECONOMIC SITUATION IN CANADA

in 1943

as compared with the Preceding Year



Dominion Bureau of Statistics

Nineteen items recorded decline, while thirty-four showed increases.

Table 1. Statistics Illustrating the Economic Situation of Canada in 1943 compared with the preceding year.

	Unit or Base Period	1943	1942	Per cent Increase + Decrease -
General Economic Situation				
Index of Physical Volume of Business	1935-9=100	235.9	202.2	+ 16.7
Index of Industrial Production	1935-9=100	273.0	228.0	+ 19.7
Wholesale Prices	1926=100	99.9	95.7	+ 4.4
Cost of Living	1935-9=100	118.4	117.0	+ 1.2
Index of Common Stock Prices	1935-9=100	83.5	64.2	+ 30.1
Index of Bond Yields	1935-9=100	97.6	99.3	- 1.7
Bank Debts	\$ 000	53,796,716	45,526,254	+ 18.2
Production and General Business				
Mineral Production	1935-9=100	284.9	219.0	+ 30.1
Gold Receipts at Mint	Fine Ozs.	3,606,542	4,600,951	- 21.6
Coal Production	Tons	17,611,718	18,801,640	- 6.3
Manufacturing Production	1935-9=100	293.9	243.7	+ 20.6
Flour Production (11 months)	Bbls.	22,301,263	18,697,561	+ 19.3
Cattle Slaughtering	No.	1,615,719	1,643,473	- 1.7
Hog Slaughtering	No.	7,173,556	6,195,850	+ 15.8
Creamery Butter Production	Lbs.	311,730,519	284,304,822	+ 9.6
Factory Cheese Production	Lbs.	160,827,040	202,748,875	- 20.7
Cigarettes released	No.	11,256,544,006	10,239,799,529	+ 9.9
Cigars released	No.	195,902,230	200,800,319	- 2.4
Leather Boots and Shoes (11 months)	Pairs	26,560,021	25,814,982	+ 2.9
Raw cotton consumption	Lbs.	179,831,143	201,938,609	- 10.9
Paper and Lumber -				
Newsprint Production	Tons	2,982,797	3,177,102	- 6.1
Iron and Steel -				
Steel Ingot Production	Short Ton	2,996,978	3,123,864	- 4.1
Pig Iron Production	Short Ton	1,758,265	1,965,015	- 10.5
Coke Production	Short Ton	3,548,696	3,274,595	+ 8.4
Construction -				
Contracts awarded	\$	206,103,900	281,594,100	- 26.8
Building Permits (58 Municipalities)	\$	60,172,687	76,640,596	- 21.5
Consumption of firm power	000 K.W.H.	35,718,763	32,506,330	+ 9.9
Internal Trade -				
Wholesale Sales (11 months)	1935-9=100	166.7	156.2	+ 6.7
Retail Sales (11 months)	1935-9=100	154.3	149.0	+ 3.6
External Trade -				
Exports	\$000	3,001,352	2,385,466	+ 25.8
Imports	\$000	1,735,077	1,644,242	+ 5.5
Active Balance of Trade	\$000	+ 1,266,275	+ 741,224	+ 70.8
Net Exports of Non-monetary gold	\$000,000	142.0	184.4	- 23.0
Railways - Tons carried 1 mile -				
(11 months) 2 Rlys.	000,000 tons	51,844	46,313	+ 11.9
Carloadings	No.	3,393,762	3,387,147	+ 0.2
Gross Revenue C.N.R. (Canadian Lines)				
(11 months)	\$	356,739,200	299,127,000	+ 19.3
Gross Revenue C.P.R. (11 months)	\$	271,638,665	234,226,000	+ 16.0
Employment - Unadjusted (12 months' average)				
General Index	1926=100	184.1	173.7	+ 6.0
Manufacturing		226.1	206.4	+ 9.5
Logging		180.5	195.3	- 7.6
Mining		158.6	171.3	- 7.4
Construction		129.8	130.3	- 0.4
Building		160.2	157.9	+ 1.5
Highway		136.8	144.9	- 5.6
Trade		155.1	156.1	- 0.6
Banking - (11 months' average)				
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	744.0	568.6	+ 31.0
Cash & Cheque Payments (12 months' Total)	\$000,000	73,867	61,701	+ 19.7
Dominion Finance - April to December				
Total Revenues	\$	1,962,416,123	1,630,264,715	+ 20.4
Ordinary Expenditures	\$	452,388,819	394,713,230	+ 14.6
War Expenditures	\$	2,782,749,515	1,641,588,327	+ 69.5
United Kingdom War Financing (1942) and United Nations Mutual Aid (1943)	\$	558,026,400	1,000,000,000	-
National Income (Tentative Computation)	\$000,000	8,800	7,500	+ 17.3

Nineteen items recorded declines, while thirty-four showed increases.

