

DOMINION BUREAU OF STATISTICS - OTTAWA  
BUSINESS STATISTICS BRANCH

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Dominion Statistician: S. A. Cudmore, M.A. (Oxon.), F.S.S., F.R.S.C.  
Chief, Business Statistics Branch: Sydney B. Smith, M.A.

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

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Each of the six major factors indicating the trend of economic conditions recorded advances in the first five months of 1943 over the same period of the preceding year. Productive operations as indicated by the index of the physical volume of business showed a gain of nearly 20 p.c., reflecting the influence of continued expansion in the operations of war plants. The deposit liabilities of the banks during the first four months averaged \$3,707 million against \$3,211 million in the same period of last year, representing a gain of 15.4 p.c. A marked upward trend has been recorded in deposits since the outbreak of hostilities.

The more confident attitude regarding the outcome of the war was the main influence in the advance of speculative factors. The index of common stock prices averaged 80 in the first five months of 1943 against 63.4 in the same period of last year, a gain of more than 26 p.c.

Prices

Minor gains were recorded in the prices of commodities at wholesale and of high-grade bonds. The index of wholesale prices on the base of 1926 was 98.2 against 94.8 in the same period last year, a gain of 3.6 p.c. A minor recession was shown in the index of bond yields indicating a slightly higher level in the prices of Dominion Bonds.

National Income

The tentative computation of the national income was \$752 million in May, against \$737 million in the preceding month. The aggregate for the first five months was \$3,603 million compared with \$2,927 million in the same period of 1942, a gain of more than 23 p.c. The index on the base of 1935-39 was 221.2 in May compared with 185.1 in the same month last year. The economic expansion in the elapsed portion of the present year resulted in a national income greater than at any other time in Canada's history.

Productive Operations

Four of the five main components of the index of the physical volume of business recorded gains in the first five months of the present year over the same period of 1942. The indexes of manufacturing production and mineral production recorded gains of 29.6 and 8.4 p.c. respectively. The electric power industry showed an output of 14.4 billion kilowatt hours against 13.3 billion in the first five months of 1942, the gain having been 8.2 p.c. The factors showing the distribution of commodities indicated gains in the period under review. Wholesale sales and retail sales recorded gains of 7.8 p.c. and 5.6 p.c. over the first four months of last year. The revenue freight carried by the railways recorded a gain of more than 4 p.c. during the period for which statistics are available.

Construction

The new business obtained by the construction industry was at a lower level in the elapsed portion of 1943. Contracts awarded were \$81.6 million against \$88.2 million, a decline of 7.4 p.c. A greater decline was recorded in the building permits issued in 58 municipalities.

Employment

The general index of employment averaged 181 in the first five months of the present year against 165.8 in the same period of 1942, a gain of 9.2 p.c. Advances were recorded in manufacturing and construction, while mining, logging and trade showed reaction.

Finance

The total revenues of the Dominion Government showed decline in the first two months of the year due, in part to the timing of income tax payments. Ordinary expenditures mounted from \$66.3 million to \$84.1 million, war expenditures on Canadian account having been at a considerably higher level. Current loans of the chartered banks receded from \$1,119 million to \$964 million, a decline of nearly 14 p.c. The circulating media in the hands of the public rose 35.5 p.c., while the cheque and cash payments in the first five months were more than \$29 billion against \$23.9 billion in the first five months of 1942, a gain of 21.7 p.c.



Table 1. Statistics illustrating the Economic Situation of Canada for the First Five Months of 1943 compared with the Same Period of Last Year.

