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

The marked advance in economic activity was continued in the early months of 1943. The national income rose in February to a new high point in history. The total based on monthly indexes and other relevant data exceeded $700 million for the first time. National income consequently reached in February, an annual rate of about $3,400 million. This compares with $7,500 million, the tentative total computed by the Bureau for the year 1942. The cumulative estimate for the first two months of the present year was $1,387 million as compared with $1,116 million in the same period twelve months ago. The increase of 24.2 p.c. represents a marked gain in the volume of production in the broadest sense of the term, as well as a slightly higher price level.

While the national income is one of the best known as well as one of the most useful of economic barometers, the gross value of the output of goods and services is preferable for comparison with war expenditures. Gross production is derived from the national income by adding business taxes, depreciation charges and the international balance on dividends and interest. For the purpose of comparability it is also desirable to make certain adjustments in the Canadian estimates to establish as far as possible a common footing with the statistics for the United States.

The gross value of the output of goods and services amounted on this basis to about $9.7 billion in 1942 against $8.5 billion in the preceding year. The increase in the national income during the first two months suggests a considerably higher level in 1943.

The pronounced advance in the volume of production is measured by the index of the physical volume of business expressed as a percentage of the average for the five-year period from 1935 to 1939. The index rose 17.7 p.c. in the first two months of 1943 compared with the same period of the preceding year. The standing was 226.6 against 192.6, a gain of 34 points. Mining operations were at a somewhat lower level, while advances were recorded in manufacturing, electric power and in the business obtained by the construction industry. Gold receipts at the Mint showed a recession of 13 p.c., while the decline in coal production was from 3,591,000 tons to 3,101,000.

The index of manufacturing production rose nearly 27 p.c., the standing in the first two months of 1943 having been 285. Considerable increases were shown in flour milling, creamery butter production, and the release of cigarettes and cigars. Reaction was shown in the amount of raw cotton consumed by the textile industry, the production of newsprint and in the operations of the primary iron and steel industry.

Contracts awarded were $31 million against $23.9 million in the first two months of 1942, a gain of 29.5 p.c. The consumption of firm power rose 5.5 p.c. to 5,523 million k.w.h.

The distribution of commodities to ultimate consumers showed a moderate gain in the first two months of the year over the same period of 1942. The index of retail sales was 129.6 against 124.1, the average for the first two months of last year. The gain in wholesale sales was 6.5 p.c., the standing of the index in the first two months of 1943 having been 142.9. Revenue freight carried by the railways was at a somewhat lower position than in the early months of last year, while considerable gains were shown in the revenues of the two principal lines. The index of employment rose 10.2 p.c. over the levels of January and February, 1942. Gains were shown in manufacturing and construction, while logging and mining recorded a reaction.

The sum of the four classes of deposit liabilities of the chartered banks rose 12 p.c., the average during the first two months of 1943 having been $3,514 million. Current loans, on the other hand, showed a recession, while marked gains were recorded in the circulating media in the hands of the public and the sum of the cash and cheque payments.

The total revenues of the Dominion Government during the first 11 months of the last fiscal year were $2,016 million, a gain of 60.7 p.c. over the same period of the preceding year. Ordinary expenditures showed a gain of 30.8 p.c., while war expenditures were 79 p.c. greater. In addition, the United Kingdom war financing account amounted to $1 billion during the last fiscal year.

Table 1. Statistics Illustrating the Economic Situation of Canada for the first two months compared with the same period of last year.