TABLE 2. - OPERATING ACCOUNTS OF COMBINED PROFESSIONAL, EDUCATIONAL AND
OTHER SERVICE GROUPS

Year	\$000								
	Income Originating (a)	Salaries and Wages (b)	No Pay Allowances (c)	Withdrawals (d)	Pensions (e)	Net Dividends (f)	Net Interest (g)	Payments to (h) Individuals	Positive or Negative (±) Savings
1919	428,017	239,142	15,756	143,398	550	6,749	3,480	409,075	+ 18,942
1920	483,824	280,204	16,943	157,208	600	7,633	3,907	466,495	+ 17,329
1921	426,769	260,866	13,497	134,718	650	6,833	4,602	421,166	+ 15,603
1922	427,375	259,707	12,938	131,339	675	6,730	4,968	416,357	+ 11,018
1923	446,142	274,207	13,253	135,393	700	6,934	5,875	436,362	+ 9,780
1924	457,180	278,009	13,755	138,250	725	6,819	5,903	443,441	+ 13,739
1925	468,373	282,648	14,792	143,097	750	7,413	6,407	455,107	+ 13,266
1926	487,969	291,680	15,062	150,259	775	8,285	6,373	472,434	+ 15,535
1927	509,200	302,453	16,014	158,608	815	8,310	6,196	492,396	+ 16,804
1928	534,893	317,005	15,881	166,164	840	9,228	6,262	515,380	+ 19,513
1929	563,473	332,791	16,146	171,663	945	10,143	7,073	538,761	+ 24,712
1930	553,629	329,780	14,669	168,956	975	9,602	7,665	531,647	+ 21,982
1931	514,001	312,021	12,086	156,677	1,000	7,758	7,898	497,440	+ 16,561
1932	469,311	286,690	9,824	146,412	1,025	5,555	8,165	457,671	+ 11,640
1933	440,048	266,898	9,554	142,421	1,060	4,135	8,660	432,728	+ 7,320
1934	460,665	275,702	10,096	146,901	1,080	4,171	8,717	446,667	+ 13,998
1935	476,996	284,885	10,611	150,144	1,100	4,644	8,600	459,984	+ 17,012
1936	497,159	295,351	10,528	157,466	1,125	5,210	8,388	478,068	+ 19,091
1937	531,884	315,086	11,206	169,884	1,150	5,644	8,339	511,309	+ 20,575
1938	543,703	322,157	11,491	175,496	1,075	7,532	7,953	525,704	+ 17,999
1939	553,811	331,541	11,788	175,258	1,100	7,479	7,914	535,080	+ 18,731
1940	581,556	349,854	13,322	189,897	1,125	8,193	7,719	564,112	+ 27,444

(a)

Income Originating:

As civilization advances the tendency seems to be for manufactures, trade and service to gain in magnitude and importance. In order that there may be a supply of the finer products which the world is coming to demand, the raw materials furnished by the extractive industries are processed more and more and brought to a higher degree of refinement.

Three stages of development may be distinguished. The efforts of a new country are normally directed toward the primary industries concerned with the utilization of natural resources. In the second stage the emphasis is placed on the processing of raw materials resulting in a large measure of industrialization. Construction may also be regarded as a secondary industry undergoing expansion at this stage of the national development. The culminating phase consists in the evolution of the service activities to a prominent place in the national life. It is a commonplace that with increasing real income per capita the demand for tertiary products becomes relatively greater. With a few minor exceptions, such as international banking services, tertiary products must be produced in the country in which they are consumed. This division would include those industries engaged primarily in rendering services of transportation, communication, trade, government, finance and service in the more restricted sense. This division of industries most of the products of which are perishables,--that is, goods which cannot be stored and which are consumed in the act of production-- may be looked upon as the service group in its broadest aspects.

In this study, however, the service group is confined to a more restricted area, encompassing those activities that provide professional and personal assistance to individuals and to business enterprises. The service group defined in the limited sense, was the source of 11.4 p.c. of the national income during the period from 1919 to 1940. The annual average income created was \$494 million, an upward trend having been recorded during the years in question.