	Unit or Base Period	First Five Months		Per Cent Increase + Decrease -
		1943	1942	
<b>General Economic Situation</b>				
Index of Physical Volume of Business	1935-9=100	231.9	193.6	+ 19.8
Index of Industrial Production	1935-9=100	268.5	215.7	+ 24.5
Wholesale Prices	1926=100	98.2	94.8	+ 3.6
Cost of Living	1935-9=100	117.4	115.8	+ 1.4
Index of Common Stock Prices	1935-9=100	80.1	63.4	+ 26.3
Index of Bond Yields	1935-9=100	97.9	99.5	- 1.6
Bank Debits	\$ 000	21,117,778	17,824,665	+ 18.5
<b>Production and General Business</b>				
<b>Farm Products -</b>				
Index of Grain Marketings	1935-9=100	183.7	84.9	+ 116.4
Index of Livestock Marketings	1935-9=100	89.2	98.4	- 9.3
Index of Cold Storage Holdings (6 months)		138.7	158.5	- 12.5
Mineral Production	1935-9=100	255.6	235.8	+ 8.4
Gold Receipts at Mint	Fine Ozs.	1,619,495	1,971,493	- 17.9
Coal Production	Tons	7,448,523	8,003,260	- 6.9
Manufacturing Production	1935-9=100	291.7	225.0	+ 29.6
Flour Production (4 months)	Bbbs.	8,204,158	6,908,582	+ 18.3
Cattle Slaughtering	No.	622,013	675,524	- 7.9
Hog Slaughtering	No.	2,740,710	2,710,024	+ 1.1
Creamery Butter Production	Lbs.	95,515,193	77,970,862	+ 22.5
Factory Cheese Production	Lbs.	25,996,973	50,335,353	- 48.4
Cigarettes released	No.	4,766,022,332	3,848,212,483	+ 23.9
Cigars released	No.	83,677,248	78,007,076	+ 7.3
Leather Boots and Shoes (4 months)	Pairs	9,804,400	9,585,412	+ 2.3
Raw cotton Consumption	Lbs.	80,339,205	84,656,640	- 5.1
<b>Paper and Lumber -</b>				
Newsprint Production	Tons	1,185,825	1,415,412	- 16.2
<b>Iron and Steel -</b>				
Steel Ingot Production	Short Ton	1,259,652	1,305,896	- 3.5
Pig Iron Production	Short Ton	719,900	806,039	- 10.7
Coke Production	Short Ton	1,302,810	1,363,835	- 4.5
<b>Construction -</b>				
Contracts awarded	\$	81,648,100	88,191,000	- 7.4
Building Permits (58 Municipalities)	\$	20,218,604	29,300,980	- 31.0
Consumption of Firm Power	000 K.W.H.	14,355,296	13,262,595	+ 8.2
<b>Internal Trade -</b>				
Wholesale Sales (4 months)	1935-9=100	155.7	144.5	+ 7.8
Retail Sales (4 months)	1935-9=100	144.6	136.9	+ 5.6
Railways - Tons carried 1 mile - (4 months) 2 Rlys.	000,000 tons	16,538	15,885	+ 4.1
Carloadings	No.	1,334,970	1,348,195	- 1.0
Gross Revenue C.N.R. (Canadian Lines) (4 months)	\$	118,268,800	94,474,700	+ 25.2
Gross Revenue C.P.R. (4 months)	\$	87,722,000	78,266,000	+ 12.1
<b>Employment - Unadjusted (5 months' average)</b>				
General Index	1926=100	181.0	153.8	+ 9.2
Manufacturing		222.5	195.1	+ 14.0
Logging		207.3	230.3	- 10.0
Mining		160.9	175.9	- 8.5
Construction		123.0	110.8	+ 11.0
Building		175.2	137.9	+ 27.0
Highway		101.3	117.1	- 13.5
Trade		153.4	157.5	- 2.6
<b>Banking - (4 months' average)</b>				
Deposits, Four Classes	\$000	3,706,894	3,211,121	+ 15.4
Current Loans	\$000	964,049	1,119,289	- 13.9
Circulating Media	\$000,000	701.1	517.6	+ 35.5
Cash and Cheque Payments (5 months' Total)	\$000,000	29,070	23,879	+ 21.7
<b>Dominion Finance - April and May</b>				
Total Revenues	\$	382,830,503	504,813,659	- 24.2
Ordinary Expenditures	\$	84,090,127	66,253,715	+ 26.9
War Expenditures	\$	409,163,157	342,566,185	+ 19.4
United Kingdom War Financing	\$	-	220,000,000	-
National Income (Tentative Computation)	\$000,000	3,603	2,927	+ 23.1