	Unit or Base Period	First Two Months 1943	First Two Months 1942	Per Cent Increase + Decrease -
General Economic Situation				
Index of Physical Volume of Business	1935-9=100	226.6	192.6	+ 17.7
Index of Industrial Production	1935-9=100	261.2	216.4	+ 20.7
Wholesale Prices	1926=100	97.3	94.5	+ 3.0
Cost of Living	1935-9=100	117.0	115.6	+ 1.2
Index of Common Stock Prices	1935-9=100	77.5	65.8	+ 17.8
Index of Bond Yields	1935-9=100	98.7	99.4	- 0.7
Bank Debits	$000	7,611,471	6,123,652	+ 24.3
Production and General Business				
Farm Products -				
Index of Grain Marketings	1935-9=100	131.6	90.5	+ 45.4
Index of Livestock Marketings	1935-9=100	80.0	106.6	- 25.0
Index of Cold Storage Holdings	1935-9=100	121.9	147.7	- 17.5
Mineral Production	1935-9=100	230.7	253.4	- 9.0
Gold Receipts at Mint	Fine Ozs.	683,855	787,513	- 13.2
Coal Production	Tons	3,101,068	3,591,425	- 13.7
Manufacturing Production	1935-9=100	284.9	224.5	+ 26.9
Flour Production	Bbls.	3,953,774	3,140,828	+ 25.9
Cattle Slaughterings	No.	167,566	228,171	- 26.6
Hog Slaughterings	No.	1,030,225	1,081,417	- 4.7
Creamery Butter Production	Lbs.	25,004,495	20,112,320	+ 24.3
Factory Cheese Production	Lbs.	3,548,133	8,116,962	- 56.3
Cigarettes released	No.	1,833,242,235	1,523,470,870	+ 20.3
Cigars released	No.	31,921,559	28,819,342	+ 10.8
Leather Boots and Shoes	Pairs	5,438,191	5,270,031	+ 3.2
Raw Cotton Consumption	Lbs.	30,501,106	33,535,704	- 9.0
Paper and Lumber -				
Newsprint Production	Tons	455,351	590,005	- 24.5
Iron and Steel -				
Steel Ingot Production	Short Ton	452,596	502,758	- 10.0
Pig Iron Production	Short Ton	254,567	307,129	- 17.1
Coke Production	Short Ton	481,773	530,865	- 9.2
Construction -				
Contracts awarded	$	31,003,300	23,933,100	+ 29.5
Building Permits (58 Municipalities)	$	3,562,387	7,989,801	- 55.4
Consumption of Firm Power	000 K.W.H.	5,522,723	5,236,637	+ 5.5
Internal Trade -				
Wholesale Sales	1935-9=100	142.9	134.2	+ 6.5
Retail Sales	1935-9=100	129.6	124.1	+ 4.4
Railways - Tons carried 1 mile-2 Rlys (January)	000,000 tons	3,534	3,916	- 9.8
Carloadings	No.	484,670	520,495	- 6.9
Gross Revenue C.N.R. (Canadian Lines)	$	52,089,400	44,262,700	+ 17.7
Gross Revenue C.P.R.	$	39,258,000	36,898,000	+ 6.4
Employment - Unadjusted (2 months' average)				
General Index	1926=100	182.5	165.6	+ 10.2
Manufacturing		220.9	192.2	+ 14.9
Logging		242.3	262.9	- 7.8
Mining		161.9	177.3	- 8.6
Construction		128.9	121.4	+ 6.2
Building		185.6	146.0	+ 27.1
Highway		107.8	144.9	- 25.6
Trade		159.6	164.6	- 3.0
Banking - (2 months' average)				
Deposits, Four Classes	$000	3,513,863	3,138,686	+ 12.0
Current Loans	$000	1,007,516	1,054,174	- 4.4
Circulating Media	$000,000	686.9	504.5	+ 36.2
Cash and Cheque Payments (2 months') Total		10,484	8,192	+ 28.0
Dominion Finance - April to February				
Total Revenues	$	2,016,018,072	1,254,640,292	+ 60.7
Ordinary Expenditures	$	464,092,396	354,722,887	+ 30.8
War Expenditures	$	2,025,040,304	1,129,868,707	+ 79.2
United Kingdom War Financing	$	1,000,000,000	-	-
National Income	$000,000	1,387	1,116	+ 24.3

Twenty-two items recorded declines, while thirty showed increases.

Table 2. National Income and Related Factors, 1919-1942.

Showing Revisions as of April, 1943.

(Millions of Dollars)

Year	National Income	Income Payments	Business Taxes	Depreciation on Non-Government Assets	International Balance on Dividends & Interest	Gross Production. (a+c+d+e) 1/	Index of Cost of Living 1935-9=100	Real Income (a)/(g)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1919	3,817	3,896	369	382	174	5,080	126.5	3,018
1920	4,599	4,356	450	423	172	5,605	145.4	3,163
1921	3,508	3,720	420	401	191	4,513	129.9	2,701
1922	3,672	3,622	444	387	191	4,633	120.4	3,050
1923	3,848	3,797	449	395	212	4,852	120.7	3,188
1924	3,867	3,766	419	403	202	4,878	118.8	3,255
1925	4,240	3,848	456	416	210	5,273	119.8	3,539
1926	4,509	4,101	485	435	218	5,570	121.8	3,702
1927	4,740	4,305	505	459	227	5,834	119.9	3,953
1928	5,271	4,592	545	495	235	6,430	120.5	4,374
1929	5,274	4,773	545	523	272	6,521	121.7	4,334
1930	4,454	4,544	467	520	307	5,792	120.8	3,687
1931	3,581	3,984	422	488	293	4,896	109.1	3,282
1932	2,814	3,361	431	448	275	4,046	99.0	2,843
1933	2,724	3,109	434	442	241	3,896	94.4	2,885
1934	3,149	3,270	463	443	240	4,355	95.6	3,293
1935	3,373	3,503	476	441	240	4,593	96.2	3,506
1936	3,829	3,682	549	459	266	5,045	98.1	3,903
1937	4,348	4,064	613	474	282	5,635	101.2	4,296
1938	4,283	4,121	599	475	288	5,583	102.2	4,191
1939	4,570	4,324	644	471	286	5,957	101.5	4,502
1940	5,387	4,923	929	497	287	6,979	105.6	5,099
1941	(6,514)	(5,852	(1,298)	(520)	273	(8,514)	111.7	(5,832)
1942	(7,500)	(6,861)	(1,762)	(549)	(260)	(9,731)	117.0	(6,410)

1/ With adjustment as explained in appended notes.