(b)

Salaries and Wages.

It was estimated that the remuneration of employees in the service group averaged about \$295 million per year from 1919 to 1940. An upward trend was recorded during the twenty-two years, the payments having been 8 p.c. greater in the last eleven years of the period than in the first half. Increases were shown in 15 years of the twenty from 1920 to 1940. The salaries paid for educational activities were based on returns received by the Education Branch of the Bureau, while the totals for professional and other activities were computed from decennial census reports with interpolation for intercensal years. A study was made of the numbers and rates of employees in the 1920-21 and 1930-31 periods. The non-reporters of earnings were regarded as working three-quarters as many weeks on the average as the reporters. The average earnings of the non-reporters, however, were regarded as averaging one-half of the remuneration of those for whom definite information was received. The working time was placed on a man-year basis by dividing the adjusted number of weeks worked by fifty-two, the number of weeks in a year. The resulting numbers were then divided into the adjusted earnings to obtain the per capita remuneration for the year. The fluctuations between census years was determined by the totals for a considerable number of industries for which data were available through the annual surveys of the Bureau.

The salaries and wages paid in connection with educational activities were compiled from returns received by the Education Branch. The total included the amount paid in schools, colleges and universities whether publicly or privately operated. Salaries paid in normal schools and a few other special schools directly under the Provincial governments were not included. The trend of salaries was definitely upward during the period since the last war. The advance was interrupted from 1932 to 1934 but resumed in 1935 the temporary high point of 1931 which was only exceeded in 1940, six years having been necessary to offset the decline during the depression period.

Salaries and wages in other service activities were estimated for 1930 from the large body of data regarding nine industries made available by the decennial census and the survey of trading establishments. The industries included recreational activities, business service, barbering and beauty parlours, undertaking, photography, hotels and restaurants, domestic service, board and lodging houses and miscellaneous. An annual census of motion picture theatre is conducted while for other groups interpolation was used in estimating intercensal years. A number of the industries were circularized from 1919 to 1921 and the retail service census of 1941 was of assistance in establishing the payrolls for recent years.

The general weighted average and index of rates published by the Labour Department was used for interpolation of salaries and wages paid by the recreational group. The index of consumers' goods transferred to the base of 1930 was the interpolator for employees' remuneration in business service. The index used in connection

with the salaries and wages of employees in barbering and beauty parlours was the product of indexes of the general wage rate and of population. The salaries and wages of employees in hotels and restaurants were extended according to an average of indexes of the general wage-rate and of employment in such activities.

(c)

No Pay Allowances.

The numbers engaged as unpaid labour were estimated for each of the three service groups considered in this connection. The numbers of so-called "no pays" in these groups were reported by the decennial census for 1930-31 and considerable information is also available for 1920-21 and 1940-41. The personnel in this status class was roughly as numerous in the professional group as in the other two groups combined. The fluctuations between decennial periods in educational activities were determined by means of a smoothed index of the total numbers engaged. The rates for teachers not receiving a fixed salary were interpolated by the rate of board for males in agriculture. The numbers of "no pays" in the professional group were interpolated for intercensal years by the trend of employment in six representative industries and the rates were determined according to the same index as used for education. The numbers in this class were determined for 1930-31 from the records of the decennial census and the other years estimated by the use of a smoothed version of the index numbers of employees. The rates of board and lodging for agricultural labour were used directly for per capita remuneration. "No pay" allowances ranged from \$16,943,000 in 1920 to a low point of \$9,554,000 in 1933. The recovery from the low point of the depression to the end of the period under review was about 39 p.c.

(d)

Withdrawals

The estimate of the withdrawals of professionals and service working proprietors for the ten-year periods was prepared from the returns of the decennial census. The per capita remuneration in such periods was determined by the application of several methods designed to show the margin over the wage rate. American experience, the conventional and manager methods were applied to the data regarding professionals. The differential over the wage rate established for the United States, the standing obtained by taking 100 p.c. of the wage rate for own accounts and 150 p.c. for employers and the managers rate, were averaged. The result for 1930 was \$1,909 per year. The same ratio was applied for the period of 1920-21 and the intercensal periods interpolated by a smoothed version of wage rates. The conventional method and managers rates were taken into consideration in arriving at the entrepreneurial rate for educationalists mainly conducting private schools and colleges. The median age, American experience, conventional and managers methods were used in setting the level of average remuneration for working proprietors in other service activities. The trend of service employment was used for interpolation.