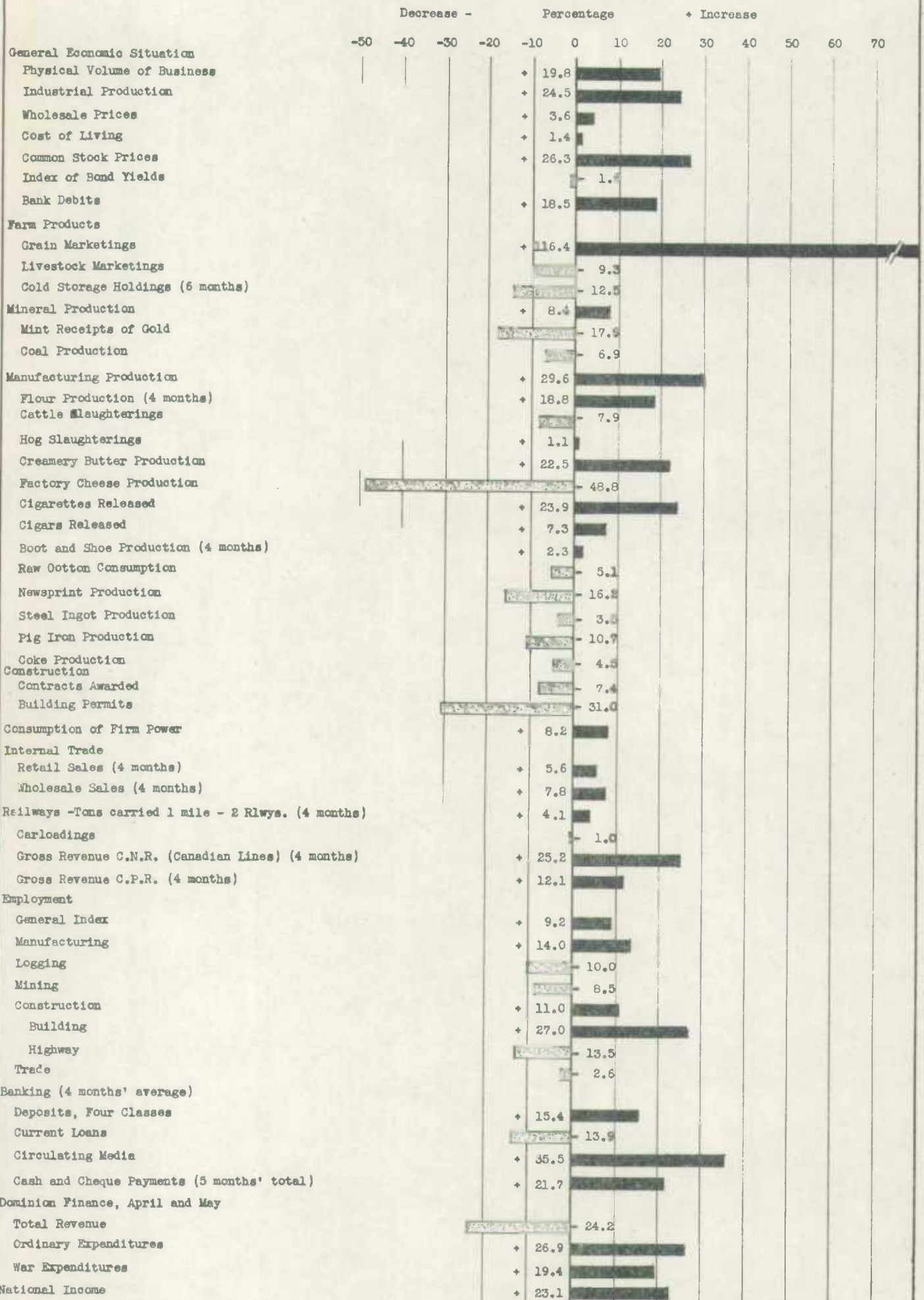
Twenty-one items recorded declines, while thirty-one showed increases.

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Minister of Trade and Commerce

THE ECONOMIC SITUATION IN CANADA

for the first five months of 1943

as compared with the same period of last year



Dominion Bureau of Statistics

Twenty-one items recorded declines while thirty-one showed increases.