The statistics for 1941 and 1942 are mainly tentative subject to important change upon the receipt of further information. Data from the Census of 1941, both annual and decennial will be of interest in this connection.

Notes to Table 2.

(a) The national income was computed by a detailed study of the operating accounts of thirty industrial and service groups. Payments to individuals for participating in the productive process were added to the positive and negative savings. Availability of data permitted the deduction of cost of raw materials, overhead and depreciation charges from gross operating revenues for a considerable number of the groups.

(b) The difference between (a) national income proper and (b) payments to individuals, consists in the positive or negative savings of enterprises. The savings of the Dominion and Provincial governments are computed by comparing the changes in net obligations with net alterations in the value of tangible assets. Imputed net rents of owner occupied homes are included in the real estate group.

(c) Business taxes were compiled from the report of the Rowell Commission and public accounts. The aim was to include the total of such taxation disregarding the incidence.

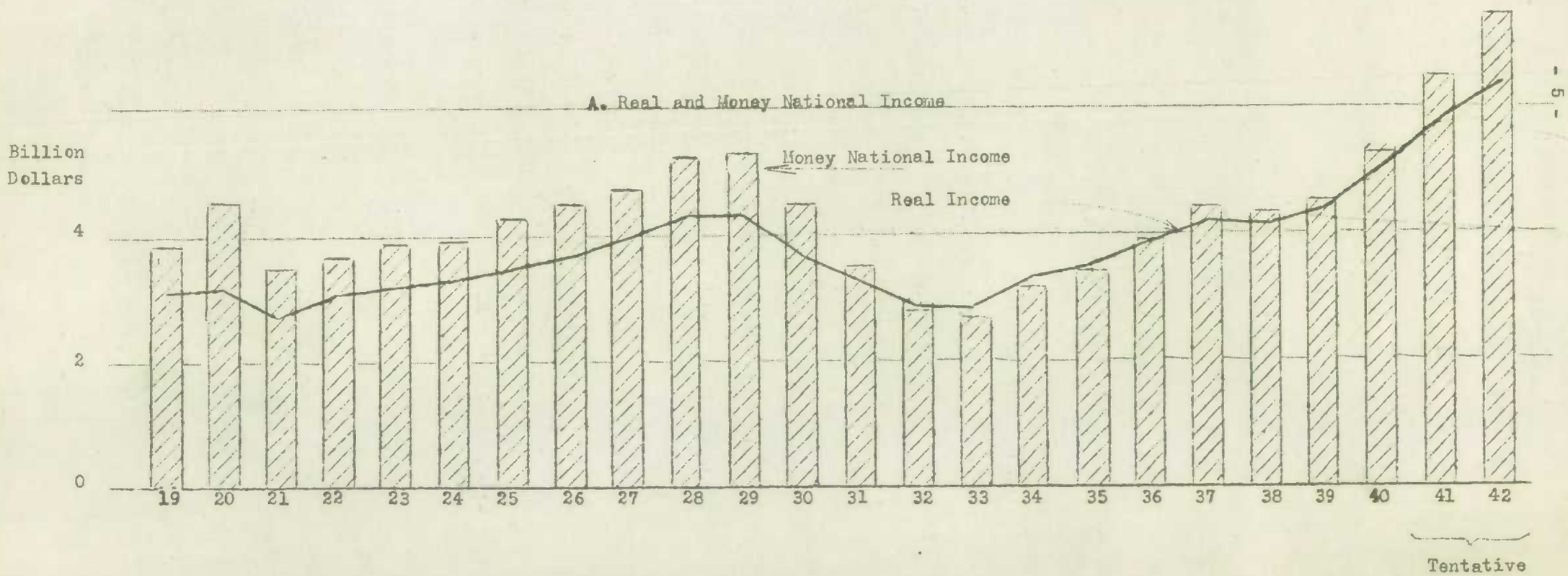
(d) A study was made of the fixed capital and depreciation in each of the thirty groups. No account was taken of depreciation on government assets in this connection.