(e)

Pensions

The contributions of teachers to pensions funds were deducted from the salaries and wages. The payments from the fund to teachers after retirement were regarded as a part of the investment income originating in the group. Pension plans are now implemented in each of the nine provinces.

(f) and (g)

Dividends and Interest

Dividends were estimated for the professional and "other service" groups. Dividend receipts were deducted from the payments of the public interest companies operating in the field, and an estimate made for the private interest concerns. Theatres, hotels and restaurants were the main dividend-payers in the "other service" group.

The interest received by the education group from endowments was deducted from the fixed charges on the school and college debt to obtain the net interest paid. The net interest paid by the professional and other service groups was compiled from the annual reports of companies operating in service activities. Interest on bonds and debentures outstanding for religious institutions was computed for the professional group.

(h) and (i)

Payments to Individuals

Payments to individuals are the sum of columns (b) to (g). The positive savings, applicable to the other service group only, is obtained by deducting the payments to individuals from the income originating.

Million
Dollars

Chart 2. SERVICE

Income Originating
(Before deducting International Balance
on Dividends and Interest)
1919-1940

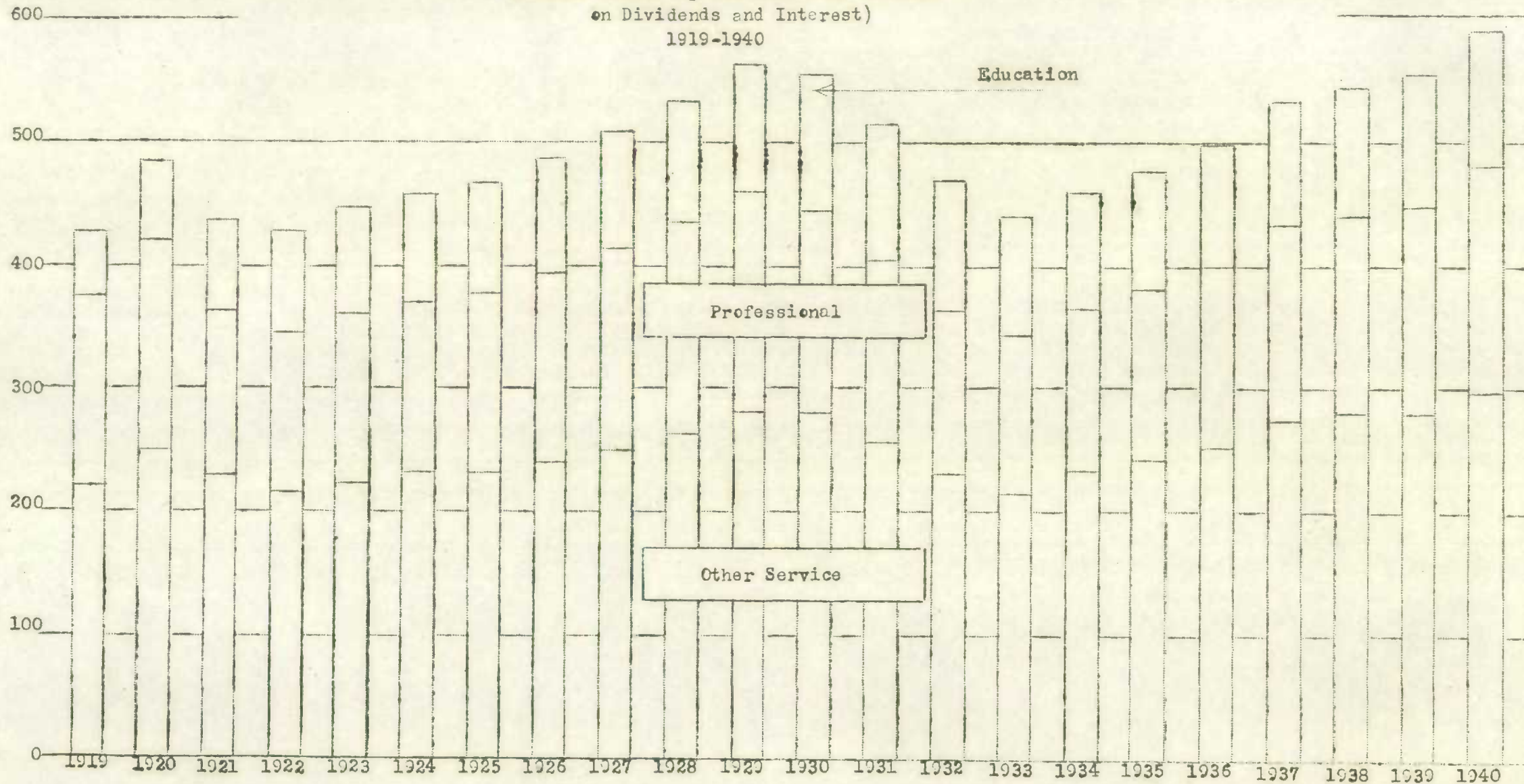
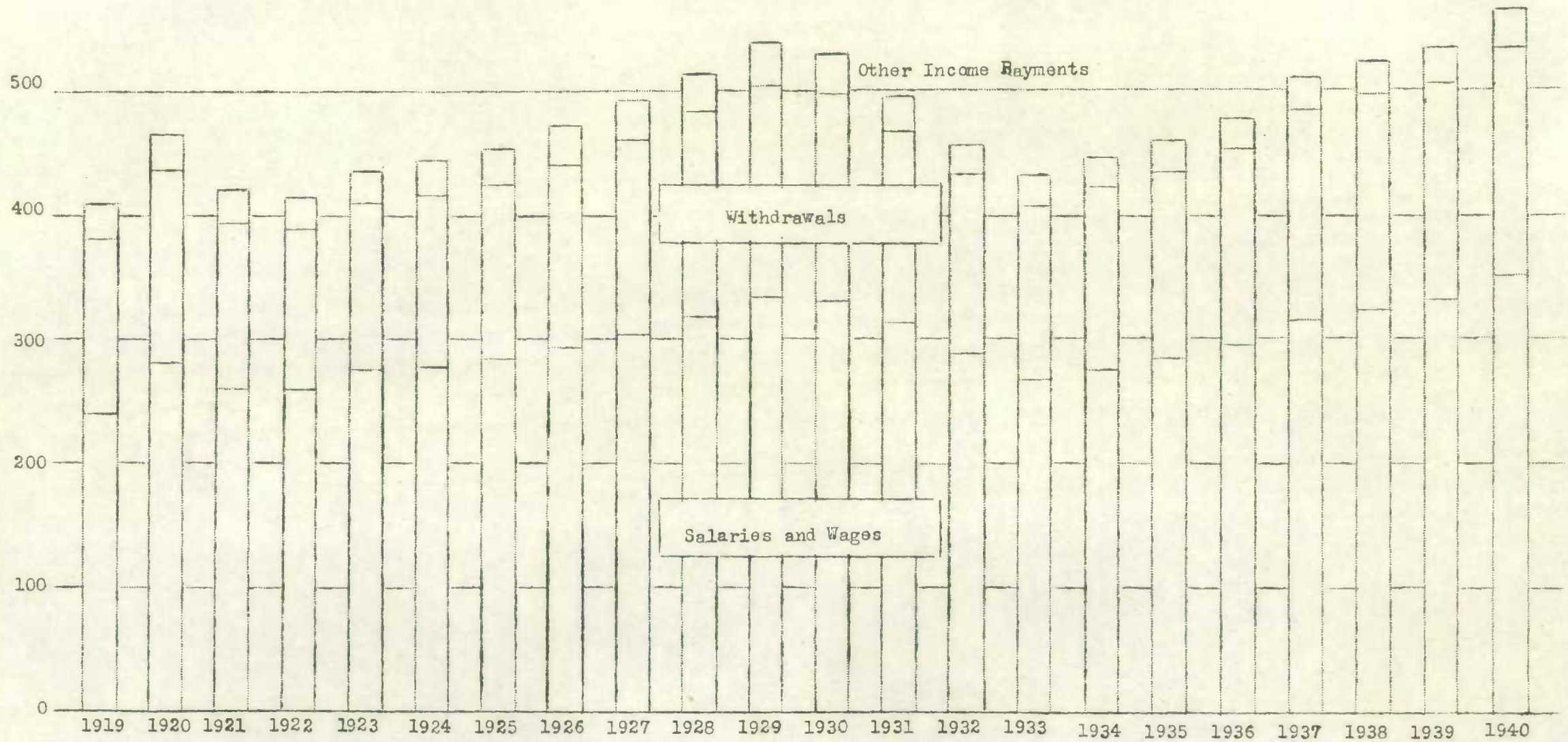