TABLE A. - INVESTMENT INCOME BY PRINCIPAL CLASSES, 1919 - 1940

\$'000

Year	Net Dividends	Net Int. on Bonds and Debentures	Int. on Savings Deposits	Int. from Insurance and Annuity Contracts	Pensions and Annuities	Mortgage Interest	Net Rentals	Investment Income	
								Before Deduction of Div.	After International Bal. of Interest
1919 ...	171,820	158,834	25,268	16,485	25,661	41,012	107,866	546,946	372,646
1920 ...	193,654	187,325	27,593	16,425	39,275	44,780	130,160	639,212	467,412
1921 ...	181,522	201,160	28,426	16,699	39,483	47,157	160,158	674,605	483,605
1922 ...	182,897	215,082	28,365	19,218	37,341	48,882	183,640	715,425	524,225
1923 ...	191,664	214,649	28,906	21,614	38,330	48,710	198,785	742,658	530,658
1924 ...	194,045	214,779	30,088	23,092	40,534	49,574	208,401	760,513	558,813
1925 ...	213,809	209,763	29,770	25,539	43,289	50,616	208,812	781,598	571,998
1926 ...	249,163	217,401	31,419	26,579	44,861	52,801	205,520	827,744	610,044
1927 ...	253,935	222,838	33,141	29,970	47,544	57,496	197,368	842,292	615,792
1928 ...	289,762	227,597	35,630	33,630	51,192	65,377	207,333	910,521	675,221
1929 ...	327,041	231,583	36,857	39,495	52,544	68,217	215,995	971,732	699,832
1930 ...	367,896	248,827	36,876	45,372	66,607	71,024	226,783	1,063,385	756,585
1931 ...	318,833	254,189	37,807	50,429	73,743	71,072	197,910	1,003,983	710,683
1932 ...	241,949	264,951	35,650	57,780	69,946	67,350	143,600	881,226	605,926
1933 ...	189,001	265,818	31,781	59,271	70,888	61,341	101,480	779,580	539,080
1934 ...	196,000	273,813	29,207	53,758	75,140	59,685	79,189	766,792	527,192
1935 ...	224,971	258,369	25,560	50,874	79,332	57,124	90,131	786,361	546,661
1936 ...	260,172	241,489	22,958	49,311	82,274	57,924	95,547	809,675	543,875
1937 ...	302,271	225,676	21,240	48,932	91,380	55,529	122,610	867,638	586,038
1938 ...	320,672	218,840	20,749	50,500	98,204	53,976	137,932	900,873	613,073
1939 ...	323,856	218,806	21,082	54,163	101,123	50,248	155,661	924,939 <sup>1/</sup>	639,139 <sup>1/</sup>
1940 ...	324,772	223,816	20,316	53,271	103,488	49,027	169,338	944,028 <sup>1/</sup>	656,628 <sup>1/</sup>
1919-1940 Annual Averages	250,896	227,073	29,031	38,291	62,372	55,860	161,101	824,624	583,415

1/ Due to later changes. The totals for 1939 and 1940 are somewhat different from the results recently published.

NOTES TO TABLE "A"

Investment income, including pensions, rents, dividends, bond, mortgage and other interest, comprised about 14.6 p.c. of the total flow of income to individuals during the 22 years from 1919 to 1940. After adjustment for international payments, net dividends and bond interest amounted to 5.9 p.c., mortgage interest and net rentals made up 5.4 p.c., while interest on savings deposits and insurance and annuity contracts plus pensions and annuities constituted 3.3 p.c. of aggregate income received by Canadians. The remaining 85.4 p.c. was made up of occupational income such as salaries and wages, workmen's compensation for injuries, living allowances of so-called unpaid labour and withdrawals of working proprietors. Roughly speaking, six-sevenths of the payments to consumers is occupational income and one-seventh, investment income.



### Dividends

Only a part of the dividends paid by Canadian corporations was received by individuals living in Canada. A considerable portion was paid to other companies and an even larger sum to shareholders living abroad. On the other hand, dividends, declared and paid by external companies were received in appreciable amount by Canadian shareholders. The total of net dividends received by individuals in Canada is determined from the annual compilations of the Income Tax Division, of the unit engaged on the International Balance of Payments and by an examination of a large number of corporation accounts.

### Bond Interest

A similar procedure is followed in computing the amount of bond interest received by individuals. Bond interest received by insurance companies and other financial institutions being generally in excess of payments, appears as a negative item. Bond interest receipts are deducted from payments by the enterprises of 23 of the thirty industrial and service groups. Negative amounts are shown for banking, trust and insurance companies throughout the entire period. An adjustment is necessary for interest received by individuals from external sources.

### Interest on Savings Deposits

Interest on the savings deposits of the chartered and other operating banks was estimated by taking a percentage of the appropriate portion of such accounts. The distribution of notice deposit accounts according to size made available by the chartered banks each year since 1934 was useful in determining the savings deposits of individuals. Trust company payments were determined by multiplying the two-year moving averages of guaranteed funds by the average rates of interest paid. Interest incurred on savings deposits of loan companies was compiled or estimated from the annual reports of the Registrar of Loan Corporations, Ontario, of the Superintendent of Insurance and the Annual Financial Review.