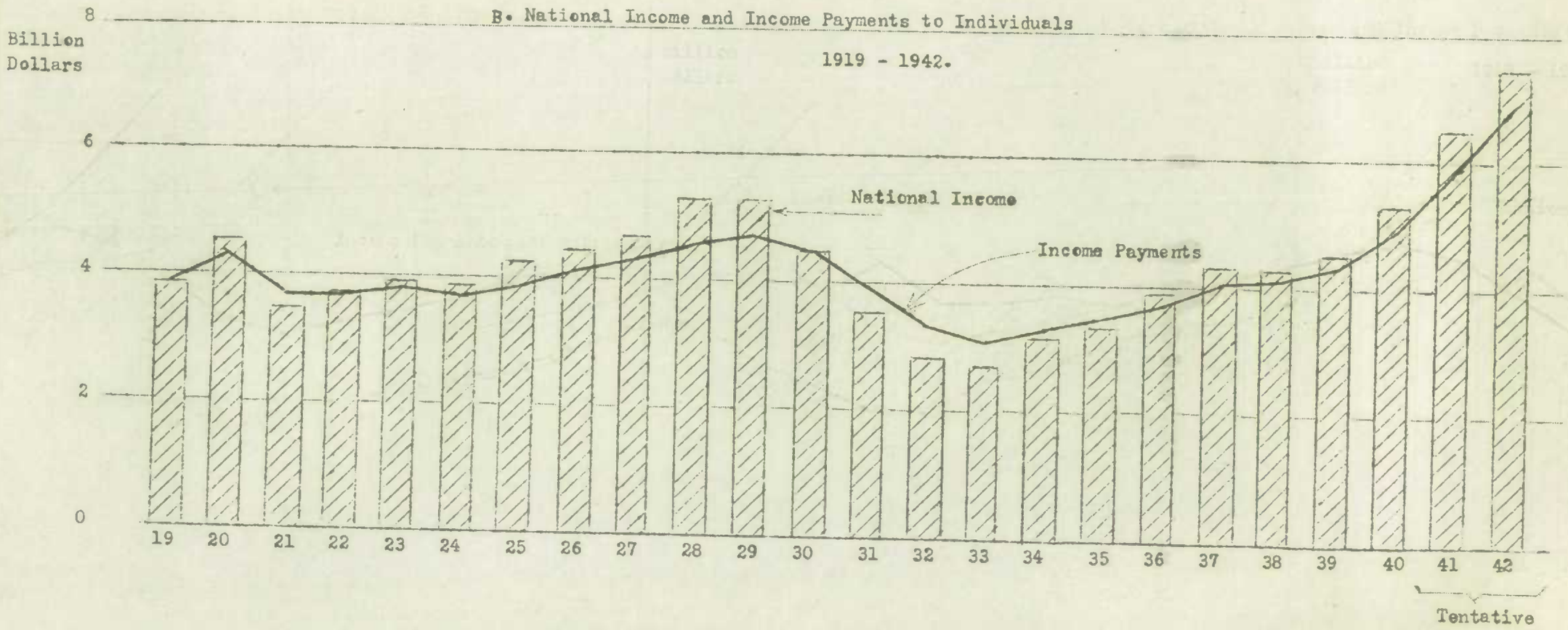
(e) The international balance on dividends and interest denotes an additional payment made by enterprises producing goods and services, excluded from (a) national income proper.

(f) The gross value of the production of goods and services is the summation of (a), (c), (d) and (e) with adjustment for government savings and direct relief. A number of changes were made to place the result on a common footing with the "Gross National Product or Expenditure" of the United States as published on page 12 of the Survey of Current Business of May last. For the present purpose government savings were eliminated and direct relief payments deducted from the Canadian totals. Two additional items were added and one subtracted in making up the gross national product of the United States reported in the May number. No attempt was made in Table 2 to follow the latter procedure.

(g) The index of the cost of living on the base of 1935-39 is published by the Internal Trade Branch of the Bureau.

(h) As a large part of the national income is expended by individuals for goods and services, the index of the cost of living is one of the best measures for eliminating the influence of price changes from the general income totals. Real income consequently is a more accurate gauge of the net production of goods and services in terms of volume than national income proper. The quotient is expressed in terms of dollars averaged for the five-year period from 1935-39, and any index on a different base would denote an altered level of real income. The use of indexes of consumer's goods at wholesale and of the "General Price Level" would produce a somewhat different pattern. Compare "National Income of Canada, 1919-1938, Part I" pages 18 and 24.


A. Real and Money National Income
Billion Dollars
4
2
0
Money National Income
Real Income
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
Tentative


B. National Income and Income Payments to Individuals
1919 - 1942.
Billion Dollars
8
6
4
2
0
National Income
Income Payments
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
Tentative

C. National Income and the Gross Value of Goods and Services Produced, In Canada, 1919-1942.