Chart 3. SERVICE

Income Payments to Individuals
(Before deducting International Balance
on Dividends and Interest)
1919-1940

Million
Dollars
600



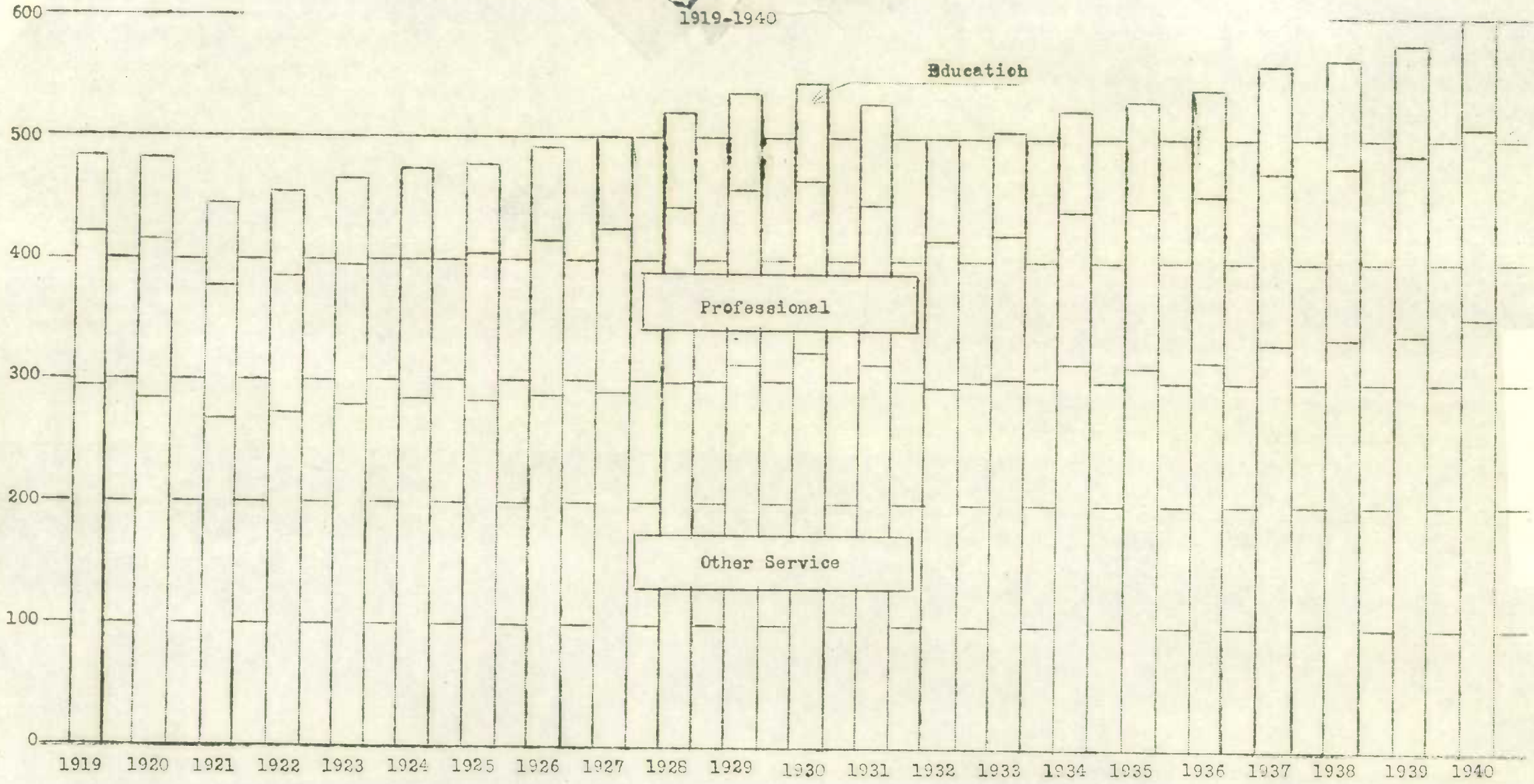
Thousand
Persons

Chart 4. SERVICE

Number of Persons Gainfully Occupied
(Full-Time Basis)

1919-1940

Education



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3