### Interest from Insurance and Annuity Contracts

The basic information for the compilation of this item was obtained from the annual Reports of the Superintendent of Insurance from 1919 to the present. A relationship between income and expenditure was the basic assumption. The receipts of the companies and societies consist mainly of premium and investment income. The net income available for insurance and annuity contracts is obtained by deducting supplemental contracts, amounts left with the companies and societies and total expenses from the total income. The investment income consisting of interest, dividends and rents was then expressed as a percentage of the net income available for claims, and this percentage was applied to net disbursements under Insurance Annuity Contracts to estimate investment income paid to policy-holders or their beneficiaries.

### Pensions and Annuities

Pensions were compiled in connection with the operating accounts of steam railways, electric railways, telephones, banking, insurance, education and government. The Dominion Government disbursed Indian annuities under Section 162 of the Indian Act. There was also included that portion paid out of the Government Annuity account which represented interest on the money invested in the account by the annuitant. Civil service annuities were paid by the Provincial governments of Manitoba and British Columbia.

### Mortgage Interest

By utilizing the results of the decennial census, the annual reports of the Dominion and various provincial governments and the yearly statements of insurance, mortgage, trust, bank and railway companies, the amount of mortgage interest paid to individuals was estimated. Mortgages held by individuals are divided into liens on farms and on non-farm property. The latter covers business and industrial property as well as residential, the total being segregated under the industrial group of real estate.

### Net Rentals

Net rentals, whether for residential or business property, are an important form of return on investment. Offsetting expenses such as taxes, interest on mortgages, fire insurance, repairs, depreciation, and other costs incidental to the ownership of property are deducted and allowances made for vacancies and non-collection of rents on rented properties to obtain the net return. An estimate of imputed rent for owner-occupied houses is also included. Although a house is regarded as a consumption good, the occupation of it involves an addition to the income of the owner-occupant. The net imputed rental is estimated on the basis of actual rents paid for houses of similar type and location.

CHART A RELATIVE IMPORTANCE OF SEVEN TYPES OF INVESTMENT INCOME

Before Deduction of International Balance of Dividends and Interest

In Terms of Annual Averages, 1919-1940.

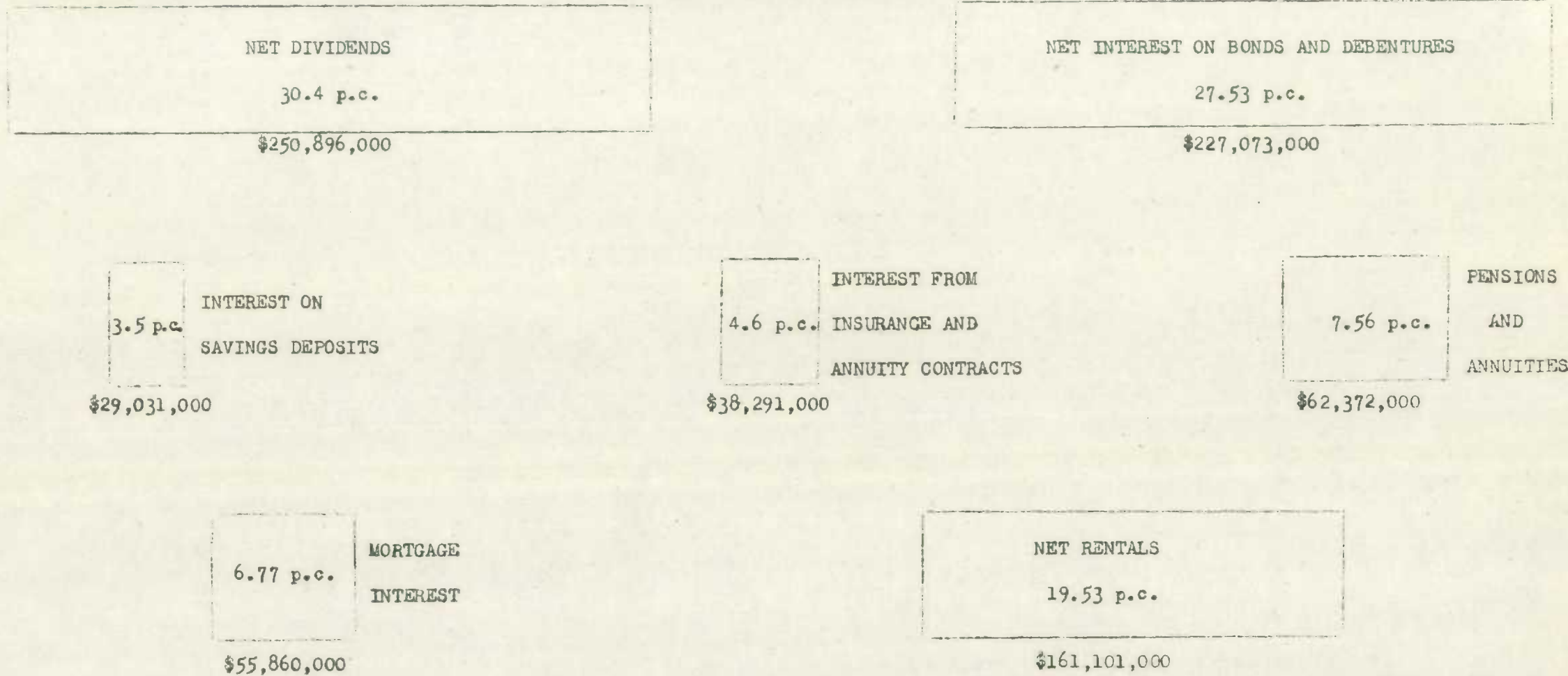
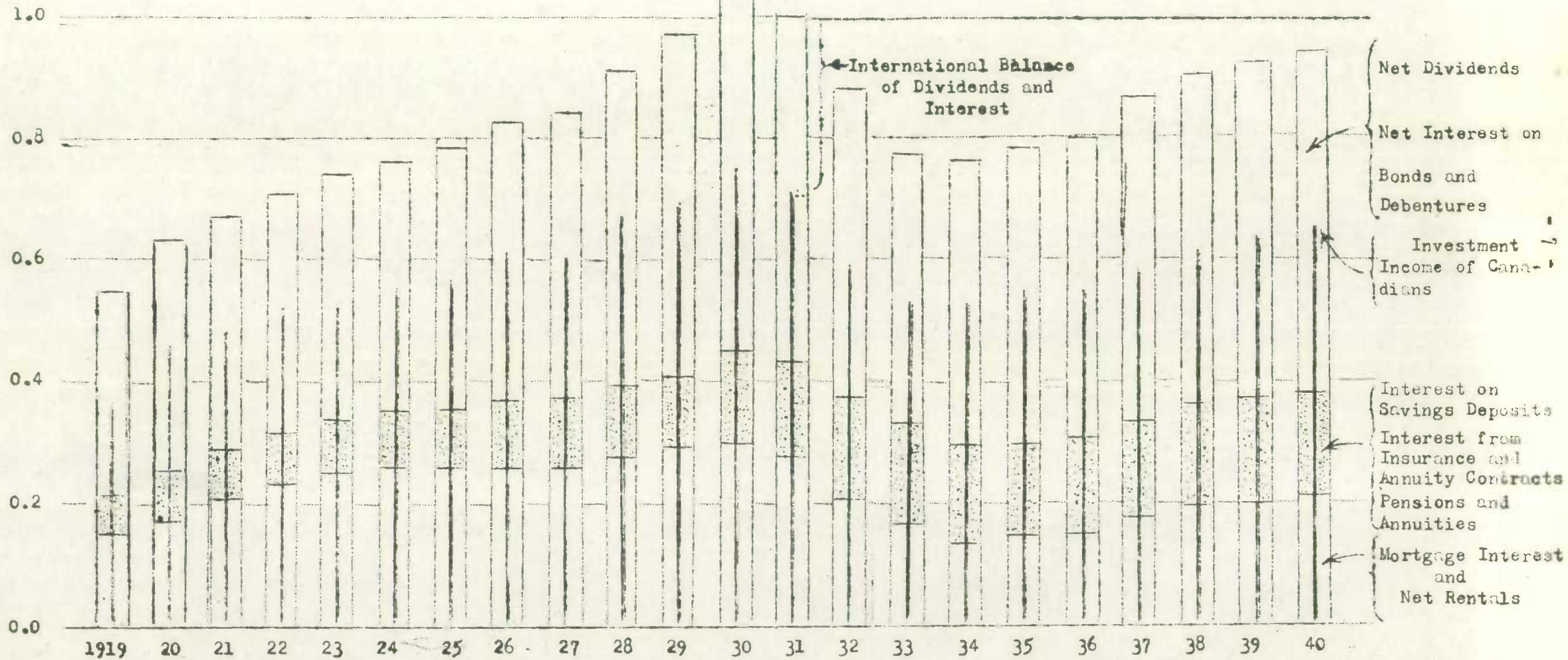


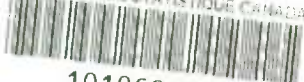


CHART B INVESTMENT INCOME BY PRINCIPAL ITEMS 1919-1940

Billion  
Dollars

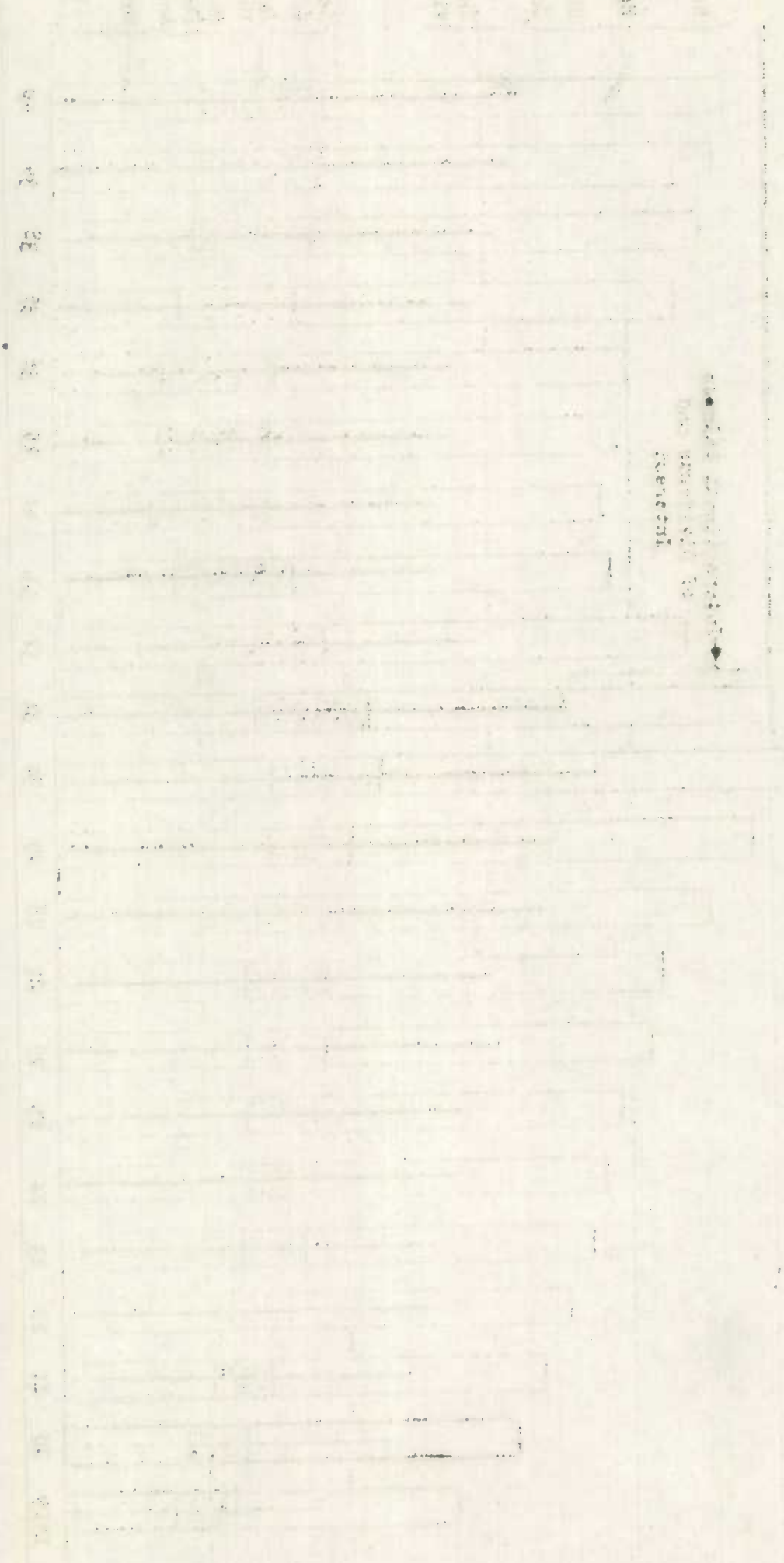


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